

THIS DOCUMENT AND ANY ACCOMPANYING DOCUMENTS ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you are recommended to seek your own personal financial advice as soon as possible from your stockbroker, bank, solicitor, accountant, fund manager or other appropriate independent financial adviser authorised under FSMA if you are in the United Kingdom, or, if not, from another appropriately authorised independent financial adviser.

The distribution of this Prospectus and/or the Provisional Allotment Letters and/or the transfer of the Nil Paid Rights, the Fully Paid Rights and/or the Melrose Shares, through CREST or otherwise, into jurisdictions outside the United Kingdom may be restricted by law. Persons outside the United Kingdom into whose possession this Prospectus comes should inform themselves about, and observe, any applicable restrictions and legal, exchange control or regulatory requirements in relation to the distribution of the Prospectus. Any failure to comply with such restrictions or requirements may constitute a violation of the securities laws of any such jurisdiction.

Subject to the restrictions set out below, if you sell or otherwise transfer or have sold or otherwise transferred all of your Existing Melrose Shares (other than ex-rights) held in certificated form before 8.00 a.m. on 9 August 2016 (the “**ex-rights date**”), you should forward a copy of this Prospectus and send any Provisional Allotment Letter (duly renounced), if and when received, as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee. None of these documents should, however, be distributed, forwarded or transmitted in or into any jurisdiction where to do so might constitute a violation of local securities laws or regulations, including but not limited to the United States and any of the Excluded Territories (subject to certain exceptions).

If you sell or otherwise transfer or have sold or otherwise transferred only part of your holding of Existing Melrose Shares (other than ex-rights) held in certificated form before the ex-rights date, you should immediately consult the stockbroker, bank or other agent through whom the sale or transfer was effected and refer to the instructions regarding split applications in Part XI (*Terms and Conditions of the Rights Issue*) of this Prospectus and in the Provisional Allotment Letter. If you sell or otherwise transfer or have sold or otherwise transferred all or some of your Existing Melrose Shares (other than ex-rights) held in uncertificated form before the ex-rights date, a claim transaction will automatically be generated by Euroclear, which, on settlement, will transfer the appropriate number of Nil Paid Rights to the purchaser or transferee.

This Prospectus, which comprises a prospectus relating to the Melrose Shares prepared in accordance with the Prospectus Rules made under section 73A of the Financial Services and Markets Act 2000 (as amended) (“**FSMA**”), has been approved by the FCA in accordance with section 87A of FSMA and made available, free of charge, to the public in accordance with rule 3.2 of the Prospectus Rules.

Prospective investors should read the whole of this Prospectus and any documents incorporated herein by reference. In particular, your attention is drawn to the factors described in the “Risk Factors” section of this Prospectus.



Melrose Industries PLC

(incorporated under the Companies Act 2006 and registered in England and Wales with registered number 9800044)

Proposed Acquisition of Nortek

Proposed 12 for 1 Rights Issue of 1,741,612,236 New Melrose Shares at 95 pence per New Melrose Share to raise approximately £1,655 million

Proposed Admission of 1,741,612,236 New Melrose Shares to the premium segment of the Official List and to trading on the London Stock Exchange main market for listed securities and proposed Re-admission or transfer of the Melrose Shares to the standard segment of the Official List

Investec Bank plc

Joint Sponsor, Joint Global Co-ordinator, Joint Bookrunner and Joint Underwriter

J.P. Morgan Cazenove

Joint Sponsor, Joint Global Co-ordinator, Joint Bookrunner and Joint Underwriter

BofA Merrill Lynch

Joint Bookrunner and Joint Underwriter

Nomura International PLC

Lead Financial Adviser

Applications will be made to the UKLA for the New Melrose Shares (issued in connection with the Rights Issue) to be admitted to the premium segment of the Official List and to the London Stock Exchange for the admission to trading of the New Melrose Shares on its main market for listed securities. It is currently expected that Admission of the New Melrose Shares will become effective and that dealings (for normal settlement) in the New Melrose Shares will commence on the London Stock Exchange, nil paid, at 8.00 a.m. on 9 August 2016 (whereupon an announcement will be made by the Company to a Regulatory Information Service).

The Melrose Shares are currently (and it is expected that the New Melrose Shares will be) admitted to the premium segment of the Official List and to trading on the London Stock Exchange's main market for listed securities. As the Acquisition constitutes a reverse takeover under the Listing Rules, upon Completion, the listing of Melrose Shares on the premium segment of the Official List will be cancelled. Further applications will be made to the UKLA for the Melrose Shares (at such time comprising the Existing Melrose Shares and the New Melrose Shares) to be re-admitted to the standard segment of the Official List and to the London Stock Exchange for the re-admission of the Melrose Shares to trading of the Melrose Shares on its main market for listed securities.

It is currently expected that Re-admission will become effective post Completion at 8.00 a.m. on 31 August 2016 (and in any case no earlier than 20 Business Days from the date of the General Meeting) (whereupon an announcement will be made by the Company to a Regulatory Information Service).

Should Completion not occur, subject to the passing of resolution 4 set out in the Notice of General Meeting, the listing of the Melrose Shares will nevertheless be transferred from the premium segment to the standard segment of the Official List on 10 October 2016, whereupon an announcement will be made by the Company to a Regulatory Information Service.

A STANDARD LISTING AFFORDS INVESTORS IN MELROSE A LOWER LEVEL OF REGULATORY PROTECTION THAN THAT AFFORDED TO INVESTORS IN COMPANIES WHOSE SECURITIES ARE ADMITTED TO THE PREMIUM SEGMENT OF THE OFFICIAL LIST, WHICH ARE SUBJECT TO ADDITIONAL OBLIGATIONS UNDER THE LISTING RULES.

IT SHOULD BE NOTED THAT, UPON THE MELROSE SHARES BEING RE-ADMITTED OR TRANSFERRED TO THE STANDARD SEGMENT OF THE OFFICIAL LIST, NEITHER THE UKLA NOR THE LONDON STOCK EXCHANGE WILL HAVE THE AUTHORITY TO (AND WILL NOT) MONITOR MELROSE'S COMPLIANCE WITH ANY OF THE LISTING RULES OR THE DISCLOSURE REQUIREMENTS AND TRANSPARENCY RULES WHICH MELROSE HAS INDICATED HEREIN THAT IT INTENDS TO COMPLY WITH ON A VOLUNTARY BASIS, NOR TO IMPOSE SANCTIONS IN RESPECT OF ANY FAILURE BY MELROSE TO SO COMPLY.

See the section of this Prospectus entitled "*Important Information*" for further details on the consequences of a Standard Listing.

Subject to, among other things, the passing of the Transaction Resolutions and the expiry of the Window Shop Deadline without the occurrence of a Superior Proposal Termination Event, it is expected that Qualifying Non-CREST Shareholders (subject to certain exceptions) will be sent a Provisional Allotment Letter on 8 August 2016, and that Qualifying CREST Shareholders (subject to certain exceptions) will receive a credit to their appropriate stock accounts in CREST in respect of the Nil Paid Rights to which they are entitled as soon as practicable after 8.00 a.m. on 9 August 2016. The Nil Paid Rights so credited in CREST are expected to be enabled for settlement by Euroclear as soon as practicable after Admission. The Underwriters may, in accordance with applicable legal and regulatory provisions and subject to the Underwriting Agreement, engage in transactions in relation to the Nil Paid Rights, the Fully Paid Rights, the Melrose Shares and/or related instruments for their own account for the purpose of hedging their commitments under the Underwriting Agreement. Except as required by applicable law or regulation, the Underwriters do not propose to make any public disclosure in relation to such transactions.

The expected latest time and date for acceptance of, and payment in full for, the New Melrose Shares by holders of Nil Paid Rights is expected to be 11.00 a.m. on 23 August 2016. The procedures for delivery of the Nil Paid Rights, acceptance and payment are set out in Part XI (*Terms and Conditions of the Rights Issue*) of this Prospectus and, for Qualifying Non-CREST Shareholders only, also in the Provisional Allotment Letter. Qualifying CREST Shareholders should refer to paragraph 5 of Part XI (*Terms and Conditions of the Rights Issue*) of this Prospectus.

Qualifying Non-CREST Shareholders should retain this Prospectus for reference pending receipt of a Provisional Allotment Letter. Qualifying CREST Shareholders should note that they will receive no further written communication from Melrose in respect of the Rights Issue. They should accordingly retain this Prospectus for, among other things, details of the action they should take in respect of the Rights Issue. Qualifying CREST Shareholders who are CREST sponsored members should refer to their CREST sponsors regarding the action to be taken in connection with this Prospectus and the Rights Issue. Holdings of Melrose Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Rights Issue.

The Nil Paid Rights, the Fully Paid Rights, the Provisional Allotment Letters and the New Melrose Shares are not transferable, except in accordance with, and the distribution of this Prospectus is subject to, the restrictions set out in paragraph 7 of Part XI (*Terms and Conditions of the Rights Issue*) of this Prospectus in relation to the United States and the Excluded Territories. No action has been taken by the Company, the Sponsors or the Underwriters that would permit an offer of the New Melrose Shares or rights thereto or possession or distribution of this Prospectus or any other offering or publicity material or the Provisional Allotment Letters, the Nil Paid Rights or the Fully Paid Rights in any jurisdiction where action for that purpose is required, other than in the United Kingdom.

This Prospectus has been prepared to comply with the requirements of English law, the Listing Rules, the Prospectus Rules and the rules of the London Stock Exchange and information disclosed may not be the same as that which would have been disclosed if this Prospectus had been prepared in accordance with the laws of other jurisdictions outside England.

Despite any other provision of this document or the Provisional Allotment Letter, the Company reserves the right to permit any shareholder to take up his rights if the Company in its sole and absolute discretion is satisfied that the transaction in question is exempt from or not subject to the legislation or regulations giving rise to the restrictions in question.

The Nil Paid Rights, the Fully Paid Rights, the Provisional Allotment Letters and the New Melrose Shares have not been and will not be registered under the relevant federal laws or laws of any state, province or territory of the United States (including the US Securities Act) or the Excluded Territories or under any securities laws of any state or other jurisdiction of the United States or any Excluded Territory and may not be offered, sold, taken up, exercised, resold, pledged, renounced, transferred or delivered, directly or indirectly, within the United States except pursuant to an applicable exemption from, or in a transaction not subject to the registration requirements of, the US Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States. Accordingly, this Prospectus does not constitute an offer to sell, or solicitation of an offer to buy or to take up entitlements to, Nil Paid Rights, Fully Paid Rights, New Melrose Shares or Provisional Allotment Letters in the United States (unless an exemption from registration under the US Securities Act is available) or in any Excluded Territory (subject to certain exceptions). The Provisional Allotment Letters, Nil Paid Rights, Fully Paid Rights and the New Melrose Shares may at the sole discretion of the Company be made available by the Company in the United States to Eligible US Holders. Any recipient of Provisional Allotment Letters, Nil Paid Rights, Fully Paid Rights or New Melrose Shares pursuant to transactions that are exempt from the registration requirements of the US Securities Act will be required to make such acknowledgements and representations to and agreements with the Company, as the Company may require to establish that they are Eligible US Holders.

None of the Nil Paid Rights, the Fully Paid Rights, the Provisional Allotment Letters, the New Melrose Shares, this Prospectus or any other offering document has been approved or disapproved by the SEC, any state securities commission in the United States or any US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the Rights Issue or the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offence in the United States.

In addition, until 40 days after the commencement of the Rights Issue, an offer, sale or transfer of the New Melrose Shares, the Nil Paid Rights, the Fully Paid Rights or the Provisional Allotment Letters within the United States by a dealer that is participating in the Rights Issue may violate the registration requirements of the US Securities Act.

All Qualifying Shareholders with an address in, or who are located in, the United States or any of the Excluded Territories and any person (including, without limitation, a custodian, nominee, agent or trustee) who has a contractual or legal obligation to forward this Prospectus or any Provisional Allotment Letter to any jurisdiction outside the United Kingdom should read paragraph 7 of Part XI (*Terms and Conditions of the Rights Issue*) of this Prospectus.

Each of Investec Bank plc, J.P. Morgan Securities plc (which conducts its investment banking activities as J.P. Morgan Cazenove) (“**J.P. Morgan Cazenove**”), Merrill Lynch International (“**BofA Merrill Lynch**”) and Nomura International PLC, each of which is authorised by the Prudential Regulation Authority (“**PRA**”) and regulated by the PRA and the FCA in the United Kingdom, and J.P. Morgan Limited and Evercore Partners International LLP, each of which is authorised and regulated by the FCA in the United Kingdom, is acting exclusively for the Company and no one else in connection with this Prospectus, the Acquisition or the Rights Issue and will not regard any other person (whether or not a recipient of this

Prospectus) as their respective clients in relation to this Prospectus, the Acquisition or the Rights Issue, save for any responsibility which may arise under FSMA or the regulatory regime established thereunder, and accordingly will not be responsible to anyone other than the Company for providing the protections afforded to respective clients of Investec Bank plc, J.P. Morgan Cazenove, BofA Merrill Lynch, Nomura International PLC, J.P. Morgan Limited and Evercore Partners International LLP as applicable, or for providing advice in connection with the Acquisition or the Rights Issue, the contents of this Prospectus or any other transaction, arrangement or other matter referred to in this Prospectus.

Apart from the responsibilities and liabilities, if any, which may be imposed on Investec Bank plc, J.P. Morgan Cazenove or J.P. Morgan Limited under FSMA or the regulatory regime established thereunder: (i) none of Investec Bank plc, J.P. Morgan Cazenove, BofA Merrill Lynch, Nomura International PLC, J.P. Morgan Limited or Evercore Partners International LLP accepts any responsibility whatsoever and makes no warranty or representation, express or implied, in relation to the contents of this Prospectus, including its accuracy, completeness or verification or regarding the legality of any investment in the Nil Paid Rights, the Fully Paid Rights or the New Melrose Shares by any person under the laws applicable to such person or for any other statement made or purported to be made by it, or on its behalf, in connection with the Company, the Nil Paid Rights, the Fully Paid Rights, the Melrose Shares, the Acquisition or the Rights Issue; and (ii) each of Investec Bank plc, J.P. Morgan Cazenove, BofA Merrill Lynch, Nomura International PLC, J.P. Morgan Limited and Evercore Partners International LLP accordingly disclaims, to the fullest extent permitted by law, all and any liability whether arising in tort, contract or otherwise (save as referred to above) which they might otherwise be found to have in respect of this Prospectus or any such statement.

In making an investment decision, each investor must rely on their own examination, analysis and enquiry of the Company and the terms of the Rights Issue, including the merits and risks involved.

None of the Company or the Underwriters, or any of their respective representatives, is making any representation to any offeree or purchaser of the Nil Paid Rights, the Fully Paid Rights or the New Melrose Shares regarding the legality of an investment in the Nil Paid Rights, the Fully Paid Rights or the New Melrose Shares by such offeree or purchaser under the laws applicable to such offeree or purchaser. Each investor should consult with his or her own advisors as to the legal, tax, business, financial and related aspects of a purchase of the Nil Paid Rights, the Fully Paid Rights or the New Melrose Shares.

Investors also acknowledge that: (i) they have not relied on the Underwriters or any person affiliated with the Underwriters in connection with any investigation of the accuracy of any information contained in this Prospectus or their investment decision; (ii) they have relied only on the information contained in this Prospectus; and (iii) that no person has been authorised to give any information or to make any representation concerning the Company or its subsidiaries or the Nil Paid Rights, the Fully Paid Rights or the New Melrose Shares (other than as contained in this Prospectus) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company or the Underwriters.

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SUMMARY

Summaries are made up of disclosure requirements known as ‘Elements’. The elements are numbered in Sections A – E (A.1 – E.7). This summary contains all the Elements required to be included in a summary for this type of securities and issuer. Because some of the Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements. Even though an Element may be required to be inserted because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of ‘not applicable’.

Section A—INTRODUCTION AND WARNINGS		
Element	Disclosure Requirement	Disclosure
A.1	Warning	<p>THE FOLLOWING SUMMARY SHOULD BE READ AS AN INTRODUCTION TO THIS PROSPECTUS ONLY. ANY DECISION TO INVEST IN MELROSE SHARES SHOULD BE BASED ON A CONSIDERATION OF THIS PROSPECTUS AS A WHOLE INCLUDING THE INFORMATION INCORPORATED BY REFERENCE INTO THIS PROSPECTUS.</p> <p><i>Where a claim relating to information contained in this Prospectus is brought before a court, a plaintiff investor might, under the national legislation of the EEA States, have to bear the costs of translating this Prospectus before legal proceedings are initiated. Civil liability attaches only to those persons who have tabled this summary, including any translation of this summary but only if this summary is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus or it does not provide, when read together with the other parts of this Prospectus, key information in order to aid investors when considering whether to invest in Melrose Shares.</i></p>
A.2	Subsequent resale of securities or final placement of securities through financial intermediaries	<i>Not applicable. The Company is not engaging any financial intermediaries for any resale of securities or final placement of securities after publication of this Prospectus.</i>

Section B—ISSUER		
Element	Disclosure Requirement	Disclosure
B.1	Legal and commercial name	Melrose Industries PLC (the “ Company ” or “ Melrose ”)
B.2	Domicile and legal form, applicable legislation and jurisdiction of incorporation	The Company was incorporated in England and Wales on 29 September 2015 under the Companies Act as a public company limited by shares with registration number 9800044. The Company is domiciled in the United Kingdom and the principal legislation under which it operates is the Companies Act.
B.3	Current operations and principal activities	<p>The Melrose Group</p> <p>Melrose’s strategy is to purchase good manufacturing businesses with strong fundamentals whose performance can be improved. Melrose finances its acquisitions using a low level of leverage, improves the businesses by a mixture of investment and changed management focus, sells them and returns the proceeds to shareholders.</p>

Section B—ISSUER		
Element	Disclosure Requirement	Disclosure
		<p>The principal business operated by Melrose’s trading subsidiaries is Brush. Brush Turbogenerators is the world’s largest independent manufacturer of electricity-generating equipment for the power generation, industrial, oil & gas and offshore sectors.</p> <p>From its five plants in the UK, the Czech Republic, the Netherlands, the US and the newly built generator plant in China, Brush designs, manufactures and services turbogenerators, for both gas and steam turbine applications, and supplies a globally diverse customer base.</p> <p>In addition, Brush designs and manufactures systems and power transformers under the brand name ‘Brush Transformers’ and also produces a wide range of indoor and outdoor medium voltage AC/DC switchgear under the ‘Hawker Siddeley Switchgear’ brand name. A further brand, ‘Harrington Generators International’, is a specialist UK-based small generator manufacturer supplying the construction, military, telecoms and rail sectors.</p> <p>Following the Acquisition, the Enlarged Group will include the Nortek Group. The Nortek Group is a global, diversified industrial group that leverages its strong brands, design and manufacturing capabilities and business system to deliver industry-leading innovative air management, security, home automation and ergonomic and productivity solutions. The Nortek Group manufactures and sells a wide variety of products principally for the remodelling and replacement markets, the residential and commercial new construction markets, the manufactured housing market, and the personal and enterprise computer markets, primarily in the United States, Canada and Europe, with additional manufacturing in China and Mexico.</p>
B.4a	Significant recent trends affecting the Melrose Group and the industries in which it operates	<p>The Melrose Group</p> <p><i>Melrose</i></p> <p>Melrose invests in international manufacturing companies and is therefore directly and indirectly impacted by events occurring in the global economy.</p> <p>The world economy remains very uncertain and generally there has been an increase in nervousness among most economic commentators, many of whom are concerned that growth will be harder to achieve over the near term. This caution applies to most major economies of the world.</p> <p>Some major themes are driving these concerns, including the well-documented events in the oil and gas sector, the slowing growth in China and the persisting recessions in Brazil and Russia. Other economic concerns exist and this uncertainty is leading to weaker business investment across the globe. Manufacturing companies are not immune to these concerns and some are more acutely affected than others, such as those closely aligned to the oil and gas sector.</p> <p><i>Brush</i></p> <p>Slow growth in the global economy has impacted growth in power generation. Advances in technology are resulting in the development of larger, more efficient turbines, often in excess of sizes traditionally supplied by Brush.</p>

Section B—ISSUER		
Element	Disclosure Requirement	Disclosure
		<p>Exceptionally low oil and gas prices are having a negative impact on oil and gas investment projects, predominantly in the upstream sector of the industry, to which Brush has exposure through its end-users.</p> <p>Brush has seen increased consolidation within its customer base, as current or potential customers have acquired generator manufacturing businesses.</p> <p><i>Trading update</i></p> <p>On 11 May 2016, the Company published a trading statement, an extract of which is set out below:</p> <p><i>“Current trading in Melrose in 2016 is in line with expectations, with Brush performing satisfactorily this year.”</i></p> <p>There has been no change to the Board’s expectations since the publication of the trading statement on 11 May 2016.</p>
	Significant recent trends affecting the Nortek Group and the industries in which it operates	<p>The Nortek Group</p> <p><i>Recent trends</i></p> <p>Key US economic indicators point to continued momentum in construction. Approximately 49% of Nortek’s sales during 2015 were in the residential repairs and remodelling sector which, in the first quarter of 2016, marked its 12th consecutive quarter of growth in the US, according to the National Association of Home Builders (“NAHB”) Remodelling Market Index. According to the NAHB housing forecast released on 31 May 2016, new housing starts in the US (being the number of privately-owned new houses on which construction is commenced in a given period and a sector accounting for 12% of Nortek’s sales during 2015) are projected to increase to 1.2 million units in 2016 and 1.3 million units in 2017, representing year-on-year increases of 7% and 11%, respectively.</p> <p><i>Trading update</i></p> <p>On 12 May 2016, Nortek published commentary on its financial results for the first quarter ended 2 April 2016, extracts of which are set out below:</p> <p><i>“[Nortek] started the year with positive momentum, posting solid first quarter financial performance led by market demand, innovation across [its] businesses and the benefits of [its] transformation efforts”</i></p> <p><i>“[Nortek] were especially pleased to deliver strong organic net sales growth of 8% and organic adjusted EBITDA growth of 31% over the prior year period. Strength was broad-based, with Air Quality, Security, Ergonomics and HVAC all posting double-digit organic net sales growth compared to last year. In [its] HVAC business, [Nortek] continue to be encouraged by the order trends and [its] delivery performance is tracking well. Benefitting from [Nortek’s] restructuring efforts and the discontinuation of unprofitable product lines, [its] Custom Air and AV businesses delivered meaningful year-over-year improvements in segment adjusted operating earnings in the first quarter.”</i></p> <p>There has been no change to the Board’s expectations of Nortek since the publication of the commentary on 12 May 2016.</p>

Section B—ISSUER

Element	Disclosure Requirement	Disclosure																																																																																																							
B.5	Description of the Melrose Group and Melrose's position therein	Melrose is the holding company of the Melrose Group and, following Completion, will be the holding company of the Enlarged Group.																																																																																																							
B.6	Notifiable interests in Melrose and voting rights	<p>As at the Latest Practicable Date, the following voting interests in the ordinary share capital of the Company, disclosable under Chapter 5 of the Transparency Rules, had been notified to the Company:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th rowspan="3" style="text-align: left; vertical-align: bottom;">Shareholder</th> <th colspan="2" style="text-align: center; border-bottom: 1px solid black;">Interests as notified to the Company</th> <th colspan="2" style="text-align: center; border-bottom: 1px solid black;">Interests immediately following the Rights Issue</th> </tr> <tr> <th style="text-align: center; border-bottom: 1px solid black;">Number of Existing Melrose Shares</th> <th style="text-align: center; border-bottom: 1px solid black;">Percentage of existing issued share capital</th> <th style="text-align: center; border-bottom: 1px solid black;">Number of Ordinary Shares following Rights Issue⁽²⁾</th> <th style="text-align: center; border-bottom: 1px solid black;">Percentage of issued share capital following Rights Issue⁽²⁾</th> </tr> </thead> <tbody> <tr> <td>Old Mutual plc</td> <td style="text-align: right;">10,267,701</td> <td style="text-align: right;">7.1%</td> <td style="text-align: right;">133,480,113</td> <td style="text-align: right;">7.1%</td> </tr> <tr> <td>Ameriprise Financial, Inc</td> <td style="text-align: right;">57,982,217⁽¹⁾</td> <td style="text-align: right;">5.8%</td> <td style="text-align: right;">109,924,607</td> <td style="text-align: right;">5.8%</td> </tr> <tr> <td>BlackRock, Inc.</td> <td style="text-align: right;">7,127,896</td> <td style="text-align: right;">4.9%</td> <td style="text-align: right;">92,662,648</td> <td style="text-align: right;">4.9%</td> </tr> <tr> <td>Schroders plc</td> <td style="text-align: right;">47,968,415⁽¹⁾</td> <td style="text-align: right;">4.5%</td> <td style="text-align: right;">90,940,109</td> <td style="text-align: right;">4.5%</td> </tr> <tr> <td>Legal & General Investment Management</td> <td style="text-align: right;">39,791,884⁽¹⁾</td> <td style="text-align: right;">4.0%</td> <td style="text-align: right;">75,438,779</td> <td style="text-align: right;">4.0%</td> </tr> </tbody> </table> <p>Notes:</p> <p>(1) Such holdings of Existing Melrose Shares have not been re-notified to the Company since the Share Capital Consolidation became effective on 28 January 2016 and, as such, the number of Existing Melrose Shares is as notified to the Company prior to this consolidation.</p> <p>(2) Assuming each major Melrose Shareholder takes up its rights to New Melrose Shares in full and the maximum number of New Melrose Shares is issued. Where such holdings of Existing Melrose Shares has not been re-notified to the Company since the Share Capital Consolidation as set out in note 1, such number of Ordinary Shares following the Rights Issue has been calculated by applying the Share Capital Consolidation ratio of 7 for every 48 shares to the number of Existing Melrose Shares notified.</p> <p>As at the Latest Practicable Date, the interests (all of which are beneficial) of the Directors, their immediate families and (so far as is known to them or could with reasonable diligence be ascertained by them) persons connected (within the meaning of section 96B of FSMA) with the Directors in the issued share capital of Melrose, together with such interests as are expected to subsist immediately following Admission, are set out in the following tables:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th rowspan="3" style="text-align: left; vertical-align: bottom;"></th> <th colspan="2" style="text-align: center; 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B.7	Selected historical financial information	<p>The Melrose Group</p> <p>The tables below set out selected consolidated financial information of the Melrose Group for the periods indicated which has been extracted without material adjustment from the financial information as described below.</p> <p>As disclosed in note 1 to the Melrose Group’s audited consolidated financial statements for the year ended 31 December 2015, the comparative figures for the year ended 31 December 2014 have been restated to include the results of the Elster Group and Prelok within discontinued operations. The balance sheet for the year ended 31 December 2014 has been restated to reflect the completion of the acquisition accounting of Eclipse, Inc. and to reflect the new parent company of the Melrose Group. Accordingly, financial information for the year ended 31 December 2014 has been extracted without adjustment from the unaudited, restated comparatives included in the audited consolidated financial statements for the year ended 31 December 2015.</p> <p>As disclosed in note 1 to the Melrose Group’s audited consolidated financial statements for the year ended 31 December 2014, the comparative figures for the year ended 31 December 2013 have been restated to include the results of Bridon within discontinued operations. Accordingly, financial information for the year ended 31 December 2013 has been extracted without adjustment from the unaudited, restated comparatives included in the audited consolidated financial statements for the year ended 31 December 2014. The 2013 financial information has not been restated to reflect the disposal of Elster.</p> <p>Condensed consolidated income statement</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th rowspan="3"></th> <th colspan="5" style="text-align: center;">Year ended 31 December</th> </tr> <tr> <th style="text-align: center;">2015</th> <th style="text-align: center;">2014⁽¹⁾</th> <th style="text-align: center;">2014</th> <th style="text-align: center;">2013⁽²⁾</th> <th style="text-align: center;">2013</th> </tr> <tr> <th style="text-align: center;">£m</th> <th style="text-align: center;">£m</th> <th style="text-align: center;">£m</th> <th style="text-align: center;">£m</th> <th style="text-align: center;">£m</th> </tr> </thead> <tbody> <tr> <td></td> <td></td> <td style="text-align: center;">Unaudited</td> <td></td> <td style="text-align: center;">Unaudited</td> <td></td> </tr> <tr> <td>Revenue</td> <td style="text-align: right;">261.1</td> <td style="text-align: right;">324.3</td> <td style="text-align: right;">1,377.5</td> <td style="text-align: right;">1,466.4</td> <td style="text-align: right;">1,732.8</td> </tr> <tr> <td>Gross profit</td> <td style="text-align: right;">82.1</td> <td style="text-align: right;">107.7</td> <td style="text-align: right;">502.5</td> <td style="text-align: right;">514.4</td> <td style="text-align: right;">607.3</td> </tr> <tr> <td>Operating profit</td> <td style="text-align: right;">4.8</td> <td style="text-align: right;">37.0</td> <td style="text-align: right;">162.4</td> <td style="text-align: right;">192.5</td> <td style="text-align: right;">219.9</td> </tr> <tr> <td>Headline⁽³⁾ operating profit</td> <td style="text-align: right;">20.8</td> <td style="text-align: right;">47.7</td> <td style="text-align: right;">246.0</td> <td style="text-align: right;">240.0</td> <td style="text-align: right;">274.9</td> </tr> <tr> <td>(Loss)/Profit before tax</td> <td style="text-align: right;">(30.7)</td> <td style="text-align: right;">12.5</td> <td style="text-align: right;">128.9</td> <td style="text-align: right;">144.0</td> <td style="text-align: right;">171.1</td> </tr> <tr> <td>(Loss)/Profit for the year from continuing operations</td> <td style="text-align: right;">(16.3)</td> <td style="text-align: right;">8.2</td> <td style="text-align: right;">87.1</td> <td style="text-align: right;">102.4</td> <td style="text-align: right;">121.9</td> </tr> <tr> <td>Profit for the year from discontinued operations</td> <td style="text-align: right;">1,424.3</td> <td style="text-align: right;">186.5</td> <td style="text-align: right;">107.6</td> <td style="text-align: right;">462.2</td> <td style="text-align: right;">442.7</td> </tr> <tr> <td>Profit for the year</td> <td style="text-align: right;">1,408.0</td> <td style="text-align: right;">194.7</td> <td style="text-align: right;">194.7</td> <td style="text-align: right;">564.6</td> <td style="text-align: right;">564.6</td> </tr> <tr> <td>Earnings per share</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>From continuing operations:</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Basic</td> <td style="text-align: right;">(1.6)p</td> <td style="text-align: right;">0.8p</td> <td style="text-align: right;">7.9p</td> <td style="text-align: right;">7.9p</td> <td style="text-align: right;">9.5p</td> </tr> <tr> <td>Diluted</td> <td style="text-align: right;">(1.6)p</td> <td style="text-align: right;">0.7p</td> <td style="text-align: right;">7.8p</td> <td style="text-align: right;">7.8p</td> <td style="text-align: right;">9.3p</td> </tr> </tbody> </table> <p>Notes:</p> <p>(1) Restated to include the results of the Elster Group and Prelok within discontinued operations.</p> <p>(2) Restated to include the results of Bridon within discontinued operations.</p> <p>(3) Before exceptional costs, exceptional income and intangible asset amortisation.</p>		Year ended 31 December					2015	2014 ⁽¹⁾	2014	2013 ⁽²⁾	2013	£m	£m	£m	£m	£m			Unaudited		Unaudited		Revenue	261.1	324.3	1,377.5	1,466.4	1,732.8	Gross profit	82.1	107.7	502.5	514.4	607.3	Operating profit	4.8	37.0	162.4	192.5	219.9	Headline⁽³⁾ operating profit	20.8	47.7	246.0	240.0	274.9	(Loss)/Profit before tax	(30.7)	12.5	128.9	144.0	171.1	(Loss)/Profit for the year from continuing operations	(16.3)	8.2	87.1	102.4	121.9	Profit for the year from discontinued operations	1,424.3	186.5	107.6	462.2	442.7	Profit for the year	1,408.0	194.7	194.7	564.6	564.6	Earnings per share						From continuing operations:						Basic	(1.6)p	0.8p	7.9p	7.9p	9.5p	Diluted	(1.6)p	0.7p	7.8p	7.8p	9.3p
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		<p>In the year ended 31 December 2015, results were impacted by the disposal of the Elster Group on 29 December 2015, for cash consideration of £3.3 billion. The revenue and headline operating profit in continuing operations consist only of the Brush business and Melrose central costs. However, in accordance with IFRS 5, the finance charges shown in continuing operations include the interest on the debt which was used to finance the Elster Group. As a consequence, below operating profit, the statutory results are not fully reflective of the underlying performance of the Melrose Group. Melrose’s remaining business, Brush, faced a challenging year, again particularly for new-build generators, with the already soft market being made significantly worse by the dramatic fall in oil prices affecting the upstream oil and gas sector. Revenue from continuing businesses for the year decreased by 17% to £261.1 million and headline operating profit decreased by 38% to £38.5 million, both calculated at constant currency.</p> <p>Since 31 December 2015, being the date to which the audited results of the Melrose Group were prepared, Melrose has returned a total of £2,388.5 million to shareholders by way of a Court-confirmed Return of Capital. In order to effect the Return of Capital, ‘B’ shares in the capital of Melrose with a total value of £2,388.5 million were created on 26 January 2016, resulting in a corresponding reduction in merger reserve. The ‘B’ shares were cancelled on 27 January 2016, and capital return payments reflecting the nominal value of the ‘B’ shares (240 pence each) were made to shareholders on 5 February 2016.</p> <p>Alongside the Return of Capital, on 28 January 2016 the number of ordinary shares in issue was consolidated in a ratio of 7 for 48 in order to maintain comparability of the Company’s share price before and after the Return of Capital. On 28 January 2016, the number of ordinary shares in issue became 145,134,353 each with a nominal value of ⁴⁸/₇ pence.</p> <p>The Nortek Group</p> <p>The selected financial information set out below has been extracted without material adjustment from: (i) the historical financial information of the Nortek Group for the financial years ended 31 December 2015, 31 December 2014 and 31 December 2013, prepared under IFRS using policies which are consistent with those used in preparing the Melrose Group’s historical financial information and covered by the accountant’s report thereon, which was prepared in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom; and (ii) the unaudited quarterly financial statements of the Nortek Group for the first quarters ended 2 April 2016 and 28 March 2015, published on 12 May 2016 and prepared in accordance with US GAAP, each as referred to in Part B (<i>Historical financial information of the Nortek Group</i>) of Part VI (<i>Historical Financial Information</i>) of this Prospectus.</p>

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provision/(benefit) from income taxes	5.2	(19.5)	Net earnings/(loss)	2.6	(13.9)	Basic earnings/(loss) per share	\$ 0.16	\$(0.87)	Diluted earnings/(loss) per share	\$ 0.16	\$(0.87)		For the year ended 31 December				2015	2014	2013		\$m	\$m	\$m	Revenue	2,526.1	2,546.1	2,287.9	Gross profit	756.2	757.2	679.8	Operating profit	93.8	40.7	85.9	Headline⁽¹⁾ operating profit	220.1	220.4	184.5	Loss before tax	(21.8)	(71.4)	(17.0)	Loss for the year	(22.9)	(51.8)	(15.9)	Loss per share				—Basic	(1.44)	(3.32)	(1.03)	—Diluted	(1.44)	(3.32)	(1.03)		As at	As at		2 April 2016	31 December 2015⁽¹⁾		\$m	\$m		Unaudited	Unaudited	Total current assets	804.1	771.4	Total property and equipment, net	229.9	229.0	Other assets	1,115.4	1,130.0	Total assets	2,149.4	2,130.4	Total current liabilities	481.9	491.1	Other liabilities	258.1	255.4	Notes, mortgage notes and obligations payable, less current maturities	1,391.0	1,371.6	Total stockholders' investment	18.4	12.3	Total liabilities and stockholders' 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			2015	2014	2013
			\$m	\$m	\$m
		Non-current assets	1,359.1	1,368.9	1,241.0
		Current assets	767.9	793.9	671.7
		Total assets	2,127.0	2,162.8	1,912.7
		Non-current liabilities	1,594.2	1,577.2	1,351.2
		Current liabilities	515.6	542.0	475.3
		Total liabilities	2,109.8	2,119.2	1,826.5
		Net assets	17.2	43.6	86.2
		<p>Set out below are details of significant changes in the financial condition and operating results of the Nortek Group during the period covered by the historical financial information of the Nortek Group for the financial years ended 31 December 2015, 31 December 2014 and 31 December 2013, prepared in accordance with IFRS and covered by the accountant’s report thereon, and the unaudited quarterly report for the first quarters ended 2 April 2016 and 28 March 2015, prepared in accordance with US GAAP.</p> <p>In the year ended 31 December 2014, the Nortek Group’s revenue increased by 11.3% to \$2,546.1 million (£1,655.0 million⁽¹⁾), from \$2,287.9 million (£1,487.1 million⁽¹⁾) in 2013. Headline operating profit increased to \$220.4 million (£143.3 million⁽¹⁾), compared with \$184.5 million (£119.9 million⁽¹⁾) in 2013. Loss for the year increased to \$51.8 million (£33.7 million⁽¹⁾), compared with loss for the year of \$15.9 million (£10.3 million⁽¹⁾) in 2013.</p> <p>In the year ended 31 December 2015, the Nortek Group’s net sales decreased by 0.8% to \$2,526.1 million (£1,642.0 million⁽¹⁾). Headline operating profit decreased slightly to \$220.1 million (£143.1 million⁽¹⁾) and loss for the year decreased to \$22.9 million (£14.9 million⁽¹⁾).</p> <p>In the first quarter ended 2 April 2016, the Nortek Group’s US GAAP net sales increased by 7.2% to \$613.9 million (£429.7 million⁽²⁾), from \$572.7 million (£400.9 million⁽²⁾) for the first quarter ended 28 March 2015. US GAAP operating earnings were \$28.9 million (£20.2 million⁽²⁾), compared with \$7.7 million (£5.4 million⁽²⁾) for the first quarter ended 28 March 2015. US GAAP net earnings were \$2.6 million (£1.8 million⁽²⁾) for the first quarter ended 2 April 2016, compared with a net loss of \$13.9 million (£9.7 million⁽²⁾) for the first quarter ended 28 March 2015.</p> <p>Since 2 April 2016, being the date to which the unaudited results of the Nortek Group were prepared, the Nortek Group completed the acquisition of a 25% interest in MiOS Limited (“MiOS”) for approximately \$4.5 million (£3.2 million⁽²⁾), on 2 May 2016.</p> <p>On 9 May 2016, the Nortek Group entered into an amendment to the ABL Facility which, among other things, extended its maturity to May 2021.</p> <p>On 7 June 2016, the Nortek Group entered into a non-prosecution agreement with the SEC, under which the SEC agreed not to prosecute the Nortek Group in relation to questionable hospitality, gift and payment practices, and other expenses at Linear Electronics (Shenzhen) Co. Ltd.</p>			

⁽¹⁾ Converted into pounds sterling at the average exchange rate for the year ended 31 December 2015, being \$1:£0.65.

⁽²⁾ Converted into pounds sterling at the average exchange rate for the quarter ended 2 April 2016, being \$1:£0.70.

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B.8	Selected unaudited <i>pro forma</i> financial information	<p>Selected key <i>pro forma</i> financial information is set out below. The unaudited consolidated <i>pro forma</i> statement of net assets and <i>pro forma</i> income statement of the Enlarged Group have been prepared in a manner consistent with the accounting policies adopted by Melrose in preparing its consolidated financial statements for the year ended 31 December 2015 on the basis set out in the notes to the <i>pro forma</i> statement of net assets and <i>pro forma</i> income statement. The information below has been extracted without adjustment from the unaudited <i>pro forma</i> financial information in Part VII (<i>Unaudited Pro Forma Financial Information on the Enlarged Group</i>) of this Prospectus.</p> <p>Condensed unaudited <i>pro forma</i> statement of net assets as at 31 December 2015</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th rowspan="3"></th> <th colspan="2"></th> <th colspan="4" style="text-align: center;">Adjustments</th> <th rowspan="3" style="text-align: center;">Unaudited <i>pro forma</i> of the Enlarged Group £m</th> </tr> <tr> <th style="text-align: center;">Melrose Group</th> <th style="text-align: center;">Nortek Group</th> <th style="text-align: center;">Return of Capital</th> <th style="text-align: center;">Rights Issue</th> <th style="text-align: center;">Acquisition</th> <th style="text-align: center;">Refinancing</th> </tr> <tr> <th style="text-align: center;">£m Note 1</th> <th style="text-align: center;">£m Note 2</th> <th style="text-align: center;">£m Note 3</th> <th style="text-align: center;">£m Note 4</th> <th style="text-align: center;">£m Note 5</th> <th style="text-align: center;">£m Note 6</th> </tr> </thead> <tbody> <tr> <td>Non-current assets</td> <td style="text-align: right;">412.7</td> <td style="text-align: right;">922.3</td> <td style="text-align: center;">—</td> <td style="text-align: center;">—</td> <td style="text-align: right;">1,089.1</td> <td style="text-align: center;">—</td> <td style="text-align: right;">2,424.1</td> </tr> <tr> <td>Current assets</td> <td style="text-align: right;">2,576.1</td> <td style="text-align: right;">521.2</td> <td style="text-align: right;">(2,388.5)</td> <td style="text-align: right;">1,610.7</td> <td style="text-align: right;">(1,119.8)</td> <td style="text-align: right;">(490.7)</td> <td style="text-align: right;">709.0</td> </tr> <tr> <td>Total assets</td> <td style="text-align: right;">2,988.8</td> <td style="text-align: right;">1,443.5</td> <td style="text-align: right;">(2,388.5)</td> <td style="text-align: right;">1,610.7</td> <td style="text-align: right;">(30.7)</td> <td style="text-align: right;">(490.7)</td> <td style="text-align: right;">3,133.1</td> </tr> <tr> <td>Current liabilities</td> <td style="text-align: right;">(88.0)</td> <td style="text-align: right;">(350.0)</td> <td style="text-align: center;">—</td> <td style="text-align: center;">—</td> <td style="text-align: center;">—</td> <td style="text-align: right;">5.6</td> <td style="text-align: right;">(432.4)</td> </tr> <tr> <td>Non-current liabilities</td> <td style="text-align: right;">(55.4)</td> <td style="text-align: right;">(1,081.9)</td> <td style="text-align: center;">—</td> <td style="text-align: center;">—</td> <td style="text-align: center;">—</td> <td style="text-align: right;">485.1</td> <td style="text-align: right;">(652.2)</td> </tr> <tr> <td>Total liabilities</td> <td style="text-align: right;">(143.4)</td> <td style="text-align: right;">(1,431.9)</td> <td style="text-align: center;">—</td> <td style="text-align: center;">—</td> <td style="text-align: center;">—</td> <td style="text-align: right;">490.7</td> <td style="text-align: right;">(1,084.6)</td> </tr> <tr> <td>Net assets</td> <td style="text-align: right;">2,845.4</td> <td style="text-align: right;">11.6</td> <td style="text-align: right;">(2,388.5)</td> <td style="text-align: right;">1,610.7</td> <td style="text-align: right;">(30.7)</td> <td style="text-align: center;">—</td> <td style="text-align: right;">2,048.5</td> </tr> </tbody> </table> <p>Notes:</p> <p>The unaudited <i>pro forma</i> statement of net assets as at 31 December 2015 has been compiled on the following basis:</p> <ol style="list-style-type: none"> (1) The net assets of the Melrose Group have been extracted without material adjustment from the audited consolidated financial statements of the Melrose Group for the year ended 31 December 2015, prepared in accordance with IFRS and which are incorporated into this Prospectus by reference. (2) The net assets of Nortek are extracted without adjustment from the consolidated balance sheet of the Nortek Group as at 31 December 2015, prepared under IFRS using policies which are consistent with those used in preparing the latest audited consolidated financial statements of the Melrose Group and covered by the accountant's report thereon, which is set out in Part B (<i>Historical Financial Information Relating to Nortek</i>) of Part IV (<i>Financial Information on Nortek</i>) of the Circular and incorporated into this Prospectus by reference, and are converted into pounds sterling using the year-end exchange rate for 2015 of \$1:£0.68. (3) This adjustment reflects the Return of Capital of £2,388.5 million which took effect on 27 January 2016 following the disposal of the Elster Group on 29 December 2015. (4) This adjustment reflects the net proceeds to be raised from the Rights Issue of £1,610.7 million (gross proceeds of £1,654.5 million less expenses of £43.8 million) as described in the section entitled "<i>Indicative share capital and Rights Issue statistics</i>" of this Prospectus. (5) The adjustment of £1,119.8 million to cash represents gross cash consideration of £1,100.7 million (\$1,436.2 million⁽³⁾) based on the assumption that 100% of Nortek Shares are acquired for consideration of \$86 per share, plus estimated acquisition expenses of £19.1 million, as described in paragraph 4 (<i>Financing of the Acquisition and the Use of Rights Issue Proceeds</i>) of Part I (<i>Information on the Acquisition and the Rights Issue</i>) of this Prospectus. IFRS 3 (revised) requires that acquisition expenses are written off and therefore the adjustment to reflect goodwill has been calculated as the difference between gross cash consideration of £1,100.7 million and the net assets acquired of £11.6 million. No fair value adjustments have been made as these are unknown at the date of this Prospectus. (6) These adjustments reflect the net effect of repaying the existing Nortek debt of £953.1 million and drawdown of the facilities under the New Facilities Agreement of £462.4 million inclusive of banking fees. To the extent that any existing Nortek debt is not repaid, the level of drawdown of the facilities under the New Facilities Agreement will be similarly reduced. <p>No adjustments have been made to reflect the trading or other transactions of the Melrose Group or the Nortek Group since 31 December 2015. The unaudited <i>pro forma</i> statement of net assets does not constitute statutory accounts within the meaning of section 434 of the Companies Act.</p>				Adjustments				Unaudited <i>pro forma</i> of the Enlarged Group £m	Melrose Group	Nortek Group	Return of Capital	Rights Issue	Acquisition	Refinancing	£m Note 1	£m Note 2	£m Note 3	£m Note 4	£m Note 5	£m Note 6	Non-current assets	412.7	922.3	—	—	1,089.1	—	2,424.1	Current assets	2,576.1	521.2	(2,388.5)	1,610.7	(1,119.8)	(490.7)	709.0	Total assets	2,988.8	1,443.5	(2,388.5)	1,610.7	(30.7)	(490.7)	3,133.1	Current liabilities	(88.0)	(350.0)	—	—	—	5.6	(432.4)	Non-current liabilities	(55.4)	(1,081.9)	—	—	—	485.1	(652.2)	Total liabilities	(143.4)	(1,431.9)	—	—	—	490.7	(1,084.6)	Net assets	2,845.4	11.6	(2,388.5)	1,610.7	(30.7)	—	2,048.5
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Section B—ISSUER

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		<p>Condensed unaudited <i>pro forma</i> income statement for the year ended 31 December 2015</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="text-align: center; border-bottom: 1px solid black;">Melrose Group</th> <th style="text-align: center; border-bottom: 1px solid black;">Nortek Group</th> <th style="text-align: center; border-bottom: 1px solid black;">Discontinued operations</th> <th style="text-align: center; border-bottom: 1px solid black;">Acquisition costs</th> <th style="text-align: center; border-bottom: 1px solid black;">Unaudited <i>pro forma</i> of the Enlarged Group</th> </tr> <tr> <th></th> <th style="text-align: center;">£m Note 1</th> <th style="text-align: center;">£m Note 2</th> <th style="text-align: center;">£m Note 3</th> <th style="text-align: center;">£m Note 4</th> <th style="text-align: center;">£m</th> </tr> </thead> <tbody> <tr> <td>Revenue</td> <td style="text-align: right;">261.1</td> <td style="text-align: right;">1,652.8</td> <td></td> <td></td> <td style="text-align: right;">1,913.9</td> </tr> <tr> <td>Gross profit</td> <td style="text-align: right;">82.1</td> <td style="text-align: right;">494.8</td> <td></td> <td></td> <td style="text-align: right;">576.9</td> </tr> <tr> <td>Operating profit</td> <td style="text-align: right;">4.8</td> <td style="text-align: right;">61.5</td> <td></td> <td style="text-align: right;">(19.1)</td> <td style="text-align: right;">47.2</td> </tr> <tr> <td>Headline⁽⁵⁾ operating profit</td> <td style="text-align: right;">20.8</td> <td style="text-align: right;">144.0</td> <td></td> <td></td> <td style="text-align: right;">164.8</td> </tr> <tr> <td>(Loss)/profit before tax</td> <td style="text-align: right;">(30.7)</td> <td style="text-align: right;">(14.1)</td> <td></td> <td style="text-align: right;">(19.1)</td> <td style="text-align: right;">(63.9)</td> </tr> <tr> <td>(Loss)/profit for the year from continuing operations</td> <td style="text-align: right;">(16.3)</td> <td style="text-align: right;">(14.8)</td> <td></td> <td style="text-align: right;">(19.1)</td> <td style="text-align: right;">(50.2)</td> </tr> <tr> <td>Profit for the year from discontinued operations</td> <td style="text-align: right;">1,424.3</td> <td></td> <td style="text-align: right;">(1,424.3)</td> <td></td> <td style="text-align: right;">—</td> </tr> <tr> <td>Profit for the year</td> <td style="text-align: right;">1,408.0</td> <td style="text-align: right;">(14.8)</td> <td style="text-align: right;">(1,424.3)</td> <td style="text-align: right;">(19.1)</td> <td style="text-align: right;">(50.2)</td> </tr> </tbody> </table> <p>Notes:</p> <p>The unaudited <i>pro forma</i> income statement for the year ended 31 December 2015 has been compiled on the following basis:</p> <ol style="list-style-type: none"> (1) The income statement of the Melrose Group has been extracted without adjustment from the audited consolidated financial statements of the Melrose Group for the year ended 31 December 2015, prepared in accordance with IFRS and which are incorporated into this Prospectus by reference. (2) The income statement of the Nortek Group has been extracted without adjustment from the consolidated income statement of the Nortek Group for the year ended 31 December 2015, prepared under IFRS using policies which are consistent with those used in preparing the audited consolidated financial statements of the Melrose Group and covered by the accountant's report thereon, which is set out in Part B (<i>Historical Financial Information Relating to Nortek</i>) of Part IV (<i>Financial Information on Nortek</i>) of the Circular and incorporated into this Prospectus by reference, and is converted into pounds sterling using the average exchange rate for the year ended 31 December 2015 of \$1:£0.65. (3) This adjustment removes the profits of the Elster Group in 2015, as the disposal of the Elster Group completed on 29 December 2015. Following the disposal, the profits of the Elster Group no longer form part of the income of the Melrose Group, or following Completion, the Enlarged Group. (4) This adjustment reflects the estimated acquisition expenses of £19.1 million which are required by IFRS 3 (revised) to be charged to the income statement. (5) Before exceptional costs, exceptional income and intangible asset amortisation. <p>No adjustments have been made to reflect the trading or other transactions of the Melrose Group or the Nortek Group since 31 December 2015. The unaudited <i>pro forma</i> income statement does not constitute statutory accounts within the meaning of section 434 of the Companies Act.</p>		Melrose Group	Nortek Group	Discontinued operations	Acquisition costs	Unaudited <i>pro forma</i> of the Enlarged Group		£m Note 1	£m Note 2	£m Note 3	£m Note 4	£m	Revenue	261.1	1,652.8			1,913.9	Gross profit	82.1	494.8			576.9	Operating profit	4.8	61.5		(19.1)	47.2	Headline⁽⁵⁾ operating profit	20.8	144.0			164.8	(Loss)/profit before tax	(30.7)	(14.1)		(19.1)	(63.9)	(Loss)/profit for the year from continuing operations	(16.3)	(14.8)		(19.1)	(50.2)	Profit for the year from discontinued operations	1,424.3		(1,424.3)		—	Profit for the year	1,408.0	(14.8)	(1,424.3)	(19.1)	(50.2)
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B.9	Profit forecast or estimate	<i>No profit forecasts or estimates remain outstanding which the Melrose Directors consider to remain valid.</i>																																																												
B.10	Nature of any qualifications in audit report on the historical financial information	<i>Not applicable. No qualifications are included in any audit report on the historical financial information included in this Prospectus.</i>																																																												
B.11	Explanation in respect of insufficient working capital	<i>Not applicable.</i> <i>Melrose is of the opinion that the Melrose Group has sufficient working capital for its present requirements, that is, for at least the 12 months following the date of publication of this Prospectus.</i>																																																												

Section C—SECURITIES		
Element	Disclosure Requirement	Disclosure
C.1	Type and class of securities being admitted to trading, including the security identification number	<p>Melrose is proposing to offer 1,741,612,236 New Melrose Shares pursuant to the Rights Issue.</p> <p>The ISIN for the Nil Paid Rights will be GB00BYQLYB32 and for the Fully Paid Rights GB00BYQLYF79.</p> <p>Following Admission, the New Melrose Shares will be, and following Re-admission or transfer to the standard segment of the Official List the re-listed Melrose Shares will be, registered with ISIN number GB00BZ1G4322. There will be no application for any other class of shares of Melrose to be admitted to listing or trading on any exchange.</p>
C.2	Currency of the securities in issue	The Melrose Shares are denominated in pounds sterling and are quoted and traded in pounds sterling.
C.3	Number of shares in issue and par value	<p>As at the date of this Prospectus, there are 145,134,353 Ordinary Shares of $\frac{48}{7}$ pence each in the capital of Melrose in issue, each of which is fully paid.</p> <p>None of the Melrose Shares are held by the Company as treasury shares.</p>
C.4	Rights of securities	The New Melrose Shares will be issued credited as fully paid and will rank <i>pari passu</i> in all respects with each other and with each Existing Melrose Share and will rank in full for all dividends and other distributions thereafter declared, made or paid in respect of the Melrose Shares.
C.5	Restrictions on free transferability of the securities	<i>Not applicable. There are no restrictions on the free transferability of the New Melrose Shares.</i>
C.6	Admission to trading on regulated market	<p>Applications will be made to the UKLA for the New Melrose Shares (issued in connection with the Rights Issue) to be admitted to the premium segment of the Official List and to the London Stock Exchange for admission to trading of the New Melrose Shares on its main market for listed securities. It is currently expected that Admission of the New Melrose Shares will become effective and that dealings (for normal settlement) in the New Melrose Shares will commence on the London Stock Exchange, nil paid, at 8.00 a.m. on 9 August 2016 (whereupon an announcement will be made by the Company to a Regulatory Information Service).</p> <p>The Melrose Shares are currently (and it is expected that the New Melrose Shares will be) admitted to the premium segment of the Official List and to trading on the London Stock Exchange's main market for listed securities. As the Acquisition constitutes a reverse takeover under the Listing Rules, upon Completion, the listing of Melrose Shares on the premium segment of the Official List will be cancelled. Further applications will be made to the UKLA for the Melrose Shares (at such time comprising the Existing Melrose Shares and the New Melrose Shares) to be re-admitted to the standard segment of the Official List and to the London Stock Exchange for the re-admission of the Melrose Shares to trading on its main market for listed securities. It is currently expected that Re-admission will become effective post Completion at 8.00 a.m. on 31 August 2016 (and in any case no earlier than 20 Business Days from the date of the General Meeting) (whereupon an announcement will be made by the Company to a Regulatory Information Service). Should Completion not occur, subject to the passing of resolution 4 set out in the Notice of General Meeting, the listing of the Melrose Shares will nevertheless be transferred from the premium segment to the standard segment of the Official List on 10 October 2016, whereupon an announcement will be made by the Company to a Regulatory Information Service.</p>

Section C—SECURITIES										
Element	Disclosure Requirement	Disclosure								
C.7	Dividend policy	<p>It is the intention of the Melrose Board to maintain a dividend policy going forward which will take into account the bonus element of the Rights Issue and will be appropriate taking into account the size of the Melrose Group. The Melrose Group’s policy is to return surplus cash and business disposal proceeds to Melrose Shareholders.</p> <p>The table below shows the dividend per Melrose Share paid for the financial year ended 31 December 2015, and per ordinary share in Old Melrose for each of the financial years ended 31 December 2014 and 2013.</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 80%;"></th> <th style="text-align: center; border-bottom: 1px solid black;">2015</th> <th style="text-align: center; border-bottom: 1px solid black;">2014</th> <th style="text-align: center; border-bottom: 1px solid black;">2013</th> </tr> </thead> <tbody> <tr> <td>Dividend per share</td> <td style="text-align: center;">5.4 pence</td> <td style="text-align: center;">8.1 pence</td> <td style="text-align: center;">7.75 pence</td> </tr> </tbody> </table>		2015	2014	2013	Dividend per share	5.4 pence	8.1 pence	7.75 pence
	2015	2014	2013							
Dividend per share	5.4 pence	8.1 pence	7.75 pence							

Section D—RISKS		
Element	Disclosure Requirement	Disclosure
D.1	Key risks that are specific and individual to the Melrose Group and/or the Nortek Group and the industries in which they operate	<p>The Melrose Group’s “buy, improve, sell” strategy carries risks including, but not limited to, the suitability of acquisition targets, costs of integration and restructuring, diversion of management from other business operations, timing of disposals, exposure to litigation or other potential liabilities, and unanticipated and unknown liabilities.</p> <p>Following the sale of the Elster Group, the Melrose Group’s operations are less diversified, both commercially and geographically, and comprise only Brush.</p> <p>The Melrose Group is dependent on its Directors, on certain of its businesses’ management and on a responsive workforce.</p> <p>A significant slowdown in certain industries could have a material adverse effect on the Melrose Group’s and Nortek Group’s business or financial condition.</p> <p>Owing to the geographical diversity of their operations, the Melrose Group and Nortek Group are subject to the risk of exchange rate fluctuations.</p> <p>The Melrose Group and Nortek Group are exposed to risks in relation to compliance with anti-corruption laws and regulations.</p> <p>The Melrose Group and Nortek Group are exposed to risks in relation to compliance with economic sanctions programmes.</p> <p>The Melrose Group is subject to pricing pressures from customers.</p> <p>The industries in which the Melrose Group’s and Nortek Group’s businesses operate are highly competitive.</p> <p>The Melrose Group and Nortek Group may be unable to develop or commercialise technological advances and introduce new products in a manner and to an extent sufficient for them to remain competitive.</p> <p>Behaviour of the competitors of the Melrose Group and Nortek Group may adversely affect their businesses.</p> <p>The Nortek Group’s business is dependent upon the levels of remodelling and replacement activity and new construction activity, which may be cyclical or seasonal, and have been negatively impacted by the economic downturn and the instability of the credit markets.</p>

Section D—RISKS		
Element	Disclosure Requirement	Disclosure
		Fluctuations in the cost or availability of raw materials and components and other related costs could have an adverse effect on the Nortek Group's business.
D.3	Key risks related to the ordinary shares	<p>The value of an investment in Melrose may go down as well as up.</p> <p>Any future issue of Melrose Shares could further dilute the holdings of Melrose Shareholders and could adversely affect the market price of the Melrose Shares.</p> <p>Melrose's ability to continue to pay dividends on the Melrose Shares will depend on the availability of distributable reserves.</p> <p>A Standard Listing of the Melrose Shares affords Melrose Shareholders a lower level of regulatory protection than a Premium Listing.</p>

Section E—OFFER		
Element	Disclosure Requirement	Disclosure
E.1	Total net proceeds and estimate of total expenses of the issue/offer, including estimated expenses charged to investors	<p>The total net proceeds of the Rights Issue are expected to be approximately £1,611 million (net of expenses). The total costs, charges and expenses (including fees and commissions) (exclusive of recoverable VAT) payable by Melrose in connection with the Rights Issue are estimated to amount to approximately £44 million.</p> <p>No expenses will be charged by the Company to subscribers of the New Melrose Shares.</p>
E.2a	Reasons for the offer, use of proceeds and estimated net amount of proceeds	<p>If Completion occurs, the Rights Issue proceeds (net of commissions and expenses) (approximately £1,611 million (\$2,102 million⁽⁴⁾) will be applied to fund the Acquisition, related expenses and to repay part of the existing debt of the Nortek Group. The balance of the debt repayment will be funded through new debt of approximately \$780 million (£598 million⁽⁴⁾) from the proceeds of loans pursuant to the New Facilities Agreement, which has been entered into with the Company's banks, and which will replace the Company's Existing Facility.</p> <p>Subject to Completion, the total consideration to be paid by Melrose for the Acquisition is \$2,810 million (£2,154 million⁽⁴⁾).</p> <p>In the unlikely event that the Rights Issue proceeds but the Acquisition does not complete, the Melrose Directors' current intention is that the net proceeds of the Rights Issue will be invested on a short-term basis while the Melrose Directors evaluate other acquisition opportunities and, if no acquisitions can be found on acceptable terms, the Melrose Directors will consider how best to return surplus capital to Melrose Shareholders in a timely manner. Such a return could carry fiscal costs for certain Melrose Shareholders, will have costs for Melrose and would be subject to applicable securities laws.</p>

⁽⁴⁾ Converted into pounds sterling at the exchange rate as at the Latest Practicable Date, being \$1:£0.77.

Section E—OFFER

Element	Disclosure Requirement	Disclosure
E.3	Terms and conditions of the offer	<p>The New Melrose Shares are being offered by way of a rights issue to Qualifying Shareholders on the basis of 12 New Melrose Shares at 95 pence per New Melrose Share for every 1 Existing Melrose Share held and registered in their name at the close of business on the Record Date.</p> <p>The Rights Issue Price of 95 pence per New Melrose Share represents a discount of approximately 76.8% to the Closing Price of 410 pence per Existing Melrose Share on the Latest Practicable Date and a discount of approximately 20.3% to the theoretical ex-rights price based on that Closing Price.</p> <p>The New Melrose Shares will, when issued and fully paid, rank <i>pari passu</i> in all respects with each other and with each Existing Melrose Share, including the right to receive all dividends or other distributions declared with a record date falling after the date of allotment of the New Melrose Shares. Application will be made to the UKLA and to the London Stock Exchange for the New Melrose Shares (nil and fully paid) to be admitted to the premium segment of the Official List and to trading on the London Stock Exchange’s main market for listed securities, respectively.</p> <p>Fractions of the New Melrose Shares will not be allotted to any Qualifying Shareholders, and so entitlements will be rounded down where necessary.</p> <p>The offer of Nil Paid Rights, Fully Paid Rights and/or New Melrose Shares to persons resident in, or who are citizens of, or who have a registered address in countries other than, the United Kingdom may be affected by the laws of the relevant jurisdiction. Those persons should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their rights. Qualifying Non-CREST Shareholders with registered addresses in the United States or in any of the Excluded Territories will not be sent Provisional Allotment Letters and Qualifying CREST Shareholders in such territories will not have their CREST stock accounts credited with Nil Paid Rights, except where Melrose is satisfied that such action would not result in the contravention of any registration or other legal or regulatory requirement in such jurisdiction.</p> <p>Melrose has arranged for the Rights Issue to be underwritten in full to provide certainty as to the amount of capital to be raised. The Underwriting Agreement is not subject to any right of termination after Admission (including in respect of any statutory withdrawal rights).</p> <p>The Rights Issue is conditional on, among other things:</p> <ul style="list-style-type: none"> (i) the passing without amendment (or with such amendment as the Joint Bookrunners and the Company may agree in writing) of the Transaction Resolutions at the Melrose General Meeting (or at such later time and date as the Joint Bookrunners and the Company may agree in writing); (ii) the Underwriting Agreement having become unconditional in all respects (save for the condition relating to Admission) and not having been terminated in accordance with its terms; and (iii) Admission having occurred by not later than 8.00 a.m. on 9 August 2016 (or such later time and date as may be agreed between the Joint Bookrunners and the Company in writing).

Section E—OFFER		
Element	Disclosure Requirement	Disclosure
E.4	Interests material to the issue/offer, including conflicting interests	<i>Not applicable. There are no interests, including conflicting interests, known to Melrose, which are material to the issue of the New Melrose Shares or which are conflicting interests.</i>
E.5	Name of person offering to sell the securities / Lock-up agreement details including the parties involved and indication of the period of the lock-up	<i>Not applicable. The Rights Issue comprises an offer of New Melrose Shares to be issued by the Company.</i>
E.6	Amount and percentage of immediate dilution resulting from the offer	If a Qualifying Shareholder does not or is not permitted (for example, because they are a Qualifying Shareholder in the United States or any Excluded Territory) to take up their entitlement to New Melrose Shares in full, such Qualifying Shareholder will have their proportionate shareholding in Melrose diluted by up to approximately 92.3% as a consequence of the Rights Issue.
E.7	Estimated expenses charged to the investor by the Company	<i>Not applicable. Qualifying Shareholders will not be charged commissions, fees or expenses by the Company in respect of the Rights Issue.</i>

RISK FACTORS

A number of factors affect the operating results, financial condition and prospects of the Melrose Group and, if the Acquisition is completed, will affect the Nortek Group and the Enlarged Group. This section describes the risk factors which are considered by the Melrose Directors to be material in relation to the Melrose Group and, if the Acquisition is completed, which will be material in relation to the Nortek Group and the Enlarged Group. However, these should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties. If the Acquisition is completed, additional risks and uncertainties that are not presently known to the Melrose Directors, or which they currently deem immaterial, may also have an adverse effect on the Melrose Group's, the Nortek Group's and the Enlarged Group's operating results, financial condition and prospects. In particular, if the Acquisition is completed, the Nortek Group will be a significant proportion of the Enlarged Group and, therefore, (assuming the Acquisition is completed) the risks set out in Part B (Risks relating to the Nortek Group and the Enlarged Group) will affect the Enlarged Group. The information given is as of the date of this Prospectus and, except as required by the FCA, the London Stock Exchange, the Listing Rules, the Prospectus Rules, the Disclosure Requirements and Transparency Rules or any other applicable law, will not be updated. Any forward-looking statements are made subject to the reservations specified under the paragraph titled "Cautionary Note on Forward-Looking Statements" in the section of this Prospectus entitled "Important Information".

An investment in Melrose Shares is subject to a number of risks. You should consider carefully the risks and uncertainties described below, together with all other information contained in this Prospectus and the information incorporated by reference herein, before making any investment decision. The risks and uncertainties described below are not set out in any order of priority.

PART A: Risks relating to the Melrose Group

1. The Melrose Group’s “buy, improve, sell” strategy carries risks.

The acquisitions and divestments engaged in, and to be engaged in, by Melrose as part of its “buy, improve, sell” business model can involve significant risks, including:

- limited availability of suitable acquisition targets;
- integration and restructuring costs;
- diversion of the Board’s attention from ongoing business operations;
- failing to achieve the anticipated benefits of, or expected trading results from, acquired businesses;
- the timing of disposals and the ability to achieve attractive valuations;
- exposure to litigation or other potential liabilities including, but not limited to, environmental liabilities related to entities that the Melrose Group acquires or divests; and
- unanticipated and unknown liabilities.

Before an acquisition is made, the Melrose Group conducts due diligence it deems reasonable and appropriate based on the facts and circumstances applicable to each acquisition. When conducting due diligence and making an assessment regarding an acquisition, the Melrose Group will be required to rely on resources available to it, including information provided by the target of the acquisition and, in some circumstances, due diligence conducted by third parties. There can be no assurance that due diligence investigations with respect to any investment opportunity will reveal or highlight all relevant facts and circumstances that may be necessary or helpful in evaluating such opportunity. In making acquisitions, there is a risk of unforeseen liabilities being discovered which are not known at the time of the due diligence process but which arose in the business before it was acquired. Any failure by the Melrose Group to identify relevant facts and circumstances through the due diligence process could have a material adverse effect on the Melrose Group’s results of operations, business and financial condition.

The success of the Melrose Group’s acquisition strategy depends on identifying available and suitable targets, obtaining any consents or authorisations required to carry out an acquisition and procuring the necessary financing, be this from equity, debt or a combination of the two. In making acquisitions, there is a risk of unforeseen liabilities being discovered later which were not uncovered or known at the time of the due diligence process. Further, as per the Melrose Group’s strategy to buy and improve good but under-performing manufacturing businesses, once an acquisition is completed, there are risks that the Melrose Group will not succeed in driving strategic operational improvements to achieve the expected post-acquisition trading results or value which were originally anticipated, that the acquired products and technologies may not be successful or that the business may require significantly greater resources and investment than anticipated. If anticipated benefits are not realised or trading by acquired businesses falls below expectations, it may be necessary to impair the carrying value of these assets. The Melrose Group’s return on shareholder investment may fall if acquisition hurdle rates are not met. The Melrose Group’s financial performance may suffer from goodwill or other acquisition-related impairment charges, or from the identification of additional liabilities not known at the time of the acquisition.

In line with Melrose’s strategy and depending where the Melrose Group is within the “buy, improve, sell” cycle, the expected timing of any disposal of businesses is considered as a principal risk which could have a material impact on the Melrose Group strategy. Further, due to the Melrose Group’s global operations, there may be a significant impact on the timing of a disposal due to political and macroeconomic factors. Depending on the timing of disposals and nature of businesses’ operations there may be long-term liabilities which could be retained by the Melrose Group following a disposal. Insufficient allowance for such retained liabilities may affect the Melrose Group’s financial position.

2. The Melrose Group’s operations are now less diversified.

Following the sale of the Elster Group, the Melrose Group’s operations are less diversified, both commercially and geographically, and comprise only Brush. In the event that Completion does not occur, the Melrose Group will remain as it currently stands and consequently weak performance in Brush, or in any particular part of Brush’s businesses, would have an adverse impact on the financial condition of the Melrose Group.

3. The Melrose Group's future financial performance and success largely depend on its ability to implement its business strategies successfully.

The Melrose Group's ability to implement its business strategies depends on, among other things, its ability to divest businesses or discontinue product lines on favourable terms and with minimal disruptions, finance its operations and product development activities, maintain high quality and efficient manufacturing operations, relocate and close certain manufacturing facilities with minimal disruption to its operations, respond to competitive and regulatory changes, access quality raw materials in a cost effective and timely manner, and retain and attract highly skilled technical, managerial, marketing and finance personnel. Any failure to develop, revise or implement its business strategies in a timely and effective manner could have a material adverse effect on the Melrose Group's results of operations, business and financial condition.

The Board has significant experience. However, it may not be able to successfully implement its business strategies or those to be developed by management, and implementing these strategies may not sustain or improve, and could even harm, its results of operations in targeted sectors. The Melrose Group may be unable to realise the anticipated benefits and cost reductions of its business strategies. The Melrose Group's business strategies are based on assumptions about future demand for its businesses' current products and the new products and applications it is developing, as well as on its continuing ability to produce its businesses' products profitably.

4. An impairment of goodwill or other intangible assets would adversely affect the Melrose Group's financial condition and results of operation.

Under IFRS, goodwill and intangible assets with indefinite lives are not amortised but are tested for impairment annually or more often if an event or circumstance indicates that an impairment loss may have been incurred. Other intangible assets with a finite life are amortised on a straight-line basis over their estimated useful lives and reviewed for impairment whenever there is an indication of impairment. In particular if the combination of businesses meets with unexpected difficulties, or if the business of the Melrose Group does not develop as expected, impairment charges may be incurred in the future which could be significant and which could have an adverse effect on the Melrose Group's financial condition.

The Melrose Group has significant intangible assets, long-lived assets, goodwill and deferred tax assets that are susceptible to valuation adjustments as a result of changes in various factors or conditions. The Melrose Group assesses impairment of amortisable intangible and long-lived assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable. In addition, many asset classes are subject to impairment consideration on a periodic basis under applicable accounting rules. Factors that could trigger an impairment of such assets include the following:

- a significant underperformance relative to historical or projected future operating results;
- significant changes in the nature of or use of the acquired assets or the strategy for its overall business;
- significant negative industry or general economic trends;
- changes in the Melrose Group's organisation or management reporting structure could result in additional reporting units, which may require alternative methods of estimating fair values or greater aggregation or disaggregation in the Melrose Group's analysis by reporting unit;
- a sustained decline in its market capitalisation below net book value; and
- the harmonisation of company trademarks throughout the Melrose Group.

The Melrose Group assesses the potential impairment of goodwill and other intangible assets as of 31 December of each year. It also assesses the potential impairment of goodwill and other intangible assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Adverse changes in operations or other unforeseeable factors could result in an impairment charge to the Melrose Group's investment assets in future periods that would impact the amount of reserves available to the Melrose Group.

The realisation of the Melrose Group's deferred tax assets related to net operating loss carry-forwards is supported by projections of future profitability. The Melrose Group provides a valuation allowance based on estimates of future taxable income in the respective taxing jurisdiction and the amount of deferred taxes that are expected to be realisable. If future taxable income is different from what is expected, the Melrose Group may not be able to realise some or all of the tax benefit, which may, in turn, have a material and adverse effect on the Melrose Group's results of operations, business and financial condition.

5. The Melrose Group is subject to pricing pressures from customers.

The Melrose Group faces pricing pressures in certain business segments from its larger customers. Because of their purchasing size, the Melrose Group's larger customers can influence market participants to compete on price terms. If the Melrose Group is not able to offset price reductions resulting from these pressures by improved operating efficiencies and reduced expenditures, those price reductions may have an adverse impact on its results of operations, business and financial condition.

In an attempt to increase efficiency, some of the Melrose Group's customers may seek to reduce the number of vendors from whom they purchase products and services, particularly as vendors increase the breadth of the products and solutions they offer. If the Melrose Group is not selected as a preferred provider to such vendors, it may lose access to certain sections of the markets in which it competes or wishes to compete. Failure to maintain access to important sections of the market could have a material adverse effect on the Melrose Group's results of operations, business and financial condition. Even if the Melrose Group is selected as a preferred provider, increased competition may still have an impact on the agreements customers are willing to enter into. As a result, the terms and conditions of agreements with customers may be substantially more restrictive or carry a greater risk of liability than the terms and conditions associated with the Melrose Group's standard products and services.

6. The third-party manufacturers with whom the Melrose Group works often require it to provide accurate forecasts, sometimes months in advance.

If the Melrose Group overestimates its requirements, it may be obliged to purchase quantities of products that exceed customer demand. If the Melrose Group underestimates its requirements, it may have inadequate inventory from which to meet customer demand. From time to time, some of its suppliers may have difficulties keeping pace with the Melrose Group's requirements if it increases its orders with little advance notice in response to demand for its products. While the Melrose Group is seeking to give its suppliers more advance notice of its peak requirements and holding more of the affected components in inventory where possible, it may fail to do so, or may, for reasons outside its control, not have access to sufficient supplies, which may cause even longer lead times. In any case where the Melrose Group must forecast its supply needs, its inability to forecast demand accurately may have a material adverse effect on its results of operations, business and financial condition.

Lead times for the components purchased from third-party manufacturers depend on a variety of factors, including the demand for each component and supplier capacity. If the Melrose Group's third-party manufacturers or any of their sub-suppliers fail to deliver quality products and services in a timely manner, or if the Melrose Group's ability to source from alternative suppliers cannot be maintained or if a supplier on which the Melrose Group depends is unable to cope with variations in the Melrose Group's ordering patterns, the ensuing disruptions in its chain of supply could negatively affect its product portfolio, reputation, sales and ability to meet large orders, especially in the context of large rollouts. In the past, the Melrose Group has experienced significantly extended lead times at its suppliers that provide components used in some of its products, in particular for electronic components.

7. Any shortfall in the Melrose Group's pension schemes may require additional funding.

Following the disposal of the Elster Group, through which the Melrose Group also disposed of the defined benefit pension plan known as the 'FKI Group Pension Scheme' established by a definitive deed dated 29 September 1989 and the defined benefit pension plan known as the 'McKechnie Pension Plan' established by a deed dated 10 April 1963, the Melrose Group has retained the Brush Group (2013) Pension Scheme (the "**Brush UK Plan**") and the Brush Aftermarket North America, Inc. Group Pension Plan (formerly the FKI US Plan) (the "**Brush US Plan**" and, together with the Brush UK Plan, the "**Brush Plans**"). Both of the Brush Plans are closed both to new members' and to current members' future service. As at 31 December 2015, the Brush Plans had a net liability of £17.2 million on an accounting basis. Changes in discount rates, inflation, asset values or mortality assumptions could lead to a materially higher deficit. For example, the cost of a buyout on a discontinued basis uses more conservative assumptions and is likely to be significantly higher than the accounting deficit. Alternatively, if the plans are managed on an ongoing basis, there is a risk that the plans' assets, such as investments in equity and debt securities, will not be sufficient to cover the value of the retirement benefits to be provided under the plans. The implications of a higher pension deficit include a direct impact on valuation, credit rating and potential additional funding requirements at subsequent triennial reviews. In the event of a major disposal that

generates significant cash proceeds which are returned to the shareholders, the Melrose Group may be required to make additional cash payments to the plans or provide additional security.

The Melrose Group monitors its pension strategy on an ongoing basis. A decline in pension asset values, different actuarial assumptions, the application of purchase accounting and/or changes in discount rates, inflation or mortality assumptions may result in an increase in pension liability. Following agreement with the Brush UK Plan trustees, the Melrose Group contributed £8.8 million early to the Brush UK Plan in the year ending 31 December 2016, and consequently no contributions are expected to be made to the Brush UK Plan in the period up to 31 December 2017. Annual contributions to the Brush US Plan are approximately £0.1 million per annum. A lowering of interest rates or the market value of the securities held by the plans, or certain other changes, could adversely affect the status of the Melrose Group's plans and affect the level and timing of required contributions. Any permanent shortfall in the Melrose Group retirement pension benefit scheme funding obligations would require additional cash funding. However, it is expected that any additional cash contributions required would be structured over a sensible period of time, such that there is no material impact on cash contributions in the next twelve months.

8. Uncertainty in worldwide financial markets may lead customers to demand guarantees or bonds covering a larger portion of contracts with the Melrose Group or require the Melrose Group to maintain larger amounts of inventory.

Some of the Melrose Group's customers and potential customers ask for credit and/or performance guarantees, including payment and advance payment guarantees and performance guarantees, or credit and/or performance bonds, from the Melrose Group in each case to cover portions of their potential contract volumes. They may also or alternatively ask the Melrose Group to maintain a certain level of inventory. The experience of uncertainty in worldwide financial markets may lead customers to demand guarantees or bonds covering a larger portion of these contracts or for the Melrose Group to maintain larger amounts of inventory, while at the same time making it more difficult for the Melrose Group to obtain favourable terms on the credit necessary to fulfil these demands. If it is unable to obtain the necessary guarantees or bonds, or maintain or finance the necessary level of inventory, the Melrose Group may fail to win these contracts, which could have a material adverse effect on the Melrose Group's business and financial condition.

PART B: Risks relating to the Nortek Group and the Enlarged Group

In the discussion below, references to the “Nortek Group” are to Nortek and its subsidiaries and subsidiary undertakings from time to time. At Completion, the Nortek Group will become part of the Enlarged Group. Therefore those risk factors below that are currently specific to the Nortek Group will become applicable to the Enlarged Group from Completion.

1. The Nortek Group’s business is dependent upon the levels of remodelling and replacement activity and new construction activity, which may be cyclical or seasonal, and have been negatively impacted by the economic downturn and the instability of the credit markets.

Critical factors affecting the Nortek Group’s future performance, including its level of sales, profitability and cash flows, are the levels of residential and non-residential remodelling, replacement and construction activity. The level of new residential and non-residential construction activity and, to a lesser extent, the level of residential remodelling and replacement activity are affected by seasonality and cyclical factors such as interest rates, inflation, consumer spending, employment levels and other macroeconomic factors, over which the Nortek Group has no control. Any decline in economic activity as a result of these or other factors typically results in a decline in new construction and, to a lesser extent, residential remodelling and replacement purchases, which would result in a decrease in the Nortek Group’s sales, profitability and cash flows. Instability in the credit and financial markets, troubles in the mortgage market, the level of unemployment and the decline in home values could have a negative impact on residential new construction activity, consumer disposable income and spending on home remodelling and repair expenditures. These factors could have an adverse effect on the Nortek Group’s operating results.

The demand for the Nortek Group’s products is seasonal, particularly in the Northeast and Midwest regions of the United States where inclement weather during the winter months usually reduces the level of building and remodelling activity in both the home improvement and new construction markets. The Nortek Group’s lower sales levels usually occur during the first and fourth quarters. Since a high percentage of the Nortek Group’s manufacturing overhead and operating expenses are relatively fixed throughout the year, operating income and net earnings tend to be lower in quarters with lower sales levels. In addition, the demand for cash to fund the working capital needs of Nortek’s subsidiaries is greater from late in the first quarter until early in the fourth quarter.

2. Fluctuations in the cost or availability of raw materials and components and other related costs could have an adverse effect on the Nortek Group’s business.

The Nortek Group is dependent upon raw materials and purchased components, including, among others, steel, copper, aluminium, electronics, motors, plastics, compressors, various chemicals and paints, and packaging that the Nortek Group purchases from third parties. As a result, the Nortek Group’s results of operations, cash flows and financial condition may be adversely affected by increases in costs of raw materials or components, or by limited availability of these items. The Nortek Group has worked closely with its suppliers to develop contingency plans to assure continuity of supply while maintaining high quality and reliability and, in some cases, it has established long-term supply contracts with its suppliers. However, the Nortek Group generally does not hedge against its supply requirements. Accordingly, in spite of such contingency plans, it may not be able to obtain raw materials and components from its current or alternative suppliers at reasonable prices in the future, or may not be able to obtain these items on the scale and within the time frames it requires. Further, if the Nortek Group’s suppliers are unable to meet its supply requirements, it could experience supply interruptions and/or cost increases. If the Nortek Group is unable to find alternative suppliers or pass along these additional costs to its customers, these interruptions and/or cost increases could adversely affect the Nortek Group’s results of operations, cash flows and financial condition.

Sources of raw materials or component parts for certain of the Nortek Group’s operations may be dependent upon limited or sole sources of supply which may impact the Nortek Group’s ability to manufacture finished product. While the Nortek Group continually reviews alternative sources of supply, there can be no assurance that it will not face disruptions in sources of supply which could adversely affect its results of operations, cash flows and financial position.

Continued strategic sourcing initiatives and other improvements in manufacturing efficiency, as well as sales price increases, help to mitigate fluctuations in these costs. However, there can be no assurance that the Nortek Group will be able to offset any or all material or other cost increases in any future periods.

3. Weather fluctuations may negatively impact the Nortek Group's business.

Weather fluctuations may adversely affect the Nortek Group's operating results and its ability to maintain sales volume. In the Nortek Group's RCH segment, certain product categories may be adversely affected by unseasonably warm weather in the months of November to February and unseasonably cool weather in the months of May to August, which has the effect of diminishing customer demand for heating and air conditioning products. In all of the Nortek Group's segments, adverse weather conditions at any time of the year may negatively affect overall levels of new construction and remodelling and replacement activity, which in turn may lead to a decrease in sales. Many of the Nortek Group's operating expenses are fixed and cannot be reduced during periods of decreased demand for the Nortek Group's products. Accordingly, the Nortek Group's results of operations and cash flows will be negatively impacted in quarters with lower sales due to weather fluctuations.

4. If the Nortek Group fails to identify suitable acquisition candidates or successfully integrate the businesses it has acquired or will acquire in the future, its business could be negatively impacted.

Historically, the Nortek Group has engaged in a significant number of acquisitions, and those acquisitions have contributed significantly to its growth in sales and operating results. However, the Nortek Group cannot provide assurance that it will continue to locate and secure acquisition candidates on terms and conditions that are acceptable to it. If it is unable to identify attractive acquisition candidates, the Nortek Group's growth could be impaired. Acquisitions involve numerous risks, including:

- the difficulty and expense that the Nortek Group incurs in connection with the acquisition, including those acquisitions that it pursues but does not ultimately consummate;
- the difficulty and expense that it incurs in the subsequent integration of the operations of the acquired company into the Nortek Group's operations;
- adverse accounting consequences of conforming the acquired company's accounting policies to the Nortek Group's accounting policies;
- the difficulties and expense of developing, implementing and monitoring systems of internal controls at acquired companies, including disclosure controls and procedures and internal controls over financial reporting;
- the difficulty in operating acquired businesses;
- the diversion of management's attention from the Nortek Group's other business concerns;
- the potential loss of customers or key employees of acquired companies;
- the impact on the Nortek Group's financial condition due to the timing of the acquisition or the failure to meet operating expectations for the acquired business; and
- the assumption of unknown liabilities of the acquired company.

There is no assurance that any acquisition the Nortek Group has made or may make in the future will be successfully integrated into its ongoing operations or that it will achieve any expected cost savings from any acquisition. If the operations of an acquired business do not meet expectations, the Nortek Group's profitability and cash flows may be impaired, and it may be required to restructure the acquired business or write-off the value of some or all of the assets of the acquired business.

5. The Nortek Group continues to evaluate potential restructurings, business shutdowns and integrations focused on improving future cash flows of the business.

While the restructuring initiatives which commenced in 2015 have substantially been completed, the Nortek Group continues to evaluate potential restructurings, business shutdowns and integrations focused on improving future cash flows of the business. Restructurings, business shutdowns and integrations involve numerous risks in their implementation including unforeseen costs, business disruption, management distraction, and potential asset impairment, among others, and may be unsuccessful. In addition, restructurings of international operations may be more costly due to differing labour laws, business practices and governmental restrictions, processes and requirements.

6. The Nortek Group's competitors have substantially greater resources and the Nortek Group faces competitive risks that may negatively impact its business.

The Nortek Group's AQH and AVC segments compete with many domestic and international suppliers in various markets. They compete with suppliers of competitive products primarily on the basis of quality, distribution, delivery and price. Some of the Nortek Group's competitors in these markets have greater financial and marketing resources than those of the Nortek Group's AQH and AVC segments.

The Nortek Group's SCS and ERG segments compete with many domestic and international suppliers in various markets. They compete with suppliers of competitive products primarily on the basis of product innovation, quality, delivery and price. Some of the Nortek Group's competitors in these markets have greater financial and marketing resources than those of the Nortek Group's SCS and ERG segments.

The Nortek Group's RCH segment competes in its markets primarily on the basis of breadth and quality of its product line, distribution, product availability and price. Most of the segment's market competitors have greater financial and marketing resources, and the products of certain of the Nortek Group's competitors may enjoy greater brand awareness than the products in the RCH segment.

The Nortek Group's CAS segment competes primarily on the basis of engineering support, quality, design and construction flexibility, and total installed system cost. Most of the segment's market competitors have greater financial and marketing resources and enjoy greater brand awareness than the CAS segment enjoys.

Competitive factors could require the Nortek Group to reduce prices or increase spending on product development, marketing and sales, either of which could adversely affect its operating results.

7. The Nortek Group must continue to innovate and improve its products to maintain its competitive advantage.

The Nortek Group's ability to maintain and grow its market share depends in part on its ability to continue to develop high quality, innovative products. An important part of its competitive strategy includes leveraging its distributor and dealer relationships and its existing brands to introduce new products. In addition, certain of the Nortek Group's products must be designed and manufactured to meet various regulatory standards. The Nortek Group must continue to modify regulated products to meet applicable standards as such standards develop and become more stringent over time. The Nortek Group cannot make assurances that its investments in product innovation and technological development will be sufficient or that it will be able to create and market new products to enable it to successfully compete with new products or technologies developed by its competitors or to meet heightened regulatory requirements in the future.

8. Because the Nortek Group has substantial operations and sells its products outside the United States, it is subject to the economic and political conditions of the United States and foreign nations.

The Nortek Group has manufacturing facilities in several countries outside of the United States. In 2015, the Nortek Group sold products in over 100 countries other than the United States. Foreign net sales, which are attributed based upon the location of Nortek's subsidiary responsible for the sale, were approximately 16.0% and 16.5% of consolidated net sales for 2015 and 2014, respectively. The Nortek Group's foreign operations are subject to a number of risks and uncertainties, including the following:

- foreign governments may impose limitations on the Nortek Group's ability to repatriate funds;
- foreign governments may impose withholding or other taxes on remittances and other payments to the Nortek Group, or the amount of any such taxes may increase;
- an outbreak or escalation of any insurrection, armed conflict or act of terrorism, or other forms of political, social or economic instability, may occur;
- natural disasters may occur, and local governments may have difficulties in responding to these events;
- the United States and foreign governments currently regulate import and export of the Nortek Group's products and those of its suppliers and may impose additional limitations on imports or exports of the Nortek Group's products or the products of its suppliers;

- foreign governments may nationalise foreign assets or engage in other forms of governmental protectionism;
- foreign governments may impose or increase investment barriers, customs or tariffs, or other restrictions affecting the Nortek Group's business;
- development, implementation and monitoring of systems of internal controls of the Nortek Group's international operations, including disclosure controls and procedures and internal controls over financial reporting, may be difficult and expensive; and
- labour cost inflation and changes in labour practices.

The occurrence of any of these conditions could disrupt the Nortek Group's business in particular countries or regions of the world, or prevent it from conducting business in particular countries or regions, which could reduce sales and adversely affect profitability.

9. Varying international business practices may adversely impact the Nortek Group's business and reputation.

The Nortek Group currently purchases raw materials, components and finished products from various foreign suppliers. To the extent that any such foreign supplier utilises labour or other practices that vary from those commonly accepted in the United States, the Nortek Group's business and reputation could be adversely affected by any resulting litigation, negative publicity, political pressure, or otherwise.

10. A decline in the Nortek Group's relations with key distributors and dealers, loss of major customers or failures or delays in collecting payments from major customers may negatively impact the Nortek Group's business.

The Nortek Group's operations depend upon its ability to maintain relations with its independent distributors and dealers, and it does not typically enter into long-term contracts with them. If the Nortek Group's key distributors or dealers are unwilling to continue selling the Nortek Group's products, or if any of them merge with or are purchased by a competitor, the Nortek Group could experience a decline in sales. If it is unable to replace such distributors or dealers or otherwise replace the resulting loss of sales, the Nortek Group's business, results of operations and cash flows could be adversely affected. For 2015 and 2014, approximately 53% and 52%, respectively, of the Nortek Group's consolidated net sales were made through its independent distributors and dealers, and its largest distributor or dealer accounted for approximately 4% of consolidated net sales for each of 2015 and 2014.

In addition, the loss of one or more of the Nortek Group's other major customers, or a substantial decrease in such customers' purchases from us, could have a material adverse effect on the Nortek Group's results of operations and cash flows. Because the Nortek Group does not generally have binding long-term purchasing agreements with its customers, there can be no assurance that its existing customers will continue to purchase products from it. The Nortek Group's largest customer (other than a distributor or dealer) accounted for approximately 4% of consolidated net sales for each of 2015 and 2014.

11. Changes in legislation or governmental regulations or policies, including environmental and health and safety laws and regulations, may result in substantial compliance costs or otherwise adversely affect the Nortek Group's business.

The Nortek Group's operations are subject to numerous federal, state, local and foreign laws and regulations, including those relating to protection of the environment which impose limitations on the discharge of pollutants into the air and water, energy usage, establish standards for the use, treatment, storage and disposal of solid and hazardous materials and wastes, and govern the clean-up of contaminated sites.

The Nortek Group has used and continues to use various substances in its products and manufacturing operations, and has generated and continues to generate wastes, which have been or may be deemed to be hazardous or dangerous. As such, the Nortek Group's business is subject to and may be materially and adversely affected by compliance obligations and other liabilities under environmental, health and safety laws and regulations.

These laws and regulations affect ongoing operations and require capital costs and operating expenditures in order to achieve and maintain compliance. For example, the United States and other countries have established programmes for limiting the production, importation and use of certain ozone-depleting

chemicals, including hydrochlorofluorocarbons, a refrigerant used in the Nortek Group's air conditioning and heat pump products. Some of these chemicals have been banned completely and others have been phased out in the United States. Modifications to the design of the Nortek Group's products have been made, and further modifications may be necessary, in order to utilise alternative refrigerants. The Nortek Group's RCH and CAS segments could be directly impacted by changes in legislation or government regulations relating to changes in environmental and energy efficiency standards which may have a significant impact on the types of products that the Nortek Group or its competitors are permitted to develop and sell.

The Nortek Group's inability or delay in developing or marketing products that match customer demand and that meet applicable environmental and efficiency standards could negatively impact its business. This may create an unsettled market that could impact demand and margins. The demand for the Nortek Group's products and services could also be affected by the size and availability of tax incentives for purchasers of its products and services. Future legislation or regulations, including relating to environmental or efficiency matters, product certification, product liability, taxes, tax incentives and other matters, may impact the results of the Nortek Group's operating segments and its consolidated results.

PART C: Risks relating to the Melrose Group, the Nortek Group and the Enlarged Group

In the discussion below, references to the “Enlarged Group” are to the Melrose Group following Completion and therefore incorporating the Nortek Group. However, prior to Completion, and in the event that Completion does not occur, the risk factors below that are expressed to be applicable to the Enlarged Group will remain applicable to the Melrose Group (excluding the Nortek Group) and in this context references to the “Enlarged Group” shall instead be deemed to be references to the Melrose Group.

1. The Enlarged Group is dependent on its Directors and on certain of its businesses’ management.

The success of the Melrose Group and the Nortek Group is built upon strong management teams. When acquiring a business such as Nortek, Melrose looks to utilise the skills and experience of its Directors and management, in addition to externally-hired parties, in order to drive the operational improvements it seeks from the acquisition. As a result, the loss of key personnel could have a significant impact on performance, at least for a time. The loss of key personnel or the failure to plan adequately for succession or develop new talent may impact the reputation of the Enlarged Group or lead to a disruption in the leadership of the business. Competition for personnel is intense and the Enlarged Group may not be successful in attracting or retaining qualified personnel, particularly engineering professionals. The loss of key employees, the Enlarged Group’s inability to attract new and adequately-trained employees or a delay in hiring key personnel could seriously harm the Enlarged Group’s business. Over time, the Enlarged Group’s competitive advantage is defined by the quality of its people; should the Enlarged Group fail to attract, develop, motivate and retain key talent, the competitive advantage will erode, leading to weaker growth potential or returns.

2. The Enlarged Group’s ability to raise debt or to refinance existing borrowings is dependent on market conditions.

The Melrose Group had no external debt as at 31 December 2015. However, in order to repay part of the existing debt of the Nortek Group, the Melrose Group intends to draw down on the facilities available pursuant to the New Facilities Agreement, which will be guaranteed by certain subsidiaries of the Enlarged Group. The ability to raise future debt or to refinance future borrowings in the bank or capital markets is dependent on market conditions and the proper functioning of financial markets. Furthermore, in line with the Melrose Group’s strategy, investment is made in the businesses (capital expenditure in excess of depreciation) and there is a requirement to assess liquidity and headroom when new businesses are acquired. In addition, the Enlarged Group may be unable to refinance its debt when it falls due, which pursuant to the New Facilities Agreement, in the absence of any circumstances whereby due dates are accelerated, will not be until five years after the date of the New Facilities Agreement.

3. The Enlarged Group is dependent on a responsive workforce and labour disruptions or cost increases could adversely affect the Enlarged Group’s business.

Both the Melrose Group and the Nortek Group are dependent on their workforce to respond effectively to customer requests. Industrial action could negatively impact the Enlarged Group’s ability to respond effectively, especially for larger, more complex rollouts that encompass a broad range of its products and services. A work stoppage at one of the Enlarged Group’s facilities could cause it to lose sales, incur increased costs and adversely affect its ability to meet customers’ needs. A plant shutdown or a substantial modification to employment terms (including the collective bargaining agreements affecting its unionised employees) could result in material gains or losses or the recognition of an asset impairment. As collective bargaining agreements expire and until negotiations are completed, it is not known whether the Enlarged Group will be able to negotiate collective bargaining agreements on the same or more favourable terms as the current agreements, or at all, without production interruptions, including labour stoppages. Any such industrial action could have a material adverse effect on the Enlarged Group’s results of operations, business and financial condition.

4. The Melrose Group is exposed to risks in relation to compliance with anti-corruption laws and regulations.

Conducting business on a worldwide basis will require the Enlarged Group to comply with the laws and regulations of various jurisdictions. In particular, the Enlarged Group’s international operations will be subject to anti-corruption laws and regulations, such as the US Foreign Corrupt Practices Act of 1977 (the “FCPA”) and the UK Bribery Act of 2010 (the “Bribery Act”). The FCPA prohibits providing anything of

value to foreign officials for the purposes of obtaining or retaining business or securing any improper business advantage. The Enlarged Group may, as part of its business, deal with state-owned business enterprises, the employees of which are considered foreign officials for the purposes of the FCPA. The provisions of the Bribery Act extend beyond bribery of foreign public officials and are more onerous than the FCPA in a number of other respects, including jurisdiction, non-exemption of facilitation payments and penalties.

As a result of conducting business in foreign countries, the Enlarged Group will be exposed to a risk of violating anti-corruption laws and sanctions regulations applicable in those countries where it, its partners or agents operate. Some of the international locations in which the Enlarged Group operates lack a developed legal system and have high levels of corruption. Continued expansion and worldwide operations by the Enlarged Group, including in developing countries, development of joint venture relationships worldwide and the employment by it of local agents in the countries in which it operates increase the risk of violations of anti-corruption or similar laws. Violations of anti-corruption laws and sanctions regulations are punishable by civil penalties, including fines, denial of export privileges, injunctions, asset seizures, debarment from government contracts (and termination of existing contracts) and revocations or restrictions of licences, as well as criminal fines and imprisonment. In addition, any such violations could have a significant impact on the Enlarged Group's reputation and consequently on its ability to win future business and could have a material adverse effect on its reputation, results of operations, business and financial condition.

While the Melrose Group has policies and procedures designed to assist its compliance with applicable laws and regulations, it seeks to continuously improve its systems of internal controls, to remedy any weaknesses that are identified through appropriate corrective action depending on the circumstances, including additional training, improvement of internal controls and oversight and deployment of additional resources and to take appropriate action in case of any breach of the Melrose Group's rules and procedures which might include disciplinary measures, suspensions of employees and ultimately termination of such employees. There can be no assurance, however, that policies and procedures of the Melrose Group will be followed at all times or will effectively detect and prevent violations of the applicable laws by one or more of its employees, consultants, agents or partners.

Similarly, the Nortek Group's internal policies mandate compliance with these anti-corruption laws. It operates in parts of the world that have experienced governmental corruption to some degree, and in certain circumstances, strict compliance with anti-corruption laws may conflict with local customs and practices. Despite the Nortek Group's training and compliance programs, there can be no assurance that its internal control policies and procedures will protect it from reckless or criminal acts committed by those of its employees or agents who violate the Nortek Group's policies.

Further detecting, investigating, and resolving these matters is expensive and could consume significant time and attention of Melrose's and/or Nortek's senior management. The Enlarged Group could also face fines, sanctions and other penalties from authorities in the relevant foreign jurisdictions, including prohibition of the Enlarged Group from participating in or curtailment of business operations in those jurisdictions. Any proceedings that may result from these matters could harm relationships with existing customers, distributors and agents and the Enlarged Group's ability to obtain new customers and partners.

There can be no assurance that policies and procedures of the Melrose Group or the Nortek Group will be followed at all times or will effectively detect and prevent violations of the applicable laws by one or more of its employees, consultants, agents or partners and, as a result, the Enlarged Group could be subject to criminal and civil penalties and other remedial measures, which could have material adverse consequences for the Enlarged Group's results of operations, business and financial condition if any member of the Enlarged Group failed to prevent any such violations.

5. The Enlarged Group will be exposed to risks in relation to compliance with economic sanctions programmes.

The Enlarged Group's businesses are subject to economic sanctions programmes, including those administered by the United Nations, EU and the US Department of the Treasury's Office of Foreign Assets Control ("OFAC") and regulations set forth under the Comprehensive Iran Accountability Divestment Act of 2010. These sanctions regulations, which vary depending on the jurisdiction in question, apply to EU nationals worldwide, including all EU companies. While these sanctions regulations do not apply to subsidiaries of EU companies that are organised under the laws of countries outside the EU, EU parent companies are nonetheless expected to encourage their subsidiaries to follow these regulations.

Sanctions programmes restrict the Enlarged Group's business dealings with certain sanctioned countries. The Melrose Group and the Nortek Group have conducted, and continue to conduct, business with entities located in jurisdictions subject to EU sanctions regulations. If the Melrose Group and/or the Nortek Group is found to have violated any of these restrictions, it could be subject to fines, which could have material adverse consequences for the Enlarged Group's business and reputation.

OFAC and the Office of Export Enforcement of the US Department of Commerce ("OEE") administer certain laws and regulations that impose restrictions upon US companies and persons, or US persons, and, in some contexts, foreign entities and persons, with respect to activities or transactions with certain countries, governments, entities and individuals that are the subject of US economic sanctions laws, or sanctions targets. US persons are also generally prohibited from facilitating such activities or transactions.

Each of the Melrose Group and the Nortek Group has policies and procedures designed to assist its compliance with applicable economic sanctions programmes including training of its employees to comply with such programmes. Despite the compliance procedures in place, the enhancements and the Melrose Group's or the Nortek Group's other efforts designed to ensure compliance with applicable sanctions laws and embargoes, it remains possible that its products could be sold or transferred to countries, governments, entities or persons targeted by EU or US sanctions in a manner that violates such sanctions. For example, despite the procedures in place, one of the Enlarged Group's businesses may miscalculate the level of US-origin content in a product or transfer a US-origin product to a customer that it should have known was subject to US or EU sanctions. Should such sales or transfers occur, the Enlarged Group would bear the costs of any investigative and remedial measures that may be necessary, and could be subject to fines or criminal penalties in respect of such sales or transfers. If any such violations were to occur, this may have material adverse consequences for the reputation, results of operations, business and financial condition of the Enlarged Group.

In addition to the sanctions administered by OFAC and OEE described above, the US government may impose (and has in the past imposed from time to time) restrictions and sanctions against other countries, including ones in which the Enlarged Group does business. In addition, the US government may impose new or expanded restrictions and sanctions against existing sanctions targets. Any such measures targeting countries in which the Enlarged Group undertakes business could have a material adverse effect on its business and reputation.

6. The Enlarged Group's businesses' success and sales are dependent on the strength of their brands and reputation and are subject to customers' perceptions of those businesses and their products.

Products sold by the Enlarged Group may have faults or defects or may not meet a customer's quality specification. Such faults, defects or failures to meet specification may negatively affect the market acceptance of the Enlarged Group's products and their reputation and could subsequently lead to a loss of customers.

The Enlarged Group's customers increasingly demand access to a broad range of products and technologies and evaluate their suppliers on the basis of a number of factors, including product quality, reliability and timeliness of delivery, accuracy, new product innovation, price competitiveness, technical expertise and development capability, product design capability, manufacturing expertise, operational flexibility, customer service and overall management, and so the Enlarged Group must continue to develop its expertise to design, manufacture and market its products successfully. The Enlarged Group's success therefore depends, to a significant extent, on its development of new products and technologies and its ability to continue to meet its customers' changing requirements.

If the Enlarged Group's businesses are unable to respond to changing consumer demand, those businesses' names and reputations may be impaired and customer demand for a particular category of product offering may decrease. In addition, the public image of the Enlarged Group's existing and future product offering may become tarnished and create negative publicity for that business group and damage that business's brands.

Each of these factors could have a material adverse effect on the results of operations, business and financial conditions of the Enlarged Group.

7. Any inability to obtain adequate supplies at favourable prices could decrease the Enlarged Group's profit margins and negatively impact timely deliveries to its customers.

The loss of, or a substantial decrease in the availability at favourable prices of, products, component parts, raw materials and energy from some of the Enlarged Group's suppliers, or the loss of key supplier relationships for products and the need to find alternative sources on potentially disadvantageous terms, could lead to a reduction in its production and sales volumes and in its profit margins. Any of these events could have a material adverse effect on the Enlarged Group's business and financial condition.

8. Potential liability for defective products may affect the financial condition and business of the Enlarged Group.

Due to the nature of its operations, claims against the Enlarged Group could arise from defects in materials or products manufactured and/or supplied by the Enlarged Group. Purchasers and third parties could make claims against Enlarged Group companies, based on their delivery of defective materials or products, or for damage or loss arising from the use of such defective materials or products.

If any of the Enlarged Group's products proves to be defective, it may be required to effect or participate in a recall involving such products. The Enlarged Group may also be the subject of lawsuits seeking damages for products alleged to be defective, including, in particular, product liability claims in the event that the use of its products is alleged to have resulted in injury, a risk of injury or other adverse effects.

In relation to the Nortek Group specifically, it has undertaken several voluntary product recalls and reworks over the past several years and could do so in the future given the nature of its business; additional product recalls and/or reworks could result in material future costs. Many of the Nortek Group's products, especially certain models of bath fans, range hoods, and residential furnaces and air conditioners, have a large installed base, and any recalls and/or reworks related to products with a large installed base could be particularly costly. The costs of product recalls or reworks are not generally covered by insurance. In addition, the Nortek Group's reputation for safety and quality is essential to maintaining market share and protecting its brands. Any recalls or reworks may adversely affect the Nortek Group's reputation as a manufacturer of high-quality, safe products and could have a material adverse effect on its financial condition, results of operations and cash flows.

The development, manufacture, sale and use of the Nortek Group's products involves risks of product liability claims, which may involve lawsuits seeking class action status, and warranty claims, including personal injury and property damage arising from fire, soot, mould and carbon monoxide.

Litigation, including litigation resulting from product liability claims, can be expensive to defend and can divert the attention of management and other personnel for long periods of time, regardless of the ultimate outcome of the litigation with respect to such claims. While the Melrose Group currently maintains (and the Enlarged Group will continue to maintain) product liability insurance coverage, such insurance may not provide adequate coverage against potential claims. A successful claim brought against the Enlarged Group with respect to a defective product or batches of products in excess of available insurance coverage, if the Enlarged Group's coverage is applicable, or a requirement to participate in a major product recall, could have a material adverse effect on the Enlarged Group's reputation, results of operations, business and financial condition.

9. The Enlarged Group will be subject to risks from legal and regulatory proceedings and arbitrations.

Companies in the Enlarged Group have been involved, and may be involved from time to time, in legal and arbitration proceedings including regulatory action and employee litigation. Such proceedings could involve substantial claims for damages relating to, for example, product liability, which may involve lawsuits seeking class action status, breach of warranty obligations, contractual penalties for late delivery or disputes over termination of contracts or claims for modification, adjustment or replacement of component parts of units sold, or could involve the payment of fines or other payments. Product liability and other legal proceedings include those related to businesses the Enlarged Group has acquired or properties it has previously owned or operated. Certain Enlarged Group companies are subject to anti-trust and competition laws in some of the markets in which they operate and may be subject to regulatory scrutiny and/or legal proceedings in these jurisdictions. The outcomes of legal proceedings, including regulatory actions, intellectual property disputes and employee lawsuits, are inherently unpredictable, and Melrose cannot guarantee that Enlarged Group companies will succeed in defending

any current or future claims, that judgments will not be rendered against them with respect to any or all current or future proceedings or that reserves set aside or to be set aside and coverage taken out or to be taken out under insurance policies will be adequate to cover any such judgments. The Enlarged Group could be required to pay substantial damages, fines and related costs, or could incur a charge to its earnings if its reserves prove to be inadequate in respect of any adverse judgment. The realisation of any of these risks could have a material adverse effect on the results of operations, business and financial condition of the Enlarged Group.

The Enlarged Group is exposed to the risk that its employees or agents could engage in anti-competitive behaviour or seek to influence the awarding of contracts in other impermissible ways. The Melrose Group maintains a compliance infrastructure including ‘whistle-blower’ hotlines, employee education and training programmes, and due diligence on agents. Under this compliance infrastructure, the Melrose Group investigates cases of potentially non-compliant behaviour and, if necessary, takes specific steps to prevent such non-compliant conduct in the future. However, the Melrose Group’s compliance infrastructure may be insufficient to deter all misconduct. Moreover, if it becomes aware of allegations of non-compliant conduct, the Melrose Group may have difficulty investigating such conduct and gathering evidence. If such cases were to arise, and misconduct was determined to have occurred, the Melrose Group could be subject to fines, blacklisting and litigation, which could have a material adverse effect on the Enlarged Group’s results of operations, business and financial condition.

10. The Enlarged Group’s operations are subject to environmental, health and safety laws and regulations, and non-compliance with such laws and regulations could result in substantial costs, fines, sanctions and claims.

The Enlarged Group operates global manufacturing, product handling and distribution facilities that are subject to a broad array of environmental laws and regulations relating to pollution, the health and safety of employees, protection of the public, protection of the environment and the storage and handling of hazardous substances and waste materials. These laws and regulations are becoming increasingly stringent. It is the policy of Melrose to comply with all relevant laws and regulations. Melrose actively manages these risks through regular compliance and performance improvement assessments and key performance indicators and the engagement of competent health, safety and environmental coordinators at each of its sites. However, violations of applicable laws and regulations, in particular provisions of environmental and health and safety laws, or changes in such laws and regulations (such as the imposition of more stringent standards for discharges into the environment), could result in temporary or permanent restrictions on the operations of the facilities of the Enlarged Group, damages, fines, clean-up costs, personal injury claims or other civil or criminal sanctions and/or increased costs of compliance (including capital expenditures), as well as damage to its reputation.

Furthermore, the Enlarged Group’s operations and properties will be subject to US, EU and other foreign, state and local environmental laws and regulations governing, among other things, the generation, storage, emission, discharge, transportation, treatment and disposal of hazardous materials and the clean-up of contaminated properties. Certain environmental laws and regulations impose strict joint and several liability, without regard to knowledge or fault, relating to the existence of contamination at or associated with properties used in the Enlarged Group’s current and former operations or those of its predecessors or at locations to which current or former operations or those of its predecessors have shipped waste for disposal and require generators of waste to take remedial actions at off-site disposal locations when necessary. In the ordinary course of its business, the Melrose Group has used and may continue to use hazardous metals such as mercury and cadmium, solvents and other materials on-site that create waste, which may expose it to liability under these regulations. Any failure to comply could result in the imposition of significant fines, suspension of production, alteration of product processes, cessation of operations or other actions detrimental to the Melrose Group’s business. In addition, contaminants have been detected at certain of the Nortek Group’s former sites, and it has been named as a potentially responsible party at several third-party waste disposal sites. While the Nortek Group is not currently aware of any such sites as to which material outstanding claims or obligations exist, the discovery of additional contaminants or the imposition of additional clean-up obligations at these or other sites could result in significant liability.

These laws and regulations have complicated requirements, which are often changed or modified and could become stricter in the future. As such, the Enlarged Group may incur increased costs associated with future environmental or climate change compliance, with remediation obligations or with litigation if claims are made with respect to damages resulting from its operations. These and any future costs

associated with environmental or climate change issues currently unknown to the Enlarged Group could have a material adverse effect on its results of operations, business and financial condition. The realisation of any of these risks could have a material adverse effect on the results of operations, business and financial condition of the Enlarged Group.

11. The Enlarged Group's business is affected by global economic conditions and uncertainties, and/or a significant slowdown in certain industries could have a material adverse effect on the Enlarged Group's business or financial condition.

The Enlarged Group will operate through manufacturing and/or sales facilities, and consider future acquisitions, across a number of industries in numerous countries. Over recent years, the global financial markets have experienced turbulence. Macroeconomic development is dependent upon the evolution of a number of global and local factors, such as the crisis in the credit markets and uncertainty with regard to interest rates, economic crises arising from sovereign debt overruns, government budget consolidation measures related thereto, reduced levels of capital expenditures, declining consumer and business confidence, increasing unemployment in certain countries, fluctuating commodity prices (in particular, oil and gas) and exchange rates, bankruptcies, natural disasters, presidential elections and other governmental changes, political crises and other challenges affecting the speed of sustainable macroeconomic growth. Businesses are also affected by government spending priorities and the willingness of governments to commit substantial resources.

Current global economic and financial market conditions and the potential for a significant and prolonged global recession and any uncertainty in the political environment, including the consequences (both within the UK and globally) of the UK's referendum on 23 June 2016 in favour of leaving the European Union, may materially and adversely affect the Enlarged Group's operational performance and financial condition and could have a significant impact on timing of acquisitions and disposals.

A significant slowdown in the energy, oil and gas, US retail and housing, industrial and/or consumer markets, among others, could lead to a decline in the volume or demand for the Enlarged Group's products and services and could have a material adverse effect on the Enlarged Group's results of operations, business or financial condition. In addition, the cyclical nature of those industries could affect the financial performance of the Enlarged Group from time to time.

Businesses, including Nortek, Brush and many of their customers, may face weakened demand for products and services, difficulty obtaining access to financing, increased funding costs and barriers to expanding operations. As a result, the economic environment may, among other things:

- create downward pressure on the pricing of the Enlarged Group's products;
- affect the collection of accounts receivable;
- increase the sales cycle for certain of the Enlarged Group's products;
- slow the adoption of new technology;
- adversely affect the Enlarged Group's customers, causing them to terminate existing orders, reduce spending and/or decrease utilisation of the Enlarged Group's products;
- adversely affect the Enlarged Group's suppliers, which could cause suppliers to be unable to meet their commitments to the Enlarged Group or to change the credit terms they extend to members of the Enlarged Group, which could disrupt the Enlarged Group's ability to produce its products; and
- limit the Enlarged Group's access to capital on terms acceptable to it.

Any of these conditions and the uncertainty of economic and political conditions could have a material adverse effect on the Enlarged Group's business, results of operations, financial condition and/or liquidity.

12. The Enlarged Group will be subject to a number of tax regimes.

The Enlarged Group will operate in many countries and therefore will be subject to different tax regulations. Changes in tax law could result in higher tax expense and payments. Furthermore, legislative changes could materially impact tax receivables and liabilities as well as deferred tax assets and deferred tax liabilities. In addition, the uncertain tax environment in some regions could limit the Enlarged Group's ability to enforce its rights. As an organisation with global operations, the Enlarged Group will conduct business in countries subject to complex tax rules, which may be interpreted in different ways. Both the

Nortek Group and the Melrose Group are routinely audited by income tax authorities in many jurisdictions. Although each believes that the recorded tax estimates are reasonable and appropriate, there are significant uncertainties in these estimates. As a result, the ultimate outcome from any audit could be materially different from amounts reflected in the income tax provisions and accruals. Future settlements of income tax audits may have a material adverse effect on earnings between the period of initial recognition of tax estimates in the Enlarged Group's financial statements and the point of ultimate tax audit settlement. Future interpretations or developments of tax regimes may affect its tax liability, return on investments and business operations.

13. The Enlarged Group could be negatively impacted if it fails to adequately protect its intellectual property rights or if third parties claim it is in violation of their intellectual property rights.

The success of the Enlarged Group will depend, in part, on its ability to protect current and future branded products and processes through securing, enforcing and defending its intellectual property rights. The Enlarged Group will rely on a combination of trademarks, copyrights, patents, utility models, designs, know-how, trade secrets and contractual restrictions to establish and protect proprietary rights in its products, processes and technical data. The Enlarged Group's intellectual property is a valuable asset that helps to protect its investment in technology and software, and to support its licensing efforts with third parties. However, it is considered that no one piece of intellectual property in Nortek or Melrose is material. There can be no assurance that these proprietary rights, rights in know-how and contractual provisions will be adequate to prevent the misappropriation, infringement or other unauthorised use of the intellectual property rights of the Enlarged Group by third parties which could harm it. There can be no guarantees that patents will be granted with respect to patent applications for new products or processes. The Enlarged Group depends in part on its ability to obtain and maintain ownership of and rights of use in the intellectual property related to its product and solution portfolio. Further, there is no guarantee that any patents, issued or pending, will provide the Enlarged Group with any competitive advantage or will not be challenged by third parties.

Competitors or others may infringe the Enlarged Group's intellectual property rights or successfully avoid them through alternative innovation. Moreover, patents covering technology substantially identical to that covered by intellectual property rights the Enlarged Group owns have in the past been, and may in the future be, granted in various jurisdictions around the world, and the Enlarged Group may not become immediately aware of them which, in turn, could inhibit its ability to challenge them.

To combat infringement or unauthorised use, as well as to protect existing patents from the effects of intervening ones, the Enlarged Group may need to litigate, which can be expensive and time-consuming. The mere existence of patent disputes can cause reputational harm among customers and market observers and participants, in particular due to a perception that the Enlarged Group's ownership of its intellectual property may not be sufficiently secure. In addition, a court may decide in an infringement proceeding that an intellectual property right of the Enlarged Group is not valid or is unenforceable, or may refuse to enjoin the other party from using the technology or other intellectual property right at issue on the grounds that it is non-infringing or the legal requirements for an injunction have not been met.

Some of the countries in which the Enlarged Group operates, such as China, offer less effective intellectual property protection than is available in Europe or the United States. In jurisdictions where effective intellectual property protection is unavailable or limited, the Enlarged Group's intellectual property may be vulnerable to disclosure or misappropriation by employees, strategic partners, suppliers, customers and other persons. Patents may not be granted on the Enlarged Group's currently pending or future applications or may not be of sufficient scope or strength to provide it with meaningful protection or commercial advantage. Policing unauthorised use of its intellectual property is difficult and expensive, and the Enlarged Group may not be able, or may lack the resources, to prevent infringement of the Enlarged Group's intellectual property, particularly in countries where the laws may not protect such rights as fully as do the laws of Europe and the United States.

There is no certainty that the Enlarged Group does not and will not infringe third parties' intellectual property rights. The Enlarged Group may be required to defend claims of patent infringement, infringement of third party proprietary rights or breach of confidence or to take action to protect its own proprietary rights. Such proceedings could be burdensome and costly and the Enlarged Group may not prevail. Any claim against the Enlarged Group, even if it is without merit, may be expensive and time consuming to defend, subject the Enlarged Group to damages, cause it to cease making, using or selling certain products that incorporate the disputed intellectual property, require it to redesign its products,

divert management time and attention and/or require it to enter into costly licensing royalty or licensing agreements, in each case which may have an adverse effect on its business, financial condition and results of operations. Any adverse or uncertain outcome of any dispute with respect to material patents or other material proprietary rights may adversely affect the competitive position of the Enlarged Group or interrupt or adversely affect the ability of the Enlarged Group to carry on its business.

The loss or unavailability, or threat of loss, of its intellectual property or the economic exploitation of it could have a material adverse effect on results of operations, business and financial condition. The cost of defending against or settling intellectual property claims can be material, and the existence or threat of such claims can damage the Enlarged Group's reputation and business.

14. The Enlarged Group will rely on its own IT systems and on IT systems provided by third parties.

The Enlarged Group will rely on its own information technology, or IT, systems to manage its business data, communications, computing needs, production and supply chain effectively and efficiently. The Melrose Group's IT systems are (and the Enlarged Group's will be) used to conduct, among other things, order entry, order fulfilment, inventory replenishment, e-commerce and other business processes. Melrose also relies on the IT systems provided by third parties and other IT infrastructure.

Melrose currently outsources, and in the future plans to continue to outsource, certain aspects of its technical and communication infrastructure to third parties. Should these systems not operate as intended or any third parties to whom Melrose outsources some of its IT services fail to deliver as expected, its ability to transact business across its international businesses would be significantly impaired. In addition, Melrose's IT systems and those it outsources are vulnerable to damage or interruption from circumstances beyond Melrose's control, including fire, natural disasters, power loss or disruptions, hacker attacks, computer systems failures, viruses, delays or disruptions due to system updates, malicious attacks, accidents, telecommunication failures, acts of terrorism or war, physical or electronic break-ins or similar events or disruptions. These information systems have been, and will likely continue to be, subject to attack. The failure of Melrose's IT systems to perform as anticipated could disrupt the Enlarged Group's business and could result in decreased sales, increased overhead costs, excess inventory and product shortages, causing the Enlarged Group's business and results of operations to suffer. In addition, unforeseen vulnerabilities in Melrose's security systems and policies could result in potential data misuse, resulting in damage to the Enlarged Group's reputation and an adverse effect on its results of operations, business or financial condition.

Information security and cyber threats are currently a priority across all industries and remain a key UK government agenda item. Cybersecurity breaches of the Enlarged Group's information technology systems could result in the misappropriation or unauthorised disclosure of confidential information belonging to it or to its customers, partners, suppliers, or employees. Any breach of data security could result in a disruption of the Enlarged Group's services or improper disclosure of personal data or confidential information, which could harm the Enlarged Group's reputation, require it to expend resources to remedy such a security breach or defend against further attacks or subject it to liability under laws that protect personal data, resulting in increased operating costs or loss of revenue. Like many businesses, Melrose recognises that the Enlarged Group may have a potential exposure in this area.

15. The Enlarged Group will be subject to the risk of major operational problems.

The Enlarged Group's sales will be dependent on the continued operation of its various manufacturing facilities and those of third-parties that supply it, its warehousing and logistics infrastructure and its information technology systems. In particular, because the Brush sites at Loughborough, UK and Plzen, Czech Republic represent a material proportion of the Melrose Group's turnover, an operational failure or inefficiency at any of these sites may adversely affect the Melrose Group's business or financial condition. Similarly, a number of Nortek sites represent a material proportion of the Nortek Group's turnover, and any operational failure or inefficiency at any of these sites may adversely affect the Enlarged Group's business or financial condition. For example, during the second quarter of 2015, the Nortek Group's sales were negatively impacted as a result of inadequate staffing and processes by a third-party logistics provider.

Operational risks include equipment failure, failure to comply with applicable regulations and standards, raw material supply disruptions, labour force shortages or work stoppages, inadequacies in staffing or processes, events impeding or increasing the cost of transporting the Enlarged Group's products, fires and natural disasters. There is no guarantee that the Enlarged Group's insurance policies and disaster recovery plans will be adequate to protect the Enlarged Group against loss if any of the aforementioned occurs, and

the occurrence of major operational problems resulting from these or other events may have an adverse effect on the results of operations, business and financial condition of the Enlarged Group. Operational risks will be present in the Enlarged Group's business. These risks include the risk of failed internal and external processes and systems (including information technology systems), human error and external events such as changes in credit terms offered by suppliers. Such events could have an impact on the results of operations, business and financial condition of the Enlarged Group during the affected period. The Enlarged Group will actively assess these risks through ongoing processes embedded in its business which identify, evaluate and manage the risks faced by it.

16. Factors outside the Enlarged Group's control, such as fires, floods and other natural disasters, any epidemics or pandemics, acts of terrorism or man-made problems such as computer viruses or terrorism, protests or other harassment could have a material adverse effect on its results of operations, business and financial condition.

The Enlarged Group's sources for components or other supplies, as well as shipments of manufactured goods, are vulnerable to damage or interruption from fires, floods, pandemics, power losses, telecommunications failures, terrorist attacks, human errors, break-ins and similar events. A significant natural disaster, such as a fire or flood, whether at a facility owned by the Enlarged Group or at a third-party facility which holds stock belonging to the Enlarged Group, could have a material adverse effect on the Enlarged Group's business, results of operations and financial condition, and the Enlarged Group's insurance coverage may be insufficient to compensate it for losses that may occur. Any contractual penalties the Enlarged Group negotiates for, in the event that a supplier of the Enlarged Group does not meet its obligations with respect to timeliness and quality, may fail to mitigate the harm to the Enlarged Group's business caused by any such contractual breaches. In particular, shortages or interruptions in the supply of components or delays in the shipment of manufactured goods as a result of such an event could delay shipments of the Enlarged Group's products or increase its production costs. This in turn could have a material adverse effect on the Enlarged Group's results of operations, business and financial condition.

PART D: Risks relating to the Acquisition

1. The Acquisition is subject to a number of conditions which may not be satisfied or waived.

The completion of the Tender Offer is subject to the satisfaction (or waiver, where applicable) of a number of conditions, including:

- (a) there having been validly tendered (and not properly withdrawn) prior to the Tender Offer Expiration Date such number of Nortek Shares that, together with any Nortek Shares then owned by the Melrose Group, represents more than 50% of the total share capital of Nortek as at the Tender Offer Expiration Date;
- (b) the Merger Agreement not having been terminated in accordance with its terms;
- (c) the receipt of the Anti-trust Clearance, or the expiry or termination of the applicable waiting period, under the HSR Act in the US;
- (d) there not being any law, rule, regulation, order, judgement, injunction, temporary restraining order, or decree entered, enacted, issued, promulgated, enforced or issued by any government, regulatory, judicial or administrative authority, agency or commission of competent authority which is in effect and has the effect of making the Tender Offer or the Merger illegal, or otherwise prohibits, restrains or prevents the consummation of the Tender Offer or the Merger (provided that Melrose and MergerCo have used commercially reasonable efforts to oppose such action by such authority);
- (e) no material adverse change, or any event, development or circumstance that would reasonably be expected to have, individually or in aggregate, a material adverse effect having occurred in respect of Nortek and continuing up to the Tender Offer Expiration Date;
- (f) the Nortek Board having recommended (and not having withdrawn or modified in a manner adverse to Melrose its recommendation for) the Tender Offer;
- (g) the approval of the Acquisition, the Rights Issue and Re-admission by Melrose Shareholders at the Melrose General Meeting;
- (h) Admission having occurred;
- (i) no circumstances having occurred and continuing that would have the effect of preventing Re-admission from occurring promptly following the acceptance by MergerCo for payment of the Nortek Shares validly tendered under the Tender Offer and Melrose's application for Re-admission having been approved by the UKLA; and
- (j) the satisfaction or waiver of the other conditions of the Tender Offer, which are considered to be customary for a transaction of this nature (set out in paragraph 3 (*Terms of the Acquisition*) of Part I (*Information on the Acquisition and the Rights Issue*) of this Prospectus).

The Tender Offer Conditions set out in sub-paragraphs (a), (b), (c) and (d) above will not be waived in whole or in part.

The consummation of the Merger is conditional upon:

- (a) the consummation of the Tender Offer; and
- (b) there not being any law, rule, regulation, order, judgement, injunction, temporary restraining order or decree entered, enacted, issued, promulgated, enforced or issued by any government, regulatory, judicial or administrative authority, agency or commission of competent authority which is in effect and has the effect of making the Merger illegal, or otherwise prohibits, restrains or prevents the consummation of the Tender Offer or the Merger (provided that Melrose and MergerCo have used commercially reasonable efforts to oppose such action by such authority).

Although the Directors believe that the above conditions are capable of being satisfied, it is possible that the parties may not be able to obtain the clearances or approvals required, or that they may not be obtainable within a timescale acceptable to the parties, or that they may only be obtained subject to certain conditions or undertakings which may not be acceptable to the parties.

In the event that these (or other) conditions are not satisfied (or waived, if applicable), the Acquisition will not proceed. The conditions are set out in more detail in Part I (*Information on the Acquisition and the Rights Issue*) of this Prospectus.

2. The Melrose Group may not realise the desired operational improvements from the Acquisition.

The Melrose Group is targeting operational improvements from the Acquisition. Achieving the advantages of the Acquisition will depend partly on the rapid and efficient management and co-ordination of the activities of Melrose and Nortek, two businesses of considerable size that functioned independently and are currently located in different countries, with geographically dispersed operations and with different business cultures and compensation structures. There is a risk that operational improvements from the Acquisition may fail to materialise, or they may be materially lower than have been estimated. In addition, the cost of funding these operational improvements may exceed expectations. Such eventualities may have a material adverse effect on the financial condition of the Enlarged Group.

3. Nortek may not perform in line with expectations.

If the results and cash flows generated by the combination of the operations of Nortek with those of the Melrose Group are not in line with the Melrose Directors' expectations, a write-down may be required against the carrying value of the Melrose Group's investment in Nortek. Such a write-down may reduce the Melrose Group's ability to generate distributable reserves and consequently affect its ability to pay dividends or return capital to shareholders.

4. Following the Acquisition, an impairment of goodwill or other intangible assets would adversely affect the Melrose Group's results of operations, business and financial condition.

Upon Completion, a significant portion of the difference between the purchase price, Nortek's net assets at that date and the allocation of costs of the combination to the assets acquired and the liabilities assumed, will be recorded as goodwill. In addition, other intangible assets will be recorded as a result of the purchase price allocation. Under IFRS, goodwill and intangible assets with indefinite lives are not amortised but are tested for impairment annually or more often if an event or circumstance indicates that an impairment loss may have been incurred. Other intangible assets with a finite life are amortised on a straight-line basis over their estimated useful lives and reviewed for impairment whenever there is an indication of impairment. In particular if the combination of the businesses meets with unexpected difficulties, or if the business of the Melrose Group does not develop as expected, impairment charges may be incurred in the future which could be significant and which could have an adverse effect on the Melrose Group's financial condition.

5. The Melrose Group will have foreign exchange risk related to the purchase price for the Acquisition.

The proceeds raised by Melrose pursuant to the Rights Issue will be in pounds sterling, but the payment to selling Nortek Shareholders pursuant to the Acquisition will be made in US dollars. There could be a period of several weeks between Admission and the payment to selling Nortek Shareholders pursuant to the Acquisition, during which time the Melrose Group will therefore be exposed to the risk of a significant appreciation in the US dollar against the pound sterling. The Melrose Group has entered into currency hedge arrangements in respect of substantially all of the anticipated net proceeds of the Rights Issue in order to limit its total exposure to adverse currency movements in respect of the Acquisition, although there is no guarantee that such measures will be implemented or fully effective. The Melrose Group will incur additional costs if hedging is secured for this exchange rate risk. Should the US dollar appreciate against the pound sterling and such hedging measures are not implemented or fully effective, the cost of the Acquisition for the Melrose Group, and consequently the amount to be drawn down pursuant to the New Facilities Agreement, will increase, which could have a material adverse effect on the returns Melrose is able to make to Melrose Shareholders and Melrose Group's financial condition.

6. The financial results of the Melrose Group will, for a period, as a result of the Acquisition and the resulting increased portion of assets, liabilities and earnings denominated in Euros and US dollars, be more exposed to fluctuations in the exchange rate between the pound sterling and the Euro and/or the US dollar.

The Melrose Group will present its financial statements in pounds sterling and will have a significant portion of Euro and US dollar denominated assets, liabilities and earnings as a result of the significant assets and revenues of Nortek across the EU and in the United States. The operational and financial results as well as the equity of the Melrose Group will therefore be more sensitive to fluctuations in the exchange rate of the pound sterling against the Euro and against the US dollar than they are currently. There has been a high degree of volatility in exchange rates since the onset of the global financial crisis and this volatility has continued with the recent EU sovereign debt crisis and the UK's referendum in favour of leaving the EU. A depreciation of the Euro and/or the US dollar relative to the pound sterling could have an adverse impact on the consolidated financial condition and results of operation of the Melrose Group.

7. A Standard Listing pursuant to Chapter 14 of the Listing Rules which affords shareholders a lower level of protection than a Premium Listing.

Application will be made for the Melrose Shares to be re-admitted or, should Completion not occur, transferred to listing on the Official List pursuant to Chapter 14 of the Listing Rules, which sets out the requirements for Standard Listings. The Standard Listing regime provides shareholders with a lower level of regulatory protection than that afforded to shareholders in companies with a Premium Listing on the Official List, which are subject to additional obligations under the Listing Rules. Following Re-admission with, or transfer to, a Standard Listing, the Melrose Group intends to comply on a voluntary basis with the provisions of Chapters 7 to 13 of the Listing Rules notwithstanding that (other than Listing Principles 1 and 2 which apply to all companies admitted to the Official List) they only apply to companies which obtain a Premium Listing. Melrose would not, however, be formally subject to such Listing Rules.

The UKLA will not have the authority to monitor (and will not monitor) Melrose's voluntary compliance with any of the Listing Rules which Melrose has indicated above that it intends to comply with on a voluntary basis, nor to impose sanctions in respect of any breach of such requirements by Melrose.

A Standard Listing will not permit Melrose to be included in a FTSE index, which may have an adverse effect on the valuation of the Melrose Shares.

Further details regarding the differences in the protections afforded by a Premium Listing as against a Standard Listing are set out in the section of this Prospectus entitled "*Important Information*".

8. Melrose may be unable to transition to a Premium Listing.

Following Re-admission with, or transfer to, a Standard Listing, the Directors intend to seek a Premium Listing for Melrose as soon as reasonably practicable, subject to meeting the eligibility criteria contained in Chapter 6 of the Listing Rules. Melrose shall give not less than 20 Business Days' notice of any anticipated transfer to a Premium Listing. However, as at the date of this Prospectus, there can be no guarantee that Melrose will meet the eligibility criteria for a Premium Listing again or that a transition to a Premium Listing will be achieved. In addition there may be a delay, which could be significant, between Re-admission with, or transfer to, a Standard Listing and the date upon which Melrose is able to seek or achieve a Premium Listing.

If Melrose does not achieve a Premium Listing again, Melrose will not be obliged to comply with the higher standards of corporate governance or other requirements which it would be subject to upon achieving a Premium Listing and, for as long as Melrose continues to have a Standard Listing, it will only be required to continue to comply with the lesser standards applicable to a company with a Standard Listing. In addition, an inability to achieve a Premium Listing will prohibit Melrose from gaining FTSE indexation and may have an adverse effect on the valuation of the Melrose Shares.

Further details regarding the differences in the protections afforded by a Premium Listing as against a Standard Listing are set out in the section of this Prospectus entitled "*Important Information*".

PART E: Risks relating to the Rights Issue and an investment in Melrose Shares

1. Investments in listed securities and possible volatility of the price of Melrose Shares.

The Melrose Shares may not be a suitable investment for all the recipients of this Prospectus. Before making a final decision, investors are advised to consult an appropriate independent investment adviser authorised under FSMA (or from another appropriately authorised financial adviser) who specialises in advising on the acquisition of shares and other securities.

Prospective investors should be aware that the value of an investment in Melrose may go down as well as up.

The market price of Melrose Shares could be volatile and subject to significant fluctuations due to a variety of factors outside the control of the Melrose Group including changes in sentiment in the market regarding the Melrose Shares (or securities similar to them), any regulatory changes affecting the Melrose Group's operations, variations in the Melrose Group's operating results, business developments of the Melrose Group or its competitors, the operating and share price performance of other companies in the industries and markets in which the Melrose Group operates, speculation about the Melrose Group's business in the press, media or the investment community, changes to the Melrose Group's profit estimates or the publication of reports by analysts and general market conditions. Stock markets have from time to time experienced significant price and volume fluctuations that have affected the market prices for securities and which may be unrelated to the Melrose Group's operating performance, underlying asset value or prospects. The market price of the Melrose Shares may be adversely affected by any of the preceding or other factors regardless of the Melrose Group's actual results of operations and financial condition. Furthermore, the Melrose Group's operating results and prospects from time to time may be below the expectations of market analysts and investors.

2. The Rights Issue is conditional on, among other things, the passing of the Transaction Resolutions, but is not conditional on Completion.

Subject to the passing of the Transaction Resolutions and upon the expiry of the Window Shop Deadline without the occurrence of a Superior Proposal Termination Event, the Provisional Allotment Letters shall be posted to shareholders and dealings in New Melrose Shares, nil paid, will commence.

In the unlikely event that the Rights Issue proceeds but the Acquisition does not complete, the Melrose Directors' current intention is that the net proceeds of the Rights Issue will be invested on a short-term basis while the Melrose Directors evaluate other acquisition opportunities and, if no acquisitions can be found on acceptable terms, the Melrose Directors will consider how best to return surplus capital to Melrose Shareholders in a timely manner. Such a return could carry fiscal costs for certain Melrose Shareholders, will have costs for Melrose and would be subject to applicable securities laws.

The Underwriters' obligations under the Underwriting Agreement are conditional (although certain of these conditions can be waived) but are unconditional from Admission.

3. An active trading market in Nil Paid Rights may not develop on the London Stock Exchange.

An active trading market in the Nil Paid Rights may not develop on the London Stock Exchange during the trading period. In addition, because the trading price of the Nil Paid Rights depends on the trading price of the Melrose Shares, the Nil Paid Rights price may be volatile and subject to the same risks as noted in paragraph 1 above. The existing volatility of the Melrose Shares may also magnify the volatility of the Nil Paid Rights.

4. Melrose Shareholders who do not take up their entitlement to New Melrose Shares in full will experience dilution in their ownership.

If Melrose Shareholders do not take up the offer of New Melrose Shares under the Rights Issue their proportionate ownership and voting interests in the Melrose Group will be reduced and the percentage that their Melrose Shares will represent of the total share capital of the Melrose Group will be reduced accordingly. Even if a Melrose Shareholder elects to sell its unexercised Nil Paid Rights, or such Nil Paid Rights are sold on its behalf, the consideration it receives may not be sufficient to compensate it fully for the dilution of its percentage ownership of the Melrose Group's share capital that may be caused as a result of the Rights Issue.

5. If there is a substantial decline in the price of the Melrose Shares, the Nil Paid Rights may become worthless.

The public trading market price of the Melrose Shares may decline below the subscription price for the New Melrose Shares. Should that occur after investors exercise their rights in the Rights Issue, investors will suffer an immediate unrealised loss as a result. Following the exercise of rights, such investors may be unable to sell New Melrose Shares at a price equal to or greater than the subscription price.

After Admission, any obligation of the Underwriters to subscribe for, or of the Underwriters to procure investors to subscribe for, any New Melrose Shares pursuant to the terms of the Underwriting Agreement shall be incapable of termination. Melrose Shareholders who decide not to exercise their rights may also sell or transfer their Nil Paid Rights. If the public trading market price of the Melrose Shares declines below the subscription price for the New Melrose Shares, investors who have acquired any such Nil Paid Rights in the secondary market will suffer a loss as a result.

6. Any future Melrose Share issues and sales of Melrose Shares by major Melrose Shareholders may have an adverse effect on the market price of the Melrose Shares.

The Melrose Group has no current plans for a subsequent offering of Melrose Shares. However, it is possible that the Melrose Group may decide to offer additional Melrose Shares in the future. An additional offering or a significant sale of Melrose Shares by any major Melrose Shareholder could have an adverse effect on the market price of the outstanding Melrose Shares.

7. The take-up of Nil Paid Rights under the Rights Issue will not be available to any Melrose Shareholders with an address in, or who are located in, the United States or any Excluded Territory in the absence of an available exemption from relevant securities laws.

The take up of Nil Paid Rights under the Rights Issue will not be available to any Melrose Shareholder with an address in, or who is located in, the United States or any Excluded Territory in the absence of an available exemption from relevant securities laws. If a Qualifying Shareholder is not able to take up rights granted in respect of Existing Melrose Shares under the Rights Issue, then it may not receive the economic benefit of such rights because there is no assurance that the procedure in respect of rights not taken up, described in Part XI (*Terms and Conditions of the Rights Issue*) of this Prospectus, will be successful in either selling the Nil Paid Rights or in respect of the prices obtained.

8. Investors may not receive compensation for expired and unexercised rights.

The subscription period for the New Melrose Shares being offered in the Rights Issue is expected to commence on 9 August 2016 and is expected to expire at 11.00 a.m. on 23 August 2016. If an investor fails to exercise its rights prior to the end of the subscription period, then it may not receive the economic benefit of such rights because there is no assurance that the procedure in respect of rights not taken up, described in Part XI (*Terms and Conditions of the Rights Issue*) of this Prospectus will be successful in either selling the Nil Paid Rights, or in respect of the prices obtained.

9. The Melrose Group's ability to continue to pay dividends on the Melrose Shares will depend on the availability of distributable reserves.

Melrose's ability to pay dividends is limited under English company law, which limits a company to only paying dividends to the extent that it has distributable reserves available for this purpose. As a holding company, Melrose's ability to pay dividends in the future is affected by a number of factors, principally its ability to receive sufficient dividends from subsidiaries. The payment of dividends to Melrose by its subsidiaries is, in turn, subject to restrictions, including legal restrictions in the United States (in relation to Nortek, among other subsidiaries) and certain other legal and regulatory requirements in other foreign jurisdictions and the existence of sufficient distributable reserves in such subsidiaries. The ability of these subsidiaries to pay dividends and Melrose's ability to receive distributions from its investments in other entities is subject to applicable local laws and regulatory requirements and other restrictions, including, but not limited to, applicable tax laws and restrictions in some of the Melrose Group's debt facilities. In addition, the financial condition and operating requirements of Melrose's subsidiaries, may limit Melrose's ability to obtain cash from its subsidiaries. These laws and restrictions could limit the payment of future dividends and distributions to Melrose by its subsidiaries, which could restrict Melrose's ability to pay a dividend to holders of the Existing Melrose Shares or the New Melrose Shares.

10. Exchange rate fluctuations may impact the price of Melrose Shares or the value of any dividends paid.

The Melrose Shares, and any dividends to be announced in respect of such shares, will be quoted in pounds sterling. An investment in Melrose Shares by an investor in a jurisdiction whose principal currency is not pounds sterling exposes the investor to foreign currency rate risk. Any depreciation of the pound sterling in relation to such foreign currency will reduce the value of the investment in the Melrose Shares in foreign currency terms and may adversely impact the value of any dividends.

11. Holders of Melrose Shares outside the United Kingdom may not be able to participate in future equity offerings.

English law provides for pre-emption rights generally to be granted to the Melrose Shareholders, unless such rights are disapplied by shareholder resolution. However, Melrose Shareholders outside the United Kingdom may not be entitled to exercise these rights. US holders of shares are customarily excluded from exercising any such pre-emption rights they may have unless a registration statement under the US Securities Act is effective with respect to those rights, or an exemption from the registration requirements or similar requirements in other jurisdictions thereunder is available. The Melrose Group has no current intention to file any such registration statement, and cannot assure prospective investors that any exemption from the registration requirements would be available to enable US or other overseas holders to exercise such pre-emption rights or, if available, that it will utilise any such exemption.

IMPORTANT INFORMATION

1. GENERAL

No person has been authorised to give any information or make any representations other than those contained in this Prospectus and, if given or made, such information or representations must not be relied upon as having been authorised by the Company or by the Underwriters. Neither the delivery of this Prospectus nor any subscription or sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date of this Prospectus or that the information in this Prospectus is correct as at any time subsequent to its date.

The contents of this Prospectus or any subsequent communication from the Company or the financial adviser or any of their respective affiliates, officers, directors, employees or agents is not to be construed as legal, financial or tax advice. Each prospective investor should consult his, her or its own solicitor, independent financial adviser or tax adviser for legal, financial or tax advice.

Any reproduction or distribution of this Prospectus, in whole or in part, and any disclosure of its contents, or use of any information contained in this Prospectus for any purpose other than considering an investment in the Nil Paid Rights, the Fully Paid Rights or the New Melrose Shares is prohibited. By accepting delivery of this Prospectus, each offeree of the Nil Paid Rights, the Fully Paid Rights and/or the New Melrose Shares agrees to the foregoing.

Melrose is a public limited company incorporated under the laws of England and Wales. All of the Melrose Directors are citizens or residents of countries other than the United States. Substantially all of the assets of such persons and a significant proportion of the assets of the Company are located outside the United States. As a result, it may not be possible to effect service of process within the United States upon such persons or the Company, or to enforce against them judgments of US courts, including judgments predicated upon civil liabilities under the securities laws of the United States or any state or territory within the United States. The United States and the United Kingdom do not have a treaty providing for the reciprocal recognition of judgments (other than arbitral awards) in civil and commercial matters. Consequently, a final and conclusive judgment by any federal or state court of the United States based on civil liability, whether or not predicated solely upon US federal securities laws, would not automatically be enforceable in England and Wales. In addition, it is doubtful whether the courts of England and Wales would accept jurisdiction and impose civil liability if proceedings were commenced in England or Wales in an original action predicated solely upon US federal securities laws.

Without limitation, the contents of the websites of the Company or Nortek do not form part of this Prospectus.

Capitalised terms have the meanings ascribed to them in Part XIII (*Definitions*) of this Prospectus.

2. CONSEQUENCES OF A STANDARD LISTING

A STANDARD LISTING AFFORDS INVESTORS IN MELROSE A LOWER LEVEL OF REGULATORY PROTECTION THAN THAT AFFORDED TO INVESTORS IN COMPANIES WHOSE SECURITIES ARE ADMITTED TO THE PREMIUM SEGMENT OF THE OFFICIAL LIST, WHICH ARE SUBJECT TO ADDITIONAL OBLIGATIONS UNDER THE LISTING RULES.

IT SHOULD BE NOTED THAT, UPON THE MELROSE SHARES BEING RE-ADMITTED OR TRANSFERRED TO THE STANDARD SEGMENT OF THE OFFICIAL LIST, NEITHER THE UKLA NOR THE LONDON STOCK EXCHANGE WILL HAVE THE AUTHORITY TO (AND WILL NOT) MONITOR MELROSE'S COMPLIANCE WITH ANY OF THE LISTING RULES OR THE DISCLOSURE REQUIREMENTS AND TRANSPARENCY RULES WHICH MELROSE HAS INDICATED HEREIN THAT IT INTENDS TO COMPLY WITH ON A VOLUNTARY BASIS, NOR TO IMPOSE SANCTIONS IN RESPECT OF ANY FAILURE BY MELROSE TO SO COMPLY.

As the Acquisition constitutes a reverse takeover under the Listing Rules, upon Completion, the listing of Melrose Shares on the premium segment of the Official List will be cancelled. The Melrose Shares will not be eligible for re-admission to the premium segment of the Official List, as the latest balance sheet date for which audited consolidated historical financial information for Nortek can be provided is more than six months prior to the date of the Prospectus, contrary to the Premium Listing requirements in Chapter 6 of the Listing Rules. Consequently, further applications will be made to made to the UKLA for the Melrose Shares (at such time comprising the Existing Melrose Shares and the New Melrose Shares) to be re-admitted to the standard segment of the Official List and to the London Stock Exchange for the re-

admission of the Melrose Shares to trading on its main market for listed securities. Should Completion not occur, subject to the passing of resolution 4 set out in the Notice of General Meeting, the listing of the Melrose Shares will nevertheless be transferred from the premium segment to the standard segment of the Official List on 10 October 2016, whereupon an announcement will be made by the Company to a Regulatory Information Service.

Following Re-admission with, or transfer to, a Standard Listing, the Melrose Shares (comprising the Existing Melrose Shares and the New Melrose Shares) will be admitted to listing on the Official List pursuant to Chapter 14 of the Listing Rules, which sets out the requirements for Standard Listings. Melrose will comply with Listing Principles 1 and 2 as set out in Chapter 7 of the Listing Rules, as required by the UKLA, and intends to comply with the Premium Listing Principles as set out in Chapter 7 of the Listing Rules notwithstanding that they only apply to companies which obtain a Premium Listing on the Official List. Melrose would not, however, be formally subject to the Premium Listing Principles and will not be required to comply with them by the UKLA.

There are a number of other continuing obligations set out in Chapter 14 of the Listing Rules that will be applicable to Melrose upon Re-admission with, or transfer to, a Standard Listing. These include requirements as to:

- the forwarding of circulars and other documentation to the FCA for publication through the National Storage Mechanism, and related notification to a Regulatory Information Service;
- the provision of contact details of appropriate persons nominated to act as a first point of contact with the FCA in relation to compliance with the Listing Rules and the Disclosure Requirements and Transparency Rules;
- the form and content of temporary and definitive documents of title;
- the appointment of a registrar;
- Regulatory Information Service notification obligations in relation to a range of debt and equity capital issues; and
- compliance with, in particular, the Disclosure Requirements and Chapters 4, 5 (if applicable) and 6 of the Transparency Rules.

Following Re-admission with, or transfer to, a Standard Listing, Melrose would not be required to comply with the provisions of, among other things:

- Chapter 6 of the Listing Rules containing additional requirements for the listing of equity securities, which are only applicable for companies with a Premium Listing;
- Chapter 8 of the Listing Rules regarding the appointment of a listing sponsor to guide Melrose in understanding and meeting its responsibilities under the Listing Rules in connection with certain matters;
- Chapter 9 of the Listing Rules containing provisions relating to transactions, including, inter alia, requirements relating to further issues of shares, the ability to issue shares at a discount in excess of 10% of market value, notifications and contents of financial information;
- Chapter 10 of the Listing Rules relating to significant transactions which requires shareholder consent for certain acquisitions;
- Chapter 11 of the Listing Rules regarding related party transactions;
- Chapter 12 of the Listing Rules regarding purchases by Melrose of its Ordinary Shares; and
- Chapter 13 of the Listing Rules regarding the form and content of circulars to be sent to shareholders.

Nonetheless, whilst Melrose has a Standard Listing, it intends to comply with the provisions of Chapters 7 to 13 on a voluntary basis.

A company with a Standard Listing is not currently eligible for inclusion in any of the FTSE indices (i.e. FTSE 100, FTSE 250 etc.). This may mean that certain institutional investors are unable to invest in the Melrose Shares, whilst Melrose has a Standard Listing.

Following Re-admission with, or transfer to, a Standard Listing, the Directors intend to seek a Premium Listing for Melrose as soon as reasonably practicable, subject to meeting the eligibility criteria contained in

Chapter 6 of the Listing Rules. Melrose shall give not less than 20 Business Days' notice of any anticipated transfer to a Premium Listing by publishing an announcement to a Regulatory Information Service. If such a transition were to occur and Melrose moves to a Premium Listing, the various Listing Rules highlighted above as rules with which Melrose is not required to comply would become mandatory.

3. CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

Certain statements contained in this Prospectus, including those in the parts headed "Summary", "Risk Factors", "Information on the Acquisition and the Rights Issue", "Information on Melrose" and "Information on Nortek", constitute "forward-looking statements". In some cases, these forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "continues", "estimates", "plans", "prepares", "anticipates", "expects", "intends", "aims", "may", "will" or "should" or, in each case, their negative or other variations or comparable terminology. Investors should specifically consider the factors identified in this Prospectus which could cause actual results to differ before making an investment decision. Undue reliance should not be placed on any forward-looking statements as such forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of Nortek, Melrose, the Nortek Group, the Melrose Group and/or the Enlarged Group, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Undue reliance should not be placed on any forward-looking statements as such forward-looking statements are based on numerous assumptions regarding Nortek's, Melrose's, the Nortek Group's, the Melrose Group's and/or the Enlarged Group's present and future business strategies and the environment in which Nortek, Melrose, the Nortek Group, the Melrose Group and/or the Enlarged Group will operate in the future. Among the factors that could cause actual results to differ materially from those described in the forward-looking statements are the ability to combine successfully the business of Melrose and Nortek and to realise expected synergies from that potential combination, changes in the global political, economic and/or business sphere, competitive, market and regulatory forces, future exchange and interest rates, changes in tax rates and future business combinations or dispositions. Such risks, uncertainties and other factors are set out more fully in the section of this Prospectus headed "Risk Factors" and include, among others: risks relating to commodity prices, risks relating to the economic conditions of the markets in which the Melrose Group and Nortek Group operate, challenges in integrating the businesses of the Melrose Group and the Nortek Group and risks relating to the possible volatility of the price of Melrose Shares. These forward-looking statements speak only as at the date of this Prospectus. Except as required by the FCA, the London Stock Exchange or applicable law (including as may be required by the Prospectus Rules, Listing Rules and the Disclosure Requirements and Transparency Rules), Melrose expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained in this Prospectus to reflect any change in its expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

Forward-looking statements contained in this Prospectus do not in any way seek to qualify the working capital statement contained in paragraph 11 of Part XII (*Additional Information*) of this Prospectus.

4. MARKET AND ECONOMIC DATA

This Prospectus contains information regarding Melrose's, Nortek's and the Enlarged Group's business and the market in which they operate and compete, which Melrose has obtained from various third party sources. Where information has been sourced from a third party it has been accurately reproduced and, so far as Melrose is aware and is able to ascertain from the information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. Such information has not been audited or independently verified.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Each of the times and dates in the table below is indicative only and may be subject to change.⁽¹⁾ Except where otherwise indicated, references to a time of day are to London time.

	Time and Date
Announcement of the Acquisition and Rights Issue	6 July 2016
Publication of this Prospectus and posting of the Circular (which includes the Notice of General Meeting) and the Form of Proxy . .	6 July 2016
Tender Offer commences in the US/ Tender Offer Document is filed with the SEC	By no later than 11 July 2016
Nortek to file Recommendation Statement on Schedule 14D-9, in which the Nortek Board recommends acceptance of the Tender Offer	By no later than 11 July 2016
Latest time and date for receipt of the Form of Proxy	11.00 a.m. on 21 July 2016
Melrose General Meeting	11.00 a.m. on 25 July 2016
Rights Issue Record Date	Close of business on 4 August 2016
Window Shop Deadline	11.59 p.m. (New York time) on 6 August 2016
Despatch of Provisional Allotment Letters (to Qualifying Non-CREST Shareholders only) ⁽²⁾	8 August 2016
Publication of notice in the London Gazette	9 August 2016
Existing Melrose Shares marked “ex” by the London Stock Exchange	8.00 a.m. on 9 August 2016
Admission of, and dealings (for normal settlement) commence in, New Melrose Shares, nil paid, on the London Stock Exchange . . .	8.00 a.m. on 9 August 2016
Nil Paid Rights credited to stock accounts in CREST (Qualifying CREST Shareholders only) ⁽²⁾	As soon as practicable after 8.00 a.m. on 9 August 2016
Nil Paid Rights and Fully Paid Rights enabled in CREST	As soon as practicable after 8.00 a.m. on 9 August 2016
Recommended latest time for requesting withdrawal of Nil Paid Rights and Fully Paid Rights from CREST (<i>i.e.</i> , if your Nil Paid Rights and Fully Paid Rights are in CREST and you wish to convert them to certificated form)	4.30 p.m. on 17 August 2016
Latest time for depositing renounced Provisional Allotment Letters, nil or fully paid, into CREST or for dematerialising Nil Paid Rights or Fully Paid Rights into a CREST stock account (<i>i.e.</i> if your Nil Paid Rights and Fully Paid Rights are represented by a Provisional Allotment Letter and you wish to convert them to uncertificated form)	3.00 p.m. on 18 August 2016
Latest time and date for splitting Provisional Allotment Letters, nil or fully paid	3.00 p.m. on 19 August 2016
Latest time and date for acceptance, payment in full and registration of renunciation of Provisional Allotment Letters	11.00 a.m. on 23 August 2016
Results of Rights Issue to be announced through a Regulatory Information Service	By 8.00 a.m. on 24 August 2016
Dealings in New Melrose Shares, fully paid, commence on the London Stock Exchange	8.00 a.m. on 24 August 2016

New Melrose Shares credited to CREST accounts	As soon as practicable after 8.00 a.m. on 24 August 2016
Tender Offer Expiration Date	2.00 a.m. (New York time) on 31 August 2016
Announcement of the Tender Offer results and acceptance of the Nortek Shares tendered in the Tender Offer	Promptly after the Tender Offer Expiration Date
Effective time of the Merger / Completion of Acquisition	As soon as practicable after 2.00 a.m. (New York time) on 31 August 2016
Cancellation of the listing of the Melrose Shares	Immediately prior to 8.00 a.m. on 31 August 2016
Re-admission of Melrose Shares (at such time comprising the Existing Melrose Shares and the New Melrose Shares)	8.00 a.m. on 31 August 2016
Despatch of definitive share certificates for the New Melrose Shares in certificated form	By no later than 1 September 2016

Notes:

- (1) The times and dates set out in the expected timetable of principal events above and mentioned throughout this Prospectus may be adjusted by Melrose in consultation with the Joint Bookrunners, in which event details of the new times and dates will be notified to the UKLA, the London Stock Exchange and, where appropriate, Qualifying Shareholders.
- (2) Subject to certain restrictions relating to Overseas Shareholders, details of which are set out in paragraph 7 of Part XI (*Terms and Conditions of the Rights Issue*) of this Prospectus.

INDICATIVE SHARE CAPITAL AND RIGHTS ISSUE STATISTICS

Rights Issue Price per New Melrose Share	95 pence
Basis of Rights Issue	12 New Melrose Shares for every 1 Existing Melrose Share
Number of Melrose Shares in issue at the Latest Practicable Date	145,134,353
Number of New Melrose Shares to be provisionally allotted pursuant to the Rights Issue	1,741,612,236
Number of Melrose Shares in issue immediately following the completion of the Rights Issue ⁽¹⁾	1,866,746,589
New Melrose Shares as a percentage of the Enlarged Share Capital ⁽¹⁾	92%
Estimated gross proceeds of the Rights Issue	£1,655 million
Estimated expenses of the Rights Issue	£44 million
Estimated net proceeds of the Rights Issue receivable by Melrose after deduction of estimated expenses of the Rights Issue	£1,611 million

Notes:

- (1) On the assumption that no further Melrose Shares are issued from the date of this Prospectus until completion of the Rights Issue other than the New Melrose Shares.

**DIRECTORS, COMPANY SECRETARY, REGISTERED OFFICE
AND ADVISERS**

DIRECTORS

Christopher Miller
David Roper
Simon Peckham
Geoffrey Martin
John Grant
Justin Dowley
Elizabeth Hewitt
David Lis

COMPANY SECRETARY

Adam Westley

REGISTERED OFFICE

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**LEAD FINANCIAL ADVISER
TO MELROSE**

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**JOINT FINANCIAL ADVISER
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**JOINT SPONSOR, JOINT BOOKRUNNER AND
JOINT UNDERWRITER TO MELROSE**

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**JOINT SPONSOR, JOINT BOOKRUNNER AND
JOINT UNDERWRITER TO MELROSE**

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**JOINT BOOKRUNNER, JOINT
UNDERWRITER AND JOINT FINANCIAL
ADVISER TO MELROSE**

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ON THE RIGHTS ISSUE**

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REPORTING ACCOUNTANTS

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REGISTRAR AND RECEIVING AGENT

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PART I
INFORMATION ON THE ACQUISITION AND THE RIGHTS ISSUE

Investors should read the whole of this Prospectus and the documents incorporated herein by reference and should not just rely on the information set out in this Part I (Information on the Acquisition and the Rights Issue).

1. Introduction

Today the Boards of Melrose and Nortek announced that they had reached agreement on the terms of a recommended proposal for Melrose to acquire, for cash, the entire issued ordinary share capital of Nortek. The Acquisition will be implemented principally by way of cash tender offer at a price of \$86 per Nortek Share, which values the entire issued and unissued share capital of Nortek at \$1,436 million (£1,101 million⁽⁵⁾), with an enterprise value of \$2,810 million (£2,154 million⁽⁵⁾).

Nortek is a leading diversified global manufacturer of innovative air management, security, home automation and ergonomic and productivity solutions. Nortek is a corporation organised under the laws of the State of Delaware and its common stock trades on the NASDAQ Global Market under the symbol “NTK”. The Acquisition represents a significant opportunity for Melrose to execute its strategy of acquiring specialised industrial businesses and maximising the value inherent in those businesses. Subject to the satisfaction or, where appropriate, waiver of the conditions to the Acquisition, it is expected that Completion will occur in late August 2016.

2. Reasons for the Acquisition

Melrose

Melrose is engaged in a “buy, improve, sell” business model to create value for its shareholders. The Company’s focus is to acquire high quality industrial manufacturing businesses with strong fundamentals whose performance can benefit from a change in circumstances. The strategy is based on supporting and incentivising management teams to transform and grow their businesses without the burden of quarterly reporting or restrictive financing covenants, achieving above market profit growth and increased operating margins. Through a combination of overhead reduction and gross margin expansion, achieved through targeted investment in portfolio businesses, Melrose has been able to increase headline operating margins by five to nine percentage points in all historical investments. Melrose employs low levels of leverage but invests heavily in its businesses. On average, Melrose invests a further third of the original purchase price in its businesses post-acquisition.

Based on performance to date, Melrose has consistently identified attractive assets, enacted operational improvements and transacted at attractive valuation levels and points in the cycle.

Nortek

The Melrose Board believes that, through its strong track record and experience, it can support and assist Nortek to improve Nortek’s financial performance and to grow the Nortek businesses to their fullest potential. The Directors believe that the proposed Acquisition of Nortek fits well with Melrose’s strategy and presents an excellent opportunity for Melrose and its shareholders, not least for the reasons listed below:

a. Industry leading air management platform

Nortek offers an industry leading air management platform (which is comprised of Nortek’s Air Quality and Home Solutions (“AQH”), Residential and Commercial Heating, Ventilation and Air Conditioning (“RCH”) and Custom and Commercial Air Solutions (“CAS”) segments and which represented 64% of Nortek’s sales during 2015) with a comprehensive set of heating, ventilation and air conditioning (“HVAC”) and home appliance products. The platform includes the largest US supplier of residential range hoods and bath fans, the leading US manufacturer of custom air handling solutions, the leading US manufacturer of commercial unit heaters and manufactured housing HVAC⁽⁶⁾ and also focuses on innovative new products to drive future growth with further potential available, including developing the CAS aftermarket business and the seizing of opportunities in

⁽⁵⁾ Converted into pounds sterling at the exchange rate as at the Latest Practicable Date, being \$1:£0.77.

⁽⁶⁾ Market positions based on Nortek management estimates.

relation to clean air initiatives in China. It serves a variety of end markets, including repair, remodelling and new construction, in both domestic and foreign markets.

b. Growing security and ergonomic solutions businesses

Nortek's Security and Control ("SCS"), Ergonomic and Productivity Solutions ("ERG") and Audio, Video and Control ("AVC") segments, which together represented 36% of Nortek's sales during 2015, offer a diverse set of security and home automation, access control, residential audio visual, home integration and control, power and energy management and ergonomic mounting and mobility solutions for various end markets. The SCS segment contains the third largest US supplier⁽⁷⁾ of residential security hardware and has potential for further development through partnerships with home service providers. The AVC segment is a major supplier of audio, visual and control solutions. With only 2% of the ergonomic market currently penetrated,⁽⁷⁾ the ERG segment is well placed to drive growth, through its acquisition of Anthro and higher volume demand for ergonomic products in offices, schools and healthcare facilities.

c. Opportunities for increased investment

Melrose has identified opportunities to improve the operational quality of Nortek's businesses, including increased investment in Nortek's manufacturing facilities, product innovation, potential further complementary acquisitions, supply chain efficiencies and measures to drive market penetration.

d. Market dynamics

Nortek is well placed to benefit from a helpful market backdrop with key US economic indicators pointing to continued momentum in construction. Approximately 49% of Nortek's sales during 2015 were in the residential repairs and remodelling sector which, in the first quarter of 2016 marked its 12th consecutive quarter of growth in the US, according to the National Association of Home Builders ("NAHB") Remodelling Market Index. According to the NAHB housing forecast released on 31 May 2016, new housing starts in the US (being the number of privately-owned new houses on which construction is commenced in a given period and a sector accounting for 12% of Nortek's sales during 2015) are projected to increase to 1.2 million units in 2016 and 1.3 million units in 2017, representing year-on-year increases of 7% and 11%, respectively.

e. Diverse end market exposure and product offering, with the opportunity for improvement

The mix of Nortek's end market exposure provides for a diverse revenue stream. Nortek operates a wide range of business segments, including residential and commercial HVAC, home security and automation, display mounting and mobility products, which service a variety of end users across geographies and end markets. Nortek's product and regional diversities mitigate some of the uncertainty around the timing and potential cyclical dynamics in any one region or sector. Notwithstanding this, the current portfolio of multiple products across Nortek's six segments can benefit from improved focus on those products with opportunities for higher margins.

f. Significant restructuring projects undertaken

Nortek is well positioned for growth. With restructuring activities initiated by Nortek across all divisions now largely completed, Nortek is better placed to benefit from momentum in the market and to deliver significant growth in the future. As a result of these restructuring activities, Nortek estimated savings of between \$48 million and \$60 million, which were substantially achieved by the end of 2015.

g. Further improvement available

During the course of due diligence, Melrose management has also identified certain further opportunities which are expected to drive improvements, including with respect to the efficiency of Nortek's supply chain and IT systems, and full utilisation of Nortek's new manufacturing facility in Mexico. Site visits to selected manufacturing facilities have highlighted potential scope for further improvements in quality of operations for Nortek's businesses through targeted investment and there have been discussions with Nortek management in relation to their pipeline of further complementary acquisitions and measures to drive market penetration.

⁽⁷⁾ Market positions based on Nortek management estimates.

h. Changed capital structure and costs savings

Nortek's capital spend is currently constrained by its high levels of debt. Once part of the Enlarged Group, Melrose aims to reduce Nortek's current leverage⁽⁸⁾ from 5.1x (as at 31 December 2015) to approximately 2.5x⁽⁹⁾ and costs of debt from over 7% per annum in 2015 to less than 3% per annum, freeing up significant cash flow. In addition, as a NASDAQ-listed company, Nortek incurs a large amount of central and compliance costs associated with maintaining its listing. Between 2012 and 2015, Nortek's central costs rose by 23%, with selling and administrative costs higher than comparable businesses. It is expected that the lower costs resulting from a review of Nortek's current spending (including in areas such as IT, where Nortek currently spends approximately £25 million per annum) and the cancellation of Nortek's listing and lower levels of debt will facilitate investment in Nortek's growth and operations.

3. Terms of the Acquisition

On 6 July 2016, Melrose, MergerCo and Nortek entered into an agreement and plan of merger (the "**Merger Agreement**"), which sets out terms and conditions for a cash tender offer (the "**Tender Offer**") to purchase all of the Nortek Shares at the Tender Offer Price of \$86 per Nortek Share, net, in cash and without interest, by MergerCo, followed by a merger of MergerCo with and into Nortek, Inc. (the "**Merger**", and the Tender Offer and the Merger, together, being the "**Acquisition**").

Tender Offer

The Tender Offer Price of \$86 per Nortek Share represents a premium of approximately 37.6% to the closing price of a Nortek Share on the Latest Practicable Date and approximately 81.3% to the average price of a Nortek Share in the six month period ending on the Latest Practicable Date, and values the entire issued share capital at approximately \$1,436 million (£1,101 million⁽¹⁰⁾). The enterprise value of \$2,810 million (£2,154 million⁽¹⁰⁾) is 10.0x historic EBITDA⁽¹¹⁾.

The completion of the Tender Offer is subject to the satisfaction (or waiver, where applicable) of the following conditions:

- (a) there having been validly tendered (and not properly withdrawn) prior to the Tender Offer Expiration Date such number of Nortek Shares that, together with any Nortek Shares then owned by the Melrose Group, represents more than 50% of the total share capital of Nortek as at the Tender Offer Expiration Date;
- (b) the Merger Agreement not having been terminated in accordance with its terms;
- (c) the receipt of the Anti-trust Clearance, or the expiry or termination of the applicable waiting period, under the HSR Act in the US;
- (d) there not being any law, rule, regulation, order, judgement, injunction, temporary restraining order or decree entered, enacted, issued, promulgated, enforced or issued by any government, regulatory, judicial or administrative authority, agency or commission of competent authority which is in effect and has the effect of making the Tender Offer or the Merger illegal, or otherwise prohibits, restrains or prevents the consummation of the Tender Offer or the Merger (provided that Melrose and MergerCo have used commercially reasonable efforts to oppose such action by such authority);
- (e) certain warranties continuing to be true and correct in all material respects, certain warranties relating to capitalisation continuing to be true and correct in all but *de minimis* respects and other warranties continuing to be true and correct except where the failure of such warranties to be true and correct would not have, and would not reasonably be expected to have, a material adverse effect, in each case immediately prior to the Tender Offer Expiration Date;
- (f) Nortek not having breached or failed to perform or to comply with, in any material respect, its obligations to be performed or complied with by it under the Merger Agreement;

⁽⁸⁾ Calculated as net debt divided by adjusted EBITDA.

⁽⁹⁾ Based upon the Enlarged Group's *pro forma* headline operating profit.

⁽¹⁰⁾ Converted into pounds sterling at the exchange rate as at the Latest Practicable Date, being \$1:£0.77.

⁽¹¹⁾ Headline operating profit before depreciation and amortisation calculated using results for the 12 months ended 2 April 2016.

- (g) no material adverse change, or any event, development or circumstance that would reasonably be expected to have, individually or in aggregate, a material adverse effect having occurred in respect of Nortek and continuing up to the Tender Offer Expiration Date;
- (h) MergerCo having received a certificate executed by an authorized officer of Nortek to the effect that the conditions set forth in sub-paragraphs (e), (f) or (g) of this paragraph 3 (*Terms of the Acquisition*) continue to be satisfied as at the Tender Offer Expiration Date;
- (i) the Nortek Board having recommended (and not having withdrawn or modified in a manner adverse to Melrose its recommendation for) the Tender Offer;
- (j) the approval of the Acquisition, the Rights Issue and Re-admission by Melrose Shareholders at the Melrose General Meeting;
- (k) Admission having occurred; and
- (l) no circumstances having occurred and continuing that would have the effect of preventing Re-admission from occurring promptly following the acceptance by MergerCo for payment of for the Nortek Shares validly tendered under the Tender Offer and Melrose's application for Re-admission having been approved by the UKLA.

(together, the “**Tender Offer Conditions**”).

The Tender Offer Conditions set out in sub-paragraphs (a), (b), (c) and (d) of this paragraph 3 (*Terms of the Acquisition*) will not be waived in whole or in part. Melrose and MergerCo will not, unless previously approved by Nortek, decrease the Tender Offer Price, change the form of consideration payable, change the number of Nortek Shares to be purchased in the Tender Offer, add any condition to the Tender Offer or any term that is adverse to the Nortek Shareholders, extend the expiration of the Tender Offer except as required or permitted by the Merger Agreement, provide for a “subsequent offering period” (or any extension thereof) in accordance with Rule 14d-11 of the US Exchange Act or modify, supplement or amend any other term or condition of the Tender Offer in a manner adverse to the Nortek Shareholders. Other than with respect to the foregoing, the other Tender Offer Conditions may be waived in whole or in part by MergerCo or Melrose.

The US competition filing under the HSR Act referred to above will be made shortly after the publication of this Prospectus. The waiting period for the US filing is 15 calendar days, which can be extended upon the regulatory authority deciding that further investigation is warranted. Melrose does not expect any significant regulatory issues to arise as a result of this filing.

MergerCo is obliged to file the Tender Offer Document (together with any associated documents) with the SEC and commence the Tender Offer as promptly as practicable (but in any event on or before 11 July 2016) from the date of the Merger Agreement and to keep the Tender Offer open until 2.00 a.m. (New York time) on 31 August 2016, subject to possible extension under the terms of the Merger Agreement.

Upon the Tender Offer Expiration Date, provided each of the Tender Offer Conditions are satisfied (or waived, as applicable), MergerCo will pay for those Nortek Shares validly tendered (and not properly withdrawn).

Merger

Following the consummation of the Tender Offer, MergerCo shall, pursuant to the Merger Agreement and as promptly as practicable following the consummation of the Tender Offer, merge with and into Nortek, Inc., with Nortek, Inc. surviving the Merger as an indirect wholly-owned subsidiary of Melrose.

The consummation of the Merger is conditional upon:

- the consummation of the Tender Offer; and
- there not being any law, rule, regulation, order, judgement, injunction, temporary restraining order or decree entered, enacted, issued, promulgated, enforced or issued by any government, regulatory, judicial or administrative authority, agency or commission of competent authority which is in effect and has the effect of making the Merger illegal, or otherwise prohibits, restrains or prevents the consummation of the Tender Offer or the Merger (provided that Melrose and MergerCo have used commercially reasonable efforts to oppose such action by such authority).

The Merger will be effected pursuant to section 251(h) of the General Corporation Law of the State of Delaware (the “**DGCL**”), without any stockholder vote being required.

Pursuant to the Merger, each outstanding Nortek Share in issue immediately prior to the closing of the Merger (“**Completion**”), and not accepted for payment as part of the Tender Offer, will be converted into a right to receive the Tender Offer Price, without interest, with the exception of treasury shares and Dissenting Shares, which shall be dealt with in accordance with the following paragraph.

Should holders of Nortek Shares not accepted for payment wish to exercise their appraisal rights pursuant to section 262 of the DGCL, the Nortek Shares held by such Nortek Shareholder (the “**Dissenting Shares**”) shall be cancelled, but shall not be converted into a right to receive the Tender Offer Price, and such Nortek Shareholders shall have the rights set forth in section 262 of the DGCL to seek appraisal of the fair value of the Dissenting Shares. Should the Nortek Shareholder fail to perfect, effectively withdraw or lose his or her rights to appraisal and payment under the DGCL, such holders shall thereupon be entitled to receive the Tender Offer Price, without any interest thereon, for those Dissenting Shares.

At Completion, each Nortek stock option, whether vested or unvested, outstanding immediately prior to Completion (the “**Share Options**”) shall be cancelled. In consideration for any such cancelled Share Option, the former holder of the Share Option shall be entitled to receive an amount in cash equal to the product of: (x) the number of Nortek Shares subject to the Share Option immediately prior to Completion; and (y) the Tender Offer Price less the aggregate exercise price of such Share Option (if any excess), less any applicable taxes which are required to be withheld. A Share Option which has a per share exercise price that exceeds the Tender Offer Price will be cancelled without any payment being made to the former holder.

At Completion, each Nortek stock award outstanding immediately prior to Completion (the “**Share Awards**”) shall be cancelled. In consideration for any such cancelled Share Award, the former holder of the Share Award shall be entitled to receive an amount in cash equal to the product of: (x) the number of Nortek Shares subject to such Share Award (or, in the case of any Share Award subject to performance-based vesting, 50% of the Nortek Shares subject to such Share Award) immediately prior to Completion; and (y) the Tender Offer Price, less any applicable taxes which are required to be withheld.

MergerCo will merge with and into Nortek, whereupon MergerCo will cease to exist separately, and Nortek will be the surviving corporation. Upon Completion of the Merger, Melrose will, indirectly, hold all equity interests in Nortek.

Further terms of the Merger Agreement

If, after the date of the Merger Agreement and at or prior to 11.59 p.m. (New York time) on 6 August 2016 (or such subsequent date to which such deadline is extended pursuant to and in accordance with the terms of the Merger Agreement) (the “**Window Shop Deadline**”), Nortek receives a bona fide, written proposal by any person (other than Melrose) that did not result from a breach of the non-solicitation covenant in the Merger Agreement which would result in the acquisition by such person of more than 50% of the Nortek Shares or of all or substantially all of the assets of Nortek Group, and the Nortek Board determines, in good faith and after consultation with Nortek’s external financial and legal advisers, that such proposal would be more favourable from a financial point of view than the Acquisition (a “**Superior Proposal**”), after taking into account any proposal by Melrose in writing to amend or modify the terms of the Merger Agreement as well as other factors, Nortek may terminate the Merger Agreement, provided that Nortek: (i) has complied with the terms of the non-solicitation covenant included in the Merger Agreement in all material respects and provided written notice to Melrose of its intention to terminate the Merger Agreement and of the terms of the Superior Proposal; (ii) has negotiated with Melrose in good faith in relation to Melrose’s proposed amendments to the Merger Agreement; (iii) pays a fee of \$50 million to Melrose; and (iv) enters into a binding written agreement in relation to the Superior Proposal on or prior to the Window Shop Deadline (a “**Superior Proposal Termination Event**”).

Prior to the passing by the Melrose Shareholders of the Transaction Resolutions, in the event that Melrose: (i) changes its recommendation to Melrose Shareholders in relation to the Acquisition in a manner adverse to Nortek or make any public announcement inconsistent with its recommendation; (ii) fails to include its recommendation to Melrose Shareholders to approve the Acquisition in the Circular; (iii) fails to publish the Circular and the Prospectus in the agreed forms by 6 July 2016 or fails to hold the General Meeting on or prior to 25 July 2016 (subject to certain exceptions); (iv) causes or allows MergerCo not to file the Tender Offer Document; or (v) enters into any agreement which requires Melrose to abandon,

terminate, materially delay or fail to consummate the Acquisition (in each case, save as required pursuant to the Melrose Board's fiduciary duties), Melrose shall pay a fee of £5.95 million to Nortek.

4. Financing of the Acquisition and Use of Rights Issue Proceeds

If Completion occurs, the Rights Issue proceeds (net of commissions and expenses) (approximately £1,611 million (\$2,102 million⁽¹²⁾) will be applied to fund the Acquisition, related expenses and to repay part of the existing debt of the Nortek Group. The balance of the debt repayment will be funded through new debt of approximately \$780 million (£598 million⁽¹²⁾) from the proceeds of loans pursuant to the New Facilities Agreement, which has been entered into with the Company's banks, and which will replace the Company's Existing Facility.

The revolving credit facility under the New Facilities Agreement will be used by the Enlarged Group to: (i) pay any other costs and expenses in connection with the Acquisition, the Rights Issue or entry into the New Facilities Agreement; and (ii) to finance the Enlarged Group's working capital requirements and for general corporate purposes (including refinancing existing indebtedness, whether under the Existing Facility Agreement or otherwise), but such facility shall not be used to finance all or any part of the consideration for the Acquisition or to pay fees or expenses due to advisers in respect of the Rights Issue.

The Rights Issue has been fully underwritten on the basis set out in the Underwriting Agreement.

Details of the terms of the Underwriting Agreement are set out in paragraph 14.1.1 of Part XII (*Additional Information*) of this Prospectus. Details of the terms of the New Facilities Agreement are set out in paragraph 2 (*Funding*) of Part V (*Capital Resources*) of this Prospectus.

Melrose has always looked to maintain a prudent level of gearing (calculated as net debt divided by headline operating profit before depreciation and amortisation) in order to provide it with the flexibility to invest in its businesses. Therefore, to fund the Acquisition and the associated expenses and to repay part of the existing debt of the Nortek Group, Melrose intends to raise new equity. The Melrose Board, taking into account, *inter alia*, the size of the fundraising relative to the current market capitalisation of Melrose and to maintain pre-emption rights of Melrose Shareholders, believes the most appropriate method to do this is by way of a rights issue.

The related expenses of the Rights Issue are expected to be approximately £44 million in aggregate.

Foreign exchange hedging arrangements have been entered into by the Melrose Group with respect to the Rights Issue proceeds received in pounds sterling, in order to mitigate the foreign exchange risk and to provide funds in US dollars at Completion. Such arrangements are contingent upon the receipt of the Rights Issue proceeds and, subject to certain exceptions, the Merger Agreement not having been terminated in accordance with its terms.

5. Principal Terms of the Rights Issue

Melrose proposes to raise approximately £1,611 million (net of commissions and expenses) by way of a fully underwritten Rights Issue of 1,741,612,236 New Melrose Shares. The Rights Issue Price of 95 pence per New Melrose Share, which is payable in full on acceptance by not later than 11.00 a.m. on 23 August 2016, represents a 76.8% discount to the Closing Price of 410 pence per Existing Melrose Share on the Latest Practicable Date and a 20.3% discount to the theoretical ex-rights price of 119 pence per New Melrose Share calculated by reference to the Closing Price on the same day. If a Qualifying Shareholder does not take up any of their entitlement to New Melrose Shares, their proportionate shareholding will be diluted by up to 92.3%. However, if a Qualifying Shareholder takes up their entitlement to New Melrose Shares in full, they will, after the Rights Issue has been completed and excluding any fraction of an Ordinary Share, as nearly as practicable, have the same proportionate voting rights and entitlements to dividends as they had on the Record Date.

If a Qualifying Shareholder does not subscribe for the New Melrose Shares to which they are entitled, such Qualifying Shareholder can instead sell their rights to those New Melrose Shares and receive the net proceeds in cash. This is referred to as dealing in the rights "nil paid" and, subject to the fulfilment of certain conditions, dealings (for normal settlement) on the London Stock Exchange in the Nil Paid Rights are expected to commence at 8.00 a.m. on 9 August 2016. If a Qualifying Shareholder does not wish to take up their rights, they do not have to take any action and the Underwriters will use all reasonable endeavours to find investors to take up those rights by 5.00 p.m. on the second dealing day after the last date for

⁽¹²⁾ Converted into pounds sterling at the exchange rate as at the Latest Practicable Date, being \$1:£0.77.

acceptance of the Rights Issue. If the Underwriters find investors and are able to achieve a premium over the Rights Issue Price and the related expenses of procuring those investors (including any applicable brokerage and commissions and amounts in respect of VAT which, in the reasonable opinion of the Underwriters, are not recoverable), such Qualifying Shareholder will be sent a cheque for the amount of that aggregate premium less such related expenses, so long as the amount in question is at least £5.00. Where such aggregate premium less such related expenses is less than £5.00, such amounts will be aggregated and it is intended that such amount shall be donated by Melrose to charities chosen by the Board.

Subject to the fulfilment of, among others, the conditions set out below, Melrose proposes to offer, by way of this Prospectus (and, in the case of Qualifying Non-CREST Shareholders, the Provisional Allotment Letter), New Melrose Shares pursuant to the Rights Issue to Qualifying Shareholders on the following basis:

12 New Melrose Shares at 95 pence each for every 1 Existing Melrose Share

held by Qualifying Shareholders on the Record Date. Holdings of Existing Melrose Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Rights Issue. Fractional entitlements to New Melrose Shares will not be allotted and, where necessary, entitlements will be rounded down to the nearest whole number of New Melrose Shares.

The New Melrose Shares will, when issued and fully paid, rank *pari passu* in all respects with the Existing Melrose Shares, including the right to receive in full all dividends and other distributions declared, made or paid by reference to a record date after the date of their issue. Melrose Shares, including the New Melrose Shares, may be held in certificated or uncertificated form.

The Rights Issue is conditional upon, among other things:

- the passing without amendment (or with such amendment as the Joint Bookrunners and the Company may agree in writing) of the Transaction Resolutions at the Melrose General Meeting (or at such later time and date as the Joint Bookrunners and the Company may agree in writing);
- the Underwriting Agreement having become unconditional in all respects (save for the condition relating to Admission) and not having been terminated in accordance with its terms; and
- Admission having occurred by not later than 8.00 a.m. on 9 August 2016 (or such later time and date as may be agreed between the Joint Bookrunners and the Company in writing).

While the Rights Issue is conditional, among other things, on the Transaction Resolutions being passed, it is not conditional upon Completion or on drawdown pursuant to the New Facilities Agreement.

Applications will be made to the UKLA for the New Melrose Shares (issued in connection with the Rights Issue) to be admitted to the premium segment of the Official List and to the London Stock Exchange for admission to trading of the New Melrose Shares on its main market for listed securities. It is currently expected that Admission of the New Melrose Shares will become effective and that dealings (for normal settlement) in the New Melrose Shares will commence on the London Stock Exchange, nil paid, at 8.00 a.m. on 9 August 2016 (whereupon an announcement will be made by the Company to a Regulatory Information Service).

The results of the Rights Issue, including the aggregate number of New Melrose Shares issued and the aggregate amount raised, net of commissions and expenses, is expected to be announced by Melrose through a Regulatory Information Service by 8.00 a.m. on 24 August 2016.

The Melrose Shares are currently (and it is expected that the New Melrose Shares will be) admitted to the premium segment of the Official List and to trading on the London Stock Exchange's main market for listed securities. As the Acquisition constitutes a reverse takeover under the Listing Rules, upon Completion, the listing of Melrose Shares on the premium segment of the Official List will be cancelled. The Melrose Shares will not be eligible for re-admission to the premium segment of the Official List, as the latest balance sheet date for which audited consolidated historical financial information for Nortek can be provided is more than six months prior to the date of the Prospectus, contrary to the Premium Listing requirements in Chapter 6 of the Listing Rules. Consequently, applications will be made to the UKLA for the Melrose Shares (at such time comprising the Existing Melrose Shares and the New Melrose Shares) to be re-admitted to the standard segment of the Official List and to the London Stock Exchange for the re-admission of the Melrose Shares to trading on its main market for listed securities.

It is currently expected that Re-admission will become effective post Completion at 8.00 a.m. on 31 August 2016 and in any event no earlier than 20 Business Days from the date of the General Meeting (whereupon an announcement will be made by the Company to a Regulatory Information Service, post Completion).

Should Completion not occur, subject to the passing of resolution 4 set out in the Notice of General Meeting, the listing of the Melrose Shares will nevertheless be transferred from the premium segment to the standard segment of the Official List on 10 October 2016, whereupon an announcement will be made by the Company to a Regulatory Information Service.

Following Re-admission with, or transfer to, a Standard Listing, the Directors will seek a Premium Listing for Melrose as soon as reasonably practicable following Completion, subject to meeting the eligibility criteria contained in Chapter 6 of the Listing Rules. Whilst Melrose has a Standard Listing, it intends to comply on a voluntary basis with the provisions of Chapter 7 to 13 of the Listing Rules notwithstanding that (other than Listing Principles 1 and 2) they only apply to companies which obtain a Premium Listing. Melrose shall give not less than 20 Business Days' notice of any anticipated transfer to a Premium Listing by publishing an announcement to a Regulatory Information Service.

See the section of this Prospectus entitled "*Important Information*" for further details on the consequences of a Standard Listing.

Melrose Shareholders who hold their Melrose Shares in certificated form and who take up their entitlement to New Melrose Shares in part or in full are expected to receive definitive share certificates in respect of their New Melrose Shares by no later than 1 September 2016.

The Rights Issue has been fully underwritten on the basis set out in the Underwriting Agreement.

The Underwriters have agreed under the terms of the Underwriting Agreement to procure subscribers for the New Melrose Shares not taken up in the Rights Issue at the Rights Issue Price, failing which the Underwriters shall themselves severally (and not jointly or jointly or severally) subscribe for (or their sub-underwriters shall subscribe for) such New Melrose Shares.

Subject to the passing of the Transaction Resolutions and upon the expiry of the Window Shop Deadline without the occurrence of a Superior Proposal Termination Event, it is expected that: (a) the Provisional Allotment Letters will be despatched to Qualifying Non-CREST Shareholders (other than those having an address in the United States or any Excluded Territory) on 8 August 2016; and (b) the CREST stock accounts of Qualifying CREST Shareholders (other than those having an address in the United States or any Excluded Territory) will be credited with the relevant entitlement to Nil Paid Rights on as soon as practicable after 8.00 a.m. on 9 August 2016.

It is anticipated that Melrose's unaudited results for the six months ended 30 June 2016 and Nortek's unaudited report covering the six months ended 3 July 2016 shall be released prior to the latest date and time for acceptance of the Nil Paid Rights and, in each such case, a supplementary prospectus shall be published. Should such supplementary prospectuses be published after Admission, investors should refer to section 10 (*Withdrawal rights*) of Part XI (*Terms and Conditions of the Rights Issue*) of this Prospectus and those sections of each supplementary prospectus which detail investors' rights of withdrawal.

6. Shareholder Payment Policy

Melrose paid a final dividend of 2.6 pence per Melrose Share for the financial year ended 31 December 2015 (2014: 5.3 pence).

The table below shows the amount of dividend per Melrose Share for the financial year ended 31 December 2015 and per ordinary share in Old Melrose for each of the financial years ended 31 December 2014 and 31 December 2013.

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Dividend per share	5.4 pence	8.1 pence	7.75 pence

It is the intention of the Melrose Board to maintain a progressive dividend policy going forward which will take into account the bonus element of the Rights Issue and will be appropriate taking into account the size of the Melrose Group. The Melrose Group's policy is to return surplus cash and business disposal proceeds to Melrose Shareholders.

7. Financial effects of implementing the Acquisition

On a *pro forma* basis and assuming that the Acquisition, the Rights Issue, the repayment of Nortek's existing debt and borrowings pursuant to the New Facilities Agreement and the Return of Capital had each been completed on 31 December 2015, the Enlarged Group would have had net assets of £2,048.5 million at that date (based on the net assets of the Melrose Group and the Nortek Group as at 31 December 2015). On a *pro forma* basis, and assuming the Acquisition (including the payment of related costs) and the sale of the Elster Group had completed on 1 January 2015, the Enlarged Group would have made a headline operating profit of £164.8 million for the year ended 31 December 2015 (based on the income statements of the Melrose Group and the Nortek Group for the year ended 31 December 2015).

For further discussion on the *pro forma* financial effects, together with the basis of preparation of the above statements, see Part VII (*Unaudited Pro Forma Financial Information on the Enlarged Group*) of this Prospectus.

The Melrose Board expects that the Acquisition will be significantly accretive to headline earnings per share in the first full financial year of ownership (2017) and thereafter⁽¹³⁾.

8. Nortek Board Recommendation and Tender and Support Agreements in respect of the Acquisition

The Nortek Board intends to unanimously recommend that Nortek Shareholders tender their Nortek Shares to MergerCo pursuant to the Tender Offer. The Nortek Board has, subject to their fiduciary duties and there being no development or change at any time prior to the Tender Offer Expiration Date that becomes known to the Nortek Board after the date of the Merger Agreement, but which was not known (and reasonably should not have been known) to the Nortek Board as at the date of the Merger Agreement (not including a Superior Proposal), agreed to include in its Schedule 14D-9, among other things, that the Tender Offer is fair to and in the best interests of Nortek and its shareholders and that it approves the Tender Offer and unanimously recommends that Nortek Shareholders tender their Nortek Shares into the Tender Offer.

In connection with the Tender Offer and the Merger, certain stockholders of Nortek have entered into Tender and Support Agreements which govern the conditions upon which such stockholders shall tender their Nortek Shares pursuant to the Tender Offer and obliging such stockholders to support the Tender Offer and the Merger. Such Tender and Support Agreements have been entered into by each of Ares Management, Gates Capital Management and Anchorage Capital (amounting in aggregate to approximately 68.7% of the total share capital of Nortek as at the Latest Practicable Date). The undertakings pursuant to the Tender and Support Agreements will cease to be binding if the Merger Agreement is terminated.

9. Melrose Shareholder approval

Due to its size, the Acquisition is a reverse takeover and constitutes a class 1 transaction for Melrose under the Listing Rules. As such, Melrose is seeking the approval of Melrose Shareholders for the Acquisition.

Melrose Shareholders will also be asked to approve the allotment of New Melrose Shares to be issued pursuant to the Rights Issue and to grant certain authorities with respect to the Enlarged Share Capital following the completion of the Rights Issue.

Lastly, Melrose Shareholders will also be asked to approve the Re-admission, or transfer, of the Melrose Shares to the standard segment of the Official List and to trading on the London Stock Exchange's main market for listed securities.

Accordingly, the Melrose General Meeting has been convened at the offices of Investec Bank plc, 2 Gresham Street, London EC2V 7QP at 11.00 a.m. on 25 July 2016.

Melrose has today posted to Melrose Shareholders the Circular summarising the reasons for the Acquisition and the Rights Issue (which includes a notice convening the Melrose General Meeting). The Acquisition is conditional on, among other things, the approval of the Acquisition, the Rights Issue and Re-admission by Melrose Shareholders.

⁽¹³⁾ Nothing in this Prospectus is intended to be, or is to be construed as, a profit forecast or to be interpreted to mean that earnings per Melrose Share for the current or future financial years, or those of the Enlarged Group, will necessarily match or exceed the historical earnings per Melrose Share.

The Melrose Board have unanimously agreed to recommend that Melrose Shareholders vote in favour of the Resolutions, as the Melrose Directors intend to do in respect of their own holdings of 4,982,135 Melrose Shares representing, in aggregate, approximately 3.4% of the Existing Melrose Shares as at the Latest Practicable Date.

The Melrose Board is fully supportive of the Rights Issue. Each of the Melrose Directors who holds Existing Melrose Shares intends, after Admission, to take up his or her entitlement to New Melrose Shares in full or in part. In addition, certain Melrose Directors intend to acquire further rights to New Melrose Shares during the course of the Rights Issue. As a result of the take up in full or in part, together with any further acquisitions, it is expected that the executive Directors of Melrose will invest approximately £17 million in aggregate, equal to approximately 1.0% of the estimated gross Rights Issue proceeds.

10. Regulatory Clearance

The US competition filing under the HSR Act referred to above will be made shortly after the publication of this Prospectus. The waiting period for the US filing is 15 calendar days, which can be extended upon the regulatory authority deciding that further investigation is warranted. Melrose does not expect any significant regulatory issues to arise as a result of this filing.

11. Overseas Shareholders

The availability of the Nil Paid Rights, Fully Paid Rights, the Provisional Allotment Letters and New Melrose Shares under the Rights Issue to persons who do not have an address in or who are not located in the UK may be affected by the laws of the jurisdiction where they are located. Such persons should inform themselves about and observe any applicable requirements.

This Prospectus does not constitute an offer of Nil Paid Rights, Fully Paid Rights, New Melrose Shares or Provisional Allotment Letters in the United States or an offer to the public in any Excluded Territory. This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy New Melrose Shares or to take up entitlements to Nil Paid Rights in any jurisdiction in which such offer or solicitation is unlawful. Further details in relation to Overseas Shareholders are contained at paragraph 7 of Part XI (*Terms and Conditions of the Rights Issue*) of this Prospectus.

12. Where to find help

Further terms and conditions of the Rights Issue are set out in Part XI (*Terms and Conditions of the Rights Issue*) of this Prospectus and, where relevant, in the Provisional Allotment Letter.

PART II

INFORMATION ON MELROSE

The selected historical financial information and other historical financial information in relation to Melrose in this Part II (Information on Melrose) has, unless otherwise stated, been extracted without material adjustment from the audited consolidated accounts of the Melrose Group for the years ended 31 December 2015, 31 December 2014 and 31 December 2013, as referred to in Part A (Historical financial information of the Melrose Group) of Part VI (Historical Financial Information) of this Prospectus.

Investors should read the whole of this Prospectus and the documents incorporated herein by reference and should not just rely on the financial information set out in this Part II (Information on Melrose).

1. Introduction and History

Melrose is a public limited company registered in England and Wales and, since 19 November 2015, has been the holding company of the Melrose Group. The Melrose Group traces its history back to October 2003 when its then holding company, Melrose PLC, was floated on AIM with the strategy of acquiring businesses whose operational performance, in the opinion of its directors, could be improved to create greater shareholder value. Melrose PLC moved to the London Stock Exchange's main market for listed securities in December 2005. As part of a series of capital returns to Melrose Shareholders, during November 2012, Old Melrose became the holding company of the Melrose Group and, on 19 November 2015, Melrose became the new holding company of the Melrose Group, in each case pursuant to a scheme of arrangement sanctioned by the Court.

The Melrose Group has a track record of acquiring businesses and making the necessary changes to maximise the value inherent in those businesses to the benefit of shareholders. The Melrose Directors have extensive experience in identifying and evaluating acquisition opportunities, quoted and unquoted, both in the UK and overseas.

Since 2003, the Melrose Group has raised approximately £2.0 billion from shareholders, returned in cash approximately £4.3 billion to shareholders and, as at 2 March 2016, has provided a total shareholder return of 574% since inception.

In May 2005, the Melrose Group acquired two specialist engineering businesses, Dynacast and McKechnie, for an enterprise value of £429 million and, in July 2008, the Melrose Group acquired FKI plc for an enterprise value of approximately £1 billion. During the period of its ownership, the Melrose Group significantly improved the operational performance of these businesses. In May 2007, the Melrose Group completed the sale of a large part of McKechnie for £428 million (with the buyer also assuming £2.8 million of indebtedness) and, in July 2011, it completed the sale of Dynacast for an enterprise value of £377 million (including £11 million of pension liabilities assumed by the buyer). In August 2007, shareholders approved a return of capital of £220 million following the McKechnie disposal (which, together with the dividends already paid, equalled approximately 95% of the original capital raised from shareholders and the further capital raised to buy Dynacast and McKechnie). In August 2011, the Melrose Group returned approximately £373 million to shareholders following the disposal of Dynacast.

In August 2012, the Melrose Group acquired Elster for an enterprise value of approximately £1.8 billion. In July 2013, the Melrose Group disposed of Truth Hardware for a total consideration of £131 million, followed by the disposal of Marelli Motori in August 2013 for a total consideration of £185 million. In November 2013, the Melrose Group completed the sale of Crosby and Acco for a total consideration of £633 million. Finally, in December 2013, the Melrose Group disposed of Harris Waste Management Group (which, together with Truth Hardware, Marelli Motori, Crosby and Acco, previously formed part of FKI plc). Following these divestments, in February 2014, the Melrose Group returned approximately £595 million in cash to shareholders.

At the end of October 2014, Elster acquired Eclipse, Inc., a US-based specialist in the field of low-temperature combustion technology, for a total consideration of \$158 million. Upon completion, Eclipse, Inc. formed part of the gas division of Elster. In November 2014, the Melrose Group disposed of the Bridon group (previously part of FKI plc) for a total consideration of £365 million, with the Melrose Group contributing £6.7 million into the Bridon Group (2013) Pension Scheme, which was transferred to the buyer. Following this disposal, in February 2015, Old Melrose returned approximately £200 million in cash to shareholders.

In December 2015, the Melrose Group completed the sale of Elster to Honeywell International Inc. for a total cash consideration of approximately £3.3 billion. In February 2016, the Melrose Group returned approximately £2.4 billion in cash to shareholders.

2. The Melrose Group's strategy

The Melrose Group's strategy is to acquire good industrial businesses underperforming their potential, improve them through a mixture of investment, operational improvements and changed management focus, then commercially choose the right time to sell, often within a three to five year time frame, but with the flexibility of extending or shortening this time period. The value from significant disposals is then returned to shareholders.

The Melrose Group looks for the following characteristics in an investment, among other things:

- (a) a manufacturing company with a strong market position and high quality products; and
- (b) a business that needs change to improve its performance through investment, refocusing or other company specific issues.

The Melrose Group expects to challenge and be challenged as it works in tandem with management teams to improve the growth prospects of its businesses. Management teams are given incentive arrangements that align their interests with shareholders so that they will benefit in any post-acquisition value creation.

The Melrose Group is not a passive investor and its senior executives work closely with business management to support the development of its subsidiaries. This includes long-term strategic planning.

The Melrose Group finances its acquisitions in such a way as to give it flexibility to improve its businesses. It does not saddle its businesses with high levels of debt.

The Melrose Group's focus since its inception has always been to make good businesses better and to generate superior returns for its shareholders. Over the years, the Melrose Group has raised equity to acquire and improve businesses in which it saw significant potential and has later sold them at the appropriate time, before returning proceeds to its shareholders. As a result, the market capitalisation of Melrose and its predecessors, Old Melrose and Melrose PLC, has increased as it has raised capital and decreased as capital was returned to shareholders. Following the disposal of Elster and the subsequent Return of Capital, Melrose became substantially smaller in size. The Board intends to continue to execute Melrose's strategy of "buy, improve, sell" and is confident that the Melrose Group remains well positioned to pursue sizeable acquisitions, such as the Acquisition.

3. Organisational structure and businesses

Following its disposal of Elster, the Melrose Group now consists of Brush, the last remaining business from the FKI acquisition.

Brush Turbogenerators is the world's largest independent manufacturer of electricity-generating equipment for the power generation, industrial, oil & gas and offshore sectors.

From its five plants in the UK, Czech Republic, the Netherlands, the US and the newly built generator plant in China, Brush designs, manufactures and services turbogenerators, for both gas and steam turbine applications, and supplies a globally diverse customer base.

In addition, Brush designs and manufactures systems and power transformers under the brand name 'Brush Transformers' and also produces a wide range of indoor and outdoor medium voltage AC/DC switchgear under the 'Hawker Siddeley Switchgear' brand name. A further brand, 'Harrington Generators International', is a specialist UK-based small generator manufacturer supplying the construction, military, telecoms and rail sectors.

4. Selected financial information

The tables below set out selected consolidated financial information of the Melrose Group for the periods indicated which has been extracted without material adjustment from the financial information as described below.

As disclosed in note 1 to the Melrose Group's audited consolidated financial statements for the year ended 31 December 2015, the comparative figures for the year ended 31 December 2014 have been restated to include the results of the Elster Group and Prelok (a small business previously included within Melrose's

energy segment and disposed of on 18 December 2015) within discontinued operations. The balance sheet for the year ended 31 December 2014 has been restated to reflect the completion of the acquisition accounting of Eclipse, Inc. and to reflect the new parent company of the Melrose Group. Accordingly, financial information for the year ended 31 December 2014 has been extracted without adjustment from the unaudited, restated comparatives included in the audited consolidated financial statements for the year ended 31 December 2015.

As disclosed in note 1 to the Melrose Group's audited consolidated financial statements for the year ended 31 December 2014, the comparative figures for the year ended 31 December 2013 have been restated to include the results of Bridon within discontinued operations. Accordingly, financial information for the year ended 31 December 2013 has been extracted without adjustment from the unaudited, restated comparatives included in the audited consolidated financial statements for the year ended 31 December 2014. The 2013 financial information has not been restated to reflect the disposal of Elster.

The auditors of Melrose, Deloitte LLP, issued unqualified audit opinions on Melrose's and Old Melrose's, as applicable, consolidated financial statements for each of the financial years ended 31 December 2015, 31 December 2014 and 31 December 2013.

CONDENSED CONSOLIDATED INCOME STATEMENT

	Year ended 31 December				
	2015	2014 ⁽¹⁾	2014	2013 ⁽²⁾	2013
	£m	£m	£m	£m	£m
		Unaudited		Unaudited	
Continuing operations					
Revenue	261.1	324.3	1,377.5	1,466.4	1,732.8
Cost of sales	(179.0)	(216.6)	(875.0)	(952.0)	(1,125.5)
Gross profit	82.1	107.7	502.5	514.4	607.3
Headline ⁽³⁾ operating expenses	(61.6)	(61.1)	(259.7)	(277.2)	(335.2)
Share of headline ⁽³⁾ results of joint ventures	0.3	1.1	3.2	2.8	2.8
Intangible asset amortisation	(8.1)	(8.6)	(54.7)	(57.1)	(64.6)
Exceptional operating costs	(7.9)	(7.5)	(34.3)	(19.3)	(19.3)
Exceptional operating income	—	5.4	5.4	28.9	28.9
Total net operating expenses	(77.3)	(70.7)	(340.1)	(321.9)	(387.4)
Operating profit	4.8	37.0	162.4	192.5	219.9
Headline⁽³⁾ operating profit	20.8	47.7	246.0	240.0	274.9
Finance costs	(45.6)	(38.7)	(48.2)	(70.2)	(70.5)
Finance income	10.1	14.2	14.7	21.7	21.7
(Loss)/Profit before tax	(30.7)	12.5	128.9	144.0	171.1
Tax	14.4	(4.3)	(41.8)	(41.6)	(49.2)
(Loss)/Profit for the year from continuing operations	(16.3)	8.2	87.1	102.4	121.9
Profit for the year from discontinued operations	1,424.3	186.5	107.6	462.2	442.7
Profit for the year	1,408.0	194.7	194.7	564.6	564.6
Attributable to:					
Owners of the parent	1,407.1	193.9	193.9	562.7	562.7
Non-controlling interests	0.9	0.8	0.8	1.9	1.9
	1,408.0	194.7	194.7	564.6	564.6
Earnings per share					
From continuing operations					
—Basic	(1.6)p	0.8p	7.9p	7.9p	9.5p
—Diluted	(1.6)p	0.7p	7.8p	7.8p	9.3p
From continuing and discontinued operations					
—Basic	139.9p	17.8p	17.8p	44.4p	44.4p
—Diluted	137.1p	17.5p	17.5p	43.7p	43.7p

Notes:

- (1) Restated to include the results of the Elster Group and Prelok within discontinued operations.
- (2) Restated to include the results of Bridon within discontinued operations.
- (3) Before exceptional costs, exceptional income and intangible asset amortisation.

CONDENSED CONSOLIDATED BALANCE SHEET

	As at 31 December			
	2015	2014 ⁽¹⁾	2014	2013
	£m	£m	£m	£m
Non-current assets	412.7	2,685.7	2,689.9	2,944.5
Current assets	2,576.1	498.4	498.4	732.8
Total assets	2,988.8	3,184.1	3,188.3	3,677.3
Current liabilities	88.0	452.0	452.0	524.4
Non-current liabilities	55.4	1,158.4	1,162.6	965.0
Total liabilities	143.4	1,610.4	1,614.6	1,489.4
Net assets	2,845.4	1,573.7	1,573.7	2,187.9

Note:

(1) Restated to reflect the completion of the acquisition accounting of Eclipse, Inc.

CONSOLIDATED CASH FLOW STATEMENT

	Year ended 31 December		
	2015	2014	2013
	£m	£m	£m
Net cash from operating activities	31.4	116.5	136.0
Net cash from investing activities	3,215.9	210.8	837.3
Net cash used in financing activities	(876.1)	(456.4)	(932.1)
Net increase/(decrease) in cash and cash equivalents	2,371.2	(129.1)	41.2

5. Current trading, trends and prospects

Melrose

Melrose invests in international manufacturing companies and is therefore directly and indirectly impacted by events occurring in the global economy.

The world economy remains very uncertain and generally there has been an increase in nervousness among most economic commentators, many of whom are concerned that growth will be harder to achieve over the near term. This caution applies to most major economies of the world.

Some major themes are driving these concerns, including the well-documented events in the oil and gas sector, the slowing growth in China and the persisting recessions in Brazil and Russia. Other economic concerns exist and this uncertainty is leading to weaker business investment across the globe. Manufacturing companies are not immune to these concerns and some are more acutely affected than others, such as those closely aligned to the oil and gas sector.

Brush

Slow growth in the global economy has impacted growth in power generation.

Advances in technology are resulting in the development of larger, more efficient turbines, often in excess of sizes traditionally supplied by Brush.

Exceptionally low oil and gas prices are having a negative impact on oil and gas investment projects, predominantly in the upstream sector of the industry, to which Brush has exposure through its end-users.

Brush has seen increased consolidation within its customer base, as current or potential customers have acquired generator manufacturing businesses.

Trading update

On 11 May 2016, Melrose published a trading statement, an extract of which is set out below:

“Current trading in Melrose in 2016 is in line with expectations, with Brush performing satisfactorily this year.”

There has been no change to the Board's expectations since the publication of the trading statement on 11 May 2016.

6. Melrose breakdown of revenue

A split of Melrose's continuing revenue by geographical area, as extracted without material adjustment from the audited consolidated accounts of the Melrose Group for the years ended 31 December 2015, 31 December 2014 and 31 December 2013, is set out below.

	Year ended 31 December				
	2015	2014 ⁽¹⁾	2014	2013 ⁽²⁾	2013
	£m	£m Unaudited	£m	£m Unaudited	£m
UK	83.2	83.6	159.2	189.9	213.5
Europe	66.3	84.5	507.9	509.8	574.4
North America	57.4	91.7	408.4	461.7	540.5
Other	54.2	64.5	302.0	305.0	404.4
Total	261.1	324.3	1,377.5	1,466.4	1,732.8

Notes:

- (1) Restated to include the revenue of the Elster Group and Prelok within discontinued operations.
- (2) Restated to include the revenue of Bridon within discontinued operations.

7. Pensions

In connection with the disposal of the Elster business, and together with the Elster defined benefit pension plans, Honeywell International Inc. assumed the Melrose Group's FKI UK and McKechnie UK defined benefit pension plans which together had combined gross liabilities of £848.7 million and a net International Accounting Standards ("IAS") 19 deficit of £111.9 million at the date of disposal.

The Melrose Group continues to be responsible for the Brush UK Plan with respect to its business as well as the Brush US Plan. These plans are closed both to new members and to current members' future service.

The Brush UK Plan had a net IAS 19 accounting surplus as at 31 December 2015 of £1.4 million (31 December 2014: deficit of £28.4 million). This plan had assets of £197.1 million (31 December 2014: £197.4 million) and liabilities of £195.7 million as at 31 December 2015 (31 December 2014: £225.8 million). The Brush US Plan had a net IAS 19 accounting deficit as at 31 December 2015 of £18.6 million (31 December 2014: £18.7 million). This plan had assets of £146.4 million (31 December 2014: £176.5 million) and liabilities of £165.0 million as at 31 December 2015 (31 December 2014: £195.2 million). During 2015, lump sums were offered to all terminated vested participants with deferred benefits in the Brush US Plan. Approximately 40% of those offered accepted, resulting in a reduction in gross liabilities of £20.0 million, and a benefit of £2.2 million to the overall pension charge for the year, shown within central costs.

PART III

INFORMATION ON NORTEK

The historical financial information in relation to Nortek in this Part III (Information on Nortek) has, unless otherwise stated, been extracted without material adjustment from: (i) the historical financial information of the Nortek Group for the financial years ended 31 December 2015, 31 December 2014 and 31 December 2013, prepared under IFRS using policies which are consistent with those used in preparing the latest audited consolidated financial statements of the Melrose Group and covered by the accountant's report thereon; and (ii) the unaudited quarterly financial statements of the Nortek Group for the first quarters ended 2 April 2016 and 28 March 2015, published on 12 May 2016 and prepared in accordance with US GAAP, each as referred to in Part B (Historical financial information of the Nortek Group) of Part VI (Historical Financial Information) of this Prospectus.

Investors should read the whole of this Prospectus and the documents incorporated herein by reference and should not just rely on the financial information set out in this Part III (Information on Nortek).

1. Introduction and History

Nortek, Inc. is a corporation organised under the laws of the State of Delaware. Nortek's common stock trades on the NASDAQ Global Market under the symbol "NTK" and Nortek's market capitalisation as at the Latest Practicable Date was \$1,044 million (£800 million⁽¹⁴⁾). Nortek's common stock is divided into 90,000,000 authorised shares of \$0.01 par value, with 16,706,098 Nortek Shares in issue and to be issued as at the Latest Practicable Date, and preferred stock of 10,000,000 authorised shares of \$0.01 par value, of which there were none issued and outstanding as at the same date.

Nortek was founded in 1967 with the view of forming alliances between a number of smaller companies who could benefit from operating as part of a larger group. Originally listed on the New York Stock Exchange, Nortek was taken private in 2003 by Kelso & Company, L.P., a New York-based private equity firm, before being acquired in 2004 by Thomas H Lee Partners, a Boston-based private equity firm, for \$1.75 billion. Between 2007 and 2009, Nortek's revenue declined by 24% and in October 2009, as part of a financing restructuring plan, Nortek entered into chapter 11 bankruptcy. Following a debt to equity restructuring, Nortek emerged from bankruptcy in December 2009 having eliminated approximately \$1.3 billion of debt. Nortek was listed on the NASDAQ Global Market on 15 November 2011. Following a large number of acquisitions and disposals, the Nortek Group is now a global, diversified industrial group that leverages its strong brands, design and manufacturing capabilities and business system to deliver industry-leading innovative air management and technology-driven solutions for lifestyle improvement at home and at work.

By combining superior sales and customer service support with broad product lines, worldwide distribution channels and strong brands, many of Nortek's companies have become leaders in their respective markets, with products in 80%⁽¹⁵⁾ of US homes and a good presence in US offices and educational and healthcare facilities. Nortek believes that, based on revenues, it is one of the leading US suppliers of indoor air quality products and one of the largest suppliers of HVAC products for manufactured homes in the United States and Canada.

2. Details of Executive Officers

Michael J. Clarke—President, CEO, Director

Mr. Clarke has been President and Chief Executive Officer and a director of Nortek since joining on 30 December 2011. From January 2006 until his appointment as Nortek's Chief Executive Officer, Mr. Clarke served as President, FlexInfrastructure and Group President of Integrated Network Solutions of Flextronics International, Ltd, a publicly traded provider of design and electronics manufacturing services to original equipment manufacturers ("**Flextronics**").

Kevin W. Donnelly—Senior VP, GC and Secretary

Mr. Donnelly was promoted to Senior Vice President in September 2011. He joined Nortek as Associate General Counsel in 1988 and was promoted to Vice President, General Counsel and Secretary in 1989. Prior to joining Nortek, he served as in-house counsel for Exxon Corporation and The Yankee Companies.

⁽¹⁴⁾ Converted into pounds sterling at the exchange rate as at the Latest Practicable Date, being \$1:£0.77.

⁽¹⁵⁾ Based on Nortek management estimates.

Timothy J. Burling—Senior Vice President, Finance and Operational Excellence

Mr. Burling was appointed Senior Vice President, Finance and Operational Excellence on 5 March 2014, and prior to that, from March 2012, he was Vice President, Operational Finance. From 2006 until his appointment as Nortek's Vice President, Operational Finance, he served as Vice President, Finance of Integrated Network Solutions of Flextronics.

Jeffrey Mueller—Group President, Air Quality and Home Solutions

Mr. Mueller has been Group President, Air Quality and Home Solutions since September 2014. Prior to this appointment, he served as President of Kohler Co.'s faucet businesses globally from 2009 to June 2013, and from June 2013 to August 2014, he served as Managing Director of Kohler Co. Kitchen and Bath, Latin Americas.

Michael O'Neal—President, Security and Control

Mr. O'Neal has been President, Security and Control since March 2011. Prior to joining Nortek, Mr. O'Neal was president of North American operations for Gibson Guitar, and was previously CEO of several high-tech electronics corporations including Phillips Accessories and Peripherals and Gemini Industries.

David J. LaGrand—Group President, Residential and Commercial HVAC

Mr. LaGrand is Group President of Nortek's RCH segment. He has been with Nortek's subsidiary in this segment, Nordyne, for over twenty years, serving as President since 1997 and as CEO since 2001. He currently serves on the board and the executive committee of the Air Conditioning Heating and Refrigeration Institute.

Peter Segar—Group President, Ergonomic and Productivity Solutions

Mr. Segar has been Group President, Ergonomic and Productivity Solutions since September 2013. Prior to his appointment to this role, he served as Interim President of Ergotron, Inc. ("**Ergotron**") from January 2013 to October 2013, as Ergotron Brand Products President from August 2010 to October 2013 and as Senior Vice President and Chief Technical Officer of Ergotron from September 2004 to August 2010. Mr. Segar also serves on the board of CaringBridge.

Mark DeVincent—Group President, Custom and Commercial Air Solutions

Mr. DeVincent has been Group President, Custom and Commercial Air Solutions since February 2014. Prior to his appointment to this role, he served as Vice President, Advanced Systems of Flextronics from March 2006 to May 2011 and he served as Senior Vice President and General Manager, Server and Storage of Flextronics from June 2011 to January 2014.

3. Nortek's businesses

Nortek's business is divided into six segments: (i) Air Quality and Home Solutions (the "**AQH segment**"); (ii) Security and Control Solutions (the "**SCS segment**"); (iii) Ergonomic and Productivity Solutions (the "**ERG segment**"); (iv) Residential and Commercial HVAC (the "**RCH segment**"); (v) Custom and Commercial Air Solutions (the "**CAS segment**"); and (vi) Audio, Video and Control (the "**AVC segment**").

Through these six segments, Nortek manufactures and sells, primarily in the United States, Canada and Europe, with additional manufacturing in China and Mexico, a wide variety of products principally for the remodelling and replacement markets, the residential and commercial new construction markets, the manufactured housing market and the personal and enterprise computer markets.

The AQH segment primarily manufactures and distributes room and whole house ventilation products for the professional remodelling and replacement markets, residential new construction market, and do-it-yourself market. The principal products sold by this segment include kitchen range hoods, exhaust fans (such as bath fans and fan, heater and light combination units) and indoor air quality products (such as air exchangers and heat energy recovery ventilators).

The SCS segment manufactures and distributes a broad array of products designed to provide convenience and security primarily for residential applications. The principal product categories in this segment include security, automation and access control equipment and systems.

The ERG segment manufactures and distributes a broad array of innovative products designed with ergonomic features including wall mounts, carts, arms, desk mounts, workstations and stands that attach to or support a variety of display devices such as notebook computers, computer monitors and flat panel displays.

The RCH segment principally manufactures and sells split-system and packaged air conditioners and heat pumps, furnaces, air handlers and parts for the residential replacement and new construction markets. In addition, this segment produces unit heaters, radiant heaters and rooftop heating, ventilation and cooling products primarily for industrial and commercial applications.

The CAS segment manufactures and sells custom-designed and engineered HVAC products and systems, primarily in North America, for non-residential applications. The principal products sold by the segment are air handlers and large custom rooftop cooling and heating products.

In addition, the Nortek Group's AVC segment manufactures and distributes a broad array of products primarily for the residential audio/video and professional video signal management markets. The principal product categories in this segment include residential audio/video equipment (including architectural speakers and power conditioners, among other products), home control equipment, and professional video signal management solutions. The audio, video and control entities have been combined and have not previously been reported separately as these operating segments are individually not significant. These entities were principally acquired at various times from 2003 to 2011.

During the second quarter of 2015, Nortek transferred the management of its UK commercial HVAC subsidiary from the CAS segment to the RCH segment. Additionally, during the second quarter of 2014, Nortek changed the composition of its reporting segments to exclude the audio, video and control entities from the SCS segment following a decision to operate each of these entities separately and manage each as a standalone segment. As a result of these changes, Nortek has restated prior period segment disclosures to conform to the new composition.

4. Selected financial information

The selected financial information set out below has been extracted without material adjustment from: (i) the historical financial information of the Nortek Group for the financial years ended 31 December 2015, 31 December 2014 and 31 December 2013, prepared under IFRS using policies which are consistent with those used in preparing the latest audited consolidated financial statements of the Melrose Group and covered by the accountant's report thereon; and (ii) the unaudited quarterly financial statements of the Nortek Group for the first quarters ended 2 April 2016 and 28 March 2015, published on 12 May 2016 and prepared in accordance with US GAAP, each as referred to in Part B (*Historical financial information of the Nortek Group*) of Part VI (*Historical Financial Information*) of this Prospectus.

Investors should read the whole of this Prospectus and the documents incorporated herein by reference and should not just rely on the financial information set out in this Part III (*Information on Nortek*)

CONDENSED CONSOLIDATED INCOME STATEMENT

	For the first quarter ended	
	2 April 2016	28 March 2015
	\$m Unaudited	\$m Unaudited
Net sales	613.9	572.7
Operating earnings	28.9	7.7
Net interest expense	(23.7)	(27.2)
Earnings/(loss) before provision/(benefit) from income taxes	5.2	(19.5)
Net earnings/(loss)	2.6	(13.9)
Basic earnings/(loss) per share	\$ 0.16	\$(0.87)
Diluted earnings/(loss) per share	\$ 0.16	\$(0.87)

	For the year ended 31 December		
	2015	2014	2013
	\$m	\$m	\$m
Revenue	2,526.1	2,546.1	2,287.9
Gross profit	756.2	757.2	679.8
Operating profit	93.8	40.7	85.9
Headline⁽¹⁾ operating profit	220.1	220.4	184.5
Loss before tax	(21.8)	(71.4)	(17.0)
Loss for the year	(22.9)	(51.8)	(15.9)
Loss per share			
—Basic	(1.44)	(3.32)	(1.03)
—Diluted	(1.44)	(3.32)	(1.03)

Note:

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

CONDENSED CONSOLIDATED BALANCE SHEET

	As at	As at
	2 April 2016	31 December 2015 ⁽¹⁾
	\$m Unaudited	\$m Unaudited
Total current assets	804.1	771.4
Total property and equipment, net	229.9	229.0
Other assets	1,115.4	1,130.0
Total assets	2,149.4	2,130.4
Total current liabilities	481.9	491.1
Other liabilities	258.1	255.4
Notes, mortgage notes and obligations payable, less current maturities	1,391.0	1,371.6
Total stockholders' investment	18.4	12.3
Total liabilities and stockholders' investment	2,149.4	2,130.4

Note:

(1) Restated to reflect the reclassification of approximately \$13.5 million of unamortised debt issuance costs from other long-term assets to notes, mortgage notes and obligations payable, less current maturities, in accordance with ASU No. 2015-15, *Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements—Amendments to SEC Paragraphs Pursuant to Staff Announcement at June, 18 2015 EITF Meeting (SEC Update)*, which was issued in August 2015 and adopted by the Nortek Group retrospectively in the first quarter of 2016.

	As at 31 December		
	2015	2014	2013
	\$m	\$m	\$m
Non-current assets	1,359.1	1,368.9	1,241.0
Current assets	767.9	793.9	671.7
Total assets	2,127.0	2,162.8	1,912.7
Non-current liabilities	1,594.2	1,577.2	1,351.2
Current liabilities	515.6	542.0	475.3
Total liabilities	2,109.8	2,119.2	1,826.5
Net assets	17.2	43.6	86.2

CONSOLIDATED CASH FLOW STATEMENT

	First quarter ended	
	2 April 2016	28 March 2015
	\$m Unaudited	\$m Unaudited
Net cash used in operating activities	(8.5)	(55.3)
Net cash used in investing activities	(5.3)	(61.6)
Net cash from financing activities	17.7	102.2
Net change in unrestricted cash and cash equivalents	3.9	(14.7)

	Year ended 31 December		
	2015	2014	2013
	\$m	\$m	\$m
Net cash from operating activities	53.7	39.1	136.8
Net cash used in investing activities	(114.6)	(306.1)	(193.3)
Net cash from / (used in) financing activities	30.9	245.5	(5.7)
Net change in unrestricted cash and cash equivalents	(30.0)	(21.5)	(62.2)

5. Current trading, trends and prospects

The Nortek Group's business is dependent upon the levels of remodelling and replacement activity and new construction activity. Key US economic indicators point to continued momentum in construction. In the first quarter of 2016, the NAHB Remodelling Market Index marked the 12th consecutive quarter of growth. According to the NAHB housing forecast released on 31 May 2016, new housing starts (being the number of privately-owned new houses on which construction is commenced in a given period) in the US are projected to increase to 1.2 million units in 2016 and 1.3 million units in 2017, representing year-on-year increases of 7% and 11%, respectively.

On 12 May 2016, Nortek published commentary on its financial results for the first quarter ended 2 April 2016, extracts of which are set out below:

“[Nortek] started the year with positive momentum, posting solid first quarter financial performance led by market demand, innovation across [its] businesses and the benefits of [its] transformation efforts.”

“[Nortek] were especially pleased to deliver strong organic net sales growth of 8% and organic adjusted EBITDA growth of 31% over the prior year period. Strength was broad-based, with Air Quality, Security, Ergonomics and HVAC all posting double-digit organic net sales growth compared to last year. In [its] HVAC business, [Nortek] continue to be encouraged by the order trends and [its] delivery performance is tracking well. Benefitting from [Nortek's] restructuring efforts and the discontinuation of unprofitable product lines, [its] Custom Air and AV businesses delivered meaningful year-over-year improvements in segment adjusted operating earnings in the first quarter.”

There has been no change to the Board's expectations of Nortek since the publication of the commentary on 12 May 2016.

6. Employees

The number of full-time employees, and those covered by collective bargaining agreements, by segment as at 31 December 2015 was as follows:

<u>Segment</u>	<u>Approximate no. of employees</u>	<u>Employees covered by collective bargaining agreements</u>
AQH ⁽¹⁾⁽²⁾	2,600	142
SCS	2,600	0
ERG	1,400	0
RCH ⁽³⁾	2,500	123
CAS ⁽⁴⁾	2,000	245
AVC	200	0
Corporate	100	0
Total	<u>11,400</u>	<u>510</u>

Note:

- (1) Due to continued restructuring at Nortek's Italian subsidiary, 66 employees have been excluded from "employees covered by collective bargaining agreements" in the above table as the union contract associated with this subsidiary has not been renewed.
- (2) Collective bargaining agreement expires in 2020.
- (3) Approximately 13 employees are covered under a collective bargaining agreement that expired in 2015; the remaining 110 employees are covered under a collective bargaining agreement expiring in 2018.
- (4) Collective bargaining agreement expired on 31 December 2015.

7. Pensions

Nortek and its subsidiaries have various pension plans, supplemental retirement plans for certain officers, profit sharing, and other post-retirement benefit plans requiring contributions to qualified trusts and union administered funds.

Nortek's pension plans offer subsidised early retirement and lump sum payments. Its actuaries use assumptions to capture the value of these forms of payments within the liability calculation.

Nortek's current policy is to fund at least the minimum required annual contribution of its various qualified defined benefit plans.

Nortek's domestic qualified defined benefit plans' and foreign pension plan's assets are invested to maximise returns without undue exposure to risk. The domestic plans' investment objectives are to produce a total return exceeding the median of a universe of portfolios with similar average asset allocation and investment style objectives, and to earn a return, net of fees, greater or equal to the long-term rate of return used by Nortek in determining pension expense. The foreign plan investment objectives for the fixed income pooled pension fund are to provide capital growth and income primarily through investment in non-government debt securities. The foreign plan investment objectives for the international hedge pooled pension fund are to provide positive investment returns in all market conditions over the medium to long-term and the investment strategies include the use of advanced derivative techniques that result in a highly diversified portfolio. Investment risk for both the domestic and foreign plans is controlled by maintaining a portfolio of assets that is diversified across a variety of asset classes and investment styles in order to minimise exposure with respect to the size of individual securities and industry concentration. The asset allocation policies of the plans are consistent with the established investment objectives and risk tolerances. The asset allocation policies are developed by examining the historical relationships of risk and return among asset classes, and are designed to provide the highest probability of meeting or exceeding the return objectives at the lowest possible risk.

Nortek uses a liability-driven investment approach for its US pension assets as part of its defined benefit plan terminal funding strategy in order to minimise the volatility of the plans' funded status. The allocation to equity investments as a percentage of plan assets are diversified across low-cost index funds to capture higher expected long-term returns while minimising cost. The fixed income allocation is invested in a manner such that any changes to the corporate bond yield curve will result in proportional changes to both the fixed income portfolio value and the plans' terminal funding liability.

PART IV
OPERATING AND FINANCIAL REVIEW

Investors should read the whole of this Prospectus and the documents incorporated herein by reference and should not just rely on the financial information set out in this Part IV (Operating and Financial Review).

PART A: Operating and Financial Review relating to the Melrose Group

The operating and financial review for the Melrose Group for each of the financial years ended 31 December 2015, 31 December 2014 and 31 December 2013, as set out in the annual report and accounts of Melrose for the year ended 31 December 2015 and of Old Melrose for the years ended 31 December 2014 and 31 December 2013, are incorporated by reference into this Prospectus. The audit reports for each of the financial years ended 31 December 2015, 31 December 2014 and 31 December 2013 were unqualified. Reference should also be made to the 2015, 2014 and 2013 financial information incorporated by reference into this Prospectus (see Part A (Historical financial information of the Melrose Group) of Part VI (Historical Financial Information) of this Prospectus), the risk factors on pages 18 to 42 of this Prospectus and the strategy section in paragraph 2 of Part II (Information on Melrose) of this Prospectus.

Cross Reference List

The following list is intended to enable investors to identify easily specific items of information which have been incorporated by reference into this Prospectus.

Operating and Financial Review for the year ended 31 December 2015

The page numbers below refer to the relevant pages of the annual report and accounts of Melrose for the financial year ended 31 December 2015:

- pages 1 to 11;
- pages 18 to 19;
- pages 20 to 26;
- pages 28 to 35;
- pages 37 to 44;
- pages 50 to 53;
- pages 64 to 81; and
- pages 90 to 104.

Operating and Financial Review for the year ended 31 December 2014

The page numbers below refer to the relevant pages of the annual report and accounts of Old Melrose for the financial year ended 31 December 2014:

- pages 3 to 14;
- pages 24 to 25;
- pages 28 to 35;
- pages 42 to 49;
- pages 51 to 57;
- pages 64 to 67;
- page 85;
- pages 102 to 106; and
- pages 116 to 121.

Operating and Financial Review for the year ended 31 December 2013

The page numbers below refer to the relevant pages of the annual report and accounts of Old Melrose for the financial year ended 31 December 2013:

- pages 1 to 33;
- pages 40 to 47;
- pages 60 to 61;
- pages 74 to 75;
- pages 92 to 96; and
- pages 106 to 111.

PART B: Operating and Financial Review relating to the Nortek Group

The financial information presented within the operating and financial review for the Nortek Group for each of the years ended 31 December 2015, 31 December 2014, and 31 December 2013 and for the first quarters ended 2 April 2016 and 28 March 2015 set out below has, unless otherwise stated, been extracted without material adjustment from: (i) the historical financial information of the Nortek Group for the financial years ended 31 December 2015, 31 December 2014 and 31 December 2013, prepared under IFRS using policies which are consistent with those used in preparing the latest audited consolidated financial statements of the Melrose Group and covered by the accountant's report thereon; and (ii) the unaudited quarterly financial statements of the Nortek Group for the first quarters ended 2 April 2016 and 28 March 2015, published on 12 May 2016 and prepared in accordance with US GAAP, each as referred to in Part B (Historical financial information of Nortek) in Part VI (Historical Financial Information) of this Prospectus.

1. SIGNIFICANT EVENTS

Significant events from 2 April 2016 to date

a. Acquisitions

On 2 May 2016, Nortek completed the acquisition of a 25% interest in MiOS Limited (“MiOS”) for approximately \$4.5 million (£3.2 million⁽¹⁶⁾). MiOS is a global technology company focused on developing and distributing advanced control and monitoring solutions for the home and small enterprise markets. Through a commercial agreement between the parties, it is envisaged that MiOS will work with Nortek's AQH, SCS and AVC segments to develop lifestyle-driven solutions for the connected-home for various customer bases, including builders, electricians and installing dealers.

b. Extension of the ABL Facility

On 9 May 2016, the Nortek Group entered into an amendment to the ABL Facility which, among other things, extended its maturity to May 2021.

c. Conclusion of the FCPA investigation

As discussed in more detail in paragraph 13 (*Litigation*) of Part XII (*Additional Information*) of this Prospectus, on 7 June 2016, the Nortek Group entered into a non-prosecution agreement with the SEC, under which the SEC agreed not to prosecute the Nortek Group in relation to questionable hospitality, gift and payment practices, and other expenses at Linear Electronics (Shenzhen) Co. Ltd., one of its subsidiaries in China.

Significant events in the first quarter ended 2 April 2016

There were no significant events within the first quarter ended 2 April 2016 to report.

Significant events in the year ended 31 December 2015

d. Acquisitions

Nortek made the following acquisitions in 2015:

<u>Reporting segment</u>	<u>Acquired company</u>	<u>Acquisition date</u>	<u>Primary business of acquired company</u>
ERG	Anthro	21 January 2015	Designs, develops, markets and manufactures technology furniture products
SCS	Numera	30 June 2015	Designs mobile personal emergency response system products and cloud-based software platforms that enable the creation of new safety and health monitoring services

e. Logistical issues in RCH segment

Early in the second quarter of 2015, Nortek's RCH segment transferred its warehousing and distribution functions to a third party logistics provider, an initiative included in the operational improvement

⁽¹⁶⁾ Converted into pounds sterling at the exchange rate as at 2 April 2016, being \$1:£0.70.

initiatives discussed in paragraph 4 (*Liquidity and Capital Resources*) of this Part IV. However, the distribution process was significantly hampered throughout most of the second quarter due to the third party logistics provider's inadequate staffing and processes, negatively impacting sales in the second quarter of 2015. Distribution activities were substantially transferred back to a facility owned and operated by the RCH segment prior to the end of the second quarter and Nortek believes the distribution process for shipments began to return to historical shipping performance levels in the month of June. However, Nortek believes those logistical issues had an ongoing impact on demand from many of its customers in the second half of 2015, particularly those who source the products Nortek provides from multiple vendors. Warehousing and distribution costs, including freight, increased approximately \$19.2 million (£12.5 million⁽¹⁷⁾) in 2015 as compared to 2014 partly as a result of this transfer of the warehousing and distribution functions.

f. RCH discontinued production lines

In connection with the transfer of the management of Nortek's UK commercial HVAC subsidiary from the CAS segment to the RCH segment discussed below, Nortek discontinued production at one of the facilities operated by this subsidiary and discontinued certain product lines that were determined to be redundant, competitively disadvantaged or of limited strategic value.

g. CAS segment consolidation

On 7 May 2015, the Nortek Board approved a restructuring plan designed to consolidate production activities in the North American and European operations of the CAS segment and to discontinue certain product lines which were determined to have limited strategic importance or to be competitively disadvantaged. The plan to consolidate production included the discontinuation of production in two North American facilities with production transferred to other CAS facilities in North America. As part of the plan, CAS manufacturing activities in Mexico were ceased and the operation of the manufacturing facility was transferred to the RCH segment to be used in that segment's production activities.

The plan further included the consolidation of production and transfer of certain product lines of Nortek's UK commercial HVAC subsidiary from the CAS segment to the RCH segment. Nortek has restated prior period segment disclosures to conform to this change in its segment composition. The production consolidation and product line transfer was in part made possible by Nortek's acquisition of Reznor in 2014.

h. Core Brands and Gefen consolidation

On 28 July 2015, the Nortek Board approved a restructuring plan designed to merge the operations of Gefen into Core Brands, including the exit from certain product lines. This restructuring plan commenced in the third quarter of 2015. During 2015, the Nortek Group recorded approximately \$6.1 million (£4.0 million⁽¹⁷⁾) of inventory charges, including expected purchase order cancellations of approximately \$1.1 million (£0.7 million⁽¹⁷⁾) and approximately \$1.5 million (£1.0 million⁽¹⁷⁾) of severance and other charges associated with the plan.

i. 2015 debt transactions

On 2 April 2015, Nortek obtained an incremental \$265.0 million senior secured term loan pursuant to an amendment to its existing senior secured term loan facility due 2020 (the "**Nortek Term Loan Facility**") dated as of 30 April 2014, on substantially the same terms as the existing facility agreement. The net proceeds were used to redeem the 10% senior notes due 2018 on 4 May 2015 at a redemption price of 105% of the aggregate principal amount thereof, plus accrued and unpaid interest to the redemption date. The redemption of the notes resulted in a pre-tax loss of approximately \$14.8 million (£9.6 million⁽¹⁷⁾) during the second quarter of 2015.

j. Sale of TV One

In July 2015, Nortek received an unsolicited inquiry regarding the purchase of its TV One businesses ("**TV One**") that were part of the AVC segment and Nortek commenced an evaluation of the potential sale of TV One. On 28 July 2015, the Nortek Board approved the plan to sell TV One to a consortium of TV One's management on 31 July 2015. Under the terms of the agreement, Nortek has no ongoing involvement or obligations with respect to TV One and Nortek is not obliged to indemnify the purchasers in connection with this transaction. Nortek recorded a loss on sale of assets of approximately \$2.9 million (£1.9 million⁽¹⁴⁾) in the third quarter of 2015.

⁽¹⁷⁾ Converted into pounds sterling at the average exchange rate for the year ended 31 December 2015, being \$1:£0.65.

k. *Other matters*

As discussed in more detail in paragraph 13 (*Litigation*) of Part XII (*Additional Information*), Nortek discovered certain questionable hospitality, gift and payment practices, and other expenses at Linear Electronics (Shenzhen) Co. Ltd.

Significant events in year ended 31 December 2014

a. *Acquisitions*

Nortek made the following acquisitions in 2014:

<u>Reporting segment</u>	<u>Acquired company</u>	<u>Acquisition date</u>	<u>Primary business of acquired company</u>
RCH	Reznor	30 April 2014	Manufactures industrial and commercial HVAC products
RCH	Phoenix	8 October 2014	Distributes HVAC products

b. *Impairment of long-lived assets and goodwill*

During the second quarter of 2014, Nortek determined that the significant under-performance of its AVC companies through the first half of the year, along with a declining earnings forecast for the remainder of 2014 and beyond, represented an indicator of impairment related to the long-lived assets of these businesses. As a result, Nortek evaluated the impairment by comparing expectations of discounted cash flows to the carrying value of the cash-generating units. These cash flows were insufficient to recover the carrying value of these businesses. Based on the estimated fair values of the asset groups and the long-lived assets, Nortek recorded an aggregate impairment charge of approximately \$80.4 million (£52.3 million⁽¹⁸⁾) to write down the long-lived assets to their fair values. This charge was comprised of approximately \$74.7 million (£48.6 million⁽¹⁸⁾) for intangible assets, primarily trademarks, customer relationships and developed technology, approximately \$4.4 million (£2.9 million⁽¹⁸⁾) for goodwill and approximately \$1.3 million (£0.8 million⁽¹⁸⁾) for property and equipment.

c. *Second quarter 2014 debt transactions*

On 30 April 2014, Nortek entered into the Nortek Term Loan Facility for \$350.0 million. The net proceeds from the Nortek Term Loan Facility were used to fund the acquisition of Reznor and to repay all of the outstanding secured debt under Nortek's previous senior secured term loan due 2017, which had an aggregate principal amount outstanding of approximately \$93.0 million (£63.2 million⁽¹⁹⁾) upon repayment. The redemption of the previous senior secured term loan facility resulted in a pre-tax loss of approximately \$2.3 million (£1.5 million⁽¹⁸⁾) in 2014.

Significant events in the year ended 31 December 2013

a. *Acquisitions*

Nortek made the following acquisition in 2013:

<u>Reporting Segment</u>	<u>Acquired Company</u>	<u>Acquisition Date</u>	<u>Primary Business of Acquired Company</u>
SCS	2GIG Technologies, Inc.	1 April 2013	Designs and supplies residential security and home automation systems

2. OTHER FACTORS AFFECTING NORTEK'S RESULTS

Levels of remodelling, replacement and construction activity

Critical factors affecting Nortek's performance, including its level of sales, profitability and cash flows, are the levels of residential remodelling and replacement activity, and new residential and non-residential construction activity. The levels of new construction activity and residential remodelling and replacement activity are affected by seasonality and cyclical factors such as interest rates, inflation, consumer spending, employment levels and other macroeconomic factors over which Nortek has no control. Any decline in economic activity as a result of these or other factors typically results in a decline in residential and

⁽¹⁸⁾ Converted into pounds sterling at the average exchange rate for the year ended 31 December 2015, being \$1:£0.65.

⁽¹⁹⁾ Converted into pounds sterling at the exchange rate as at 31 December 2015, being \$1:£0.68.

non-residential new construction and, to a lesser extent, residential and non-residential remodelling and replacement spending, which would result in a decrease in Nortek's sales, profitability and cash flows.

Instability in the credit and financial markets, troubles in the mortgage market, the level of unemployment, and the decline in home values could have a negative impact on residential and non-residential new construction activity, consumer disposable income, and spending on home remodelling and repairs. These factors could have an adverse effect on Nortek's operating results.

Changes in key industry activity affecting Nortek's businesses in North America for the first quarter of 2016 and for the years 2015, 2014, and 2013 as compared to the prior year periods were as follows:

	% Increase (Decrease)			
	First quarter	Year ended 31 December		
		2016	2015	2014
Private residential construction spending ⁽¹⁾	8%	13%	14%	20%
Total US housing starts ⁽¹⁾	15%	11%	9%	19%
Total Canadian housing starts ⁽²⁾	n/a ⁽⁷⁾	3%	1%	(13)%
New home sales ⁽¹⁾	2%	14%	2%	16%
Existing home sales ⁽³⁾	6%	7%	(3)%	9%
Residential improvement spending ⁽¹⁾	(7)%	9%	11%	5%
Central air conditioning and heat pump shipments ⁽⁴⁾	(3)%	(1)%	11%	10%
Gas furnace shipments ⁽⁴⁾	3%	3%	5%	16%
Private non-residential construction spending ⁽¹⁾	12%	12%	11%	4%
Manufactured housing shipments ⁽⁵⁾	22% ⁽⁸⁾	10%	7%	10%
Residential fixed investment spending ⁽⁶⁾	11%	9%	2%	10%

Notes:

- (1) Source: US Census Bureau.
- (2) Source: Canada Mortgage and Housing Corporation
- (3) Source: National Association of Realtors
- (4) Source: Air Conditioning, Heating and Refrigeration Institute
- (5) Source: Institute for Building Technology and Safety
- (6) Source: US Bureau of Economic Analysis
- (7) Information not available.
- (8) Information provided is through to February 2016.

In 2015, approximately 53% of consolidated net sales were made through independent distributors, dealers, wholesalers and similar channels, approximately 17% were to commercial HVAC markets, approximately 12% were to retailers (of which approximately 7% were sold to the four largest home centre retailers), approximately 12% were private label sales, approximately 4% were to other commercial channels, and approximately 2% were to manufactured housing original equipment manufacturers and aftermarket dealers. Nortek's largest distributor or dealer accounted for approximately 4% of consolidated net sales in 2015. Nortek's largest customer (other than a distributor or dealer) accounted for approximately 4% of consolidated net sales for 2015.

Based on Nortek's research and analysis, Nortek estimates that approximately 56% to 60% of its consolidated 2015 net sales were related to the residential housing market. Nortek's products that serve the residential housing market primarily include range hoods and bath fans sold by the AQH segment, central air conditioning and heating products sold by the RCH segment, security and access control products sold by the SCS segment, and certain of the audio/video distribution and control products sold by the AVC segments. Nortek believes that approximately 18% to 22% of its consolidated 2015 net sales to the residential housing market were related to new construction activity.

Also based on Nortek's research and analysis, Nortek estimates that approximately 37% to 41% of its consolidated 2015 net sales were related to non-residential applications including healthcare and educational institutions. Nortek's products that serve the non-residential market primarily include air handlers and other heating and cooling products sold by the CAS segment, unit heaters, radiant heaters and rooftop heating, ventilation and cooling products sold by the RCH segment, digital mounting and

mobility products sold by the ERG segment, and certain of the audio/video distribution and control products sold by the AVC segment. Nortek believes that approximately 32% to 36% of its consolidated 2015 net sales to the non-residential market were related to new construction activity.

Seasonality

The demand for certain of Nortek’s products is seasonal, particularly in the Northeast and Midwest regions of the United States. Inclement weather during winter months usually reduces the level of building and remodelling activity in both home improvement and new construction markets, thereby reducing sales levels during the first and fourth quarters.

Costs

Nortek is subject to the effects of changing prices and the impact of inflation which could have a significant adverse effect on its results of operations. In some circumstances, market conditions or customer expectations may prevent Nortek from increasing the prices of its products to offset the inflationary pressures that may increase costs in the future.

Cost of sales principally consists of the manufacturing costs, including materials, labour and overhead, of products sold. The most significant component of cost of sales relates to the cost of materials of Nortek’s products. The cost of materials is affected by changes in key underlying commodity prices of these products, including steel, copper and aluminium, as well as overall changes in products. Cost of sales also includes warranty fulfilment costs, third party services, equipment costs, equipment depreciation, and the wages and associated benefits that Nortek pays related to performance of certain purchased services.

During the past three years, the following have been Nortek’s major purchases, expressed as a percentage of consolidated net sales, of raw materials and purchased components:

	Year ended 31 December		
	2015	2014	2013
Electronics	13%	13%	11%
Electro mechanical, including motors and compressors	9%	11%	10%
Steel	6%	7%	7%
Metal components, including copper and aluminium	2%	3%	3%
Plastic components	2%	3%	3%
Packaging	2%	2%	2%

Further, overall growth and expansion, including growth through acquisitions, could affect the number of non-manufacturing employees at any given period, and as a result, Nortek’s headline operating expenses could fluctuate. In addition, Nortek’s headline operating expenses include the expenses related to certain of its warehouse and distribution facilities.

Market risks

As discussed more specifically below, Nortek is exposed to market risks related to changes in interest rates, foreign currencies and commodity pricing. Nortek historically has not used derivative financial instruments, except on a limited basis, to mitigate certain economic exposures. The utilisation of derivative financial instruments to mitigate certain economic exposures may reduce, but would not eliminate, the impact of currency exchange rate, interest rate or commodity rate movements. As discussed further below, during the third quarter of 2015, Nortek enhanced its program to mitigate exposure to changes in foreign currency exchange rates.

Interest rate risk

Nortek is exposed to market risk from changes in interest rates primarily through its investing and borrowing activities.

Nortek’s investing strategy to manage interest rate exposure is to invest in short-term, highly liquid investments and marketable securities. Short-term investments primarily consist of federal agency discount notes, treasury bills and bank issued money market instruments with original maturities of 90 days or less. As at 2 April 2016, 31 December 2015, 31 December 2014 and 31 December 2013, the fair value of

Nortek's unrestricted and restricted investments and marketable securities was not materially different from their cost basis.

Nortek manages its borrowing exposure to changes in interest rates by optimising the use of fixed rate debt with extended maturities. As at 2 April 2016, 31 December 2015, 31 December 2014 and 31 December 2013, approximately 53%, 52%, 72% and 92%, respectively, of the carrying value of Nortek's long-term debt was at fixed interest rates. The remaining portion of Nortek's long-term debt is at variable interest rates. The decrease in long-term debt at fixed interest rates between 31 December 2014 and 31 December 2015 is primarily the result of Nortek's second quarter 2015 debt transactions as previously discussed. Based upon interest rates in effect at 2 April 2016, an overall unfavourable change in interest rates of 100 basis points would result in an additional charge to interest expense of approximately \$5.0 million (£3.5 million⁽²⁰⁾) for the remainder of 2016.

Foreign currency risk

Nortek manufactures, markets and sells its products globally and, as a result, a portion of its sales are generated outside the United States in local currencies. Nortek also incurs certain manufacturing, marketing and selling costs in international markets in local currency. Accordingly, its earnings and cash flows are exposed to market risk from changes in foreign currency exchange rates relative to the US dollar, its reporting currency..

During the third quarter of 2015, Nortek enhanced its programme to mitigate exposure to changes in foreign currency exchange rates. The enhancement to the programme included the use of foreign currency forward contracts, which were entered into during the second half of 2015, to minimise, for a period of time, the impact on Nortek's financial results from changes in foreign exchange rates, primarily pound sterling, Canadian dollar and the Chinese yuan renminbi. During the second half of 2015, Nortek also entered into certain foreign currency forward contracts to hedge the anticipated cash flows from transactions denominated in foreign currencies, primarily the Mexican peso. This does not eliminate the impact of the volatility of foreign exchange rates. Nortek manages its exposure to changes in foreign currency on a consolidated basis to take advantage of offsetting transactions and balances.

These foreign currency forward contracts are entered into for periods consistent with currency transaction exposures, which are generally one month. Nortek had non-designated foreign currency hedge contracts outstanding with a notional amount of approximately \$23.9 million (£16.7 million⁽²¹⁾) at 2 April 2016. During the first quarter of 2016, Nortek recorded approximately \$0.3 million (£0.2 million⁽²⁰⁾) of unrealised gains related to contracts outstanding at 2 April 2016. During the first quarter of 2016, Nortek settled non-designated foreign currency hedge contracts with a notional amount totalling approximately \$44.2 million (£30.9 million⁽²¹⁾) resulting in a realised gain upon settlement of approximately \$0.5 million (£0.4 million⁽²⁰⁾).

Nortek manages its exposure to foreign currency exchange risk principally by trying to minimise its net investment in foreign assets, including the use of strategic short- and long-term borrowings at the foreign subsidiary level. Consistent with this strategy, short-term bank obligations at 31 December 2015 consisted primarily of short-term borrowings by certain of Nortek's foreign subsidiaries. At 31 December 2015, 2014 and 2013, Nortek's net investment in foreign assets was approximately \$217.6 million (£148.0 million⁽²²⁾), \$223.2 million (£151.8 million⁽²²⁾) and \$180.3 million (£122.6 million⁽²²⁾) respectively.

Commodity pricing risk

Nortek is subject to significant market risk with respect to the pricing of its principal raw materials and purchased components (which include, among others, steel, copper, aluminium, electronics, motors, plastics, compressors, various chemicals and paints, and packaging). If prices of these raw materials were to increase dramatically, Nortek may not be able to pass such increases on to customers and, as a result, gross margins could decline significantly. Nortek manages its exposure to commodity pricing risk by continuing to diversify its product mix, strategic buying programs and vendor partnering.

⁽²⁰⁾ Converted into pounds sterling at the average exchange rate for the quarter ended 2 April 2016, being \$1:£0.70.

⁽²¹⁾ Converted into pounds sterling at the exchange rate as at 2 April 2016, being \$1:£0.70.

⁽²²⁾ Converted into pounds sterling at the exchange rate as at 31 December 2015, being \$1:£0.68.

Nortek generally does not enter into derivative financial instruments to manage commodity-pricing exposure. At 31 December 2015 and 2014, Nortek did not have any material outstanding commodity forward contracts.

3. RESULTS OF OPERATIONS

Overview

(A) First quarters ended 2 April 2016 and 28 March 2015, prepared under US GAAP

Net sales

Net sales were approximately \$613.9 million (£429.7 million⁽²³⁾) and \$572.7 million (£400.9 million⁽²³⁾) for the first quarters ended 2 April 2016 and 28 March 2015, respectively. The increase in net sales for the first quarter ended 2 April 2016 as compared to 2015 is primarily the result of increased sales in all segments, with the exception of the CAS and AVC segments. The quarter-to-quarter comparison of net sales was impacted by five additional shipping days in the first quarter of 2016 as compared to the first quarter of 2015, as well as by lower sales resulting from several restructuring and product discontinuation initiatives implemented in 2015.

Cost of revenues

Cost of revenues was approximately \$426.4 million (£298.5 million⁽²³⁾) and \$405.9 million (£284.1 million⁽²³⁾) for the first quarters ended 2 April 2016 and 28 March 2015, respectively. As a percentage of net sales, cost of revenues was approximately 69.5% and 70.9% for the first quarters ended 2 April 2016 and 28 March 2015. Exit and transformation costs recorded to cost of revenues during the first quarter ended 28 March 2015 was approximately \$2.8 million (£2.0 million⁽²³⁾). There were no comparable costs recorded to costs of revenue during the first quarter ended 2 April 2016.

Cost of revenues as a percentage of net sales decreased in the first quarter ended 2 April 2016 as compared to 2015 primarily due to changes in the relative mix of products sold, a decrease in certain commodity prices, favourable overhead absorption, as well as a decrease in exit and transformation costs.

Selling, General and Administrative Expense, net

Selling, general and administrative expense, net, was approximately \$141.5 million (£99.1 million⁽²³⁾) and \$143.3 million (£100.3 million⁽²³⁾) for the first quarters ended 2 April 2016 and 28 March 2015, respectively. As a percentage of net sales, selling, general and administrative expense, net, was approximately 23.0% and 25.0% for the first quarters ended 2 April 2016 and 28 March 2015, respectively. Exit and transformation costs recorded to selling, general and administrative expense, net, during the first quarters ended 2 April 2016 and 28 March 2015 were approximately \$0.4 million (£0.3 million⁽²³⁾) and \$3.8 million (£2.7 million⁽²³⁾), respectively.

Selling, general and administrative expense, net, as a percentage of net sales decreased in the first quarter ended 2 April 2016 as compared to 2015 primarily as a result of inefficiencies in warehousing costs experienced in the first quarter of 2015, decreased exit and transformation costs, lower legal and other professional fees, headcount reductions, and an increase in net sales without a proportionate increase in selling, general and administrative expense due to the fixed nature of certain expenses. The decrease in selling, general and administrative expense, net, as a percentage of net sales was partially offset by an increase in product development costs and an increase in net foreign exchange losses related to transactions.

Amortisation of intangible assets

Amortisation of intangible assets was approximately \$17.1 million (£12.0 million⁽²³⁾) and \$15.8 million (£11.1 million⁽²³⁾) for the first quarters ended 2 April 2016 and 28 March 2015, respectively.

The change in amortisation of intangible assets in the first quarter ended 2 April 2016 as compared to 2015 is primarily the result of changes in estimated useful lives of certain assets during the second half of 2015 relating to certain reporting units, as well as the additional amortisation from intangible assets acquired in connection with acquisitions completed in 2015.

⁽²³⁾ Converted into pounds sterling at the average exchange rate for the quarter ended 2 April 2016, being \$1:£0.70.

Net Interest Expense

Net interest expense was approximately \$23.7 million (£16.6 million⁽²⁴⁾) and \$27.2 million (£19.0 million⁽²⁴⁾) for the first quarters ended 2 April 2016 and 28 March 2015, respectively.

The change in net interest expense in the first quarter ended 2 April 2016 as compared to 2015 is primarily the result of changes in the average principal balances and weighted average interest rates of Nortek's outstanding debt, resulting largely from the refinancing of Nortek's 10% senior notes due 2018 in the second quarter of 2015.

Provision from Income Taxes

The provision from income taxes was approximately \$2.6 million (£1.8 million⁽²⁴⁾) for the first quarter ended 2 April 2016 as compared to a benefit from income taxes of approximately \$5.6 million (£3.9 million⁽²⁴⁾) for the first quarter ended 28 March 2015.

The effective income tax rate of approximately 50.0% for the first quarter ended 2 April 2016 differs from the United States federal statutory rate of 35% principally as a result of losses in certain jurisdictions that cannot be benefited from. The effective income tax rate of a benefit of approximately 28.7% for the first quarter ended 28 March 2015 differs from the United States federal statutory rate of 35% principally as a result of losses in certain jurisdictions that cannot be benefited from.

(B) Financial years ended 31 December 2015, 31 December 2014 and 31 December 2013, prepared under IFRS

Revenue

Revenue was approximately \$2,526.1 million (£1,642.0 million⁽²⁵⁾), \$2,546.1 million (£1,655.0 million⁽²⁵⁾), and \$2,287.9 million (£1,487.1 million⁽²⁵⁾) for the years ended 31 December 2015, 2014, and 2013, respectively. The decrease in revenue for the year ended 31 December 2015 as compared to 2014 is primarily the result of a decline in the RCH, CAS, and AVC segments, partially offset by increased sales within the ERG segment. The increase in revenue for the year ended 31 December 2014 as compared to 2013 was primarily the result of increases within the RCH, SCS, and CAS segments, partially offset by a decline in sales in the AVC segments.

Cost of sales

Cost of sales was approximately \$1,769.9 million (£1,150.4 million⁽²⁵⁾), \$1,788.9 million (£1,162.8 million⁽²⁵⁾), and \$1,608.1 million (£1,045.3 million⁽²⁵⁾) for the years ended 31 December 2015, 2014, and 2013, respectively. As a percentage of revenue, cost of sales was approximately 70.1%, 70.3%, and 70.3% for the years ended 31 December 2015, 2014, and 2013, respectively.

Headline operating expenses

Headline operating expenses was approximately \$537.5 million (£349.4 million⁽²⁵⁾), \$538.2 million (£349.8 million), and \$496.0 million (£322.4 million⁽²⁵⁾) for the years ended 2015, 2014, and 2013, respectively. As a percentage of revenue, headline operating expenses was approximately 21.3%, 21.1%, and 21.7% for the years ended 31 December 2015, 2014, and 2013, respectively.

Headline operating expenses as a percentage of revenue increased in the year ended 31 December 2015 as compared to 2014 primarily as a result of higher costs associated with warehousing and distribution, increased product development costs, as well as higher legal and other professional fees. The increase in headline operating expenses as a percentage of revenue was partially offset by a decrease in net foreign exchange losses related to transactions, ongoing cost reduction efforts within the Company, and headcount reductions.

Headline operating expenses as a percentage of revenue decreased slightly in the year ended 31 December 2014 as compared to 2013 primarily as a result of an increase in revenue without a proportionate increase in headline operating expenses, due to the fixed nature of certain expenses. This decrease was partially offset by higher product development costs, as well as increased legal and professional fees.

Impairment of long-lived assets and goodwill

As a result of certain restructuring initiatives that were commenced by Nortek in the second quarter of 2015, Nortek identified an indicator of impairment related to the long-lived assets of certain of the AVC

⁽²⁴⁾ Converted into pounds sterling at the average exchange rate for the quarter ended 2 April 2016, being \$1:£0.70.

⁽²⁵⁾ Converted into pounds sterling at the average exchange rate for the year ended 31 December 2015, being \$1:£0.65.

entities due to declining operating results related to these companies. Based on review of the forecasted undiscounted cash flows over the remaining estimated useful life of the primary asset of the asset group, Nortek determined that there was insufficient forecasted net positive cash flows to recover the net book value of property and equipment, and such property and equipment had no material salvage value. As a result, Nortek recorded an impairment charge of approximately \$1.2 million (£0.8 million⁽²⁶⁾) to reduce the carrying value of the property and equipment to zero.

Additionally, in the fourth quarter of 2015 Nortek recorded an impairment charge of approximately \$0.4 million (£0.3 million⁽²⁶⁾) due to the change in estimated fair value less cost to sell related to one of the RCH segment's warehouse properties, which was sold in January 2016.

During the second quarter of 2014, Nortek determined that the significant under-performance of its AVC companies through the first half of the year, along with a declining earnings forecast for the remainder of 2014 and beyond, represented an indicator of impairment related to the long-lived assets of these businesses. As a result, Nortek evaluated the impairment by comparing expectations of discounted cash flows compared to the carrying value of the cash-generating units. These cash flows were insufficient to recover the carrying value of these businesses. Based on the estimated fair values of the asset groups and the long-lived assets, Nortek recorded an aggregate impairment charge of approximately \$80.4 million (£52.3 million⁽²⁶⁾) to write down the long-lived assets to their fair values.

In 2013, Nortek recorded a non-cash long-lived asset impairment charge of approximately \$4.3 million (£2.8 million⁽²⁶⁾) related to the write-down of property and equipment in connection with the exit in the first quarter of 2014 of a product line within the AQH segment.

Intangible assets amortisation

Intangible assets amortisation was approximately \$67.3 million (£43.7 million⁽²⁶⁾), \$60.0 million (£39.0 million⁽²⁶⁾) and \$51.3 million (£33.3 million⁽²⁶⁾) for the years ended 31 December 2015, 2014 and 2013, respectively.

The change in amortisation of intangible assets in the year ended 31 December 2015 as compared to 2014 is primarily the result of the acquisition of Anthro and Numera in 2015 and the full year impact of the acquisitions of Reznor and Phoenix in 2014, coupled with a change in estimated useful lives relating to the AQH, RCH, SCS and ERG reporting units. The impact of this change in estimated useful lives was approximately \$1.9 million (£1.2 million⁽²⁶⁾) of additional amortisation expense in 2015 and represents a change in the estimated future annual amortisation of approximately \$5.9 million (£3.8 million⁽²⁶⁾).

The change in amortisation of intangible assets in the year ended 31 December 2014 as compared to 2013 is primarily the result of the acquisition of Reznor and Phoenix in 2014 and the full year impact of the acquisition of 2GIG Technologies, Inc. in 2013.

Exceptional operating costs

Exceptional operating costs were approximately \$60.9 million (£39.6 million⁽²⁶⁾), \$39.3 million (£25.5 million⁽²⁶⁾) and \$43.0 million (£28.0 million⁽²⁶⁾) for the years ended 31 December 2015, 2014 and 2013, respectively.

The increase in exceptional operating costs in the year ended 31 December 2015 as compared to 2014 is primarily the result of an increase in non-recurring losses incurred during 2015 to \$7.9 million (£5.1 million⁽²⁶⁾) (\$1.4 million (£0.9 million⁽²⁶⁾) in 2014 and \$5.4 million (£3.5 million⁽²⁶⁾) in 2013), including as a result of the loss on the sale of assets of TV One (\$2.9 million (£1.9 million⁽²⁶⁾) and legal and other professional services related to the FCPA investigation (\$2.3 million (£1.5 million⁽²⁶⁾) and an increase in restructuring and transformation charges to \$51.3 million (£33.3 million⁽²⁶⁾) (\$30.4 million (£19.8 million⁽²⁶⁾) in 2014 and \$35.4 million (£23.0 million⁽²⁶⁾) in 2013), including as a result of warehousing and distribution consolidation (\$13.9 million (£9.0 million⁽²⁶⁾) and the CAS segment consolidation (\$12.0 million (£7.8 million⁽²⁶⁾).

Exceptional operating income

Exceptional operating income was approximately \$3.5 million (£2.3 million⁽²⁶⁾) the year ended 31 December 2015, and nil for the years ended 31 December 2014, and 2013, as a result of a favourable fair value adjustment recorded by the Nortek Group in relation to the contingent consideration for Numera.

⁽²⁶⁾ Converted into pounds sterling at the average exchange rate for the year ended 31 December 2015, being \$1:£0.65.

Finance costs, net

Finance costs, net, were approximately \$115.6 million (£75.1 million⁽²⁷⁾), \$112.1 million (£72.9 million⁽²⁷⁾), and \$102.9 million (£66.9 million⁽²⁷⁾) for 2015, 2014, and 2013, respectively.

The change in finance costs, net, in 2015 as compared to 2014 is primarily the result of changes in the average principal balances and weighted average interest rates of Nortek's outstanding debt due to the 2015 and 2014 debt transactions described previously.

On 2 April 2015, Nortek obtained a \$265.0 million incremental term loan. The net proceeds were used to redeem the 10% senior notes due 2018 on 4 May 2015 at a redemption price of 105% of the aggregate principal amount thereof, plus accrued and unpaid interest to the redemption date. The redemption of the notes resulted in a pre-tax loss of approximately \$14.8 million (£9.6 million⁽²⁷⁾) during the second quarter of 2015.

On 30 April 2014, Nortek entered into the \$350.0 million Nortek Term Loan Facility. The net proceeds from the Nortek Term Loan Facility were used to fund the acquisition of Reznor and to repay all of the outstanding secured debt under the Nortek's previous senior secured term loan due 2017, which had an aggregate principal amount outstanding of approximately \$93.0 million (£60.5 million⁽²⁷⁾) upon repayment. The redemption of the previous senior secured term loan facility resulted in a pre-tax loss of approximately \$2.3 million (£1.5 million⁽²⁷⁾) in 2014.

Tax

For the year ended 31 December 2015, the Nortek Group recorded a tax charge of \$1.1 million (£0.7 million⁽²⁷⁾). Tax benefit was approximately \$19.6 million (£12.7 million⁽²⁷⁾) and \$1.1 million (£0.7 million⁽²⁷⁾) for the years ended 31 December 2014 and 2013, respectively.

The effective income tax rate of a benefit of approximately 5.0% for the year ended 31 December 2015 differs from the United States federal statutory rate of 35.0% principally as a result of non-deductible goodwill impairment, the impact of losses in certain jurisdictions that cannot be benefited from and non-deductible items.

The effective income tax rate of approximately 27.5% for the year ended 31 December 2014 differs from the United States federal statutory rate of 35.0% principally as a result of non-deductible goodwill impairment, losses in certain jurisdictions that cannot be benefited from and uncertain tax positions, partially offset by the impact of foreign rates and research tax credits.

The effective income tax rate of approximately 6.5% for the year ended 31 December 2013 differs from the United States federal statutory rate of 35% principally as a result of losses in certain foreign jurisdictions that cannot be benefited from, partially offset by the settlement of an uncertain tax position during the first quarter of 2013 and reductions in reserves for uncertain tax positions as a result of the expiration of the statute of limitations on certain items.

Segment discussion

Net sales to external customers by segment for the first quarters ended 2 April 2016 and 28 March 2015, prepared in accordance with US GAAP, were as follows:

	First quarter ended		Percentage change
	2 April 2016	28 March 2015	
	\$m	\$m	
	Unaudited	Unaudited	Unaudited
AQH	151.3	138.3	9.4%
SCS	110.4	96.5	14.4%
ERG	82.4	70.8	16.4%
RCH	147.0	133.3	10.3%
CAS	96.1	101.3	(5.1)%
AVC	26.7	32.5	(17.8)%
	613.9	572.7	7.2%

⁽²⁷⁾ Converted into pounds sterling at the average exchange rate for the year ended 31 December 2015, being \$1:£0.65.

Revenue from external customers by segment for the years ended 31 December 2015, 2014 and 2013, prepared in accordance with IFRS, were as follows:

	Year ended 31 December			Percentage change	
	2015	2014	2013	2015 vs. 2014	2014 vs. 2013
	\$m	\$m	\$m		
AQH	598.1	595.1	600.5	0.5%	(0.9)%
SCS	427.3	436.5	347.2	(2.1)%	25.7%
ERG	350.2	294.4	274.5	19.0%	7.2%
RCH	594.9	607.5	460.8	(2.1)%	31.8%
CAS	426.3	450.0	425.2	(5.3)%	5.8%
AVC	129.3	162.6	179.7	(20.5)%	(9.5)%
	2,526.1	2,546.1	2,287.9	(0.8)%	11.3%

Operating earnings / (loss) by segment for the first quarters ended 2 April 2016 and 28 March 2015, prepared in accordance with US GAAP, were as follows:

	First quarter ended		Percentage change
	2 April 2016	28 March 2015	
	\$m Unaudited	\$m Unaudited	Unaudited
AQH	16.2	13.4	20.9%
SCS	8.2	4.6	78.3%
ERG	14.3	8.0	78.8%
RCH	1.2	(5.7)	— ⁽¹⁾
CAS	4.9	2.9	69.0%
AVC	(1.9)	(2.4)	(20.8)%
	42.9	20.8	—⁽¹⁾
Unallocated	(14.0)	(13.1)	6.9%
	28.9	7.7	—⁽¹⁾

Note:

(1) Not meaningful or applicable.

Operating profit / (loss) by segment for the years ended 31 December 2015, 2014 and 2013, prepared in accordance with IFRS, were as follows:

	Year ended 31 December			Percentage change	
	2015	2014	2013	2015 vs. 2014	2014 vs. 2013
	\$m	\$m	\$m		
AQH	65.8	67.5	67.8	(2.5)%	(0.4)%
SCS	40.2	44.2	20.4	(9.0)%	116.7%
ERG	59.4	45.4	38.1	30.8%	19.2%
RCH	(17.0)	16.2	8.3	— ⁽¹⁾	95.2%
CAS	14.1	31.9	29.5	(55.8)%	8.1%
AVC	(20.6)	(19.2)	(13.0)	7.3%	47.7%
	141.9	186.0	151.1	(23.7)%	23.0%
Unallocated	(48.1)	(145.3)	(65.2)	(66.9)%	122.9%
	93.8	40.7	85.9	129.7%	(52.5)%

Note:

(1) Not meaningful or applicable.

First quarter ended 2 April 2016 as compared to the first quarter ended 28 March 2015

AQH Segment

Net sales in the AQH segment increased approximately \$13.0 million (£9.1 million⁽²⁸⁾), or 9.4%, in the first quarter of 2016 as compared to the first quarter of 2015. For the first quarter of 2016, changes in foreign currency exchange rates had a negative impact of approximately \$3.0 million (£2.1 million⁽²⁸⁾) on net sales in Canada, Europe, and other regions. Excluding the effect of changes in foreign currency exchange rates, net sales in the AQH segment for the first quarter of 2016 increased approximately \$16.0 million (£11.2 million⁽²⁸⁾) as compared to the first quarter of 2015. Sales increased in North America for the first quarter of 2016 primarily due to higher wholesale and appliance sales in the United States, and to a lesser extent higher retail sales. Sales increased in other regions mainly driven by higher sales in China.

Operating earnings increased approximately \$2.8 million (£2.0 million⁽²⁸⁾), or 20.9%, in the first quarter of 2016 as compared to the first quarter of 2015. This increase is primarily as a result of higher net sales without a proportionate increase in expenses due to the fixed nature of certain expenses and favourable prices related to the purchase of steel and other commodities. The increase in operating earnings was partially offset by increases in product development and product liability costs, as well as selling and marketing expenses.

SCS Segment

Net sales in the SCS segment increased approximately \$13.9 million (£9.7 million⁽²⁸⁾), or 14.4%, in the first quarter of 2016 as compared to the same period of 2015. The increase in net sales was driven by increased shipments of security and home automation products to both OEM customers and dealers during the first quarter of 2016, increased sales of access control equipment and systems to dealers, and approximately \$1.4 million (£1.0 million⁽²⁸⁾) in revenues associated with growth in mobile PERS products as a result of the acquisition of Numera in 2015. The increase in net sales was partially offset by a decline in sales due to acquisition and consolidation by one large OEM customer of another, resulting in the use of a single security platform.

Operating earnings increased approximately \$3.6 million (£2.5 million⁽²⁸⁾), or 78.3%, in the first quarter of 2016 as compared to the same period of 2015. Increased sales volume, changes in product mix, decreased VAT taxes, decreased legal and other professional fees of approximately \$1.2 million (£0.8 million⁽²⁸⁾) related primarily to the US Foreign Corrupt Practices Act investigation discussed in more detail in paragraph 13 (*Litigation*) of Part XII (*Additional Information*) of this Prospectus, as well as higher net sales without a proportionate increase in expenses due to the fixed nature of certain expenses contributed to the increase in operating earnings in this segment. Partially offsetting this increase was the acquisition of Numera, which contributed an operating loss of approximately \$1.3 million (£0.9 million⁽²⁸⁾) (including approximately \$0.5 million (£0.4 million⁽²⁸⁾) of amortisation expense) to the first quarter of 2016.

ERG Segment

Net sales in the ERG segment increased approximately \$11.6 million (£8.1 million⁽²⁸⁾), or 16.4%, in the first quarter of 2016 as compared to the same period of 2015. The change in net sales for the first quarter of 2016 as compared to the first quarter of 2015 was primarily attributable to the net effect of an increase in Ergotron branded sales, partially offset by a decline in original design manufacturer sales. The increase in net sales for Ergotron branded products was primarily driven by volume increases in ergonomic sit-stand products and medical carts mainly for the office and healthcare markets. The incremental impact of the acquisition of Anthro contributed approximately \$2.0 million (£1.4 million⁽²⁸⁾) to net sales for the first quarter of 2016 as compared to the same period of 2015.

Operating earnings increased approximately \$6.3 million (£4.4 million⁽²⁸⁾), or 78.8%, in the first quarter of 2016 as compared to the same period of 2015. The increase in operating earnings is primarily the result of increased volume and the relative mix of products sold within the segment. The acquisition of Anthro did not have a significant incremental contribution to operating earnings in the first quarter of 2016.

⁽²⁸⁾ Converted into pounds sterling at the average exchange rate for the quarter ended 2 April 2016, being \$1:£0.70.

RCH Segment

Net sales increased approximately \$13.7 million (£9.6 million⁽²⁹⁾), or 10.3%, in the first quarter of 2016 as compared to the first quarter of 2015, and were negatively impacted by changes in foreign exchange rates of approximately \$1.3 million (£0.9 million⁽²⁹⁾) during the first quarter of 2016. The increase in net sales is due to higher residential sales as a result of a new customer added during the fourth quarter of 2015, as well as higher sales to other customers including the impact of a decrease in volume during the first quarter of 2015 due to a shift in demand resulting from customer requests during the fourth quarter of 2014. This increase in net sales was partially offset by the impact of certain products that were discontinued in 2015 in the RCH segment's European operations and a decrease in commercial sales due to a mild winter, resulting in lower sales of heating equipment.

Operating earnings increased approximately \$6.9 million (£4.8 million⁽²⁹⁾) in the first quarter of 2016 as compared to the first quarter of 2015. The increase in operating earnings reflects a decrease in restructuring and transformation costs of approximately \$5.1 million (£3.6 million⁽²⁹⁾). The remaining increase is primarily the result of an increase in sales volume, changes in product and customer mix, as well as inefficiencies in warehousing costs experienced in the first quarter of 2015.

CAS Segment

Net sales declined approximately \$5.2 million (£3.6 million⁽²⁹⁾), or 5.1%, in the first quarter of 2016 as compared to the first quarter of 2015, and were negatively impacted by changes in foreign exchange rates of approximately \$0.5 million (£0.4 million⁽²⁹⁾). This decline in net sales is primarily the result of the planned discontinuation of certain products, which contributed approximately \$4.4 million (£3.1 million⁽²⁹⁾) to the decrease in net sales, as well as continued lower sales to a major customer totalling approximately \$3.8 million (£2.7 million⁽²⁹⁾). Nortek offset some of this decline with increased sales to other customers in the CAS segment, primarily in the commercial office and healthcare end markets. Backlog for CAS products expected to be filled within the next twelve months was approximately \$193.1 million (£135.2 million⁽²⁹⁾), \$194.5 million (£136.2 million⁽²⁹⁾), and \$259.3 million (£181.5 million⁽²⁹⁾) at 2 April 2016, 31 December 2015, and 28 March 2015, respectively. Backlog related to Nortek's major customer noted above was approximately \$1.1 million (£0.8 million⁽²⁹⁾) and \$12.0 million (£8.4 million⁽²⁹⁾) at 2 April 2016 and 28 March 2015, respectively.

Operating earnings in the CAS segment increased approximately \$2.0 million (£1.4 million⁽²⁹⁾), or 69.0%, in the first quarter of 2016 as compared to the first quarter of 2015. The increase in operating earnings is primarily the result of changes in volume and mix and lower operating costs due to the 2015 restructuring activities within the segment. This increase was partially offset by increased legal and product development costs.

AVC Segments

Net sales in the AVC segments decreased approximately \$5.8 million (£4.1 million⁽²⁹⁾), or 17.8%, in the first quarter of 2016 as compared to the first quarter of 2015. The decrease in net sales was primarily driven by the disposal in the third quarter of 2015 of the TV One subsidiaries which contributed approximately \$3.9 million (£2.7 million⁽²⁹⁾) to net sales in the first quarter of 2015, as well as product discontinuations.

Operating losses decreased approximately \$0.5 million (£0.4 million⁽²⁹⁾), or 20.8%, in the first quarter of 2016 as compared to the first quarter of 2015. This decrease is primarily the result of a decrease in operational costs and headcount associated with the restructuring and merger of Gefen into Core Brands, as well as the sale of TV One in the third quarter of 2015, which contributed an operating loss of approximately \$0.6 million (£0.4 million⁽²⁹⁾) in the first quarter of 2015.

Unallocated

Unallocated operating loss was approximately \$14.0 million (£9.8 million⁽²⁹⁾) and \$13.1 million (£9.2 million⁽²⁹⁾) for the first quarter of 2016 and 2015, respectively. The increase in operating loss was the result of increased salaries and other compensation-related costs due, in part, to headcount increases, partially offset by decreased legal and professional fees.

⁽²⁹⁾ Converted into pounds sterling at the average exchange rate for the quarter ended 2 April 2016, being \$1:£0.70.

Year ended 31 December 2015 as compared to the year ended 31 December 2014

AQH segment

Total revenue in the AQH segment increased approximately \$3.0 million (£2.0 million⁽³⁰⁾), or 0.5%, in 2015 as compared to 2014, and were significantly impacted by currency movement. For 2015, changes in foreign currency exchange rates had a negative impact of approximately \$23.9 million (£15.5 million⁽³⁰⁾) on revenue in Canada, Europe and other regions. The increase in revenue in North America for 2015 is primarily due to higher retail and appliance sales in the United States, and to a lesser extent higher wholesale channel sales. Revenue and operating profit in the retail channel also reflect higher allowances recorded in the first quarter of 2014 related to in-store displays. The increase in Europe and other regions was mainly driven by higher sales in China.

Operating profit decreased approximately \$1.7 million (£1.1 million⁽³⁰⁾), or 2.5%, in 2015 as compared to 2014. This decline is primarily the result of additional severance charges recorded in 2015 related to restructuring plans at Nortek's European range hood subsidiary of approximately \$2.0 million (£1.3 million⁽³⁰⁾), an increase in product liability expense of approximately \$8.7 million (£5.7 million⁽³⁰⁾), and increased legal fees of approximately \$2.0 million (£1.3 million⁽³⁰⁾). This decline was partially offset by ongoing cost reduction efforts within the segment, lower prices related to the purchase of steel and motors, lower warranty costs, as well as a decrease in net foreign exchange losses related to transactions.

SCS segment

Total revenue in the SCS segment decreased approximately \$9.2 million (£6.0 million⁽³⁰⁾), or 2.1%, in 2015 as compared to 2014. This decline was driven by decreased shipments of security and home automation products to certain OEM customers, as well as the impact of pricing changes to these same customers. This decline was partially offset by increased sales of security products to other customers during the period. The acquisition of Numera did not contribute any significant amount to revenue in 2015.

Operating profit decreased approximately \$4.0 million (£2.6 million⁽³⁰⁾), or 9.0%, in 2015 as compared to 2014. A change in product mix, coupled with increased legal and other professional fees of approximately \$2.7 million (£1.8 million⁽³⁰⁾) related primarily to the FCPA investigation, and increased product development costs of approximately \$3.4 million (£2.2 million⁽³⁰⁾) contributed to the decline in operating profit in this segment. Additionally, the acquisition of Numera contributed an operating loss of approximately \$2.4 million (£1.6 million⁽³⁰⁾) in 2015. This decline was partially offset by decreased warranty charges in 2015 as compared to 2014, primarily as a result of a 2014 product safety recall, and lower trade show expenses.

ERG segment

Total revenue in the ERG segment increased approximately \$55.8 million (£36.3 million⁽³⁰⁾), or 19.0%, in 2015 as compared to 2014. The acquisition of Anthro in 2015 contributed approximately \$37.8 million (£24.6 million⁽³⁰⁾) to the increase in this segment. The remaining change in revenue for 2015 as compared to 2014 was primarily attributable to the net effect of an increase in Ergotron branded sales and a decline in retail sales. The increase in revenue for Ergotron branded products was primarily driven by volume increases in ergonomic sit-stand products, and device management carts, in the office, education and healthcare channels. Decreases in retail sales during 2015 are primarily the result of a decline in sales in Europe and Russia.

Operating profit increased approximately \$14.0 million (£9.1 million⁽³⁰⁾), or 30.8%, in 2015 as compared to 2014. The acquisition of Anthro contributed approximately \$1.2 million (£0.8 million⁽³⁰⁾) to operating profit in 2015. The remaining increase is primarily the result of increased volume and the relative mix of products sold within the segment.

RCH segment

Total revenue decreased approximately \$12.6 million (£8.2 million⁽³⁰⁾), or 2.1%, in 2015 as compared to 2014. The incremental impact of the acquisitions of Reznor and Phoenix contributed approximately \$70.0 million (£45.5 million⁽³⁰⁾) to revenue during 2015 as compared to 2014. Excluding these acquisitions, revenue for 2015 decreased as compared to 2014 primarily as a result of lower volume, partially offset by price changes and changes in product mix. The decrease in volume is primarily the result of a shift in

⁽³⁰⁾ Converted into pounds sterling at the average exchange rate for the year ended 31 December 2015, being \$1:£0.65.

demand due to customer requests during the fourth quarter of 2014, due in part to regulatory changes, and shipping disruptions experienced in 2015 due to the logistical issues experienced primarily in the first half of 2015 as discussed previously.

Operating profit decreased approximately \$33.2 million (£21.6 million⁽³¹⁾) in 2015 as compared to 2014. The incremental impact of the acquisitions of Reznor and Phoenix contributed approximately \$2.2 million (£1.4 million⁽³¹⁾) to operating profit during 2015 as compared to 2014. The decrease in operating profit reflects higher costs associated with freight, warehousing and distribution of approximately \$19.2 million (£12.5 million⁽³¹⁾), increased legal fees of approximately \$7.0 million (£4.6 million⁽³¹⁾), and increased costs associated with company-owned distribution centres in select markets. An increase in amortisation expense related to the acquisition of Reznor and Phoenix and a change in the estimated useful lives of intangible assets acquired also contributed to the decline in operating profit. Changes in product mix helped to offset some of the decline in operating profit.

CAS segment

Total revenue declined approximately \$23.7 million (£15.4 million⁽³¹⁾), or 5.3%, in 2015 as compared to 2014, and were negatively impacted by changes in foreign exchange rates of approximately \$2.6 million (£1.7 million⁽³¹⁾). This decline in revenue is primarily the result of lower sales to a major customer of approximately \$40.0 million (£26.0 million⁽³¹⁾) because of the cyclical nature of the semiconductor industry in which this customer competes, as well as lower sales due to the discontinuation of certain product lines as discussed previously of approximately \$20.0 million (£13.0 million⁽³¹⁾). Nortek offset some of this decline with increased sales to other customers in the CAS segment primarily in the commercial office and healthcare end markets, among others. Backlog for CAS products expected to be filled within the next twelve months was approximately \$194.5 million (£126.4 million⁽³¹⁾) and \$224.5 million (£145.9 million⁽³¹⁾) at 31 December 2015 and 2014, respectively. Backlog related to Nortek's major customer noted above was approximately \$1.3 million (£0.8 million⁽³¹⁾) and \$14.9 million (£9.7 million⁽³¹⁾) at 31 December 2015 and 2014, respectively.

Operating profit in the CAS segment decreased approximately \$17.8 million (£11.6 million⁽³¹⁾), or 55.8%, in 2015 as compared to 2014. This decline was primarily the result of lower sales volume, manufacturing inefficiencies experienced as a result of continuing manufacturing rationalisation and relocation initiatives, and severance and other charges related to the restructuring plan discussed previously. The decline in operating profit was partially offset by lower selling expenses and ongoing cost reduction efforts.

AVC segment

Total revenue in the AVC segment decreased approximately \$33.3 million (£21.6 million⁽³¹⁾), or 20.5%, in 2015 as compared to 2014. The decrease in revenue was driven by the disposal of the TV One subsidiaries to a consortium of management as discussed previously, a non-recurring sale to a customer in 2014, as well as a decrease in volume.

Operating losses increased approximately \$1.4 million (£0.9 million⁽³¹⁾), or 7.3%, in 2015 as compared to 2014. This increase is primarily the result of severance, inventory and other charges related to the planned restructuring and merger of Gefen into Core Brands as discussed previously and additional inventory charges principally related to product discontinuation. During the second quarter of 2014, Nortek wrote down intangible assets to their fair value of zero. As a result, the AVC segment did not have amortisation expense during 2015, partially offsetting the increase in operating losses.

Unallocated

Unallocated operating loss was approximately \$48.1 million (£31.3 million⁽³¹⁾) and \$145.3 million (£94.4 million⁽³¹⁾) for 2015 and 2014, respectively. The lower operating loss was the result of the impairment of long-lived assets and goodwill in 2014, decreases in corporate general administrative expenses, costs of operational improvement initiatives, and acquisition costs, and was partially offset by executive transition employment and separation agreement costs and other fees, and increased legal and professional fees.

⁽³¹⁾ Converted into pounds sterling at the average exchange rate for the year ended 31 December 2015, being \$1:£0.65.

Year ended 31 December 2014 as compared to the year ended 31 December 2013

AQH segment

Total revenue in the AQH segment decreased approximately \$5.4 million (£3.5 million⁽³²⁾), or 0.9%, as compared to 2013. This decrease is primarily the result of a decrease in revenue in North America of approximately \$6.4 million (£4.2 million⁽³²⁾), partially offset by an increase in revenue in Europe and other regions of approximately \$1.0 million (£0.7 million⁽³²⁾). The decline in revenue in North America is primarily due to the exit of the medicine cabinet product line during the first quarter of 2014 of approximately \$11.3 million (£7.3 million⁽³²⁾), and due to the result of the change in the exchange rate between the Canadian and US dollar during the year of approximately \$8.1 million (£5.3 million⁽³²⁾). Excluding the impact of the exit from the medicine cabinet product line and changes in foreign exchange rates, revenue in North America increased approximately \$13.0 million (£8.5 million⁽³²⁾) with retail, wholesale and appliance sales all increasing compared to 2013.

Operating profit decreased approximately \$0.3 million (£0.2 million⁽³²⁾), or 0.4%, for 2014 as compared to 2013.

SCS segment

Total revenue in the SCS segment increased approximately \$89.3 million (£58.0 million⁽³²⁾), or 25.7%, in 2014 as compared to 2013, which was driven by increased shipments of security, access control and home automation products. The acquisition of 2GIG Technologies, Inc. in April 2013 as well as organic growth contributed to the increase in revenue.

Operating profit increased approximately \$23.8 million (£15.5 million⁽³²⁾) in 2014 as compared to 2013. This increase is primarily the result of an increase in revenue without a proportionate increase in certain costs due to their fixed nature, changes in product mix, as well as a decrease in warranty and inventory reserve charges of approximately \$1.3 million (£0.8 million⁽³²⁾) related to a product safety recall initiated in 2013 and a decrease in restructuring and transformation charges. Additionally, 2013 reflects an increase in cost of revenues of approximately \$3.1 million (£2.0 million⁽³²⁾) due to the recognition of inventory at the acquisition date fair value related to 2GIG Technologies, Inc. Increases in product development costs of approximately \$5.2 million (£3.4 million⁽³²⁾) in 2014 as compared to 2013 and an increase in amortisation expense principally due to the full year impact of intangible assets acquired in connection with the 2GIG Technologies, Inc. acquisition partially offset the increase in operating profit.

ERG segment

Total revenue in the ERG segment for 2014 increased approximately \$19.9 million (£12.9 million⁽³²⁾), or 7.2%, as compared to 2013, primarily attributable to an increase in Ergotron branded sales, partially offset by a decline in retail and original equipment manufacturer sales. The increase in revenue for Ergotron branded products was primarily driven by volume increases in ergonomic sit-stand, device management and healthcare carts. Decreases in sales to original equipment manufacturer customers and retail sales during 2014 are primarily the result of the global decline in desktop personal computer and television sales, as well as Nortek's transition away from lower gross margin business.

Operating profit increased approximately \$7.3 million (£4.7 million⁽³²⁾), or 19.2%, in 2014 as compared to 2013. This increase is primarily the result of changes in the relative mix of products sold, an increase in revenue without a proportionate increase in headline operating expenses due to the fixed nature of certain expenses, as well as decreased freight costs.

RCH segment

Total revenue increased approximately \$146.7 million (£95.4 million⁽³²⁾), or 31.8%, in 2014 as compared to 2013. The acquisitions of Reznor and Phoenix contributed approximately \$121.0 million (£78.7 million⁽³²⁾) to revenue during 2014. The remaining increase in revenue for 2014 as compared to 2013 was primarily the result of increased private label sales to specific customers, higher industry demand, due in part to regulatory changes, and the impact of Nortek's company-owned distribution initiative as compared to 2013.

Operating profit increased approximately \$7.9 million (£5.1 million⁽³²⁾), or 95.2%, in 2014 as compared to 2013. The acquisitions of Reznor and Phoenix contributed approximately \$6.1 million (£4.0 million⁽³²⁾) to

⁽³²⁾ Converted into pounds sterling at the average exchange rate for the year ended 31 December 2015, being \$1:£0.65.

operating profit in 2014. The remaining increase in operating profit was primarily as a result of lower warranty related costs, decreased labour costs, favourable overhead absorption related to increased finished goods inventory at the end of 2014, and an increase in revenue without a proportionate increase costs due to the fixed nature of certain expenses. This increase was partially offset by increased amortisation of intangible assets of approximately \$8.7 million (£5.7 million⁽³³⁾) primarily related to the acquisitions of Reznor and Phoenix, increased severance and other charges of approximately \$3.1 million (£2.0 million⁽³³⁾) related to certain exit and transformation activities, higher levels of expense for 2014 as compared to 2013 related to Nortek's company-owned distribution centres in select markets, and increased legal expenses of approximately \$0.7 million (£0.5 million⁽³³⁾) driven by increased activity primarily in the fourth quarter of 2014.

CAS segment

Total revenue in the CAS segment increased approximately \$24.8 million (£16.1 million⁽³³⁾), or 5.8%, in 2014 as compared to 2013, and were negatively impacted by changes in foreign exchange rates of approximately \$7.9 million (£5.1 million⁽³³⁾). Sales relating to a major customer increased approximately \$8.5 million (£5.5 million⁽³³⁾) during 2014 as compared to 2013. The remaining increase in revenue for 2014 primarily relates to increases in the data centre and commercial office end markets, partially offset by a decline in sales in the healthcare end market.

Operating profit increased approximately \$2.4 million (£1.6 million⁽³³⁾), or 8.1%, in 2014 as compared to 2013. This increase is primarily the result of certain warranty charges recorded in 2013 of approximately \$6.5 million (£4.2 million⁽³³⁾) with no corresponding charge in 2014, as well as an increase in revenue without a proportionate increase in certain expenses due to their fixed nature. Offsetting these increases were manufacturing inefficiencies experienced during 2014 as a result of Nortek's continuing manufacturing rationalisation and relocation initiatives within the segment, as well as a favourable benefit to bad debt expense in 2013 related to customer recoveries received with no corresponding benefit in 2014.

AVC segment

Total revenue decreased approximately \$17.1 million (£11.1 million⁽³³⁾), or 9.5%, in 2014 as compared to 2013, while operating losses increased approximately \$6.2 million (£4.0 million⁽³³⁾), or 47.7%, in 2014 as compared to 2013. Continued weakened demand for Nortek's audio, video and control products contributed to the decline in operating results for the entities included within the combined AVC segment. The decline in demand was driven, in part, by technology changes that affect certain product categories that the businesses compete in. This caused demand to shift from certain of Nortek's legacy products to newer technologies. Also impacting the operating performance of these businesses were sales discounts offered on certain legacy products and inefficiencies experienced in the combination of certain businesses as well as the shifting of logistics to a third party provider.

Unallocated

Unallocated operating loss was approximately \$145.3 million (£94.4 million⁽³³⁾) and \$65.2 million (£42.4 million⁽³³⁾) for 2014 and 2013, respectively. This increase is primarily the result of the impairment of long-lived assets and goodwill, an increase in corporate general administrative costs primarily related to increased rent and office expenses, salary and other compensation-related expenses, consulting, and other costs associated with the transition to an operational company. An increase in acquisition costs also contributed to the increase in operating losses in 2014 as compared to 2013. Partially offsetting this decline was a decrease in costs associated with operational improvement initiatives and a decrease in share based compensation.

Geographical breakdown of net sales and operating earnings

Net sales and earnings derived from international markets are subject to economic, political, and currency risks, among others. Foreign net sales and operating earnings (loss) from foreign operations are attributed based on the location of the relevant Nortek subsidiary responsible for the sale.

⁽³³⁾ Converted into pounds sterling at the average exchange rate for the year ended 31 December 2015, being \$1:£0.65.

Net sales by region for the first quarters ended 2 April 2016 and 28 March 2015, prepared in accordance with US GAAP, were as follows:

	First quarter ended			
	2 April 2016		28 March 2015	
	\$m	% of revenue	\$m	% of revenue
	Unaudited		Unaudited	
United States	515.8	84.0%	472.3	82.5%
Canada	56.1	9.1%	50.3	8.8%
Europe	38.2	6.2%	46.3	8.1%
Other	3.8	0.6%	3.8	0.7%
Total	613.9	100.0%	572.7	100.0%

Operating earnings of non-US operations, consisting primarily of the results of operations of Nortek's Canadian, European, and Asian subsidiaries, were approximately 21.5% and 27.7% of consolidated operating earnings (before allocations of corporate overhead costs) for the first quarters ended 2 April 2016 and 28 March 2015, respectively.

Nortek's non-US net sales and results from operations are impacted by fluctuations in the respective local currency rates to the US dollar and, as a result, the amounts disclosed above include the impact of translation adjustments.

Revenue from external customers by region for the years ended 31 December 2015, 31 December 2014 and 31 December 2013 was as follows:

	Year ended 31 December					
	2015		2014		2013	
	\$m	% of revenue	\$m	% of revenue	\$m	% of revenue
North America	2,263.6	89.6%	2,280.9	89.6%	2,055.8	89.9%
Europe	165.6	6.6%	181.2	7.1%	138.1	6.0%
Other	96.9	3.8%	84.0	3.3%	94.0	4.1%
Total	2,526.1	100.0%	2,546.1	100.0%	2,287.9	100.0%

4. Liquidity and Capital Resources

Cash Flows and Working Capital

Nortek's cash flows from operating, investing and financing activities for the first quarters ended 2 April 2016 and 28 March 2015, prepared in accordance with US GAAP, and the years ended 31 December 2015, 2014 and 2013, prepared in accordance with IFRS, are summarised in the tables below:

	First quarter ended	
	2 April 2016	28 March 2015
	\$m	\$m
	Unaudited	
Net cash used in operating activities	(8.5)	(55.3)
Net cash used in investing activities	(5.3)	(61.6)
Net cash from financing activities	17.7	102.2
Net change in unrestricted cash and cash equivalents	3.9	(14.7)

	Year ended 31 December		
	2015	2014	2013
	\$m	\$m	\$m
Net cash from operating activities	53.7	39.1	136.8
Net cash used in investing activities	(114.6)	(306.1)	(193.3)
Net cash from / (used in) financing activities	30.9	245.5	(5.7)
Net change in unrestricted cash and cash equivalents	(30.0)	(21.5)	(62.2)

Working capital decreased from approximately \$251.9 million (£163.7 million⁽³⁴⁾) at 31 December 2014 to approximately \$252.3 million (£164.0 million⁽³⁴⁾) at 31 December 2015, while current ratio remained unchanged at 1.5:1 at 31 December 2015 and 2014. The change in working capital is primarily the result of the net effect of the changes described below.

Net cash (used in)/provided by operating activities

Net cash (used in)/provided by operating activities primarily consists of net earnings/(loss) adjusted for certain non-cash items and the effect of changes in working capital and other activities.

The decrease in net cash used in operating activities for the first quarter of 2016 was the result of a decrease in cash used for working capital needs of approximately \$12.8 million (£9.0 million⁽³⁵⁾), an increase in net earnings (after the exclusion of non-cash items) of approximately \$28.6 million (£20.0 million⁽³⁵⁾) and a reduction in the effect of changes in other long-term assets, liabilities and other, net, of approximately \$5.4 million (£3.8 million⁽³⁵⁾).

Net cash used in operating activities for the first quarter of 2016 was approximately \$8.5 million (£6.0 million⁽³⁵⁾) and consisted of approximately \$43.2 million (£30.2 million⁽³⁵⁾) of cash used in working capital and other activities, partially offset by non-cash items of approximately \$32.1 million (£22.5 million⁽³⁵⁾) and net earnings of approximately \$2.6 million (£1.8 million⁽³⁵⁾). The non-cash items primarily consisted of depreciation and amortisation expense, share-based compensation expense, deferred taxes and non-cash interest expense. Cash used in working capital and other activities consisted primarily of an increase of approximately \$29.1 million (£20.4 million⁽³⁵⁾) in inventory due to increased purchasing in anticipation of higher sales due, in part, to seasonality, a decrease in accounts payable due to timing of payments of approximately \$6.5 million (£4.6 million⁽³⁵⁾), a decrease of approximately \$6.3 million (£4.4 million⁽³⁵⁾) in accrued expenses, taxes, and deferred revenue, and an increase of approximately \$3.6 million (£2.5 million⁽³⁵⁾) in prepaid and other current assets. These amounts were offset by cash provided by working capital and other activities consisting primarily of a decrease in accounts receivable of approximately \$4.6 million (£3.2 million⁽³⁵⁾) due to lower sales in the first quarter of 2016 as compared to the fourth quarter of 2015.

Net cash used in operating activities for the first quarter of 2015 was approximately \$55.3 million (£38.7 million⁽³⁴⁾) and consisted of a net loss of approximately \$13.9 million (£9.7 million⁽³⁴⁾) and approximately \$61.4 million (£43.0 million⁽³⁴⁾) of cash used in working capital and other activities, partially offset by non-cash items of approximately \$20.0 million (£14.0 million⁽³⁴⁾). The non-cash items primarily consisted of depreciation and amortisation expense, share-based compensation expense, deferred taxes and non-cash interest expense. Cash used in working capital and other activities consisted of an increase in accounts receivable of approximately \$25.3 million (£17.7 million⁽³⁴⁾) driven primarily by increased sales in the first quarter of 2015 as compared to the fourth quarter of 2014 within the SCS segment, an increase in inventory of approximately \$40.2 million (£28.1 million⁽³⁴⁾) principally driven by an increase in the SCS segment due to increased purchasing in anticipation of higher sales due to seasonality, increased inventory in the CAS segment, partially related to sales delays experienced during the first quarter of 2015, as well as an increase in the RCH segment due to inventory build-up associated with regulatory changes and seasonality, a decrease in accounts payable of approximately \$6.7 million (£4.7 million⁽³⁴⁾) due to the timing of payments, and an increase in other long-term assets of approximately \$7.7 million (£5.4 million⁽³⁴⁾). These amounts were offset by cash provided by working capital and other activities consisting of an increase in accrued expenses, taxes, and deferred revenue of approximately \$19.7 million (£13.8 million⁽³⁴⁾) primarily as a result of an increase in accrued interest related to the timing of interest payments, partially offset by decreases in various compensation and severance related accruals due to the timing of payments.

Net cash provided by operating activities for the year ended 31 December 2015 was approximately \$53.7 million (£34.9 million⁽³⁵⁾). The increase in net cash provided by operating activities for the year ended 31 December 2015 was primarily the result of a reduction in interest paid of \$7.4 million (£4.8 million⁽³⁵⁾) and a reduction in restructuring costs paid of \$14.8 million (£9.6 million⁽³⁵⁾).

⁽³⁴⁾ Converted into pounds sterling at the average exchange rate for the year ended 31 December 2015, being \$1:£0.65.

⁽³⁵⁾ Converted into pounds sterling at the average exchange rate for the quarter ended 2 April 2016, being \$1:£0.70.

Net cash provided by operating activities for the year ended 31 December 2014 was approximately \$39.1 million (£25.4 million⁽³⁷⁾). The decrease in net cash of \$97.7 million (£63.5 million⁽³⁷⁾) compared to the year ended 31 December 2013 was primarily due to a decrease in working capital cash flows of \$115.7 million (£75.2 million⁽³⁷⁾).

Net cash used in investing activities

Net cash used in investing activities principally relates to capital expenditures and net cash paid for business combinations and other asset acquisitions.

The decrease in net cash used in investing activities for the first quarter of 2016 was primarily the net result of a decrease in cash paid for acquisitions, dispositions, and other assets of approximately \$51.8 million (£36.3 million⁽³⁶⁾). Capital expenditures were approximately \$7.9 million (£5.5 million⁽³⁶⁾) and \$10.1 million (£7.1 million⁽³⁶⁾) for the first quarter of 2016 and 2015, respectively.

Net cash used in investing activities was approximately \$5.3 million (£3.7 million⁽³⁶⁾) for the first quarter of 2016, and primarily related to capital expenditures of approximately \$7.9 million (£5.5 million⁽³⁶⁾), partially offset by proceeds from the sale of property and equipment of approximately \$2.4 million (£1.7 million⁽³⁶⁾).

Net cash used in investing activities was approximately \$61.6 million (£43.1 million⁽³⁶⁾) for the first quarter of 2015 and primarily consisted of payments, net of cash acquired, of approximately \$51.8 million (£36.3 million⁽³⁶⁾) primarily for the acquisition of Anthro and capital expenditures of approximately \$10.1 million (£7.1 million⁽³⁶⁾).

The decrease in net cash used in investing activities for the year ended 31 December 2015 was primarily the net result of a decrease in cash paid for acquisitions and disposals of businesses of approximately \$204.8 million (£133.1 million⁽³⁷⁾), partially offset by an increase in cash paid for the purchase of property, plant and equipment of approximately \$10.9 million (£7.1 million⁽³⁷⁾). Cash paid for the purchase of property, plant and equipment was approximately \$49.8 million (£32.4 million⁽³⁷⁾), \$38.9 million (£25.3 million⁽³⁷⁾) and \$43.9 million (£28.5 million⁽³⁷⁾) for 2015, 2014 and 2013, respectively.

Net cash used in investing activities was approximately \$114.6 million (£74.5 million⁽³⁷⁾) for the year ended 31 December 2015. During 2015, Nortek made payments, net of cash acquired, of approximately \$63.1 million (£41.0 million⁽³⁷⁾), in aggregate, for the acquisitions of Anthro and Numera. In addition, Nortek made payments of approximately \$1.0 million (£0.7 million⁽³⁷⁾) for the acquisition of certain intangible assets. Cash paid for the purchase of property, plant and equipment was approximately \$49.8 million (£32.4 million⁽³⁷⁾). Cash used in investing activities for 2015 was partially offset by proceeds from the sale of property, plant and equipment of approximately \$1.1 million (£0.7 million⁽³⁷⁾).

Net cash used in investing activities was approximately \$306.1 million (£199.0 million⁽³⁶⁾) for the year ended 31 December 2014. During 2014, Nortek made payments, net of cash acquired, of approximately \$267.9 million (£174.1 million⁽³⁶⁾), in aggregate, for the acquisitions of Reznor and Phoenix, respectively. In addition, Nortek incurred approximately \$38.9 million (£25.3 million⁽³⁶⁾) in purchasing property, plant and equipment. Cash used in investing activities for 2014 was partially offset by proceeds from the sale of property, plant and equipment of approximately \$1.7 million (£1.1 million⁽³⁶⁾).

Net cash provided by/(used in) financing activities

Cash provided by financing activities is principally comprised of proceeds from debt borrowings offset by debt repayments.

The decrease in net cash provided by financing activities for the first quarter of 2016 was primarily the result of higher debt repayments of approximately \$48.9 million (£34.2 million⁽³⁶⁾) and lower borrowings of approximately \$37.0 million (£25.9 million⁽³⁶⁾).

⁽³⁶⁾ Converted into pounds sterling at the average exchange rate for the quarter ended 2 April 2016, being \$1:£0.70.

⁽³⁷⁾ Converted into pounds sterling at the average exchange rate for the year ended 31 December 2015, being \$1:£0.65.

Net cash provided by financing activities was approximately \$17.7 million (£12.4 million⁽³⁸⁾) and \$102.2 million (£71.5 million⁽³⁸⁾) for the first quarter of 2016 and 2015, respectively. For the first quarter of 2016, net cash provided by financing activities primarily consisted of proceeds from debt borrowings of approximately \$118.6 million (£83.0 million⁽³⁸⁾), partially offset by debt repayments of approximately \$100.5 million (£70.4 million⁽³⁸⁾). For the first quarter of 2015, net cash provided by financing activities primarily consisted of proceeds from debt borrowings of approximately \$155.6 million (£108.9 million⁽³⁸⁾), partially offset by debt repayments of approximately \$51.6 million (£36.1 million⁽³⁸⁾).

The decrease in net cash provided by financing activities for the year ended 31 December 2015 was primarily the result of higher debt repayments.

Net cash provided by financing activities was approximately \$30.9 million (£20.1 million⁽³⁸⁾) and \$245.5 million (£159.6 million⁽³⁸⁾) for the years ended 31 December 2015 and 2014, respectively. For 2015, net cash provided by financing activities primarily consisted of the proceeds from debt borrowings, net of fees paid of approximately \$713.6 million (£463.8 million⁽³⁸⁾) partially offset by debt repayments, including fees paid, of approximately \$680.9 million (£442.6 million⁽³⁸⁾). For 2014, net cash provided by financing activities primarily consisted of proceeds from debt borrowings, net of fees paid, of approximately \$596.0 million (£387.4 million⁽³⁸⁾) partially offset by debt repayments of approximately \$351.6 million (£228.5 million⁽³⁸⁾).

Nortek generally uses cash flows from operations and, where necessary, borrowings to finance its capital expenditures and strategic acquisitions, to meet the service requirements of existing indebtedness, and for working capital and other general corporate purposes.

Outstanding Indebtedness

As at 2 April 2016, Nortek had consolidated debt of approximately \$1,398.3 million (£978.8 million⁽³⁹⁾) consisting of the following:

	As at 2 April 2016
	\$m
	Unaudited
8.5% Notes, net of premium and unamortised debt issuance costs	732.2
Nortek Term Loan Facility, net of discount and unamortised debt issuance costs	596.4
ABL Facility, net of unamortised debt issuance costs	63.1
Long-term notes, mortgage notes and other indebtedness	6.3
Short-term bank obligations	0.3
	<u>1,398.3</u>

As at 31 December 2015, Nortek had net debt of \$1,379.4 million (£938.0 million⁽⁴⁰⁾). During 2015, Nortek had a net increase in net debt of approximately \$80.7 million (£54.9 million⁽⁴⁰⁾). For a summary of the reasons for this increase, see the paragraph entitled “*Net cash provided by / (used in) financing activities*”, above.

Financial Obligations

The table below shows the maturity profile of anticipated future cash flows, including interest, on an undiscounted basis in relation to the Nortek Group’s financial liabilities, as at 31 December 2015. The

⁽³⁸⁾ Converted into pounds sterling at the average exchange rate for the period ended 31 December 2015, being \$1:£0.65.

⁽³⁹⁾ Converted into pounds sterling at the exchange rate as at 2 April 2016, being \$1:£0.70.

⁽⁴⁰⁾ Converted into pounds sterling at the exchange rate as at 31 December 2015, being \$1:£0.68.

amounts shown therefore differ from the carrying value and fair value of the Nortek Group's financial liabilities.

	Interest- bearing loans and borrowings	Derivative financial liabilities	Other financial liabilities	Total financial liabilities
	<u>\$m</u>	<u>\$m</u>	<u>\$m</u>	<u>\$m</u>
Within one year	103.4	—	369.5	472.9
Two to three years	243.4	—	—	243.4
Four to five years	768.8	2.0	—	770.8
More than five years	820.6	—	—	820.6
As at 31 December 2015	<u>1,936.2</u>	<u>2.0</u>	<u>369.5</u>	<u>2,307.7</u>

On 9 May 2016, the Nortek Group entered into an amendment to its ABL Facility which, among other things, extended its maturity to May 2021.

PART V
CAPITAL RESOURCES

1. Capitalisation and Indebtedness

1.1 Capitalisation and indebtedness of Melrose

The following table shows the capitalisation and indebtedness of the Melrose Group as at 31 December 2015. The figures for capitalisation have been extracted without material adjustment from the Melrose Group's consolidated annual accounts for the period ended 31 December 2015, incorporated into this Prospectus by reference. The statement of indebtedness has been prepared under IFRS using policies which are consistent with those used in preparing the latest audited consolidated financial statements of the Melrose Group referred to in Part A (*Historical financial information of the Melrose Group*) of Part VI (*Historical Financial Information*) of this Prospectus.

	<u>As at 31 December 2015</u> £m
Total capitalisation and indebtedness	
Total current debt	—
—secured	—
—unsecured	—
Total non-current debt (excluding current portion of long-term debt)	—
—secured	—
—unsecured	—
Shareholders' equity	
Share capital	10.0
Share premium	—
Other reserves ⁽¹⁾	133.2
Total capitalisation	<u>143.2</u>

Note:

(1) Excludes retained earnings.

Since 31 December 2015, Melrose has returned a total of £2,388.5 million to shareholders by way of a Court-confirmed Return of Capital. In order to effect the Return of Capital, 'B' shares in the capital of Melrose with a total value of £2,388.5 million were created on 26 January 2016, resulting in a corresponding reduction in merger reserve. The 'B' shares were cancelled on 27 January 2016 and capital return payments reflecting the nominal value of the 'B' shares (240 pence each) were made to shareholders on 5 February 2016.

Alongside the Return of Capital, on 28 January 2016, the number of ordinary shares in the capital of Melrose in issue was consolidated in a ratio of 7 for 48 in order to maintain comparability of the Company's share price before and after the Return of Capital. On 28 January 2016, the number of Melrose Shares in issue became 145,134,353 each with a nominal value of $\frac{48}{7}$ pence.

Save for the Return of Capital and the related Share Capital Consolidation, there have been no material changes to the capitalisation figures since 31 December 2015.

The following table details the net debt of the Melrose Group as at 29 May 2016, sourced from the Company's internal accounting records, which are prepared in accordance with IFRS:

	As at 29 May 2016
	£m Unaudited
Cash	44.3
Cash equivalents (bank deposits)	—
Liquidity	44.3
Current finance receivable	—
Current bank debt (secured and unsecured)	—
Other current financial debt (unsecured)	—
Current financial debt	—
Net current cash	44.3
Non-current bank loans (secured and unsecured)	—
Other non-current financial indebtedness	—
Non-current financial indebtedness	—
Net cash	44.3

1.2 Capitalisation and indebtedness of Nortek

The following table shows the capitalisation of the Nortek Group as at 31 December 2015. The figures for capitalisation have been extracted without material adjustment from the Nortek Group's historical financial information for the period ended 31 December 2015, set out in Part B (*Historical Financial Information Relating to Nortek*) of Part IV (*Financial Information on Nortek*) of the Circular and incorporated into this Prospectus by reference. The statement of indebtedness has been prepared under IFRS using policies which are consistent with those used in preparing the latest audited consolidated financial statements of the Melrose Group.

	As at 31 December 2015
	\$m
Total capitalisation and indebtedness	
Total current debt	8.2
—secured	8.2
—unsecured	—
Total non-current debt (excluding current portion of long-term debt)	1,396.1
—secured	1,394.3
—unsecured	1.8
Shareholders' equity	
Share capital	0.2
Share premium	—
Other reserves ⁽¹⁾	17.0
Total capitalisation	1,421.5

Note:

(1) Excludes retained earnings.

There have been no material changes to the capitalisation figures since 31 December 2015.

The following table details the net debt of the Nortek Group as at 28 May 2016, sourced from the Company's internal accounting records, which are prepared in accordance with US GAAP:

	As at 28 May 2016
	\$m Unaudited
Unrestricted cash and cash equivalents	36.0
Liquidity	36.0
Current financial receivable	
Current bank debt (secured)	6.6
Other current financial debt (secured)	0.9
Current financial debt	7.5
Net current cash	28.5
Non-current bank loans (secured)	1,413.0
Other non-current financial indebtedness (secured and unsecured)	5.2
Non-current financial indebtedness	1,418.2
Net debt	1,389.7

2. Funding

The Melrose Group

Melrose is a holding company whose principal assets are its investments in the shares of its subsidiaries. The liquidity and capital resource requirements of each subsidiary vary in the light of their own financial position and activity.

The Melrose Group's principal sources of funds are funds raised from time to time from the issue of ordinary shares and bank and other borrowings, as well as cash dividends received, and money borrowed, from its subsidiaries.

Following the receipt of the Elster disposal proceeds, the Melrose Group's external financing facilities were repaid such that the Melrose Group had no external debt as at 31 December 2015 and the net cash position of the Melrose Group as at 31 December 2015 was £2,451.4 million, compared to a net debt position of £501.3 million a year earlier.

By an amendment and restatement agreement dated 30 September 2015, it was agreed that, upon repayment, each of the facilities available to the Melrose Group pursuant to the Existing Facility Agreement (including a pound sterling term loan, along with Euro and US Dollar-denominated revolving credit facilities) would be cancelled, save for a £200 million pound sterling multi-currency revolving credit facility which remained undrawn as at the Latest Practicable Date.

The amended Existing Facility Agreement continues to have two financial covenants, a net debt to headline EBITDA covenant (debt cover covenant) and an interest cover covenant, both of which are tested half yearly at June and December. The first of these covenants is set at a maximum 3.5 × leverage for each of the half-yearly measurement dates for the remainder of the term. As at 31 December 2015, the Melrose Group was in a net cash position and therefore the debt cover covenant test was not relevant. The interest cover covenant is set at 4.0 × or higher throughout the life of the facility and was 15.3 × at 31 December 2015, affording significant headroom.

In addition to the Existing Facility, there are a number of uncommitted overdraft, guarantee and borrowing facilities made available to the Melrose Group. These uncommitted facilities are lightly used.

The Nortek Group

Nortek's primary liquidity needs are to fund general business requirements, including working capital requirements, capital expenditures, interest payments, and debt repayments. Currently, its principal sources of liquidity are cash flows from operations, existing unrestricted cash and cash equivalents, and the use of borrowings under a \$325.0 million senior secured asset-based revolving credit facility which expires in 2021, and which for which Nortek has a right to increase by up to an additional \$125.0 million (the "ABL Facility"). The Nortek Credit Agreements, and other agreements governing Nortek's indebtedness and the indebtedness of its subsidiaries contain certain restrictive financial and operating covenants, including

covenants that restrict Nortek's ability and the ability of its subsidiaries to complete acquisitions, pay dividends, incur indebtedness, make investments, sell assets, and take certain other corporate actions.

At 31 December 2015, Nortek had outstanding \$735.0 million (£499.8 million⁽⁴¹⁾) in aggregate principal amount of the 8.5% Notes (excluding approximately \$3.4 million (£2.3 million⁽⁴¹⁾) of unamortised debt premium and \$6.2 million (£4.2 million⁽⁴¹⁾) of unamortised debt issuance cost), \$608.4 million (£413.7 million⁽⁴¹⁾) in aggregate principal amount outstanding under the Nortek Term Loan Facility (excluding approximately \$9.2 million (£6.3 million⁽⁴¹⁾) of unamortised debt discount and \$6.1 million (£4.1 million⁽⁴¹⁾) of unamortised debt issuance cost), and borrowings under the ABL Facility of approximately \$44.0 million (£29.9 million⁽⁴¹⁾) (excluding approximately \$1.1 million (£0.75 million⁽⁴¹⁾) of unamortised debt issuance cost). In addition, Nortek is currently obliged to make periodic interest payments under the 8.5% Notes and the ABL Facility, as well as make periodic interest and principal payments relating to the Nortek Term Loan Facility and other indebtedness of its subsidiaries.

The Enlarged Group

On 6 July 2016 (the “**Signing Date**”), Melrose entered into the New Facilities Agreement pursuant to which a US\$350,000,000 million term facility and a US\$900,000,000 million revolving credit facility will be provided to certain members of the Enlarged Group by a group of lenders. Utilisation of the facilities under the New Facilities Agreement is subject to satisfaction of various customary conditions precedent. In particular, it is a condition precedent to utilisation of the facilities under the New Facilities Agreement that Melrose provides a certificate stating that Completion has occurred or will occur simultaneously with the initial borrowing under the New Facilities Agreement. If Completion does not take place, Melrose's current intention is to leave the Existing Facility Agreement in place and to continue to utilise the facilities available under that agreement.

The term facility will be available to certain members of the Enlarged Group to: (i) refinance amounts outstanding under the Existing Facility Agreement and any other indebtedness of the Melrose Group and the Nortek Group; and (ii) pay (or refinance amounts used to pay) certain costs and expenses incurred by the Enlarged Group in connection with (i) above, the Acquisition, the Rights Issue and/or entry into the New Facilities Agreement, but such facility shall not be used to finance all or any part of the consideration for the Acquisition or to pay fees or expenses due to advisers in respect of the Rights Issue. The term facility ceases to be available on the date that is the later of (i) 6 October 2016; and (ii) provided that Completion has occurred on or before 6 October 2016, the date falling 75 days after Completion. The aggregate outstanding amounts under the term facility are required to be repaid on the date that is five years after the Signing Date.

The revolving credit facility under the New Facilities Agreement will be available from the Signing Date until the date that is one month before the date that is five years after the Signing Date and subject to a drawing under the term facility having been made on or prior to the first utilisation under the revolving credit facility. The revolving credit facility will be used by the Enlarged Group to (i) pay any costs and expenses in connection with the Acquisition, the Rights Issue or entry into the New Facilities Agreement; and (ii) to finance the Enlarged Group's working capital requirements and for general corporate purposes (including refinancing existing indebtedness, whether under the Existing Facility Agreement or otherwise), but such facility shall not be used to finance all or any part of the consideration for the Acquisition or to pay fees or expenses due to advisers in respect of the Rights Issue.

The New Facilities Agreement contains representations and warranties, financial covenants, undertakings and events of default customary for a facilities agreement of this nature.

Pursuant to the terms of the Merger Agreement, Nortek has agreed to use commercially reasonable efforts to facilitate the payment and redemption of the indebtedness pursuant to the Nortek Facilities Agreement on or following Completion.

3. Borrowing requirements and funding structure

The revolving credit facilities under the Existing Facility Agreement are used (when required) by the Melrose Group to finance short-term working capital requirements. The Melrose Group's businesses display no significant seasonality in their borrowing requirements. Melrose draws down under these revolving credit facilities and on lends to subsidiaries as required. Overseas subsidiaries can directly avail of overdraft facilities in their jurisdictions as required.

⁽⁴¹⁾ Converted into pounds sterling at the exchange rate as at 31 December 2015, being \$1:£0.68.

The New Facilities Agreement will provide for a revolving credit facility that can be used by Melrose and members of the Nortek Group, for the purposes detailed in the description of the New Facilities Agreement at paragraph 2 (*Funding*), above. Melrose can request that the commitments of lenders under the revolving credit facility in the New Facilities Agreement (up to an aggregate limit of \$250 million) be made available as bilateral ancillary facilities.

4. Restrictions on use of capital resources

There are no notable restrictions on the use of the Melrose Group's capital resources.

5. Treasury policies

The Melrose Group has a centralised treasury function whose primary role is to manage funding, liquidity and financial risks. Treasury is not a profit centre and does not enter into speculative transactions. The treasury policies of the Melrose Group are controlled by the Melrose Board and are subject to discussion on a regular basis, on the recommendation of Melrose's Group Finance Director. Whenever appropriate, the Melrose Group's treasury policy is to remit surplus cash resources to the UK companies in the Melrose Group.

6. Cash flow analysis

The Melrose Group

The selected cash flow information set out below has been extracted without material adjustment from the audited consolidated accounts of the Melrose Group for the years ended 31 December 2015, 31 December 2014 and 31 December 2013, which are incorporated by reference into this Prospectus.

	Year ended 31 December				
	2015	2014 ⁽¹⁾	2014	2013 ⁽²⁾	2013
	£m	£m Unaudited	£m	£m Unaudited	£m
Net cash (used in)/from operating activities from continuing operations	(57.8)	(10.5)	111.4	53.6	91.2
Net cash from operating activities from discontinued operations	89.2	127.0	5.1	82.4	44.8
Net cash from operating activities	31.4	116.5	116.5	136.0	136.0
Investing activities					
Disposal of businesses	3,381.0	374.8	374.8	950.4	950.4
Net cash disposed	(93.5)	(14.6)	(14.6)	(37.2)	(37.2)
Acquisition and disposal costs	(25.6)	(8.5)	(8.5)	(25.0)	(25.0)
Purchase of property, plant and equipment	(17.4)	(29.8)	(54.3)	(38.5)	(47.0)
Proceeds from disposal of property, plant and equipment	—	—	3.9	6.2	6.2
Purchase of computer software and development costs	(0.3)	(0.4)	(7.9)	(3.7)	(3.8)
Dividends received from joint ventures	0.3	1.2	3.3	2.7	2.7
Dividends paid to non-controlling interests	—	—	(0.4)	(6.3)	(6.3)
Interest received	10.1	14.2	14.7	21.7	21.7
Acquisition of businesses and non-controlling interests	—	—	(97.6)	(12.8)	(12.8)
Cash acquired on acquisition of businesses	—	—	1.5	—	—
Net cash from investing activities operations from continuing operations	3,254.6	336.9	214.9	857.5	848.9
Net cash used in investing activities operations from discontinued operations	(38.7)	(126.1)	(4.1)	(20.2)	(11.6)
Net cash from investing activities	3,215.9	210.8	210.8	837.3	837.3
Financing activities					
Dividends paid	(80.6)	(83.6)	(83.6)	(98.1)	(98.1)
Return of capital	(200.4)	(595.3)	(595.3)	—	—
Movements in borrowings	(595.1)	226.1	226.1	(834.0)	(834.0)
Costs of amending borrowing facilities	—	(3.6)	(3.6)	—	—
Net cash used in financing activities from continuing operations	(876.1)	(456.4)	(456.4)	(932.1)	(932.1)
Net cash used in financing activities from discontinued operations	—	—	—	—	—
Net cash used in financing activities	(876.1)	(456.4)	(456.4)	(932.1)	(932.1)
Net increase/decrease in cash and cash equivalents . .	2,371.2	(129.1)	(129.1)	41.2	41.2
Cash and cash equivalents at beginning of period	70.5	200.4	200.4	156.5	156.5
Effect of foreign exchange rate changes	9.7	(0.8)	(0.8)	2.7	2.7
Cash and cash equivalents at end of period	2,451.4	70.5	70.5	200.4	200.4

Notes:

- (1) Restated to include the cash flows of the Elster Group and Prelok within discontinued operations.
- (2) Restated to include the cash flows of Bridon within discontinued operations.

The Nortek Group

The selected cash flow information set out below has been extracted without material adjustment from the historical financial information of the Nortek Group for the financial years ended 31 December 2015, 31 December 2014 and 31 December 2013, prepared under IFRS using policies which are consistent with those used in preparing the latest audited consolidated financial statements of the Melrose Group and covered by the accountant's report thereon:

	Year ended 31 December		
	2015	2014	2013
	\$m	\$m	\$m
Net cash from operating activities	53.7	39.1	136.8
Purchase of property, plant and equipment	(49.8)	(38.9)	(43.9)
Acquisition of businesses	(63.1)	(267.9)	(146.4)
Disposition of businesses	(1.6)	—	—
Purchases of intangible assets	(1.0)	—	—
Proceeds from sale of property, plant and equipment	1.1	1.7	0.2
Movement in restricted cash and marketable securities	0.3	0.4	(2.4)
Other, net	(0.5)	(1.4)	(0.8)
Net cash from investing activities	(114.6)	(306.1)	(193.3)
Proceeds from borrowings	454.5	253.2	153.1
Repayment of borrowings	(418.4)	(258.6)	(156.0)
Redemption of the 10% Senior Notes due 2018, including redemption premium	(262.5)	—	—
Net proceeds from borrowings under the senior secured term loan facility due 2020	261.8	349.1	—
Redemption of the senior secured term loan facility due 2017	—	(93.0)	—
Fees paid in connection with debt facilities	(2.7)	(6.3)	—
Net use from equity transactions	(2.2)	(2.1)	(2.5)
Excess tax benefit on share-based awards	0.4	3.2	—
Other, net	—	—	(0.3)
Net cash from financing activities	30.9	245.5	(5.7)
Net decrease in unrestricted cash and cash equivalents	(30.0)	(21.5)	(62.2)
Unrestricted cash and cash equivalents at beginning of the year	58.4	80.9	144.7
Effect of foreign exchange rate changes	(3.8)	(1.0)	(1.6)
Unrestricted cash and cash equivalents at end of the year	24.6	58.4	80.9

7. Principal investments and acquisitions

Save as set out in paragraphs 1 (*Introduction and History*) and 3 (*Organisational structure and businesses*) of Part II (*Information on Melrose*) of this Prospectus, in the financial years ended 31 December 2015, 31 December 2014 and 31 December 2013, the Melrose Group did not, and as at the Latest Practicable Date the Melrose Group does not, have any principal investments in progress.

8. Plant, property and equipment

A description of the Melrose Group's investments in property, plant and equipment is given on pages 119 of the Melrose 2015 annual report and accounts, which is incorporated into this Prospectus by reference. The Melrose Group currently has no planned material capital expenditure.

PART VI
HISTORICAL FINANCIAL INFORMATION

PART A: Historical financial information of the Melrose Group

1. Background

The audited consolidated financial statements of Melrose for the year ended 31 December 2015, as set out in the Melrose 2015 annual report and accounts, the audited consolidated financial statements of Old Melrose for the year ended 31 December 2014, as set out in the Old Melrose 2014 annual report and accounts, and the audited consolidated financial statements of Old Melrose for the financial year ended 31 December 2013, as set out in the Old Melrose 2013 annual report and accounts, are incorporated by reference into this Prospectus.

The financial statements of Melrose for the financial year ended 31 December 2015, and the financial statements of Old Melrose for the financial years ended 31 December 2014 and 31 December 2013 were prepared in accordance with IFRS.

As disclosed in note 1 to the Melrose Group's audited consolidated financial statements for the year ended 31 December 2015, the comparative figures for the year ended 31 December 2014 have been restated to include the results of the Elster Group and Prelok within discontinued operations. The balance sheet for the year ended 31 December 2014 has been restated to reflect the completion of the acquisition accounting of Eclipse, Inc. and to reflect the new parent company of the Melrose Group. Accordingly, financial information for the year ended 31 December 2014 has been extracted without adjustment from the unaudited, restated comparatives included in the audited consolidated financial statements for the year ended 31 December 2015.

As disclosed in note 1 to the Melrose Group's audited consolidated financial statements for the year ended 31 December 2014, the comparative figures for the year ended 31 December 2013 have been restated to include the results of Bridon within discontinued operations. Accordingly, financial information for the year ended 31 December 2013 has been extracted without adjustment from the unaudited, restated comparatives included in the audited consolidated financial statements for the year ended 31 December 2014. The 2013 financial information has not been restated to reflect the disposal of Elster.

The auditors of Melrose, Deloitte LLP, issued unqualified audit opinions on Melrose's and Old Melrose's, as applicable, consolidated financial statements for each of the financial years ended 31 December 2015, 31 December 2014 and 31 December 2013.

2. Cross reference list

The following list is intended to enable investors to identify easily specific items of information which have been incorporated by reference into this Prospectus.

IFRS financial statements for the year ended 31 December 2015 and the audit report thereon

The page numbers below refer to the relevant pages of the annual report and accounts of Melrose for the financial year ended 31 December 2015:

- independent auditors' report—pages 84 to 89;
- consolidated income statement—page 90;
- consolidated statement of comprehensive income—page 91;
- consolidated statement of cash flows—page 92;
- consolidated balance sheet—page 93;
- consolidated statement of changes in equity—page 94; and
- notes to the consolidated financial statements (including a summary of significant accounting policies)—pages 95 to 137.

IFRS financial statements for the year ended 31 December 2014 and the audit report thereon

The page numbers below refer to the relevant pages of the annual report and accounts of Old Melrose for the financial year ended 31 December 2014:

- independent auditors' report—pages 98 to 101;
- consolidated income statement—page 102;
- consolidated statement of comprehensive income—page 103;
- consolidated statement of cash flows—page 104;
- consolidated balance sheet—page 105;
- consolidated statement of changes in equity—page 106; and
- notes to the consolidated financial statements (including a summary of significant accounting policies)—pages 107 to 150.

IFRS financial statements for the year ended 31 December 2013 and the audit report thereon

The page numbers below refer to the relevant pages of the annual report and accounts of Old Melrose for the financial year ended 31 December 2013:

- independent auditors' report—pages 87 to 91;
- consolidated income statement—page 92;
- consolidated statement of comprehensive income—page 93;
- consolidated statement of cash flows—page 94;
- consolidated balance sheet—page 95;
- consolidated statement of changes in equity—page 96; and
- notes to the consolidated financial statements (including a summary of significant accounting policies)—pages 97 to 140.

PART B: Historical financial information of the Nortek Group

The historical financial information of the Nortek Group for the financial years ended 31 December 2015, 31 December 2014 and 31 December 2013, prepared under IFRS using policies which are consistent with those used in preparing the latest audited consolidated financial statements of the Melrose Group, and the accountant's report thereto, which was prepared in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom; the unaudited quarterly financial statements of the Nortek Group for the first quarters ended 2 April 2016 and 28 March 2015, prepared in accordance with US GAAP; and the unaudited reconciliation of the quarterly financial statements of the Nortek Group for the first quarter ended 2 April 2016 to IFRS as applied by Melrose are set out in Part B (*Historical Financial Information Relating to Nortek*) of Part IV (*Financial Information on Nortek*) of the Circular and incorporated into this Prospectus by reference.

PART VII
UNAUDITED PRO FORMA FINANCIAL INFORMATION ON THE ENLARGED GROUP

The unaudited *pro forma* statement of net assets and *pro forma* income statement of the Enlarged Group set out in Section A and Section B of this Part VII (together the “**Unaudited Pro forma Financial Information**”) have been prepared on the basis of the notes set out below to illustrate the effect of the Return of Capital, the Acquisition, the Rights Issue and the repayment of Nortek’s existing debt and borrowings pursuant to the New Facilities Agreement on the net assets of the Melrose Group as if they had each completed on 31 December 2015 and the effect of the Acquisition, costs related to the Acquisition and the disposal of the Elster Group on the income statement as if they had completed on 1 January 2015.

The Unaudited Pro forma Financial Information has been prepared in accordance with Annex II of the Prospectus Directive Regulation and in a manner consistent with the accounting policies adopted by the Melrose Group in preparing its consolidated financial statements for the year ended 31 December 2015.

The Unaudited Pro forma Financial Information has been prepared for illustrative purposes only and due to its nature, it addresses a hypothetical situation and, therefore, does not represent the Melrose Group’s actual financial position or results following Completion.

Deloitte LLP’s report on the Unaudited Pro forma Financial Information is set out in Section C of this Part VII.

Section A: Unaudited *pro forma* statement of net assets as at 31 December 2015

	Melrose Group	Nortek Group	Adjustments				Unaudited <i>pro forma</i> of the Enlarged Group
			Return of Capital	Rights Issue	Acquisition	Refinancing	
			£m	£m	£m	£m	
	Note 1	Note 2	Note 3	Note 4	Note 5	Note 6	£m
Non-current assets							
Goodwill and other intangible assets	273.0	756.5			1,089.1		2,118.6
Property, plant and equipment	112.9	155.4					268.3
Interests in joint ventures	—	3.9					3.9
Deferred tax assets	25.7	—					25.7
Trade and other receivables	1.1	6.5					7.6
	412.7	922.3	—	—	1,089.1	—	2,424.1
Current assets							
Inventories	55.6	248.3					303.9
Trade and other receivables	67.9	256.0					323.9
Derivative financial assets	1.2	—					1.2
Cash and cash equivalents	2,451.4	16.9	(2,388.5)	1,610.7	(1,119.8)	(490.7)	80.0
	2,576.1	521.2	(2,388.5)	1,610.7	(1,119.8)	(490.7)	709.0
Total assets	2,988.8	1,443.5	(2,388.5)	1,610.7	(1,119.8)	(490.7)	3,133.1
Current liabilities							
Trade and other payables	(71.2)	(296.5)					(367.7)
Interest-bearing loans and borrowings	—	(5.6)				5.6	—
Derivative financial liabilities	(1.5)	—					(1.5)
Current tax liabilities	(3.3)	(15.7)					(19.0)
Provisions	(12.0)	(32.2)					(44.2)
	(88.0)	(350.0)	—	—	—	5.6	(432.4)
Net current assets	2,488.1	171.2	(2,388.5)	1,610.7	(1,119.8)	(485.1)	276.6
Non-current liabilities							
Interest-bearing loans and borrowings	—	(947.5)				485.1	(462.4)
Deferred tax liabilities	(20.2)	(45.9)					(66.1)
Trade and other payables	—	(11.0)					(11.0)
Retirement benefit obligations	(17.2)	(31.7)					(48.9)
Provisions	(18.0)	(45.8)					(63.8)
	(55.4)	(1,081.9)	—	—	—	485.1	(652.2)
Total liabilities	(143.4)	(1,431.9)	—	—	—	490.7	(1,084.6)
Net assets	2,845.4	11.6	(2,388.5)	1,610.7	(30.7)	—	2,048.5

Notes:

The unaudited *pro forma* statement of net assets as at 31 December 2015 has been compiled on the following basis:

- (1) The net assets of the Melrose Group have been extracted without material adjustment from the audited consolidated financial statements of the Melrose Group for the year ended 31 December 2015, prepared in accordance with IFRS and which are incorporated into this Prospectus by reference.
- (2) The net assets of Nortek are extracted without adjustment from the consolidated balance sheet of the Nortek Group as at 31 December 2015, prepared under IFRS using policies which are consistent with those used in preparing the audited consolidated financial statements of the Melrose Group and covered by the accountant's report thereon, which is set out in Part B (*Historical Financial Information Relating to Nortek*) of Part IV (*Financial Information on Nortek*) of the Circular and incorporated into this Prospectus by reference, and are converted into pounds sterling using the year-end exchange rate for 2015 of \$1:£0.68.
- (3) This adjustment reflects the Return of Capital of £2,388.5 million which took effect on 27 January 2016 following the disposal of the Elster Group on 29 December 2015.
- (4) This adjustment reflects the net proceeds to be raised from the Rights Issue of £1,610.7 million (gross proceeds of £1,654.5 million less expenses of £43.8 million) as described in the section entitled "*Indicative share capital and Rights Issue statistics*" of this Prospectus.

- (5) The adjustment of £1,119.8 million to cash represents gross cash consideration of £1,100.7 million (\$1,436.2 million⁽⁴²⁾) based on the assumption that 100% of Nortek Shares are acquired for consideration of \$86 per share, plus estimated acquisition expenses of £19.1 million, as described in paragraph 4 (*Financing of the Acquisition and the Use of Rights Issue Proceeds*) of Part I (*Information on the Acquisition and the Rights Issue*) of this Prospectus. IFRS 3 (revised) requires that acquisition expenses are written off and therefore the adjustment to reflect goodwill has been calculated as the difference between gross cash consideration of £1,100.7 million and the net assets acquired of £11.6 million. No fair value adjustments have been made as these are unknown at the date of this Prospectus.
- (6) These adjustments reflect the net effect of repaying the existing Nortek debt of £953.1 million and drawdown of the facilities under the New Facilities Agreement of £462.4 million inclusive of banking fees. To the extent that any existing Nortek debt is not repaid, the level of drawdown of the facilities under the New Facilities Agreement will be similarly reduced.

No adjustments have been made to reflect the trading or other transactions of the Melrose Group or the Nortek Group since 31 December 2015. The unaudited *pro forma* statement of net assets does not constitute statutory accounts within the meaning of section 434 of the Companies Act.

⁽⁴²⁾ Converted into pounds sterling at the exchange rate as at the Latest Practicable Date, being \$1:£0.77.

Section B: Unaudited *pro forma* income statement for the year ended 31 December 2015

	Melrose Group	Nortek Group	Discontinued operations	Acquisition costs	Unaudited <i>pro forma</i> of the Enlarged Group
	£m Note 1	£m Note 2	£m Note 3	£m Note 4	£m
Continuing operations					
Revenue	261.1	1,652.8			1,913.9
Cost of sales	(179.0)	(1,158.0)			(1,337.0)
Gross profit	82.1	494.8	—	—	576.9
Headline ⁽⁵⁾ operating expenses	(61.6)	(351.7)			(413.3)
Share of headline ⁽⁵⁾ results of joint ventures	0.3	0.9			1.2
Intangible asset amortisation	(8.1)	(45.0)			(53.1)
Exceptional operating costs	(7.9)	(39.8)		(19.1)	(66.8)
Exceptional operating income	—	2.3			2.3
Total net operating expenses	(77.3)	(433.3)		(19.1)	(529.7)
Operating profit	4.8	61.5		(19.1)	47.2
Headline⁽⁵⁾ operating profit	20.8	144.0	—	—	164.8
Finance costs	(45.6)	(75.6)			(121.2)
Finance income	10.1				10.1
(Loss)/profit before tax	(30.7)	(14.1)		(19.1)	(63.9)
Tax	14.4	(0.7)			13.7
(Loss)/profit for the year from continuing operations	(16.3)	(14.8)		(19.1)	(50.2)
Discontinued operations					
Profit for the year from discontinued operations	1,424.3	—	(1,424.3)	—	—
Profit for the year	1,408.0	(14.8)	(1,424.3)	(19.1)	(50.2)

Notes:

The unaudited *pro forma* income statement for the year ended 31 December 2015 has been compiled on the following basis:

- (1) The income statement of the Melrose Group has been extracted without adjustment from the audited consolidated financial statements of the Melrose Group for the year ended 31 December 2015, prepared in accordance with IFRS and which are incorporated into this Prospectus by reference.
- (2) The income statement of the Nortek Group has been extracted without adjustment from the consolidated income statement of the Nortek Group for the year ended 31 December 2015, prepared under IFRS using policies which are consistent with those used in preparing the audited consolidated financial statements of the Melrose Group and covered by the accountant's report thereon, which is set out in Part B (*Historical Financial Information Relating to Nortek*) of Part IV (*Financial Information on Nortek*) of the Circular and incorporated into this Prospectus by reference, and is converted into pounds sterling using the average exchange rate for the year ended 31 December 2015 of \$1:£0.65.
- (3) This adjustment removes the profits of the Elster Group in 2015, as the disposal of the Elster Group completed on 29 December 2015. Following the disposal, the profits of the Elster Group no longer form part of the income of the Melrose Group, or following Completion, the Enlarged Group.
- (4) This adjustment reflects the estimated acquisition expenses of £19.1 million which are required by IFRS 3 (revised) to be charged to the income statement.
- (5) Before exceptional costs, exceptional income and intangible asset amortisation.

No adjustments have been made to reflect the trading or other transactions of the Melrose Group or the Nortek Group since 31 December 2015. The unaudited *pro forma* income statement does not constitute statutory accounts within the meaning of section 434 of the Companies Act.

Section C: Report on *pro forma* financial information



The Board of Directors
on behalf of Melrose Industries PLC
11th Floor, The Colmore Building
20 Colmore Circus Queensway
Birmingham B4 6AT

Investec Bank plc
2 Gresham Street
London EC2V 7QP

J.P. Morgan Securities plc
25 Bank Street
London E14 5JP

6 July 2016

Dear Sirs,

Melrose Industries PLC (the “Company”)

We report on the *pro forma* financial information (the “**Pro forma financial information**”) set out in Part VII (*Unaudited Pro Forma Financial Information on the Enlarged Group*) of the prospectus dated 6 July 2016 (the “**Prospectus**”), which has been prepared on the basis described in the notes thereto, for illustrative purposes only, to provide information about how the disposal of the Elster Group, the Return of Capital, the Rights Issue, the Acquisition, the costs related to the Acquisition, borrowings pursuant to the New Facilities Agreement and the repayment of Nortek’s existing debt (each as defined in the Prospectus) might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the financial statements for the period ended 31 December 2015. This report is required by the Commission Regulation (EC) No 809/2004 (the “**Prospectus Directive Regulation**”) and is given for the purpose of complying with that requirement and for no other purpose.

Responsibilities

It is the responsibility of the directors of the Company (the “**Directors**”) to prepare the Pro forma financial information in accordance with Annex I item 20.2 and Annex II items 1 to 6 of the Prospectus Directive Regulation.

It is our responsibility to form an opinion as to the proper compilation of the Pro forma financial information and to report that opinion to you in accordance with Annex II item 7 of the Prospectus Directive Regulation.

Save for any responsibility arising under Prospectus Rule 5.5.3 R (2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Annex I item 23.1 of the Prospectus Directive Regulation, consenting to its inclusion in the Prospectus.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro forma financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents,

considering the evidence supporting the adjustments and discussing the Pro forma financial information with the Directors.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in jurisdictions outside the United Kingdom, including the United States of America, and accordingly should not be relied upon as if it had been carried out in accordance with those standards or practices.

Opinion

In our opinion:

- (a) the Pro forma financial information has been properly compiled on the basis stated; and
- (b) such basis is consistent with the accounting policies of the Company.

Declaration

For the purposes of Prospectus Rule 5.5.3 R(2)(f) we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with Annex I item 1.2 of the Prospectus Directive Regulation.

Yours faithfully

Deloitte LLP
Chartered Accountants

Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 2 New Street Square, London EC4A 3BZ, United Kingdom. Deloitte LLP is the United Kingdom member firm of Deloitte Touche Tohmatsu Limited (“DTTL”), a UK private company limited by guarantee, whose member firms are legally separate and independent entities. Please see www.deloitte.co.uk/about for a detailed description of the legal structure of DTTL and its member firms.

PART VIII
TAXATION

1. UK Taxation

The following statements are intended to apply only as a general and non-exhaustive guide based upon the Melrose Directors' understanding of current UK tax law as applied in England and Wales and to the current published practice of HMRC (which may not be binding on HMRC), both of which are subject to change, possibly with retrospective effect. The following statements assume that the Finance Bill 2016 will be enacted in the form ordered to be printed on 19 May 2016, save for those amendments proposed by the UK Government up to 28 June 2016. The acquisition of Melrose Shares involves a number of complex tax considerations and the comments below do not purport to be a complete analysis of all potential tax consequences of acquiring, holding or disposing of the Nil Paid Rights, the Fully Paid Rights and/or the Melrose Shares.

The following statements are intended to apply only to Qualifying Shareholders who (unless the position of non-UK resident shareholders is expressly referred to) are resident and in the case of individuals domiciled in the United Kingdom for UK tax purposes (and not in any other territory), who hold their Melrose Shares directly as investments and who are the beneficial owners of their Melrose Shares and who have not acquired (or been deemed to have acquired) their Melrose Shares through any form of option arrangements or by reason of their or another person's office or employment. The statements may not apply to certain classes of shareholders such as dealers in securities or Qualifying Shareholders who are trustees or who hold their Melrose Shares through any form of investment vehicle.

Changes in tax legislation in any of the countries in which the Company has assets, in the United Kingdom (or in any other country in which a subsidiary of the Company is located and through which acquisitions are made) or changes in tax treaties negotiated by those countries, could adversely affect the returns from the Company to investors or increase the tax liabilities of Qualifying Shareholders.

Qualifying Shareholders who are in any doubt as to their tax position regarding the acquisition, ownership and disposal of the Nil Paid Rights, the Fully Paid Rights and/or the Melrose Shares or who are subject to tax in a jurisdiction other than the United Kingdom should consult their own tax advisers.

1.1 Taxation of chargeable gains

Rights Issue

The issue of the New Melrose Shares by the Company to Qualifying Shareholders by way of a rights issue should be treated as a reorganisation of the Company's share capital for the purposes of UK taxation of chargeable gains. Accordingly, a Qualifying Shareholder should not be treated as making a disposal, for the purposes of the taxation of chargeable gains, of any of his Existing Melrose Shares by reason of taking up all or part of his rights to New Melrose Shares. No liability to taxation on chargeable gains should arise in respect of the issue of New Melrose Shares to the extent that a Qualifying Shareholder takes up his full entitlement to New Melrose Shares.

For the purposes of the taxation of chargeable gains, if a Qualifying Shareholder takes up all or any of his rights to the New Melrose Shares, his holding of Existing Melrose Shares and his New Melrose Shares should be treated as the same asset acquired at the time he acquired his Existing Melrose Shares. The amount paid for the New Melrose Shares should be added to the base cost of his Existing Melrose Shares, when computing any gain or loss on any subsequent disposal but, for the purposes of calculating the indexation allowance (in the case of corporate shareholders) on a subsequent disposal of Melrose Shares, the amount paid will generally be taken into account only from the time that the payment for the New Melrose Shares was made (but indexation will not apply so as to create or increase an allowable loss). In the case of non-corporate shareholders, indexation allowance is not available.

Sale of Nil Paid Rights or lapse of rights to New Melrose Shares

If a Qualifying Shareholder sells or otherwise disposes or is deemed to dispose of all or any of his rights to New Melrose Shares, or if he allows or is deemed to have allowed his rights to lapse and receives a cash payment in respect of them, he may, depending on his circumstances (including the availability of exemptions, reliefs and/or allowable losses), incur a liability to taxation on chargeable gains or realise an allowable loss.

If: (a) the proceeds resulting from a disposal or lapse of the rights are “small” compared with the market value (on the date of lapse or disposal) of the Existing Melrose Shares in respect of which the rights arose; and (b) the proceeds do not exceed the total base cost of the Existing Melrose Shares owned, a Qualifying Shareholder should not generally be treated as having made a disposal for the purposes of tax on chargeable gains and instead the proceeds will be deducted from the base cost of the existing holding for the purposes of computing any chargeable gain or allowable loss on a subsequent disposal. HMRC currently regards proceeds as ‘small’ for these purposes if either: (i) the proceeds of the disposal or lapse of rights do not exceed 5% of the market value (at the date of the disposal or lapse) of the Existing Melrose Shares in respect of which the lapsed or disposed rights arose or (ii) the amount of the proceeds is £3,000 or less, regardless of whether the 5% test is satisfied.

In the case where the proceeds are “small” but exceed the total base cost of the Existing Melrose Shares owned (*i.e.* test (a) above is satisfied but test (b) above is not satisfied) the taxpayer may, in computing its gain, elect to deduct that base cost of the Existing Melrose Shares from the proceeds, reducing to nil the amount of such costs available for subsequent disposals.

Where the proceeds are not “small” or the proceeds exceed the total base cost of the Existing Melrose Shares owned, a part disposal is deemed to have occurred. Subject as set out below, the base cost used in the calculation of any resulting gain or loss as a result of the part disposal is apportioned by reference to the proceeds receivable and the market value of the Melrose Shares retained. Accordingly, the Qualifying Shareholder may, depending on his circumstances (including the availability of exemptions, reliefs and/or allowable losses), incur a liability to taxation on chargeable gains or realise an allowable loss.

Subsequent sale of New Melrose Shares by individuals

Following an acquisition of New Melrose Shares, a subsequent disposal or deemed disposal of any such shares by a Qualifying Shareholder who is an individual within the charge to UK capital gains tax may, depending upon the Qualifying Shareholder’s circumstances and subject to any available exemption or relief, give rise to a chargeable gain or an allowable loss for the purposes of UK capital gains tax.

Individuals who have ceased to be resident for tax purposes in the UK for a period of less than five years and who dispose of their New Melrose Shares during that period may, in certain circumstances (including the availability of exemptions, reliefs and/or allowable losses), be subject to tax on their return to the United Kingdom in respect of gains realised whilst they are not resident in the United Kingdom.

Subsequent sale of New Melrose Shares by companies

Following an acquisition of New Melrose Shares, a subsequent disposal or deemed disposal of any such shares by a Qualifying Shareholder who is a company within the charge to UK corporation tax may, depending upon the Qualifying Shareholder’s circumstances and subject to any available exemption or relief (such as indexation), give rise to a chargeable gain or an allowable loss for the purposes of UK corporation tax.

In calculating any such chargeable gain, companies who are Qualifying Shareholders may claim an indexation allowance in respect of the subscription monies and base costs paid for their Existing Melrose Shares and New Melrose Shares. Where shares have been purchased on different dates, consideration will need to be given to the “pooling” rules to determine the correct indexed base cost available to set off against the consideration proceeds to calculate the chargeable gain arising. The indexation allowance will generally only apply from the date the shareholder became liable to make, or made, payment of the subscription monies. It may not be used to create or increase an allowable loss.

1.2 Taxation of dividends

Under current UK tax law, the Company will not be required to withhold tax at source from dividend payments it makes.

Individuals

From 6 April 2016, the taxation of dividend income for individuals changed and, as a result, the 10% dividend tax credit previously in place has been replaced by a new £5,000 tax-free dividend allowance. As a result:

- (i) a Melrose Shareholder who is an individual, resident in the UK for tax purposes and who receives a dividend from Melrose on or after 6 April 2016 does not pay any income tax on the first £5,000 of dividend income they receive;
- (ii) a Melrose Shareholder who is liable to UK income tax at the basic rate (*i.e.* total income exceeds personal allowances) but who is not liable to UK income tax at either the higher or the additional rate is subject to UK income tax on any dividend income in excess of £5,000 at the rate of 7.5%, to the extent that the dividend income in excess of £5,000 falls above the Melrose Shareholder's personal allowances;
- (iii) a Melrose Shareholder who is liable to UK income tax at the higher rate will be subject to UK income tax on any dividend income in excess of £5,000 at the rate of 32.5% to the extent that the dividend income in excess of £5,000 falls above the threshold for the higher rate of UK income tax but below the threshold for the additional rate of UK income tax, when it is treated as the top slice of the Melrose Shareholder's income; and
- (iv) a Melrose Shareholder who is liable to UK income tax at the additional rate will be subject to UK income tax on any dividend income in excess of £5,000, at the rate of 38.1% to the extent that the dividend income in excess of £5,000 falls above the threshold for the additional rate of UK income tax, when it is treated as the top slice of the Melrose Shareholder's income.

Companies

Subject to certain exceptions for traders in securities and insurance companies, a corporate Melrose Shareholder resident in the UK for tax purposes will normally be exempt from corporation tax on any dividend received from Melrose (unless certain conditions are not met) and will not be able to claim a tax credit in respect of any such dividend, though each shareholder's position will depend on its individual circumstances. If the conditions for exemption are not, or cease to be, satisfied, or if a Melrose Shareholder elects for an otherwise exempt dividend to be taxable, the Melrose Shareholder will be subject to UK corporation tax on dividends received from Melrose. UK corporation tax would be charged on such dividends at the rate applicable to that corporate shareholder. Shareholders within the charge to corporation tax should consult their own professional advisers.

1.3 Stamp duty and SDRT

Rights Issue

No stamp duty or SDRT will generally be payable on: the issue of Provisional Allotment Letters or definitive share certificates; the registration of the original holders of Provisional Allotment Letters or their renounees; the crediting of the Nil Paid Rights or Fully Paid Rights to stock accounts in CREST; or the issue in uncertificated form of the New Melrose Shares.

The transfer of Nil Paid Rights or Fully Paid Rights represented by a Provisional Allotment Letter or held in CREST (other than a transfer to a depository or clearance service or their nominees or agents) on or before the latest time for registration or renunciation or transfer, will not be liable to stamp duty, but will normally be liable to SDRT at the rate of 0.5% of the actual consideration paid.

Where such a purchase is effected through a stockbroker or other financial intermediary, that person will normally account to HMRC for the SDRT and should indicate that this has been done in any contract note issued to the purchaser. In other cases, the acquirer of the rights to the Melrose Shares represented by the Provisional Allotment Letters or Nil Paid Rights or Fully Paid Rights held in CREST is liable to pay the SDRT and must account for it to HMRC. Any SDRT arising on the transfer of Nil Paid Rights or Fully Paid Rights held in CREST should be collected and accounted for by CREST.

Subsequent Transfers

Stamp duty at the rate of 0.5% (rounded up to the next multiple of £5) of the amount or value of the consideration given will generally be payable on an instrument transferring Melrose Shares. A charge to

SDRT will also arise on an unconditional agreement to transfer Melrose Shares (at the rate of 0.5% of the amount or value of the consideration payable). However, if within six years of the date of the agreement becoming unconditional, an instrument of transfer is executed pursuant to the agreement, and stamp duty is paid on that instrument, any SDRT already paid will be refunded (generally, where the tax repaid is not less than £25, with interest at the relevant prevailing rate from the date on which the payment was made until the order for repayment is issued) provided that a claim for payment is made, and any outstanding liability to SDRT will be cancelled. The liability to pay stamp duty or SDRT is generally satisfied by the purchaser or transferee. An exemption from stamp duty is available on an instrument transferring Melrose Shares where the amount or value of the consideration is £1,000 or less, and it is certified on the instrument that the transaction effected by the instrument does not form part of a larger transaction or series of transactions for which the aggregate consideration exceeds £1,000.

Shares held through CREST

Paperless transfers of Melrose Shares within CREST are generally liable to SDRT, rather than stamp duty, at the rate of 0.5% of the amount or value of the consideration. CREST is obliged to collect SDRT on relevant transactions settled within CREST. Under the CREST system, no stamp duty or SDRT will arise on a transfer of Melrose Shares into the system by a Melrose Shareholder for their own account unless such a transfer is made for a consideration in money or money's worth, in which case a liability to SDRT (usually at a rate of 0.5%) will arise.

Melrose Shares held through clearance services or depositary receipt schemes

Special rules apply where Melrose Shares are issued or transferred to, or to a nominee or agent for, either a person whose business is or includes issuing depositary receipts within section 67 or section 93 of the Finance Act 1986 or a person providing a clearance service within section 70 or section 96 of the Finance Act 1986, under which SDRT or stamp duty may be charged at the higher rate of 1.5% of the amount or value of the consideration payable or, in certain circumstances, the value of the Melrose Shares (rounded up to the next multiple of £5 in the case of stamp duty). Following litigation, HMRC have confirmed that they will no longer seek to apply 1.5% SDRT on an issue of shares into a clearance service or depositary receipt arrangement on the basis that the charge is not compatible with EU law. HMRC's view is that the 1.5% SDRT or stamp duty charge will continue to apply to transfers of shares into a clearance service or depositary receipt arrangement unless they are an integral part of an issue of share capital. Accordingly, specific professional advice should be sought before transferring shares to, or to a nominee or agent for, a person whose business includes issuing depositary receipts or a person providing clearing services.

The above statements are intended only as a general guide to the current stamp duty and SDRT position. Transfers to certain categories of person are not liable to stamp duty or SDRT and others may be liable at a higher rate or may, although not primarily liable for SDRT, be required to notify and account for it.

PART IX

DIRECTORS, CORPORATE GOVERNANCE AND EMPLOYEES

1. Melrose Directors

The following table sets out information relating to the Melrose Directors:

<u>Name</u>	<u>Function</u>
Christopher Miller	<i>Chairman</i>
David Roper	<i>Vice-Chairman</i>
Simon Peckham	<i>Chief Executive</i>
Geoffrey Martin	<i>Group Finance Director</i>
John Grant	<i>Senior Non-executive Director</i>
Justin Dowley	<i>Non-executive Director</i>
Elizabeth Hewitt	<i>Non-executive Director</i>
David Lis	<i>Non-executive Director</i>

The business address of each of the Directors is 11th Floor, The Colmore Building, 20 Colmore Circus Queensway, Birmingham, B4 6AT, United Kingdom.

1.1 Profiles of the Directors

The names, business experience and principal business activities outside the Melrose Group of the Melrose Directors, as well as the dates of their initial appointment as Directors, are set out below. The composition of the Melrose Board will not change as a result of the Acquisition.

Christopher Miller

Chairman

Mr. Miller qualified as a chartered accountant with Coopers & Lybrand, following which he was an associate director of Hanson plc. In September 1988 he joined the board of Wassall PLC as its chief executive. Between October 2000 and May 2003 he was involved in private investment activities. Mr. Miller was appointed as an executive Director of Melrose PLC on 29 May 2003, of Old Melrose on 8 October 2012 and of Melrose on 30 September 2015.

David Roper

Vice-Chairman

Mr. Roper qualified as a chartered accountant with Peat Marwick Mitchell, following which he worked in the corporate finance divisions of S.G. Warburg, BZW and Dillon Read. In September 1988 he was appointed to the board of Wassall PLC and became its deputy chief executive in 1993. Between October 2000 and May 2003 he was involved in private investment activities and served as a non-executive director on the boards of two companies in France. Mr. Roper was appointed as an executive Director of Melrose PLC on 29 May 2003, of Old Melrose on 8 October 2012 and of Melrose on 30 September 2015.

Simon Peckham

Chief Executive

Mr. Peckham qualified as a solicitor in 1986. In 1990 he joined Wassall PLC, becoming an executive director in 1999. From October 2000 until May 2003 he worked for the equity finance division of The Royal Bank of Scotland and was involved in several high profile transactions. Mr. Peckham was appointed as an executive Director of Melrose PLC on 29 May 2003, of Old Melrose on 8 October 2012 and of Melrose on 29 September 2015.

Geoffrey Martin

Group Finance Director

Mr. Martin qualified as a chartered accountant with Coopers & Lybrand, where he worked within the corporate finance and audit departments. In 1996 he joined Royal Doulton PLC and was group finance director from October 2000 until June 2005. During this time, he was involved in projects including raising

public equity, debt refinancings and the restructuring and outsourcing of the manufacturing and supply chain. Mr. Martin was appointed as an executive Director of Melrose PLC on 7 July 2005, of Old Melrose on 8 October 2012 and of Melrose on 29 September 2015.

John Grant

Senior Non-executive Director

Mr. Grant spent his executive career in a variety of senior international roles within the automotive industry and other engineering businesses. He was chief executive of Ascot Plc between 1997 and 2000. Prior to that, Mr. Grant was group finance director of Lucas Industries Plc (subsequently LucasVarity Plc) between 1992 and 1996. He previously held several senior strategy and finance positions with Ford Motor Company in Europe and the US. Mr. Grant was appointed as a non-executive Director of Melrose PLC on 1 August 2006, of Old Melrose on 8 October 2012 and of Melrose on 30 September 2015. He is currently a non-executive director of MHP S.A. and Augean PLC.

Justin Dowley

Non-executive Director

Mr. Dowley has extensive experience within the banking, investment and asset management sector and was latterly vice chairman of EMEA Investment Banking, a division of Nomura International PLC; he was also a founder partner of Tricorn Partners, Head of Investment Banking at Merrill Lynch Europe and a director at Morgan Grenfell. Mr. Dowley was appointed as a non-executive Director of Melrose PLC on 1 September 2011, of Old Melrose on 8 October 2012 and of Melrose on 30 September 2015. He is also currently chairman of Intermediate Capital Group plc, a specialist investment and asset management company, a non-executive director of each of Scottish Mortgage Investment Trust PLC, Novae Group plc and the National Crime Agency and is also a director of a number of private companies.

Elizabeth Hewitt

Non-executive Director

Ms. Hewitt qualified as a chartered accountant with Arthur Anderson & Co., following which she held a variety of positions within Gartmore Investment Management, CVC and 3i Group plc. Between 2004 and 2011, Ms. Hewitt was the group director of corporate affairs for Smith & Nephew plc, following a secondment to the Department for Business, Innovation and Skills and the HM Treasury, where she worked to establish The Enterprise Capital Fund. Ms. Hewitt was a trustee of Cancer Research from 2005 to 2011. Ms. Hewitt was appointed as a non-executive Director of Old Melrose on 8 October 2013 and of Melrose on 30 September 2015. Ms. Hewitt is also currently a non-executive director of Savills plc and Novo Nordisk A/S.

David Lis

Non-executive Director

Mr. Lis began his career as an investment analyst at NatWest, following which he became a fund manager at J Rothschild Investment Management and Morgan Grenfell. Mr. Lis founded Windsor Investment Management, serving as managing director until its acquisition by the RBS fund management arm, Capital House. In 1997 Mr. Lis joined Norwich Union Investment Management (which later merged to form Aviva Investors), before becoming Head of Equities in 2012 and latterly Chief Investment Officer, Equities and Multi Assets, before his retirement in March 2016. Mr. Lis was appointed as a non-executive Director of Melrose on 12 May 2016. Mr. Lis is also currently a non-executive director of Electra Private Equity PLC and BCA Marketplace plc and a director of The Investor Forum.

1.2 Interests of the Directors

As at the Latest Practicable Date, the interests (all of which are beneficial) of the Directors, their immediate families and (so far as is known to them or could with reasonable diligence be ascertained by them) persons connected (within the meaning of section 96B of FSMA) with the Directors in the issued

share capital of Melrose, together with such interests as are expected to subsist immediately following Admission, are set out in the following table:

	Interests as at the Latest Practicable Date		Interests immediately following the Rights Issue	
	Number of Existing Melrose Shares	Percentage of Melrose Shares	Number of Melrose Shares held after the Rights Issue ⁽²⁾	Percentage of Melrose Shares after the Rights Issue ⁽²⁾
Chairman				
Christopher Miller ⁽¹⁾	2,071,308	1.4%	26,927,004	1.4%
Vice-Chairman				
David Roper	1,121,758	0.8%	14,582,854	0.8%
Executive Directors:				
Simon Peckham	1,133,882	0.8%	14,740,466	0.8%
Geoffrey Martin	545,278	0.4%	7,088,614	0.4%
Non-executive Directors				
John Grant	40,141	—	521,833	—
Justin Dowley	66,239	—	861,107	—
Elizabeth Hewitt	3,529	—	45,877	—
David Lis	—	—	—	—

Notes:

- (1) The interest of Christopher Miller includes 774,582 Melrose Shares held by Harris & Sheldon Investments Limited, a company which is connected with Christopher Miller within the meaning of section 96B of FSMA.
- (2) Assuming each Melrose Director takes up his rights to New Melrose Shares in full and the maximum number of New Melrose Shares is issued.

Taken together, the combined percentage interest of the Melrose Directors in the issued ordinary share capital of Melrose as at the Latest Practicable Date was approximately 3.4%. Taken together, the combined percentage interest in the Enlarged Share Capital of the Melrose Directors immediately following the Rights Issue will be approximately 3.4%, assuming that the Melrose Directors take up their rights in full.

Details of other rights over Melrose Shares held by the Melrose Directors as at the Latest Practicable Date are set out below. Those rights are not included in the interests of the Melrose Directors shown in the table above.

1.3 Directors' interests in share based long-term incentive plans

On 19 November 2015, the Melrose Board granted 47,625 2012 Incentive Options (including 34,000 to Melrose Directors as set out at in the table below) in exchange for existing options over 2012 incentive shares in Old Melrose, on a one for one basis and on substantially the same terms, upon the Scheme becoming effective, and such exchange taking effect the existing options lapsed. The terms of the 2012 Incentive Options are set out in paragraph 16 of Part XII (*Additional Information*) of this Prospectus.

<u>Directors</u>	<u>Number of 2012 Incentive Options held at the Latest Practicable Date</u>
Christopher Miller	8,500
David Roper	8,500
Simon Peckham	8,500
Geoffrey Martin	8,500

1.4 General

Save as set out above, no Director, nor any member of their respective immediate families, nor any person connected with any Director within the meaning of section 96B of FSMA, has any interests (beneficial or non-beneficial) in the share capital of Melrose or any member of the Melrose Group.

Except as set out in paragraph 15 (*Related Party Transactions*) of Part XII (*Additional Information*) of this Prospectus, no Director has, or has had, any interest in any transaction which is or was unusual in its nature or conditions or which is or was significant to the business of Melrose and which was effected by Melrose during the current or immediately preceding financial year or which remains in any respect outstanding or unperformed.

There are no outstanding loans granted by Melrose or any member of the Melrose Group to any of the Directors, nor has any guarantee been provided by Melrose or any of its subsidiaries for their benefit save that qualifying third party indemnity provisions are in place for the benefit of Directors in relation to certain losses and liabilities which they may potentially incur to third parties in the course of their duties.

2. Remuneration of the Directors

Set out below is information on the current employment and remuneration arrangements for the Melrose Directors and the arrangements in place during the year ended 31 December 2015.

2.1 *Directors' Service Agreements and Letters of Appointment*

Details of the terms of each executive Director's service agreement are set out below.

<u>Name</u>	<u>Date of Initial Appointment</u>	<u>Date of Expiry of Current Office⁽¹⁾</u>	<u>Salary per annum (£'000)</u>	<u>Leave (days)⁽²⁾</u>	<u>Benefits on Termination</u>	<u>Notice Period</u>	<u>Confidentiality Obligations</u>
Christopher Miller	30 September 2015	End of 2017 AGM	461	25	None other than payment in lieu of untaken holiday entitlement	12 months	During and after employment
David Roper	30 September 2015	End of 2017 AGM	461	25	None other than payment in lieu of untaken holiday entitlement	12 months	During and after employment
Simon Peckham	29 September 2015	End of 2017 AGM	461	25	None other than payment in lieu of untaken holiday entitlement	12 months	During and after employment
Geoffrey Martin	29 September 2015	End of 2017 AGM	369	25	None other than payment in lieu of untaken holiday entitlement	12 months	During and after employment

Notes:

(1) Each of the executive Directors was elected at the 2016 AGM and will stand for re-election at the 2017 AGM.

(2) In addition to UK public holidays.

Details of the terms of each non-executive Director's appointment with Melrose are set out below.

Name	Date of initial appointment	Date of Expiry of Current Office ⁽¹⁾	Non-executive fee per annum (£'000)	Expenses	Confidentiality Obligations	Termination Provisions ⁽⁵⁾
John Grant	30 September 2015	End of 2017 AGM	81 ⁽²⁾	Reimbursement of travel, hotel and other incidental expenses incurred in the course of duties	Confidentiality undertaking without limitation in time	Without notice and/or compensation if removed from office by shareholders in general meeting
Justin Dowley	30 September 2015	End of 2017 AGM	76 ⁽³⁾	Reimbursement of travel, hotel and other incidental expenses incurred in the course of duties	Confidentiality undertaking without limitation in time	Without notice and/or compensation if removed from office by shareholders in general meeting
Elizabeth Hewitt	30 September 2015	End of 2017 AGM	68 ⁽⁴⁾	Reimbursement of travel, hotel and other incidental expenses incurred in the course of duties	Confidentiality undertaking without limitation in time	Without notice and/or compensation if removed from office by shareholders in general meeting
David Lis	12 May 2016	End of 2017 AGM	66	Reimbursement of travel, hotel and other incidental expenses incurred in the course of duties	Confidentiality undertaking without limitation in time	Without notice and/or compensation if removed from office by shareholders in general meeting

Notes:

- (1) With exception of David Lis, who was appointed to the Company on 12 May 2016 and shall stand for election at the 2017 AGM, each of the non-executive Directors was elected at the 2016 AGM and will stand for re-election at the 2017 AGM.
- (2) Includes £5,000 in recognition of the role of senior non-executive Director and £10,000 in recognition of chairmanship of the Audit Committee.
- (3) Includes £10,000 in recognition of chairmanship of the Remuneration Committee.
- (4) Includes £2,500 in recognition of chairmanship of the Nomination Committee.
- (5) In addition, at the end of any annual general meeting if not re-elected.

Save as set out above, there are no existing or proposed service agreements between any Director and any member of the Melrose Group providing for benefits upon termination of employment.

In the financial year ended 31 December 2015, the amount of remuneration paid (including any contingent or deferred compensation) and benefits in kind granted to each of the Directors by the Melrose Group for services in all capacities to the Melrose Group were as follows:

	Total salary and fees (£'000)	Taxable benefits (£'000)	Annual bonus (£'000)	Long-term incentives ⁽¹⁾ (£'000)	Pension related benefits ⁽²⁾ (£'000)	Total (£'000)
Christopher Miller	448	18	—	—	67	533
David Roper	448	18	—	—	67	533
Simon Peckham	448	19	394	—	67	929
Geoffrey Martin	359	25	315	—	54	753
Perry Crosthwaite	69 ⁽³⁾	—	—	—	—	69
John Grant	74 ⁽⁴⁾	—	—	—	—	74
Justin Dowley	74 ⁽⁵⁾	—	—	—	—	64
Elizabeth Hewitt	66 ⁽⁶⁾	—	—	—	—	66
David Lis ⁽⁷⁾	—	—	—	—	—	—

Notes:

- (1) Melrose's long-term incentive arrangement for directors is the 2012 Incentive Plan. This five year plan is scheduled to crystallise in 2017 and, accordingly, no value vested to participants in respect of the year ended 31 December 2015.
- (2) Of the £255,330 attributable to pension contributions, £217,830 was paid as a supplement to base salary in lieu of pension arrangements. The balance of £37,500 was paid into the individual Directors' nominated private pension plans.
- (3) Includes £5,000 in recognition of the role of senior non-executive Director. Perry Crosthwaite stood down as senior non-executive Director of Melrose with effect from the close of the 2016 AGM.
- (4) Includes £10,000 in recognition of chairmanship of the Audit Committee.
- (5) Includes £10,000 in recognition of chairmanship of the Remuneration Committee.

- (6) Includes £2,500 in recognition of chairmanship of the Nomination Committee.
- (7) David Lis was appointed as a non-executive Director of Melrose on 12 May 2016 and as such received no remuneration for the year ended 31 December 2015.

2.2 *Pension arrangements of the executive Directors of Melrose*

No Director is a member of any Melrose Group pension arrangement. The executive Directors may elect to receive a contribution by Melrose to their individual pension arrangements, or a supplement to basic salary in lieu of a pension arrangement. Contributions by Melrose are calculated on base salary only.

3. Corporate Governance

The Melrose Board is accountable to the Melrose Shareholders for good governance. With the exception set out immediately below, Melrose complies with all the provisions of the UK Corporate Governance Code published in September 2014, which is applicable for the current and previous reporting periods (the “**UK Corporate Governance Code**”) and with all the requirements of the Transparency Rules on audit committees and corporate governance statements.

Schedule A of the UK Corporate Governance Code recommends that grants under executive share option and the long-term incentive schemes should normally be phased rather than awarded in one block. Under the 2012 Incentive Plan, further details of which are set out in paragraph 1.3 of this Part IX, entitlements were awarded in one block. The proposals relating to the 2012 Incentive Plan were approved by shareholders at a general meeting held on 11 April 2012.

The statements below describe how Melrose has applied the principles identified in the UK Corporate Governance Code and Transparency Rules.

3.1 *The Melrose Board*

The Melrose Board meets regularly during the year as well as on an ad-hoc basis as required by time critical business needs. The Board is responsible to shareholders for the effective and proper management and control of Melrose and has a formal schedule of matters reserved for its decisions. Its primary roles are to determine and review Melrose’s strategy and policy, consider acquisitions and disposals, assess requests for major capital expenditure, review trading performance, ensure that adequate funding and personnel are in place, maintain sound internal control systems, report to shareholders and give consideration to all other significant financial matters. Board responsibilities are undertaken in conjunction with senior management, who in turn are responsible for the day-to-day conduct of the Melrose Group’s operations and for reporting to the Melrose Board on items of significance and progress against objectives.

There were four formally scheduled Board meetings and three business reviews held during 2015. In addition, there were a number of unscheduled Board meetings held in connection with corporate transactions, for example, in relation to particular business acquisitions and divestments.

As at the Latest Practicable Date, the Board comprised eight members being the executive Chairman, Mr. Christopher Miller, three other executive Directors and four non-executive Directors. The four executive Directors are Mr. Christopher Miller, executive Chairman, Mr. David Roper, executive Vice-Chairman, Mr. Simon Peckham, Chief Executive and Mr. Geoffrey Martin, Group Finance Director, and the four non-executive Directors are Mr. John Grant, Mr. Justin Dowley, Ms. Elizabeth Hewitt and Mr. David Lis. The terms and conditions of the non-executive Directors’ appointments and the executive Directors’ service contracts are set out in paragraph 2.1 (*Directors’ Service Agreements and Letters of Appointment*) of this Part IX.

The Board believes that the Directors possess diverse business experience in areas complementary to the activities of Melrose. Biographies of the Directors are set out in paragraph 1.1 (*Profiles of the Directors*) of this Part IX. These biographies, together with the table set out in paragraph 7 (*Directorships and Partnerships*), below, identify any other appointments held by the Directors.

In accordance with the provisions of the UK Corporate Governance Code, consideration has been given to the independence of all the non-executive Directors and the Board considers all the non-executive Directors to be independent.

The non-executive Directors are not entitled to any bonus or shares under the 2012 Incentive Plan. Performance of the Board and each Committee is evaluated annually.

In accordance with the provisions of the UK Corporate Governance Code and the Company's Articles, all of the Directors stood for election at the 2016 AGM (with the exception of Perry Crosthwaite, who retired from office with effect from the conclusion of the meeting, and David Lis) and were re-elected for a further year. Mr. Perry Crosthwaite has been replaced as senior non-executive Director by Mr. John Grant, who will also continue to hold the position of Chairman of the Audit Committee. Mr. David Lis was appointed as a non-executive Director of Melrose on 12 May 2016.

The Board and the Nomination Committee, having carefully considered the time commitments required and the contribution made by each Director, are of the belief that the performance of each executive and non-executive Director continues to be effective and that each Director demonstrates commitment to their role. The Nomination Committee takes into account a variety of factors before recommending any new appointments to the Board, including relevant skills to perform the role, experience and knowledge. The most important priority of the Nomination Committee, however, has been, and will continue to be, ensuring that the best candidate is selected to join the Board and this approach will remain in place going forward.

All Directors receive a formal and tailored induction shortly after their appointment. Directors are advised that they have access to the advice and services of the Company Secretary, who is responsible for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. The Board may seek independent legal and financial advice in the furtherance of their duties, at Melrose's expense. A pack of briefing papers and an agenda are provided to each Director in advance of each scheduled Board or standing Committee meeting. The Directors are able to seek further clarification and information on any matter from any other Director or employee of the Melrose Group whenever necessary. Decisions are taken by the Melrose Board in conjunction with the recommendations of its Committees and advice from external consultants, advisers and senior management.

During 2015, the Chairman of the Board held meetings with each of the Directors, including the senior non-executive Director, to discuss the performance of individual Directors and the Board as a whole. After two years of externally-facilitated Board evaluation exercises (supported by Lintstock Limited, a specialist governance consultancy), the Board decided that a more free-ranging discussion was merited for 2015. A range of topics were discussed, including: Board mix, profile and diversity, succession planning, future investor strategy and the Melrose Group's preparedness at managing the cyber risks facing the business. The discussion also included a review of the actions agreed following the 2014 Board evaluation, and the steps taken in 2015 to address these needs. Overall, the Board was satisfied with its performance and agreed that the Chairman and the senior non-executive Director continued to be very effective.

In order to continue and further enhance the Board's effectiveness, the following areas were designated as the subject of management focus during 2016: (i) the composition, expertise and diversity of the Board; (ii) succession planning for the executive Directors and senior management and the Board's visibility of potential successors within the Melrose Group; and (iii) risk management and internal control and, in particular, the embedding of a culture of effective risk management across the Melrose Group. It was further recognised that cyber risk was an increasing area of concern and would be focused on in 2016.

In accordance with the provisions of the UK Corporate Governance Code, it is anticipated that externally-facilitated Board evaluations will be carried out at least once every three years. The scope for each evaluation is designed to build upon learning gained in the previous year to ensure that the recommendations agreed in the evaluations are implemented and that year-on-year progress is measured and reported upon.

3.2 Chairman and Chief Executive

The roles of Chairman and Vice-Chairman are, and will remain, separate to that of the Chief Executive of the Company, in accordance with best practice and Board policy.

The Chairman, with the assistance of the Vice-Chairman, is responsible for leadership of the Board. The Chairman sets the Board agenda and ensures that adequate time is given to the discussion of issues, particularly those of a strategic nature. Responsibility for ensuring effective communications are made to shareholders rests with the Chairman, Vice-Chairman and the two other executive Directors.

3.3 *Committees of the Melrose Board*

In accordance with the provisions of the UK Corporate Governance Code, the Melrose Board has three standing committees: the Audit, Nomination and Remuneration Committees (the “**Committees**”). The duties of the Committees are set out in formal terms of reference, which are available from the Company Secretary or from the Melrose Group’s website: www.Melroseplc.net. Membership of the Committees is shown below. The Company Secretary acts as secretary to each of the Committees.

Audit Committee

The Audit Committee currently comprises of three independent non-executive Directors, Mr. John Grant, Mr. Justin Dowley and Ms. Elizabeth Hewitt, with plans to appoint Mr. David Lis. Mr. John Grant chairs the Audit Committee.

Each member of the Audit Committee brings relevant financial experience from senior executive and non-executive positions as described in their biographies at paragraph 1.1 (*Profiles of the Directors*) of this Part IX.

The Audit Committee reviews and monitors the integrity of the financial statements of the Melrose Group, including its interim accounts, the annual report (including the going concern assumptions and the assessment forming the basis of the longer-term viability statement) and any other formal announcements relating to the financial performance of the Melrose Group; keeps under review the effectiveness of the Melrose Group’s financial reporting, internal audit and controls, risk management systems and compliance controls; focuses and challenges the consistency of accounting policies, methods used to account for significant or unusual transactions and compliance with accounting standards; reviews the Melrose Group’s arrangements for its employees to raise concerns in confidence about possible wrongdoing in financial reporting, in accordance with the Melrose Group’s whistleblowing policy; develops, implements and monitors the Melrose Group’s policy on external audit and for overseeing the objectivity and effectiveness of the auditor; and reviews and considers the annual report and financial statements of the Melrose Group, to ensure that they are fair, balanced and understandable, and advises the Board as to whether it can state that this is the case.

The Audit Committee invites the Group Finance Director, the Head of Financial Reporting and senior representatives of the external and internal auditors to attend meetings as appropriate to the business being considered. The Audit Committee has the right to invite any Directors and/or other employees to attend meetings where this is considered appropriate. In addition, the Audit Committee meets at least once per year with both the external and internal auditors, without management present. The Audit Committee is expected to meet not less than three times a year and the Audit Committee met three times during 2015.

External Auditor

The Melrose Group’s external auditor was reappointed by shareholders at the 2016 AGM, following the recommendation for reappointment by the Audit Committee, which also assesses the appropriateness of the scope of audit work performed and provides recommendations in respect of the external auditor’s remuneration and terms of engagement. The Audit Committee has a policy on the engagement of the external auditor for the supply of non-audit services, which outlines which non-audit services are pre-approved, which services require the prior approval of the Audit Committee and which services the auditor is excluded from providing. In accordance with best practice Financial Reporting Council guidelines, the Melrose Group’s policy in relation to non-audit services is kept under regular review.

During 2015, the main non-audit services provided by Deloitte LLP were in relation to the Melrose Group’s disposal of Elster, the introduction of Melrose as the new holding company of the Melrose Group, taxation advice, compliance and planning services.

The Audit Committee carries out regular reviews to ensure that auditor objectivity and independence is maintained at all times. A different senior partner oversees the taxation audit of Melrose compared with those working on the non-audit taxation services.

Deloitte LLP was appointed in 2003 when Melrose PLC commenced trading, and the external audit has not been formally tendered since then. A resolution to re-appoint Deloitte LLP as auditor of Melrose was passed by Melrose Shareholders at the 2016 AGM, for Deloitte LLP to hold office from the conclusion of the meeting until the conclusion of the next annual general meeting of Melrose at which accounts are laid.

The Audit Committee is satisfied that the effectiveness and independence of the external auditor is not impaired in any way. There are no contractual obligations that restrict Melrose's capacity to recommend a particular firm for appointment as auditor. The external auditor is required to rotate the audit signing partner every five years. The Melrose Group's audit signing partner changed as part of that rotation process in 2010 and again following the annual general meeting of Old Melrose held on 14 May 2015.

The Audit Committee is mindful of the recommendations of the UK Corporate Governance Code that the external audit should be put out to tender every ten years. The Audit Committee has also reviewed the guidance provided by the European Commission and the Competition and Markets Authority. It is the Audit Committee's understanding that under these rules, rotation of the external audit firm is required by 2024. It is the Audit Committee's intention to put the external audit out to tender in accordance with the European Commission and the Competition and Markets Authority timeframes.

Internal Audit

Due to the size and complexity of the Melrose Group, it is appropriate for an internal audit programme to be used within the business. BM Howarth, an external firm, provides internal audit services to the Melrose Group. A rotation programme is in place, such that every business unit will have an internal audit at least once every three years, with the largest sites reviewed at least once every two years. The rotation programme allows divisional management's actions and responses to be followed up on a timely basis.

The internal auditor's remit includes an assessment of the effectiveness of internal control systems, compliance with the Melrose Group's Policies and Procedures Manual and a review of the businesses' balance sheets. A report of key findings and recommendations is presented to the Group Finance Director and Head of Financial Reporting, followed by a meeting to discuss key findings and resulting action points.

Review of the internal audit process and scope of work covered by the internal auditor is the responsibility of the Audit Committee, to ensure their objectives, level of authority and resources are appropriate for the nature of the businesses under review. A report of significant findings is presented by the internal auditor to the Audit Committee at each meeting and implementation of recommendations by the Board is followed up at the subsequent Audit Committee meeting. The Audit Committee also reviews the internal auditor's performance against the agreed internal audit programme.

Remuneration Committee

The Remuneration Committee currently comprises of three independent non-executive Directors, Mr. John Grant, Mr. Justin Dowley and Ms. Elizabeth Hewitt, with plans to appoint Mr. David Lis. Mr. Justin Dowley chairs the Committee.

The function of the Remuneration Committee is to review annually remuneration trends across the Melrose Group and obtain reliable and up-to-date information about the remuneration of directors and senior employees in other companies; consider and make recommendations to the Board on the framework for the remuneration of the executive Directors, the Company Secretary and other senior employees; ensure that the executive Directors and senior employees are provided with appropriate annual incentives to encourage enhanced performance and that they are rewarded for their individual contributions to the success of Melrose; and approve the structure of, and determine targets for, any long-term incentive plans operated by Melrose.

In developing its recommendations, the Remuneration Committee gives due consideration to Schedule 8 of Part 15 of the Companies Act. The Remuneration Committee is expected to meet not less than twice a year and during 2015 the Remuneration Committee met three times.

Nomination Committee

The Nomination Committee currently comprises of Mr. Christopher Miller and three independent non-executive Directors, Mr. John Grant, Mr. Justin Dowley and Ms. Elizabeth Hewitt, with plans to appoint Mr. David Lis. Ms. Elizabeth Hewitt chairs the Nomination Committee.

The Nomination Committee keeps the size, structure and composition of the Board under regular review and recommends to the Board any adjustments as may be necessary from time to time; gives full consideration to succession planning to ensure an optimum balance of executive and non-executive Directors in terms of skills, experience and diversity; keeps under review the leadership needs of the business; and keeps up-to-date and fully informed about strategic issues and commercial changes affecting

the Melrose Group and the markets in which it operates. The Nomination Committee uses external search consultants as appropriate.

The Nomination Committee is expected to meet not less than twice a year and during 2015 the Nomination Committee met twice.

4. Employees

The number of persons employed by the Melrose Group as at 31 December 2015 was 2,353, across all its divisions. The average monthly number of persons employed by the Melrose Group for the years ended 31 December 2015, 2014 and 2013 are set out in the table below:

	Year ended 31 December ⁽¹⁾				
	2015	2014 ⁽²⁾	2014	2013 ⁽³⁾	2013
		Unaudited		Unaudited	
Energy	2,460	2,569	2,594	2,691	2,691
Lifting	—	—	—	—	1,696
Central	34	34	34	35	35
Elster Gas	—	—	3,699	3,827	3,827
Elster Water	—	—	1,395	1,391	1,391
Elster Electricity	—	—	985	1,104	1,104
Total	2,494	2,603	8,707	9,048	10,744

Notes:

- (1) For continuing operations only.
- (2) Restated to include the employees of the Elster Group and Prelok within discontinued operations.
- (3) Restated to include the employees of Bridon within discontinued operations.

In a number of the Melrose Group's facilities, its employees are represented in works councils or labour unions.

5. Directors' Confirmations

During the last five years, no Director has:

- (a) been convicted in relation to a fraudulent offence;
- (b) been associated with any bankruptcy, receivership or liquidation while acting in the capacity of a member of the administrative, management or supervisory body or senior management of any company;
- (c) been subject to any official public incrimination and/or sanction by statutory or regulatory authorities (including designated professional bodies);
- (d) been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of any issuer or from acting in the management or conduct of the affairs of any issuer;
- (e) been a partner in a partnership which, while he was a partner or within 12 months of his ceasing to be a partner, was put into compulsory liquidation or administration or which entered into any partnership or voluntary arrangement, or had a receiver appointed over any partnership asset;
- (f) had a receiver appointed with respect to any assets belonging to him; or
- (g) has been a director of a company which has been placed in receivership, compulsory liquidation, creditors' voluntary liquidation or administration or which entered into any company voluntary arrangement or any composition or arrangement with its creditors generally or any class of creditors, at any time during which he was a director of that company or within 12 months after his ceasing to be a director.

6. Conflicts of Interest

In respect of any Director, there are no actual or potential conflicts of interests between any duties he has to Melrose or the Melrose Group, either in respect of the Acquisition or otherwise, and the private interests and/or other duties they may also have.

No Director has or has had any interest in the Acquisition which is or was unusual in its nature or conditions or which is or was significant to the business of the Melrose Group and which was effected by the Melrose Group during the current or immediately preceding financial year or during an earlier financial year and which remains in any respect outstanding or unperformed.

No Director has, or had during the year ended 31 December 2015, a material interest in any significant contract with Melrose, Old Melrose or any member of the Melrose Group.

No Director was selected to be a Director pursuant to any arrangement or understanding with any major customer, supplier or other person having a business connection with the Melrose Group.

There are no family relationships between any of the Directors.

7. Directorships and Partnerships

Save as set out below, no Director has held any directorships of any company, other than in relation to companies within the Melrose Group, or been a partner in a partnership at any time in the five years prior to the date of this Prospectus.

<u>Director</u>	<u>Current appointments</u>	<u>Former appointments</u>
Christopher Miller	—	Gordon House Investor LLP TMO Renewables Limited
David Roper	E-ACT	—
Simon Peckham	Eland Homes Limited	—
Geoffrey Martin	—	—
John Grant	Augean PLC BRDC Race Limited British Racing Drivers Club Limited Eclipse Film Partners No. 5 LLP Francis Packaging Limited MHP S.A Second Northern Film Partnership Shemtec Packaging Limited Silverstone Circuits Limited Silverstone Club Limited Silverstone College of Motorsport Limited Silverstone Estates Limited Silverstone Grand Prix Limited Silverstone Heritage Limited Silverstone Holdings Limited Silverstone Innovation Centre Limited Silverstone Leisurewear Limited Silverstone Racing School Limited The Magenta Film Partnership	Pace plc Cirrus Logic International (UK) Limited Gas Turbine Efficiency Limited MCT Mitchell Cotts Limited Silverstone Racing Limited Surion Energy Limited WDS Components Limited Touch Bionics Limited Wolfson Microelectronics plc
Justin Dowley	Callerhough Limited Claridge Partners Limited Intermediate Capital Group plc L.J and E.L Dowley Farming Partnership MCC Overseas Limited National Crime Agency New Schools Network Novae Group plc Old Bailey 2005 LLP Reform Topco Limited Scottish Mortgage Investment Trust plc Tillmouth & Tweed Salmon Fishings LLP	Ascot Authority (Holdings) Limited Burnham Overy Boathouse Limited Greenhouse Sports Limited Tricorn Corporate Member Limited Independent Port Handling Limited
Elizabeth Hewitt	Novo Nordisk A/S Savills PLC Silverwood Property Limited	Cancer Research UK Synergy Health plc
David Lis	Electra Private Equity PLC The Investor Forum CIC BCA Marketplace plc	Friends Life Funds Limited Friends Life Investments Limited

PART X

QUESTIONS AND ANSWERS ON THE RIGHTS ISSUE

The questions and answers set out in this Part X (*Questions and Answers on the Rights Issue*) are intended to be generic guidance only and, as such, you should also read Part XI (*Terms and Conditions of the Rights Issue*) of this Prospectus for full details of what action you should take. If you are in any doubt about the action to be taken, you are recommended to immediately seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant, fund manager or other appropriate independent financial adviser duly authorised under FSMA if you are in the United Kingdom, or if you are not, from another appropriately authorised financial adviser.

Melrose Shares can be held in certificated form (that is, represented by a share certificate) or in uncertificated form (that is, through CREST). Accordingly, these questions and answers are split into four sections:

- Section 1 (*General*);
- Section 2 (*Melrose Shares in Certificated Form*) answers questions you may have in respect of the procedures for Qualifying Shareholders who hold their Melrose Shares in certificated form;
- Section 3 (*Melrose Shares in CREST*) answers questions you may have in respect of the equivalent procedures for Qualifying Shareholders who hold their Melrose Shares in CREST; and
- Section 4 (*Further Procedures for Melrose Shares Whether in Certificated Form or in CREST*) answers some detailed questions about your rights and the actions you may need to take and is applicable to Melrose Shares whether held in certificated form or in CREST.

If you do not know whether your Melrose Shares are in certificated or uncertificated form, please call the Shareholder Helpline between 8.30 a.m. and 5.30 p.m. Monday to Friday (except public holidays in England and Wales) on 0333 207 6392 (from within the UK) and + 44 121 415 0966 (from outside the UK). Network providers' costs may vary. Calls to the Shareholder Helpline from outside the UK will be charged at the applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. For legal reasons, the Shareholder Helpline will be unable to give advice on the merits of the Rights Issue or to provide financial, tax or investment advice.

1. General

1.1 *What is a rights issue?*

A rights issue is one way for companies to raise money. Companies do this by issuing shares for cash and giving their existing shareholders a right of first refusal to buy these shares in proportion to their existing shareholdings. For example, a 1 for 4 rights issue generally means that a shareholder is entitled to buy one new ordinary share for every four ordinary shares currently held. This Rights Issue is 12 for 1; that is, an offer of 12 New Melrose Shares for every 1 Existing Melrose Share held at the close of business on 4 August 2016 (the "**Record Date**").

New ordinary shares are typically offered in a rights issue at a discount to the current share price. Because of this discount, the right to buy the new ordinary shares is potentially valuable. In this Rights Issue, the Rights Issue Price of 95 pence per New Melrose Share represents a 76.8% discount to the Closing Price of 410 pence per Existing Melrose Share on the Latest Practicable Date and a 20.3% discount to the theoretical ex-rights price of 119 pence per New Melrose Share calculated by reference to the Closing Price on the same day.

If you do not want to buy the New Melrose Shares to which you are entitled, you can instead sell your rights to those shares and receive the net proceeds in cash. This is referred to as dealing "nil paid".

If you do not wish to take up your rights, you do not have to take any action and the Underwriters will use all reasonable endeavours to find investors to take up your rights by 5.00 p.m. on the second dealing day after the last date for acceptance of the Rights Issue. If the Underwriters find investors and are able to achieve a premium over the Rights Issue Price and the related expenses of procuring those investors (including any applicable brokerage and commissions and amounts in respect of VAT which, in the reasonable opinion of the Underwriters, are not recoverable), you will be sent a cheque for the amount of that aggregate premium less such related expenses, so long as the amount in question is at least £5.00.

Where such aggregate premium less such related expenses is less than £5.00, such amounts will be aggregated and it is intended that such amount shall be donated by Melrose to charities chosen by the Board.

1.2 *What happens next?*

The Company has called a general meeting to be held at the offices of Investec, 2 Gresham Street, London EC2V 7QP at 11.00 a.m. on 25 July 2016. If you are a Melrose Shareholder please see the Notice of General Meeting contained in the Circular. As you will see from the contents of the Notice of General Meeting, the Melrose Directors are seeking shareholder approval of, among other things, the Acquisition, the Rights Issue and the Re-admission, or transfer, of the Melrose Shares to the standard segment of the Official List.

Pursuant to the terms of the Merger Agreement, should Nortek, after the date of the Merger Agreement but on or prior to the Window Shop Deadline, receive a Superior Proposal (being unsolicited and bona fide), then, subject to, among other things, the ability of Melrose to amend its offer and the payment of a fee by Nortek, Nortek may terminate the Merger Agreement. In order to minimise the risk of Melrose raising funds pursuant to the Rights Issue, but the Acquisition not completing, the Rights Issue shall not commence until after the Window Shop Deadline. For further detail, see paragraph 3 (*Terms of the Acquisition*) of Part I (*Information on the Acquisition and the Rights Issue*) of this Prospectus.

2. Melrose Shares in Certificated Form

2.1 *How do I know if I am eligible to participate in the Rights Issue?*

If you receive a Provisional Allotment Letter then you should be eligible to participate in the Rights Issue (as long as you have not sold all of your Melrose Shares before 8.00 a.m. on 9 August 2016 (the time when the Existing Melrose Shares are expected to be marked “ex-rights” by the London Stock Exchange), in which case you will need to follow the instructions on the front page of this Prospectus).

However, if you receive a Provisional Allotment Letter and you have an address in, or are located in a country other than the United Kingdom you must satisfy yourself as to the full observance of the applicable laws of such territory including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any issue, transfer or other taxes due in such territories. Receipt of this Prospectus or a Provisional Allotment Letter does not constitute an offer in those jurisdictions in which it would be illegal to make an offer. Overseas Shareholders should refer to paragraph 7 (*Overseas Shareholders and selling and transfer restrictions*) of Part XI (*Terms and Conditions of the Rights Issue*) of this Prospectus for further details.

If you do not receive a Provisional Allotment Letter, and you do not hold your shares in CREST, this probably means you are not eligible to acquire any New Melrose Shares. However, see question 2.4 below.

2.2 *What are my options and what should I do with the Provisional Allotment Letter?*

The Provisional Allotment Letter shows:

- (a) In Box 1: how many Melrose Shares you held at the close of business on the Record Date;
 - (b) In Box 2: how many New Melrose Shares you are entitled to buy pursuant to the Rights Issue; and
 - (c) In Box 3: how much you need to pay if you want to take up your rights in full.
- (i) *If you want to take up your rights in full*

If you want to take up in full your rights to subscribe for the New Melrose Shares to which you are entitled, all you need to do is send the Provisional Allotment Letter, together with your cheque or banker’s draft for the full amount shown in Box 3, payable to “Equiniti Limited re Melrose Industries PLC Rights Issue” and crossed “A/C payee only”, by post or by hand (during normal business hours only) to the address shown on page 1 of the Provisional Allotment Letter so as to arrive before 11.00 a.m. on 23 August 2016. You can use the reply-paid envelope which will be provided with the Provisional Allotment Letter within the United Kingdom. Please allow sufficient time for delivery. Paragraphs 4.2 and 4.4 of Part XI (*Terms and Conditions of the Rights Issue*) of this Prospectus set out in full instructions on how to accept and pay for your New Melrose Shares. These instructions are also set out in the Provisional Allotment Letter. You will be required to pay in full for all the rights you take up. A definitive share certificate will be sent to you for the

New Melrose Shares you acquire and it is expected that such certificate(s) will be despatched to you by 1 September 2016.

Box 4 of the Provisional Allotment Letter will contain an option to have the fully paid Provisional Allotment Letter returned to you. You will only need your Provisional Allotment Letter to be returned to you if you want to deal in your Fully Paid Rights.

(ii) If you do not want to take up your rights at all

If you do not want to take up any of your rights, you do not need to do anything. If you do not return your Provisional Allotment Letter by 11.00 a.m. on 23 August 2016, the Company has made arrangements under which the Underwriters will use all reasonable endeavours to find investors to take up your rights by 5.00 p.m. on the second dealing day after the last date for acceptance of the Rights Issue. If the Underwriters find investors and are able to achieve a premium over the Rights Issue Price and the related expenses of procuring those investors (including any applicable brokerage and commissions and amounts in respect of VAT which, in the reasonable opinion of the Underwriters, are not recoverable), you will be sent a cheque for the amount of that aggregate premium less expenses, so long as the amount in question is at least £5.00. Cheques are expected to be despatched on or around 1 September 2016 and will be sent to your address as it appears on the Register (or to the first named holder if you hold Existing Melrose Shares jointly). Where such aggregate premium less such related expenses is less than £5.00, such amounts will be aggregated and it is intended that such amounts shall be donated by Melrose to charities chosen by the Board.

(iii) If you want to take up some but not all of your rights

If you want to take up some but not all of your rights and wish to sell some or all of those you do not want to take up, you should first apply for split Provisional Allotment Letters by completing Form X on page 4 of the Provisional Allotment Letter and then return it by post or by hand (during normal business hours only) to the Receiving Agent at Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA so as to be received by 3.00 p.m. on 19 August 2016, the last time and date for splitting Provisional Allotment Letters, together with a covering letter stating the number of split Provisional Allotment Letters required and the number of Nil Paid Rights or Fully Paid Rights to be comprised in each split Provisional Allotment Letter. You can use the reply-paid envelope which will be provided with the Provisional Allotment Letter within the United Kingdom. Please allow sufficient time for delivery. You should then deliver the split Provisional Allotment Letter representing the right to New Melrose Shares you wish to accept together with your cheque or banker's draft to the Receiving Agent so as to be received by 11.00 a.m. on 23 August 2016, the last time and date for acceptance and payment in full.

Alternatively, if you want only to take up some of your rights (and do not wish to sell some or all of those you do not want to take up), you should complete Form X on page 4 of the Provisional Allotment Letter and return it by post or by hand (during normal business hours only) to the Receiving Agent at Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA together with a covering letter confirming the number of New Melrose Shares you wish to take up and a cheque or banker's draft for the appropriate amount. In this case the Provisional Allotment Letter and cheque must be received by the Receiving Agent by 11.00 a.m. on 23 August 2016, the last time and date for payment. You can use the reply-paid envelope which will be provided with the Provisional Allotment Letter within the United Kingdom. Please allow sufficient time for delivery. Further details relating to payment and acceptance are set out in paragraphs 4 (*Action to be taken by Qualifying Non-CREST Shareholders in relation to Nil Paid Rights represented by Provisional Allotment Letters*) and 5 (*Action to be taken by Qualifying CREST Shareholders in relation to Nil Paid Rights in CREST*) of Part XI (*Terms and Conditions of the Rights Issue*) of this Prospectus.

(iv) If you want to sell all of your rights

If you want to sell all of your rights you should complete and sign Form X on page 4 of the Provisional Allotment Letter (if it is not already marked "Original Duly Renounced") and pass the entire letter to your stockbroker, bank manager or other appropriate financial adviser or to the transferee (provided that they are not in the United States, Canada or any of the Excluded Territories).

Please note that your ability to sell your rights is dependent on the demand for such rights and that the price for the Nil Paid Rights will fluctuate.

The latest time and date for selling all of your rights is 11.00 a.m. on 23 August 2016. Please ensure, however, that you allow enough time so as to enable the person acquiring your rights to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 23 August 2016.

2.3 How do I transfer my rights into the CREST system?

If you are a Qualifying Non-CREST Shareholder, but are also a CREST member and want your New Melrose Shares to be in uncertificated form, you should complete Form X and the CREST Deposit Form (both on page 4 of the Provisional Allotment Letter), and ensure they are delivered to the CREST courier and sorting service to be received by 3.00 p.m. on 18 August 2016 at the latest. CREST sponsored members should arrange for their CREST sponsors to do this.

If you have transferred your rights into CREST, you should refer to paragraph 5.2 of Part XI (*Terms and Conditions of the Rights Issue*) of this Prospectus for details on how to pay for the New Melrose Shares.

2.4 What if I do not receive a Provisional Allotment Letter?

If you do not receive a Provisional Allotment Letter and you do not hold your Melrose Shares in CREST, this probably means that you are not eligible to participate in the Rights Issue. Some Qualifying Shareholders, however, will not receive a Provisional Allotment Letter but may still be able to participate in the Rights Issue, namely:

- (a) Qualifying CREST Shareholders who held their Existing Melrose Shares in uncertificated form on 4 August 2016 and who have converted them to certificated form;
- (b) Qualifying Non-CREST Shareholders who bought Melrose Shares before 8.00 a.m. on 9 August 2016 but were not registered as the holders of those Melrose Shares at the close of business on 4 August 2016 (please see question 2.5 below); and
- (c) certain Overseas Shareholders (please see question 4.7 below).

If you are unsure as to whether you should receive a Provisional Allotment Letter please contact the Shareholder Helpline between 8.30 a.m. and 5.30 p.m. Monday to Friday (except public holidays in England and Wales) on 0333 207 6392 (from within the UK) and + 44 121 415 0966 (from outside the UK). Network providers' costs may vary. Calls to the Shareholder Helpline from outside the UK will be charged at the applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. For legal reasons, the Shareholder Helpline will be unable to give advice on the merits of the Rights Issue or to provide financial, tax or investment advice.

2.5 If I buy Melrose Shares before 8.00 a.m. on 9 August 2016 (the date the New Melrose Shares start trading ex-rights) will I be eligible to participate in the Rights Issue?

If you buy Melrose Shares before 8.00 a.m. on 9 August 2016 (the date the New Melrose Shares start trading ex-rights (that is, without the right to participate in the Rights Issue, referred to as the ex-rights date)) but are not registered as the holder of those Melrose Shares on the Record Date you may still be eligible to participate in the Rights Issue. If you are in any doubt, please consult your stockbroker, bank or other appropriate financial adviser, or whoever arranged your share purchase, to ensure you claim your entitlement.

You will not be entitled to Nil Paid Rights in respect of any Melrose Shares acquired on or after the ex-rights date.

2.6 What should I do if I sell or have sold or transferred all or some of the Melrose Shares shown in Box 1 of the Provisional Allotment Letter before the ex-rights date?

If you sell or have sold or transferred all of your Melrose Shares before the ex-rights date, you should complete Form X on page 4 of the Provisional Allotment Letter and send the entire Provisional Allotment Letter, together with a copy of this Prospectus, to the stockbroker, bank or other appropriate financial adviser through whom you made the sale or transfer.

If you sell or have sold or transferred only some of your holding of Melrose Shares before the ex-rights date, you will need to complete Form X on page 4 of the Provisional Allotment Letter and consult the

stockbroker, bank or other appropriate financial adviser through whom you made the sale or transfer before taking any action with regard to the balance of rights due to you.

2.7 *How many New Melrose Shares will I be entitled to acquire?*

Box 2 on page 1 of the Provisional Allotment Letter shows the number of New Melrose Shares you will be entitled to buy if you are a Qualifying Non-CREST Shareholder. You will be entitled to 12 New Melrose Shares for every 1 Existing Melrose Share held on the Record Date. All Qualifying Non-CREST Shareholders (other than certain Overseas Shareholders) will be sent a Provisional Allotment Letter after the Melrose General Meeting has approved the Transaction Resolutions.

2.8 *What should I do if I think my holding of Melrose Shares (as shown in Box 1 on page 1 of the Provisional Allotment Letter) is incorrect?*

If you are concerned about the figure in Box 1, please call the Shareholder Helpline between 8.30 a.m. and 5.30 p.m. Monday to Friday (except public holidays in England and Wales) on 0333 207 6392 (from within the UK) and + 44 121 415 0966 (from outside the UK). Network providers' costs may vary. Calls to the Shareholder Helpline from outside the UK will be charged at the applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. For legal reasons, the Shareholder Helpline will be unable to give advice on the merits of the Rights Issue or to provide financial, tax or investment advice.

2.9 *If I take up my rights, when will I receive my New Melrose Share certificate?*

If you take up your rights under the Rights Issue, share certificates for the New Melrose Shares are expected to be posted by 1 September 2016.

3. Melrose Shares in CREST

3.1 *How do I know if I am eligible to participate in the Rights Issue?*

If you are a Qualifying CREST Shareholder (save as mentioned below), and on the assumption that the Rights Issue proceeds as planned, your CREST stock account is expected to be credited with your entitlement to Nil Paid Rights as soon as practicable after 8.00 a.m. on 9 August 2016. The stock account to be credited will be the account under the participant ID and member account ID that apply to your Melrose Shares on the Record Date. The Nil Paid Rights and the Fully Paid Rights are expected to be enabled as soon as practicable after 8.00 a.m. on 9 August 2016. If you are a CREST sponsored member, you should consult your CREST sponsor if you wish to check that your account has been credited with your entitlement to Nil Paid Rights. The CREST stock accounts of Overseas Shareholders with an address in the United States or any of the Excluded Territories will not be credited with Nil Paid Rights. Overseas Shareholders should refer to paragraph 7 of Part XI (*Terms and Conditions of the Rights Issue*) of this Prospectus.

3.2 *How do I take up my rights using CREST?*

If you are a Qualifying CREST Shareholder, you should refer to paragraph 5 (*Action to be taken by Qualifying CREST Shareholders in relation to Nil Paid Rights in CREST*) of Part XI (*Terms and Conditions of the Rights Issue*) of this Prospectus for details on how to take up and pay for your rights.

If you are a CREST member you should ensure that a Many-to-Many (“MTM”) instruction has been inputted and has settled by 11.00 a.m. on 23 August 2016 in order to make a valid acceptance. If your Melrose Shares are held by a nominee or you are a CREST sponsored member you should speak directly to the agent who looks after your stock or your CREST sponsor (as appropriate) who will be able to help you. If you have further questions, particularly of a technical nature regarding acceptance through CREST, you should call the CREST Service Desk on +44 (0)845 964 5648.

3.3 *If I buy Melrose Shares before 8.00 a.m. on 9 August 2016 (the date that the Melrose Shares are expected to start trading ex-rights), will I be eligible to participate in the Rights Issue?*

If you buy Melrose Shares before 8.00 a.m. on 9 August 2016, but are not registered as the holder of those Melrose Shares on the Record Date, you may still be eligible to participate in the Rights Issue. Euroclear will raise claims in the normal manner in respect of your purchase and your Nil Paid Rights will be credited to your stock account(s) on settlement of those claims.

You will not be entitled to Nil Paid Rights in respect of any further Melrose Shares acquired on or after the ex-rights date.

3.4 *What should I do if I sell or transfer all or some of my Melrose Shares before 8.00 a.m. on 9 August 2016 (the expected ex-rights date)?*

You do not have to take any action except, where you sell or transfer all of your Melrose Shares before the ex-rights date, to send a copy of this Prospectus to the purchaser or transferee or to the stockbroker, bank or other financial adviser through whom you made the sale or transfer. A claim transaction in respect of that sale or transfer will automatically be generated by Euroclear which, on settlement, will transfer the appropriate number of Nil Paid Rights to the purchaser or transferee.

3.5 *How many New Melrose Shares am I entitled to acquire?*

Your stock account will be credited with Nil Paid Rights in respect of the number of New Melrose Shares which you are entitled to acquire. You will be entitled to acquire 12 New Melrose Shares for every 1 Existing Melrose Share you hold at the close of business on 4 August 2016, the Record Date. You can also view the claim transactions in respect of purchases/sales effected after this date, but before the ex-rights date. If you are a CREST sponsored member, you should consult your CREST sponsor.

3.6 *What should I do if I think my holding of Melrose Shares is incorrect?*

If you buy or sell Melrose Shares between the date of this Prospectus and 8.00 a.m. on 9 August 2016, your transaction may not be entered on the Register before the Record Date and you should consult the stockbroker, bank or other appropriate financial adviser through whom you made the sale, purchase or transfer before taking any other action. If you are concerned about the number of Nil Paid Rights with which your stock account has been credited, please call the Shareholder Helpline between 8.30 a.m. and 5.30 p.m. Monday to Friday (except public holidays in England and Wales) on 0333 207 6392 (from within the UK) and + 44 121 415 0966 (from outside the UK). Network providers' costs may vary. Calls to the Shareholder Helpline from outside the UK will be charged at the applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. For legal reasons, the Shareholder Helpline will be unable to give advice on the merits of the Rights Issue or to provide financial, tax or investment advice.

3.7 *If I take up my rights, when will New Melrose Shares be credited to my CREST stock account(s)?*

If you take up your rights under the Rights Issue, it is expected that New Melrose Shares will be credited to the CREST stock account in which you hold your Fully Paid Rights as soon as practicable after 8.00 a.m. on 24 August 2016.

4. Further Procedures for Melrose Shares Whether in Certificated Form or in CREST

4.1 *What happens if the number of Melrose Shares I hold is not exactly divisible? Am I entitled to fractions of New Melrose Shares?*

Your entitlement to New Melrose Shares will be calculated on the Record Date (other than in the case of those who bought Melrose Shares after the Record Date but before the ex-rights date who are eligible to participate in the Rights Issue). If the result is not a whole number, your entitlement will be rounded down to the nearest whole number of New Melrose Shares, meaning that you will not receive a New Melrose Share in respect of the fractional entitlement.

4.2 *Will I be taxed if I take up or sell my rights or if my rights are sold on my behalf?*

If you are resident in the United Kingdom for tax purposes, you should not have to pay UK tax when you take up your right to receive New Melrose Shares, although the Rights Issue Price will affect the amount of UK tax you may pay when you sell your Melrose Shares. However, you may be subject to capital gains tax on any proceeds you receive from the sale of your rights.

Further information for certain Qualifying Shareholders is contained in Part VIII (*Taxation*) of this Prospectus. Qualifying Shareholders who are in any doubt as to their tax position should consult their professional advisers as soon as possible. Please note that the Shareholder Helpline is unable to advise on any taxation issues.

4.3 *I understand that there is a period when there is trading in the Nil Paid Rights. What does this mean?*

If you do not want to buy the New Melrose Shares being offered to you under the Rights Issue and you are a Melrose Shareholder, you can instead sell or transfer your Nil Paid Rights to those New Melrose Shares and receive the net proceeds of the sale or transfer in cash. This is referred to as dealing “nil paid”. During the nil paid trading period (expected to be between 8.00 a.m. on 9 August 2016 and 11.00 a.m. on 23 August 2016), subject to demand and market conditions, persons can buy and sell the Nil Paid Rights. Please note that your ability to sell your rights is dependent on demand for such rights and that the price of the Nil Paid Rights will fluctuate.

If you wish to sell or transfer all or some of your Nil Paid Rights and you hold your Melrose Shares in certificated form, you will need to complete Form X, the form of renunciation, on page 4 of the Provisional Allotment Letter and send it to the stockbroker, bank or other agent through or by whom the sale or transfer was effected, to be forwarded to the purchaser or transferee.

If you buy Nil Paid Rights, you are buying an entitlement to take up the New Melrose Shares, subject to your paying for them in accordance with the terms of the Rights Issue. Any seller of Nil Paid Rights who holds his Melrose Shares in certificated form will need to forward to you his Provisional Allotment Letter (with Form X completed) for you to complete and return, with your cheque, by 11.00 a.m. on 23 August 2016, in accordance with the instructions in the Provisional Allotment Letter.

If you are a CREST member or CREST sponsored member and have received a Provisional Allotment Letter and you wish to hold your Nil Paid Rights in uncertificated form in CREST, then you should send the Provisional Allotment Letter with Form X and the CREST Deposit Form on page 4 of the Provisional Allotment Letter completed (in the case of a CREST member) to the CREST courier and sorting service or (in the case of a CREST sponsored member) to your CREST sponsor by 3.00 p.m. on 18 August 2016 at the latest.

Qualifying CREST Shareholders and, subject to dematerialisation of their Nil Paid Rights as set out in the Provisional Allotment Letter, Qualifying Non-CREST Shareholders who are CREST members or CREST sponsored members can transfer Nil Paid Rights, in whole or in part, by means of CREST in the same manner as any other security that is admitted to CREST. Please consult your CREST sponsor or stockbroker, bank or other appropriate financial adviser, or whoever arranged your share purchase, for details.

4.4 *What if I want to sell the New Melrose Shares for which I have paid?*

If you are a Qualifying Non-CREST Shareholder, provided the New Melrose Shares have been paid for and you have requested the return of the receipted Provisional Allotment Letter, you can transfer the Fully Paid Rights by completing Form X, the form of renunciation, on page 4 of the receipted Provisional Allotment Letter in accordance with the instructions set out on page 3 of the Provisional Allotment Letter until 11.00 a.m. on 23 August 2016.

After that time, you will be able to sell your New Melrose Shares in the normal way. However, the share certificate relating to your New Melrose Shares is expected to be despatched to you only by 1 September 2016. Pending despatch of such share certificate, valid instruments of transfer will be certified by the Registrar against the register.

If you hold your New Melrose Shares and/or rights in CREST, you may transfer them in the same manner as any other security that is admitted to CREST. Please consult your stockbroker, bank or other appropriate financial adviser, or whoever arranged your share purchase, for details.

4.5 *What if I do nothing?*

If you do not want to take up any of your rights, you do not need to do anything. If you do not take up your rights, the number of Melrose Shares you hold in the Company will stay the same, but the proportion of the total number of Melrose Shares that you will hold will be lower than that held currently. If you do not return your Provisional Allotment Letter by 11.00 a.m. on 23 August 2016, the Company has made arrangements under which the Underwriters will use all reasonable endeavours to find investors to take up your rights by 5.00 p.m. on the second dealing day after the last date for acceptance of the Rights Issue. If the Underwriters find investors and are able to achieve a premium over the Rights Issue Price and the related expenses of procuring those investors (including any applicable brokerage and commissions and amounts in respect of VAT which, in the reasonable opinion of the Underwriters, are not recoverable), you

will be sent a cheque for the amount of that aggregate premium less such related expenses, so long as the amount in question is at least £5.00. Cheques are expected to be despatched on or around 1 September 2016 and will be sent to your address as it appears on the Register (or to the first named holder if you hold Existing Melrose Shares jointly). Where such aggregate premium less such related expenses is less than £5.00, such amounts will be aggregated and it is intended that such amounts shall be donated by Melrose to charities chosen by the Board.

4.6 *Do I need to comply with the Money Laundering Regulations?*

If you are a Qualifying Non-CREST Shareholder, you do not need to follow these procedures if the value of the New Melrose Shares you are subscribing for is less than EUR 15,000 (approximately £11,800) or if you pay for them by a cheque drawn on an account in your own name and that account is one which is held with an EU or UK regulated bank or building society. If you are a Qualifying CREST Shareholder, you will not generally need to comply with the Money Laundering Regulations unless you apply to take up all or some of your entitlement to Nil Paid Rights as agent for one or more persons and you are not an EU or UK regulated financial institution.

Qualifying Non-CREST Shareholders and Qualifying CREST Shareholders should refer to paragraphs 4.5 and 5.3 respectively of Part XI (*Terms and Conditions of the Rights Issue*) of this Prospectus for a fuller description of the requirements of the Money Laundering Regulations.

4.7 *What should I do if I live outside the United Kingdom?*

Your ability to take up rights to New Melrose Shares may be affected by the laws of the country in which you live or are located and you should take professional advice about any formalities you need to observe. Melrose Shareholders who have a registered address or are located outside the United Kingdom should refer to paragraph 7 of Part XI (*Terms and Conditions of the Rights Issue*) of this Prospectus.

4.8 *Will the Rights Issue affect the dividends Melrose pays?*

All issued New Melrose Shares will be eligible for the next dividend due. It is the intention of the Melrose Board to maintain a progressive dividend policy going forward which will take into account the bonus element of the Rights Issue.

4.9 *What do I do if I have any further queries about the Rights Issue or the action I should take?*

If you have any other questions, please telephone the Shareholder Helpline between 8.30 a.m. and 5.30 p.m. Monday to Friday (except public holidays in England and Wales) on 0333 207 6392 (from within the UK) and + 44 121 415 0966 (from outside the UK). Network providers' costs may vary. Calls to the Shareholder Helpline from outside the UK will be charged at the applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. For legal reasons, the Shareholder Helpline will be unable to give advice on the merits of the Rights Issue or to provide financial, tax or investment advice. However, the staff can explain the options available to you, which forms you need to fill in and how to fill them in correctly.

Your attention is drawn to the terms and conditions of the Rights Issue in Part XI (*Terms and Conditions of the Rights Issue*) of this Prospectus (and, in the case of Qualifying Non-CREST Shareholders in the Provisional Allotment Letter).

PART XI
TERMS AND CONDITIONS OF THE RIGHTS ISSUE

1. Details of the Rights Issue

The Company proposes to raise gross proceeds of approximately £1,655 million by way of a fully underwritten Rights Issue.

The Rights Issue Price of 95 pence represents a discount of approximately 76.8% to the Closing Price of 410 pence per Existing Melrose Share on the Latest Practicable Date and a 20.3% discount to the theoretical ex-rights price of 119 pence per New Melrose Share calculated by reference to the Closing Price on the same day.

If Completion occurs, the Rights Issue proceeds (net of commissions and expenses) (approximately £1,611 million (\$2,102 million⁽⁴³⁾) will be applied to fund the Acquisition, related expenses and to repay part of the existing debt of the Nortek Group. The balance of the debt repayment will be funded through new debt of approximately \$780 million (£598 million⁽⁴³⁾) from the proceeds of loans pursuant to the New Facilities Agreement, which has been entered into with the Company's banks, and which will replace the Company's Existing Facility.

In the unlikely event that the Rights Issue proceeds but the Acquisition does not complete, the Melrose Directors' current intention is that the net proceeds of the Rights Issue will be invested on a short-term basis while the Melrose Directors evaluate other acquisition opportunities and, if no acquisitions can be found on acceptable terms, the Melrose Directors will consider how best to return surplus capital to Melrose Shareholders in a timely manner. Such a return could carry fiscal costs for certain Melrose Shareholders, will have costs for Melrose and would be subject to applicable securities laws.

The Underwriters' obligations under the Underwriting Agreement are conditional (although, with certain exceptions, these conditions can be waived) but are unconditional from Admission.

2. Terms and Conditions

Subject to the fulfilment of the conditions set out below, the New Melrose Shares are, pursuant to this Prospectus, offered for subscription by way of rights issue to Qualifying Shareholders on the following basis and otherwise on the terms and conditions set out in this Prospectus (and, in the case of Qualifying Non-CREST Shareholders, the Provisional Allotment Letter):

12 New Melrose Shares at 95 pence per New Melrose Share for every 1 Existing Melrose Share

held and registered in their name on the Record Date.

Holdings of Existing Melrose Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Rights Issue. New Melrose Shares representing fractional entitlements will not be provisionally allotted to Qualifying Shareholders and, where necessary, entitlements to New Melrose Shares will be rounded down to the nearest whole number. Aggregated fractions will not be allotted to Qualifying Shareholders but will be sold in the market for the benefit of the Company pursuant to the authorities granted to the Melrose Directors at the 2016 AGM.

Qualifying Shareholders who do not take up their entitlements to New Melrose Shares will have their proportionate ordinary shareholdings in the Company diluted by up to 92.3%. Qualifying Shareholders who take up their entitlement in full will, as nearly as practicable, have the same proportionate voting and distribution rights as held by them on the Record Date.

The attention of Qualifying Shareholders and any person (including, without limitation, custodians, nominees, agents and trustees) who has a contractual or other legal obligation to forward this Prospectus and, in the case of Qualifying Non-CREST Shareholders, the Provisional Allotment Letter, into a jurisdiction other than the United Kingdom is drawn to paragraphs 7 and 8 of this Part XI (*Terms and Conditions of the Rights Issue*). In particular, subject to the provisions of paragraph 7 of this Part XI (*Terms and Conditions of the Rights Issue*), Qualifying Shareholders with addresses in the United States or any of the Excluded Territories will not be sent this Prospectus and Overseas Shareholders with an address in the United States or any of the Excluded Territories will not be sent any Provisional Allotment Letters and will not have their CREST stock accounts credited with Nil Paid Rights or Fully Paid Rights.

⁽⁴³⁾ Converted into pounds sterling at the exchange rate as at the Latest Practicable Date, being \$1:£0.77.

The New Melrose Shares will be issued pursuant to the authority to be granted under resolution 2, as set out in the Notice of General Meeting, being proposed at the Melrose General Meeting. When issued and fully paid, the New Melrose Shares will rank *pari passu* in all respects with each other and with each Existing Melrose Share, including the right to all future dividends or other distributions made, paid or declared after the date of allotment of the New Melrose Shares.

Applications will be made to the UKLA for the New Melrose Shares (issued in connection with the Rights Issue) to be admitted to listing on the premium segment of the Official List and to the London Stock Exchange for the New Melrose Shares to be admitted to trading (nil paid and fully paid) on its main market for listed securities. It is expected that Admission of the New Melrose Shares will become effective and that dealings (for normal settlement) in the New Melrose Shares will commence on the London Stock Exchange, nil paid, at 8.00 a.m. on 9 August 2016 (whereupon an announcement will be made by the Company to a Regulatory Information Service).

The Existing Melrose Shares are already admitted to CREST. The New Melrose Shares and the Existing Melrose Shares are in registered form and can be held in certificated or uncertificated form via CREST.

The Rights Issue has been fully underwritten by the Underwriters in accordance with the terms of the Underwriting Agreement and is conditional, *inter alia*, upon:

- (a) the passing without amendment (or with such amendment as the Joint Bookrunners and the Company may agree in writing) of the Transaction Resolutions at the Melrose General Meeting (or at such later time and date as the Joint Bookrunners and the Company may agree in writing);
- (b) the Underwriting Agreement having become unconditional in all respects (save for the condition relating to Admission) and not having been terminated in accordance with its terms; and
- (c) Admission having occurred by not later than 8.00 a.m. on 9 August 2016 (or such later time and date as may be agreed between the Joint Bookrunners and the Company in writing).

On behalf of the Underwriters, the Joint Global Co-ordinators may arrange sub-underwriting for some, all or none of the New Melrose Shares.

A summary of certain terms and conditions of the Underwriting Agreement is contained in paragraphs 14.1.1 of Part XII (*Additional Information*) of this Prospectus.

The Underwriters and any of their respective affiliates may engage in trading activity in connection with their roles under the Underwriting Agreement and may take up a portion of the securities of the Company in the Rights Issue as a principal position and, in that capacity, may retain, purchase, sell, offer to sell or otherwise deal for their own account in securities of the Company and related or other securities and instruments (including Melrose Shares, Nil Paid Rights and Fully Paid Rights) and may offer or sell such securities or other investments otherwise than in connection with the Rights Issue. Accordingly, references in this Circular to Nil Paid Rights, Fully Paid Rights or New Shares being issued, offered, subscribed, acquired, placed or otherwise dealt in should be read as including any issue or offer to, or subscription, acquisition, placing or dealing by, the Underwriters and any of their affiliates acting as investors in such capacity. In addition certain of the Underwriters or their affiliates may enter into financing arrangements (including swaps or contracts for differences) with investors in connection with which such Underwriters (or their affiliates) may from time to time acquire, hold or dispose of Melrose Shares. Except as required by applicable law or regulation, none of the Underwriters propose to make any public disclosure in relation to such transactions.

In addition, the Company reserves the right to decide not to proceed with the Rights Issue if the Underwriting Agreement is terminated at any time prior to Admission and commencement of dealings in the New Melrose Shares (nil paid).

Subject to the passing of the Transaction Resolutions and the expiry of the Window Shop Deadline without the occurrence of a Superior Proposal Termination Event, it is intended that Provisional Allotment Letters in respect of the New Melrose Shares will be despatched on 8 August 2016 to Qualifying Non-CREST Shareholders (other than Qualifying Shareholders who have a registered address in the United States or any of the Excluded Territories) at their own risk. Provisional Allotment Letters constitute temporary documents of title.

Applications will be made for the Nil Paid Rights, the Fully Paid Rights and the New Melrose Shares to be admitted to CREST. Euroclear requires the Company to confirm to it that certain conditions (imposed by the CREST Manual) are satisfied before Euroclear will admit any security to CREST. It is expected that

these conditions will be satisfied on Admission in respect of the Nil Paid Rights and Fully Paid Rights. As soon as practicable after Admission, the Company will confirm this to Euroclear.

Save as provided in this Part XI (*Terms and Conditions of the Rights Issue*) and subject to, *inter alia*, the conditions above being satisfied, it is expected that:

- (a) Provisional Allotment Letters in respect of Nil Paid Rights will be despatched to Qualifying Non-CREST Shareholders (other than Qualifying Non-CREST Shareholders who have a registered address in the United States or any of the Excluded Territories) on 8 August 2016;
- (b) the Registrar will instruct Euroclear to credit the appropriate stock accounts of Qualifying CREST Shareholders (other than Qualifying CREST Shareholders with registered addresses in the United States or any of the Excluded Territories) with such Qualifying CREST Shareholders' entitlements to Nil Paid Rights, as soon as practicable after 8.00 a.m. on 9 August 2016;
- (c) the Nil Paid Rights and the Fully Paid Rights will be enabled for settlement in CREST by Euroclear as soon as practicable after the Company has confirmed to Euroclear that all the conditions for admission of such rights to CREST have been satisfied which is expected to be by 8.00 a.m. on 9 August 2016;
- (d) New Melrose Shares will be credited to the appropriate stock accounts of relevant Qualifying CREST Shareholders (or their renounees) who validly take up their rights as soon as practicable after 8.00 a.m. on 24 August 2016; and
- (e) share certificates for the New Melrose Shares to be held in certificated form will be despatched by no later than 1 September 2016 to relevant Qualifying Non-CREST Shareholders (or their renounees) who validly take up their rights, at their own risk.

This Prospectus constitutes the offer of New Melrose Shares to Qualifying CREST Shareholders (other than those with registered addresses in, or who are located in, the United States or any of the Excluded Territories), such offer being on the terms and conditions set out in this Prospectus (and, in the case of Qualifying Non-CREST Shareholders, the Provisional Allotment Letter).

The offer of New Melrose Shares pursuant to the Rights Issue is not being made by means of this Prospectus into the United States or to the public in any of the Excluded Territories. In accordance with the Companies Act, the offer of New Melrose Shares to Qualifying Shareholders who: (i) have no registered address in and are not located in an EEA State; and (ii) who have not provided the Company with an address in an EEA State for the serving of notices will be made through a notice in the London Gazette, details of which are provided in paragraph 7.5 of this Part XI (*Terms and Conditions of the Rights Issue*) which notice will not constitute an offer to sell, or a solicitation of an offer to buy, in the United States or in any Excluded Territory.

Qualifying Shareholders taking up their rights by completing a Provisional Allotment Letter or by sending an MTM instruction to Euroclear will be deemed to have given the representations and warranties set out in paragraph 8 below of this Part XI (*Terms and Conditions of the Rights Issue*), unless such requirement is waived by the Company.

All documents and cheques posted to, by, from or on behalf of Qualifying Shareholders and/or their transferees or renounees (or their agents, as appropriate) will be posted at their own risk.

If the Rights Issue is delayed so that Provisional Allotment Letters cannot be despatched on 8 August 2016, the section of this Prospectus entitled "*Expected Timetable of Principal Events*" will be adjusted accordingly and the revised dates will be set out in the Provisional Allotment Letters and announced through a Regulatory Information Service. All references in this Part XI (*Terms and Conditions of the Rights Issue*) should be read as being subject to this adjustment.

The attention of Overseas Shareholders is drawn to paragraph 7 of this Part XI (*Terms and Conditions of the Rights Issue*).

3. Action to be Taken

The action to be taken in respect of New Melrose Shares depends on whether, at the relevant time, the Nil Paid Rights or Fully Paid Rights in respect of which action is to be taken are in certificated form (that is, are represented by Provisional Allotment Letters) or in uncertificated form (that is, are in CREST).

If you are a Qualifying Non-CREST Shareholder and are not located in and do not have a registered address in the United States or any of the Excluded Territories, please refer to paragraphs 4, 6, 7.3 and 8 to 14 (inclusive) of this Part XI (*Terms and Conditions of the Rights Issue*).

If you hold your Existing Melrose Shares in CREST and are not located in and do not have a registered address in the United States or any of the Excluded Territories, please refer to paragraphs 5, 6, 7.3 and 8 to 14 (inclusive) of this Part XI (*Terms and Conditions of the Rights Issue*) and to the CREST Manual for further information on the CREST procedures referred to below.

If you are a Qualifying Non-CREST Shareholder or Qualifying CREST Shareholder located in or with a registered address in the United States, Canada or any of the Excluded Territories, please refer to paragraph 7 of this Part XI (*Terms and Conditions of the Rights Issue*).

CREST sponsored members should refer to their CREST sponsors, as only their CREST sponsors will be able to take the necessary actions specified below to take up the entitlements or otherwise to deal with the Nil Paid Rights or Fully Paid Rights of CREST sponsored members.

All enquiries in relation to the Provisional Allotment Letters should be directed to the Shareholder Helpline between 8.30 a.m. and 5.30 p.m. Monday to Friday (except public holidays in England and Wales) on 0333 207 6392 (from within the UK) and + 44 121 415 0966 (from outside the UK). Network providers' costs may vary. Calls to the Shareholder Helpline from outside the UK will be charged at the applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. For legal reasons, the Shareholder Helpline will be unable to give advice on the merits of the Rights Issue or to provide financial, tax or investment advice.

4. Action to be taken by Qualifying Non-CREST Shareholders in relation to Nil Paid Rights represented by Provisional Allotment Letters

4.1 General

Subject to the passing of the Transaction Resolutions at the Melrose General Meeting and the expiry of the Window Shop Deadline without the occurrence of a Superior Proposal Termination Event, it is the intention of the Company that the Provisional Allotment Letters will be despatched to Qualifying Non-CREST Shareholders (other than Qualifying Non-CREST Shareholders with addresses in the United States or any of the Excluded Territories) on 8 August 2016.

The Provisional Allotment Letter will set out:

- (a) the holding of Existing Melrose Shares on which a Qualifying Non-CREST Shareholder's entitlement to New Melrose Shares has been based;
- (b) the aggregate number (and cost) of New Melrose Shares provisionally allotted to such Qualifying Non-CREST Shareholder;
- (c) the procedures to be followed if a Qualifying Non-CREST Shareholder wishes to dispose of all or part of his entitlement or to convert all or part of his entitlement into uncertificated form; and
- (d) instructions regarding acceptance and payment, consolidation, splitting and registration of renunciation.

On the basis that Provisional Allotment Letters are posted on 8 August 2016 and that dealings (for normal settlement) commence at 8.00 a.m. on 9 August 2016, the latest time and date for acceptance and payment in full will be 11.00 a.m. on 23 August 2016.

4.2 Procedure for acceptance and payment

(a) Qualifying Non-CREST Shareholders who wish to accept in full

Holders of Provisional Allotment Letters who wish to take up all of their Nil Paid Rights must return the Provisional Allotment Letter in accordance with the instructions thereon, together with a cheque or banker's draft, made payable to "Equiniti Limited re Melrose Industries PLC Rights Issue", and crossed "A/C payee only" for the full amount payable on acceptance, in accordance with the instructions printed on the Provisional Allotment Letter, by post or by hand (during normal business hours) to the Receiving Agent at Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, so as to be received as soon as possible and, in any event, not later than 11.00 a.m. on 23 August 2016. A reply-paid envelope will be enclosed with the Provisional Allotment Letter for use

within the United Kingdom only. If you post your Provisional Allotment Letter, it is recommended that you allow sufficient time for delivery. Please note that payments via CHAPS, BACS or electronic transfer will not be accepted.

(b) *Qualifying Non-CREST Shareholders who do not wish to take up their rights at all*

Holders of Provisional Allotment Letters who do not wish to take up their rights at all do not need to do anything. If Qualifying Non-CREST Shareholders do not return the Provisional Allotment Letter by 11.00 a.m. on 23 August 2016, the Company has made arrangements under which the Underwriters will use all reasonable endeavours to find investors to take up those rights by 5.00 p.m. on the second dealing day after the last date for acceptance of the Rights Issue. If they do find investors and are able to achieve a premium over the Rights Issue Price and the related expenses of procuring those investors (including any applicable brokerage and commissions and amounts in respect of VAT which, in the reasonable opinion of the Underwriters, are not recoverable), Qualifying Non-CREST Shareholders so entitled will be sent a cheque for the amount of that aggregate premium less such related expenses, so long as the amount in question is at least £5.00. Where such aggregate premium less such related expenses is less than £5.00, such amounts will be aggregated and it is intended that such amounts shall be donated by Melrose to charities chosen by the Board.

(c) *Qualifying Non-CREST Shareholders who wish to accept in part*

Holders of Provisional Allotment Letters who wish to take up some but not all of their rights should refer to paragraph 4.8 of this Part XI (*Terms and Conditions of the Rights Issue*).

4.3 *Discretion as to validity of acceptances*

If payment is not received in full by 11.00 a.m. on 23 August 2016, the provisional allotment will be deemed to have been declined and will lapse. However, the Company may, but shall not be obliged to, treat as valid: (a) Provisional Allotment Letters and accompanying remittances for the full amount due that are received through the post not later than 8.00 a.m. on 24 August 2016 (the cover bearing a legible postmark not later than 11.00 a.m. on 23 August 2016); and (b) acceptances in respect of which a remittance is received prior to 11.00 a.m. on 23 August 2016 from an authorised person (as defined in section 31(2) of FSMA) specifying the number of New Melrose Shares to be acquired and undertaking to lodge the relevant Provisional Allotment Letter, duly completed, in due course.

The Company may also (in its absolute discretion) treat a Provisional Allotment Letter as valid and binding on the person(s) by whom or on whose behalf it is lodged even if it is not completed in accordance with the relevant instructions or is not accompanied by a valid power of attorney (where required).

4.4 *Payments*

All payments must be made in pounds sterling by cheque or banker's draft made payable to "Equiniti Limited re Melrose Industries PLC Rights Issue", and crossed "A/C payee only". Third-party cheques may not be accepted. Such payments will be held by the Receiving Agent to the order of the Company. Cheques or banker's drafts must be drawn on an account at a branch (which must be in the United Kingdom, the Channel Islands or the Isle of Man) of a bank or building society which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques and banker's drafts to be cleared through facilities provided by either of these companies. Such cheques and banker's drafts must bear the appropriate sorting code in the top right-hand corner. Neither post-dated cheques nor payments via CHAPS, BACS or electronic transfer will be accepted.

If payment is made by a building society cheque (not being drawn on account of the applicant) or a bankers' draft, the building society or bank should insert details of the name of the account holder and have either added the building society or bank branch stamp, or have provided a supporting letter confirming the source of funds. The name of such account holder should be the same as the name of the shareholder shown on page 1 or page 4 of the Provisional Allotment Letter.

Cheques and banker's drafts will be presented for payment on receipt. No interest will be allowed on payments made before they are due and any interest on such payments ultimately will accrue for the benefit of the Company. It is a term of the Rights Issue that cheques shall be honoured on first presentation, and the Company may elect to treat as invalid any acceptances in respect of which cheques are not so honoured. If New Melrose Shares have already been issued to Qualifying Non-CREST Shareholders prior to any payment not being so honoured or such Qualifying Non-CREST Shareholders'

acceptances being treated as invalid, the Company may (in its absolute discretion as to manner, timing and terms) make arrangements for the sale of such New Melrose Shares on behalf of those Qualifying Non-CREST Shareholders and hold the proceeds of sale (net of the Company's reasonable estimate of any loss that they have suffered as a result of the acceptance being treated as invalid and of the expenses of sale including, without limitation, any SDRT payable on the transfer of such New Melrose Shares, and of all amounts payable by such Qualifying Non-CREST Shareholders pursuant to the provisions of this Part XI (*Terms and Conditions of the Rights Issue*) in respect of the acquisition of such New Melrose Shares) on behalf of such Qualifying Shareholders. None of the Company, the Underwriters or any other person shall be responsible for, or have any liability for, any loss, expenses or damage suffered by such Qualifying Non-CREST Shareholders as a result.

4.5 *Money Laundering Regulations*

It is a term of the Rights Issue that, to ensure compliance with the Money Laundering Regulations, the Receiving Agent may require, at its absolute discretion, verification of the identity of the beneficial owner by whom or on whose behalf the Provisional Allotment Letter is lodged with payment (which requirements are referred to in this paragraph 4.5 as “**verification of identity requirements**”). If an application is made by a UK regulated broker or intermediary acting as agent and which is itself subject to the Money Laundering Regulations, any verification of identity requirements are the responsibility of such broker or intermediary and not of the Receiving Agent. In such case, the lodging agent's stamp should be inserted on the Provisional Allotment Letter.

The person lodging the Provisional Allotment Letter with payment (the “**applicant**”), including any person who appears to the Receiving Agent to be acting on behalf of some other person, shall thereby be deemed to agree to provide the Receiving Agent with such information and other evidence as the Receiving Agent may require to satisfy the verification of identity requirements. The Receiving Agent may make a search using a credit reference agency for the purpose of confirming such identity where deemed necessary. A record of such search will be retained.

If the Receiving Agent determines that the verification of identity requirements apply to any applicant or application, the relevant New Melrose Shares (notwithstanding any other term of the Rights Issue) will not be issued to the relevant applicant unless and until the verification of identity requirements have been satisfied in respect of that applicant or application. The Receiving Agent is entitled, in its absolute discretion, to determine whether the verification of identity requirements apply to any applicant or application and whether such requirements have been satisfied, and none of the Receiving Agent, the Company or the Underwriters will be liable to any person for any loss or damage suffered or incurred (or alleged), directly or indirectly, as a result of the exercise of such discretion.

If the verification of identity requirements apply, failure to provide the necessary evidence of identity within a reasonable time may result in delays and potential rejection of an application. If, within a reasonable period of time following a request for verification of identity, the Receiving Agent has not received evidence satisfactory to it as aforesaid, the Company may, in its absolute discretion, treat the relevant application as invalid, in which event, the application moneys will be returned (at the applicant's risk) without interest to the account of the bank or building society on which the relevant cheque or banker's draft was drawn.

The verification of identity requirements will not usually apply for UK purposes if:

- (a) the applicant is a regulated UK broker or intermediary acting as agent and is itself subject to the Money Laundering Regulations; or
- (b) the applicant is an organisation required to comply with the EU Money Laundering Directive (No. 91/308/EEC) as amended by Directive 2001/97/EC and 2005/60/EC; or
- (c) the applicant is a company whose securities are listed on a regulated market subject to specified disclosure obligations; or
- (d) the applicant (not being an applicant who delivers his or her application in person) makes payment through an account in the name of such applicant with a credit institution which is subject to the Money Laundering Regulations or with a credit institution situated in a non-EEA State which imposes requirements equivalent to those laid down in that directive; or
- (e) the aggregate subscription price for the relevant New Melrose Shares is less than EUR 15,000 (approximately £11,800).

Where the verification of identity requirements apply, please note the following as this will assist in satisfying the requirements. Satisfaction of these requirements may be facilitated in the following ways:

- (i) payments must be made by cheque or banker's draft in pounds sterling drawn on a branch in the UK of a bank or building society and bear a UK bank sort code number in the top right hand corner. Cheques, which must be drawn on the personal account of the individual investor where they have sole or joint title to the funds, should be made payable to "Equiniti Limited re Melrose Industries PLC Rights Issue", and crossed "A/C payee only". Third-party cheques may not be accepted except for building society cheques or banker's drafts where the building society or bank has inserted details of the name of the account holder and has either added the building society or bank branch stamp, or has provided a supporting letter confirming the source of funds. The name of such account holder should be the same as the name of the shareholder shown on page 1 or page 4 of the Provisional Allotment Letter; or
- (ii) if the Provisional Allotment Letter is lodged with payment by an agent which is an organisation of the kind referred to in paragraph (i) above or which is subject to anti-money laundering regulations in a country which is a member of the Financial Action Task Force (the non-EU members of which are Argentina, Australia, Brazil, Canada, China, the Gulf Co-operation Council (of which Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates are members), Hong Kong, Iceland, India, Japan, Malaysia, Mexico, New Zealand, Norway, the Russian Federation, Singapore, South Africa, South Korea, Switzerland, Turkey and the United States), the agent should provide written confirmation that it has that status with the Provisional Allotment Letter(s) and written assurances that it has obtained and recorded evidence of the identity of the person for whom it acts and that it will on demand make such evidence available to the Receiving Agent and/or any relevant regulatory or investigatory authority; or
- (iii) if a Provisional Allotment Letter is lodged by hand by the applicant in person, he should ensure that he has with him evidence of identity bearing his photograph (for example, his passport) and evidence of his address.

To confirm the acceptability of any written assurance referred to in paragraph (ii) above, or in any other case, the applicant should contact the Receiving Agent between 8.30 a.m. and 5.30 p.m. Monday to Friday (except public holidays in England and Wales). The telephone number of the Receiving Agent is 0333 207 6392 (from within the UK) and + 44 121 415 0966 (from outside the UK). Network providers' costs may vary. Calls to the Shareholder Helpline from outside the UK will be charged at the applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. For legal reasons, the Shareholder Helpline will be unable to give advice on the merits of the Rights Issue or to provide financial, tax or investment advice.

4.6 Dealings in Nil Paid Rights

Subject to the fulfilment of the conditions set out in paragraph 2 of this Part XI (*Terms and Conditions of the Rights Issue*), dealings (for normal settlement) on the London Stock Exchange in the Nil Paid Rights are expected to commence at 8.00 a.m. on 9 August 2016. A transfer of Nil Paid Rights can be made by renunciation of the Provisional Allotment Letter in accordance with the instructions printed on it and delivery of the Provisional Allotment Letter to the transferee, up to the latest time for acceptance and payment in full stated in the Provisional Allotment Letter, which is expected to be 11.00 a.m. on 23 August 2016.

4.7 Dealings in Fully Paid Rights

After acceptance of the provisional allotment and payment in full in accordance with the provisions set out in this Prospectus and (in the case of Qualifying Non-CREST Shareholders) in the Provisional Allotment Letter, the Fully Paid Rights may be transferred by renunciation of the relevant Provisional Allotment Letter and lodging of the same, by post or by hand (during normal business hours only) to the Receiving Agent at Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, so as to be received not later than 11.00 a.m. on 23 August 2016. Thereafter, the New Melrose Shares will be registered and transferable in the usual way or, if they have been issued in or converted into uncertificated form, in electronic form under the CREST system.

4.8 Renunciation and splitting of Provisional Allotment Letters

The Provisional Allotment Letters are fully renounceable (save as required by the laws of certain overseas jurisdictions) and may be split by no later than 3.00 p.m. on 19 August 2016 nil paid and fully paid.

Qualifying Non-CREST Shareholders who wish to transfer all of their Nil Paid Rights or, after acceptance of the provisional allotment and payment in full, Fully Paid Rights comprised in a Provisional Allotment Letter may (save as required by the laws of certain overseas jurisdictions) renounce such allotment by completing and signing Form X on page 4 of the Provisional Allotment Letter (if it is not already marked “Original Duly Renounced”) and passing the entire Provisional Allotment Letter to their stockbroker or bank or other appropriate financial adviser or to the transferee. Once a Provisional Allotment Letter has been so renounced, it will become a negotiable instrument in bearer form and the Nil Paid Rights or Fully Paid Rights (as appropriate) comprised in such letter may be transferred by delivery of such letter to the transferee. The expected latest time and date for registration of renunciation of Provisional Allotment Letters is 11.00 a.m. on 23 August 2016 and after such date the New Melrose Shares will be in registered form, transferable by written instrument of transfer in the usual common form or, if they have been issued in or converted into uncertificated form, in electronic form under the CREST system. Qualifying Non-CREST Shareholders should note that fully paid Provisional Allotment Letters will not be returned to Qualifying Non-CREST Shareholders unless their return is requested, by completing the appropriate box on the Provisional Allotment Letter.

If a holder of a Provisional Allotment Letter wishes to have only some of the New Melrose Shares registered in his name and to transfer the remainder, or wishes to transfer all the Nil Paid Rights, or (if appropriate) Fully Paid Rights but to different persons, he may have the Provisional Allotment Letter split, for which purpose he must sign and date Form X on page 4 of the Provisional Allotment Letter. The Provisional Allotment Letter must then be delivered by post or by hand (during normal business hours only) to the appropriate address as set out in paragraph 4.7 of this Part XI (*Terms and Conditions of the Rights Issue*) by no later than 3.00 p.m. on 19 August 2016, to be cancelled and exchanged for the split Provisional Allotment Letters required. The number of split Provisional Allotment Letters required and the number of Nil Paid Rights or (as appropriate) Fully Paid Rights to be comprised in each split Provisional Allotment Letter should be stated in an accompanying letter. Form X on page 4 of split Provisional Allotment Letters will be marked “Original Duly Renounced” before issue. The holder of the split Provisional Allotment Letters should then follow the instructions in the preceding paragraphs in relation to transferring the Nil Paid Rights or (if appropriate) Fully Paid Rights represented by each of the Provisional Allotment Letters. The Company reserves the right to refuse to register any renunciation in favour of any person in respect of which the Company believes such renunciation may violate applicable legal or regulatory requirements including (without limitation) any renunciation in the name of any person with an address outside the United Kingdom.

4.9 Registration in the names of Qualifying Shareholders

A Qualifying Non-CREST Shareholder who wishes to have all his entitlement to New Melrose Shares registered in his name must accept and make payment for such allotment prior to the latest time for acceptance and payment in full, which is expected to be 11.00 a.m. on 23 August 2016, in accordance with the provisions set out in the Provisional Allotment Letter and this Prospectus, but need take no further action. A share certificate is expected to be sent to such Melrose Shareholders by post not later than 1 September 2016.

4.10 Registration in the names of persons other than Qualifying Shareholders originally entitled

A renounee who wishes to have the New Melrose Shares comprised in a Provisional Allotment Letter registered in his name, or his agent’s name, must complete Form Y on page 4 (unless the renounee is a CREST member who wishes to hold such shares in uncertificated form, in which case the CREST Deposit Form must be completed—as set out in paragraph 4.11 of this Part XI (*Terms and Conditions of the Rights Issue*)) of the Provisional Allotment Letter and lodge the entire letter when fully paid by post or by hand (during normal business hours only) with the Receiving Agent at the appropriate address as set out in paragraph 4.7 of this Part XI (*Terms and Conditions of the Rights Issue*) not later than the latest time for registration of renunciation which is expected to be 11.00 a.m. on 23 August 2016. Registration cannot be effected unless and until the New Melrose Shares comprised in a Provisional Allotment Letter are fully paid.

4.11 *Deposit of Nil Paid Rights or Fully Paid Rights into CREST*

The Nil Paid Rights or Fully Paid Rights represented by a Provisional Allotment Letter may be converted into uncertificated form, that is deposited into CREST (whether such conversion arises as a result of a renunciation of those rights or otherwise). Similarly, Nil Paid Rights or Fully Paid Rights held in CREST may be converted into certificated form, that is withdrawn from CREST. Subject as provided in the next paragraph or in the Provisional Allotment Letter, normal CREST procedures and timings apply in relation to any such conversion. You are recommended to refer to the CREST Manual for details of such procedures.

The procedure for depositing the Nil Paid Rights or Fully Paid Rights represented by a Provisional Allotment Letter into CREST, whether such rights are to be converted into uncertificated form in the name(s) of the person(s) whose name(s) and address(es) appear on page 1 of the Provisional Allotment Letter or in the name of a person or persons to whom the Provisional Allotment Letter has been renounced, is as follows: Form X and the CREST Deposit Form (both set out on page 4 of the Provisional Allotment Letter) will need to be completed and the Provisional Allotment Letter deposited with the CREST Courier and Sorting Service (the “CCSS”); in addition, the normal CREST Stock Deposit procedures will need to be carried out, except that: (a) it will not be necessary to complete and lodge a separate CREST Transfer Form (prescribed under the Stock Transfer Act 1963) with the CCSS; and (b) only the whole of the Nil Paid Rights or Fully Paid Rights represented by the Provisional Allotment Letter may be deposited into CREST. If you wish to deposit only some of the Nil Paid Rights or Fully Paid Rights represented by the Provisional Allotment Letter into CREST, you must first apply for split Provisional Allotment Letters. If the rights represented by more than one Provisional Allotment Letter are to be deposited, the CREST Deposit Form on each Provisional Allotment Letter must be completed and deposited. A Consolidation Listing Form (as defined in the CREST Regulations) must not be used.

A holder of the Nil Paid Rights (or, if appropriate Fully Paid Rights) represented by a Provisional Allotment Letter who is proposing to convert those rights into uncertificated form (whether following a renunciation of such rights or otherwise) is recommended to ensure that the conversion procedures are implemented in sufficient time to enable the person holding or acquiring the Nil Paid Rights or Fully Paid Rights in CREST following the conversion to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 23 August 2016. In particular, having regard to processing times in CREST and on the part of the Receiving Agent, the latest recommended time for depositing a renounced Provisional Allotment Letter (with Form X and the CREST Deposit Form on page 4 of the Provisional Allotment Letter duly completed) with the CCSS (to enable the person acquiring the Nil Paid Rights or Fully Paid Rights in CREST as a result of the conversion to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 23 August 2016 is 3.00 p.m. on 18 August 2016.

CREST sponsored members should contact their CREST sponsor as only their CREST sponsor will be able to take the necessary action to take up their entitlement or otherwise to deal with the Nil Paid Rights or Fully Paid Rights of the CREST sponsored member.

4.12 *Issue of share certificates in respect of New Melrose Shares*

Definitive share certificates in respect of the New Melrose Shares to be held in certificated form are expected to be despatched by post by no later than 1 September 2016 at the risk of the person(s) entitled to them, to accepting Qualifying Non-CREST Shareholders and renounees or their agents or, in the case of joint holdings, to the first-named Melrose Shareholder at their registered address (unless lodging agent details have been completed on page 4 of the Provisional Allotment Letter). After despatch of definitive share certificates, Provisional Allotment Letters will cease to be valid for any purpose whatsoever. Pending despatch of definitive share certificates and the inscription of the member in the Company’s register of members, instruments of transfer of the New Melrose Shares will be certified by the Registrar against the lodgement of fully paid Provisional Allotment Letters and/or, in the case of renunciations, against the Provisional Allotment Letters held by the Registrar.

5. Action to be taken by Qualifying CREST Shareholders in relation to Nil Paid Rights in CREST

5.1 *General*

Subject as provided in paragraph 7 of this Part XI (*Terms and Conditions of the Rights Issue*) in relation to certain Overseas Shareholders, each Qualifying CREST Shareholder is expected to receive a credit to his CREST stock account of his entitlement to Nil Paid Rights as soon as practicable after 8.00 a.m. on 9 August 2016. The CREST stock account to be credited will be an account under the participant ID and

member account ID that apply to the Existing Melrose Shares held at the close of business on the Record Date by the Qualifying CREST Shareholder in respect of which the Nil Paid Rights are provisionally allotted.

The Nil Paid Rights will constitute a separate security and can accordingly be transferred, in whole or in part, by means of CREST in the same manner as any other security that is admitted to CREST.

If for any reason it is impracticable to credit the stock accounts of Qualifying CREST Shareholders or to enable the Nil Paid Rights as soon as practicable after 8.00 a.m. on 9 August 2016, Provisional Allotment Letters shall, unless the Company decides otherwise, be sent out in substitution for the Nil Paid Rights which have not been so credited or enabled and the expected timetable as set out in this Prospectus may be adjusted as appropriate. References to dates and times in this Prospectus should be read as subject to any such adjustment. The Company will make an appropriate announcement to a Regulatory Information Service giving details of the revised dates but Qualifying CREST Shareholders may not receive any further written communication.

CREST members who wish to take up all or part of, or otherwise to transfer all or part of, their rights held by them in CREST, should refer to the CREST Manual for further information on the CREST procedures referred to below. If you are a CREST sponsored member, you should consult your CREST sponsor if you wish to take up your entitlement as only your CREST sponsor will be able to take the necessary action to take up your entitlements or otherwise deal with your Nil Paid Rights or Fully Paid Rights.

5.2 Procedure for acceptance and payment

(a) MTM instructions

CREST members who wish to take up all or part of their entitlement in respect of Nil Paid Rights in CREST must send (or, if they are CREST sponsored members, procure that their CREST sponsor sends) an MTM instruction to Euroclear which, on its settlement, will have the following effect:

- (i) the crediting of a stock account of the Receiving Agent under the participant ID and member account ID specified below, with the number of Nil Paid Rights to be taken up;
- (ii) the creation of a settlement bank payment obligation (as this term is defined in the CREST Manual), in accordance with the real-time gross settlement (“RTGS”) payment mechanism (as this term is defined in the CREST Manual), in favour of the RTGS settlement bank (as this term is defined in the CREST Manual) of the Receiving Agent in pounds sterling, in respect of the full amount payable on acceptance in respect of the Nil Paid Rights referred to in sub-paragraph (i) above; and
- (iii) the crediting of a stock account of the accepting CREST member (being an account under the same participant ID and member account ID as the account from which the Nil Paid Rights are to be debited on settlement of the MTM instruction) of the corresponding number of Fully Paid Rights to which the CREST member is entitled on taking up his Nil Paid Rights referred to in sub-paragraph (i) above.

(b) Contents of MTM instructions

The MTM instruction must be properly authenticated in accordance with Euroclear’s specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- (i) the number of Nil Paid Rights to which the acceptance relates;
- (ii) the participant ID of the accepting CREST member;
- (iii) the member account ID of the accepting CREST member from which the Nil Paid Rights are to be debited;
- (iv) the participant ID of the Receiving Agent, in its capacity as a CREST receiving agent. This is 2RA47;
- (v) the member account ID of the Receiving Agent, in its capacity as a CREST receiving agent. This is RA233601;

- (vi) the number of Fully Paid Rights that the CREST member is expecting to receive on settlement of the MTM instruction. This must be the same as the number of Nil Paid Rights to which the acceptance relates;
- (vii) the amount payable by means of the CREST assured payment arrangements on settlement of the MTM instruction. This must be the full amount payable on acceptance in respect of the number of Nil Paid Rights to which the acceptance relates;
- (viii) the intended settlement date (which must be on or before 11.00 a.m. on 23 August 2016);
- (ix) the Nil Paid Rights ISIN. This is GB00BYQLYB32;
- (x) the Fully Paid Rights ISIN. This is GB00BYQLYF79;
- (xi) the Corporate Action Number (as this term is defined in the CREST Manual) to the Rights Issue. This will be available by viewing the relevant corporate action details in CREST;
- (xii) contact name and telephone numbers in the shared note field; and
- (xiii) a priority of at least 80.

(c) *Valid acceptance*

An MTM instruction complying with each of the requirements as to authentication and contents set out in sub-paragraph (c) of this paragraph 5.2 will constitute a valid acceptance where either:

- (i) the MTM instruction settles by not later than 11.00 a.m. on 23 August 2016; or
- (ii) at the discretion of the Company: (A) the MTM instruction is received by Euroclear by not later than 11.00 a.m. on 23 August 2016; and (B) the number of Nil Paid Rights inserted in the MTM instruction is credited to the CREST stock member account of the accepting CREST member specified in the MTM instruction at 11.00 a.m. on 23 August 2016; and (C) the relevant MTM instruction settles by 2.55 p.m. on 23 August 2016 (or such later date as the Company has determined).

An MTM instruction will be treated as having been received by Euroclear for these purposes at the time at which the instruction is processed by the Network Provider's Communications Host (as this term is defined in the CREST Manual) at Euroclear of the network provider used by the CREST member (or by the CREST sponsored member's CREST sponsor). This will be conclusively determined by the input time stamp applied to the MTM instruction by the Network Provider's Communications Host.

(d) *Representations, warranties and undertakings of CREST members*

A CREST member, or CREST sponsored member who makes a valid acceptance in accordance with this paragraph 5.2, represents, warrants and undertakes to the Company and the Underwriters that he or she has taken (or procured to be taken), and will take (or will procure to be taken), whatever action is required to be taken by him or her or by his or her CREST sponsor (as appropriate) to ensure that the MTM instruction concerned is capable of settlement at 11.00 a.m. on 23 August 2016 and remains capable of settlement at all times after that until 2.55 p.m. on 23 August 2016 (or until such later time and date as the Company may determine). In particular, the CREST member or CREST sponsored member represents, warrants and undertakes that at 11.00 a.m. on 23 August 2016 and at all times thereafter until 2.55 p.m. on 23 August 2016 (or until such later time and date as the Company may determine) there will be sufficient Headroom within the Cap (as those terms are defined in the CREST Manual) in respect of the cash memorandum account to be debited with the amount payable on acceptance to permit the MTM instruction to settle. CREST sponsored members should contact their CREST sponsor if they are in any doubt.

If there is insufficient Headroom within the Cap in respect of the cash memorandum account of a CREST member or CREST sponsored member for such amount to be debited or the CREST member's or CREST sponsored member's acceptance is otherwise treated as invalid and New Melrose Shares have already been allotted to such CREST member or CREST sponsored member, the Company may (in its absolute discretion as to manner, timing and terms) make arrangements for the sale of such shares on behalf of that CREST member or CREST sponsored member and hold the proceeds of sale (net of the Company's reasonable estimate of any loss that it has suffered as a result of the acceptance being treated as invalid and of the expenses of sale, and of all amounts payable by the CREST member or CREST sponsored member pursuant to the provisions of this Part XI (*Terms and Conditions of the Rights Issue*) in respect of the acquisition of such shares) on behalf of such CREST member or CREST sponsored member. None of

the Company or the Underwriters or any other person shall be responsible for, or have any liability for, any loss, expenses or damage suffered by such CREST member or CREST sponsored member as a result.

(e) *CREST procedures and timings*

CREST members and CREST sponsors (on behalf of CREST sponsored members) should note that Euroclear does not make available special procedures in CREST for any particular corporate action. Normal system timings and limitations will therefore apply in relation to the input of an MTM instruction and its settlement in connection with the Rights Issue. It is the responsibility of the CREST member concerned to take (or, if a CREST sponsored member, to procure that his CREST sponsor takes) the action necessary to ensure that a valid acceptance is received as stated above by 11.00 a.m. on 23 August 2016. In this connection, CREST members and (where applicable) CREST sponsors are referred in particular to those sections of the CREST Manual concerning the practical limitations of the CREST system and timings.

(f) *CREST member's undertaking to pay*

A CREST member or CREST sponsored member who makes a valid acceptance in accordance with the procedures set out in this paragraph 5.2: (a) undertakes to pay to the Company, or to procure the payment to the Company of, the amount payable in pounds sterling on acceptance in accordance with the above procedures or in such other manner as the Company may require (it being acknowledged that, where payment is made by means of the RTGS payment mechanism (as defined in the CREST Manual), the creation of a RTGS settlement bank (as this term is defined in the CREST Manual) payment obligation in pounds sterling in favour of the Receiving Agent's RTGS settlement bank, in accordance with the RTGS payment mechanism, shall, to the extent of the obligation so created, discharge in full the obligation of the CREST member (or CREST sponsored member) to pay the amount payable on acceptance); and (b) requests that the Fully Paid Rights and/or New Melrose Shares to which they will become entitled be issued to them on the terms set out in this Prospectus and subject to the Articles. If the payment obligations of the relevant CREST member in relation to such New Melrose Shares are not discharged in full and such New Melrose Shares have already been issued to the CREST member or CREST sponsored member, the Company may (in its absolute discretion as to the manner, timing and terms) make arrangements for the sale of such shares on behalf of that CREST member or CREST sponsored member and hold the proceeds of sale (net of expenses, and all amounts payable by the CREST member or CREST sponsored member pursuant to the provisions of this Part XI (*Terms and Conditions of the Rights Issue*) in respect of the acquisition of such shares) or an amount equal to the original payment of the CREST member or CREST sponsored member (whichever is lower) on trust for such CREST member or CREST sponsored member. In these circumstances, none of the Underwriters or the Company shall be responsible for, or have any liability for, any losses, expenses or damages arising as a result.

(g) *Discretion as to rejection and validity of acceptances*

The Company may following consultation with the Underwriter:

- (i) reject any acceptance constituted by an MTM instruction, which is otherwise valid, in the event of breach of any of the representations, warranties and undertakings set out or referred to in this paragraph 5.2. Where an acceptance is made as described in this paragraph 5.2 which is otherwise valid, and the MTM instruction concerned fails to settle by 2.55 p.m. on 23 August 2016 (or by such later time and date as the Company may determine), the Company shall be entitled to assume, for the purposes of its right to reject an acceptance as described in this paragraph 5.2, that there has been a breach of the representations, warranties and undertakings set out or referred to in this paragraph 5.2 unless the Company is aware of any reason outside the control of the CREST member or CREST sponsor (as appropriate) concerned for the MTM instruction to settle;
- (ii) treat as valid (and binding on the CREST member or CREST sponsored member concerned) an acceptance which does not comply in all respects with the requirements as to validity set out or referred to in this paragraph 5.2;
- (iii) accept an alternative properly authenticated dematerialised instruction from a CREST member or (where applicable) a CREST sponsor as constituting a valid acceptance in substitution for, or in addition to, an MTM instruction and subject to such further terms and conditions as the Company may determine;

- (iv) treat a properly authenticated dematerialised instruction (the “**first instruction**”) as not constituting a valid acceptance if, at the time at which the Receiving Agent receives a properly authenticated dematerialised instruction giving details of the first instruction, either the Company or the Receiving Agent has received actual notice from Euroclear of any of the matters specified in CREST Regulation 35(5)(a) in relation to the first instruction. These matters include notice that any information contained in the first instruction was incorrect or notice of lack of authority to send the first instruction; and
- (v) accept an alternative instruction or notification from a CREST member or (where applicable) a CREST sponsor, or extend the time for acceptance and/or settlement of an MTM instruction or any alternative instruction or notification, if, for reasons or due to circumstances outside the control of any CREST member or CREST sponsored member or (where applicable) CREST sponsor, the CREST member or CREST sponsored member is unable validly to take up all or part of his or her Nil Paid Rights by means of the above procedures. In normal circumstances, this discretion is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or of any part of CREST) or on the part of facilities and/or systems operated by the Receiving Agent in connection with CREST.

5.3 Money Laundering Regulations

If you hold your Nil Paid Rights in CREST and apply to take up all or part of your entitlement as agent for one or more persons and you are not a UK or EU regulated person or institution (for example, a bank, a broker or another UK financial institution), then, irrespective of the value of the application, the Receiving Agent is required to take reasonable measures to establish the identity of the person or persons on whose behalf you are making the application. You must therefore contact the Receiving Agent before sending any MTM instruction or other instruction so that appropriate measures may be taken.

Submission of an MTM instruction which constitutes, or which may on its settlement constitute, a valid acceptance as described above constitutes a warranty and undertaking by the applicant to provide promptly to the Receiving Agent any information the Receiving Agent may specify as being required for the purposes of the Money Laundering Regulations or FSMA. Pending the provision of evidence satisfactory to the Receiving Agent as to identity, the Receiving Agent, having consulted with the Company, may take, or omit to take, such action as it may determine to prevent or delay settlement of the MTM instruction. If satisfactory evidence of identity has not been provided within a reasonable time, the Receiving Agent will not permit the MTM instruction concerned to proceed to settlement; but without prejudice to the right of the Company and/or to take proceedings to recover any loss suffered by it/them as a result of failure by the applicant to provide satisfactory evidence.

5.4 Dealings in Nil Paid Rights

Subject to the passing of the Transaction Resolutions at the Melrose General Meeting and the Rights Issue otherwise becoming unconditional, dealings (for normal settlement) in the Nil Paid Rights on the London Stock Exchange are expected to commence at 8.00 a.m. on 9 August 2016. Dealings in Nil Paid Rights can be made by means of CREST in the same manner as any other security that is admitted to CREST. The Nil Paid Rights are expected to be disabled in CREST after the close of CREST business on 23 August 2016.

5.5 Dealings in Fully Paid Rights

After acceptance and payment in full in accordance with the provisions set out in this Prospectus and (where appropriate) the Provisional Allotment Letter, the Fully Paid Rights may be transferred (in whole or in part) by means of CREST in the same manner as any other security that is admitted to CREST. The last time for settlement of any transfer of Fully Paid Rights in CREST is expected to be 11.00 a.m. on 23 August 2016.

The Fully Paid Rights are expected to be disabled in CREST after the close of CREST business on 23 August 2016. After 23 August 2016, the New Melrose Shares will be registered in the name(s) of the person(s) entitled to them in the Company’s register of members and will be transferable in the usual way.

5.6 Withdrawal of Nil Paid Rights or Fully Paid Rights from CREST

Nil Paid Rights or Fully Paid Rights held in CREST may be converted into certificated form, that is withdrawn from CREST. Normal CREST procedures (including timings) apply in relation to any such conversion.

The recommended latest time for receipt by Euroclear of a properly authenticated dematerialised instruction requesting withdrawal of Nil Paid Rights or, if appropriate, Fully Paid Rights from CREST is 4.30 p.m. on 17 August 2016, so as to enable the person acquiring or (as appropriate) holding the Nil Paid Rights or, if appropriate, Fully Paid Rights, following the conversion to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 23 August 2016. You are recommended to refer to the CREST Manual for details of such procedures.

5.7 *Issue of New Melrose Shares in CREST*

New Melrose Shares will be issued in uncertificated form to those persons registered as holding Fully Paid Rights in CREST at the close of business on the date on which the Fully Paid Rights are disabled. The Receiving Agent will instruct Euroclear to credit the appropriate stock accounts of those persons (under the same participant ID and member account ID that applied to the Fully Paid Rights held by those persons) with their entitlements to New Melrose Shares with effect from the next Business Day (expected to be 24 August 2016).

5.8 *Right to allot/issue in certificated form*

Despite any other provision of this Prospectus, the Company reserves the right to allot and to issue any Nil Paid Rights, Fully Paid Rights or New Melrose Shares in certificated form. In normal circumstances, this right is only likely to be exercised in the event of an interruption, failure or breakdown of CREST (or of any part of CREST) or of a part of the facilities and/or systems operated by the Receiving Agent in connection with CREST.

6. Procedure in respect of rights not taken up

If an entitlement to New Melrose Shares is not validly taken up in accordance with the procedure laid down for acceptance and payment, then that provisional allotment will be deemed to have been declined and will lapse. The Underwriters will use all reasonable endeavours to procure, by not later than 5.00 p.m. on the second dealing day after the last date for acceptance of the Rights Issue, subscribers for as many as possible of those New Melrose Shares not taken up if a price not less than the Rights Issue Price plus the expenses of procuring such subscribers (including any applicable brokerage and commissions and amounts in respect of VAT which, in the reasonable opinion of the Underwriters, are not recoverable) can be obtained.

Notwithstanding the above, the Underwriters may cease to endeavour to procure any such subscribers if, in their reasonable opinion, it is unlikely that any such subscribers can be so procured at such a price by such time or if, in their opinion, proceeding with such placing would give rise to a breach of applicable law or regulation. If and to the extent that subscribers cannot be procured on the basis outlined above, the relevant New Melrose Shares will be subscribed for severally (and not jointly or jointly or severally) by the Underwriters as principal pursuant to the Underwriting Agreement or by the sub-underwriters (if any) procured by the Underwriters, in each case, at the Rights Issue Price on the terms and subject to the conditions of the Underwriting Agreement.

Any premium over the aggregate of the Rights Issue Price and the expenses of procuring subscribers (including any applicable brokerage and commissions and amounts in respect of VAT which, in the reasonable opinion of the Underwriters, are not recoverable) shall be paid (subject as provided in this paragraph 6):

- (a) where the provisional allotment was, at the time of its lapsing, represented by a Provisional Allotment Letter, to the person whose name and address appeared on page 1 of the Provisional Allotment Letter;
- (b) where the Nil Paid Rights were, at the time they lapsed, in uncertificated form, to the person registered as the holder of those Nil Paid Rights at the time of their disablement in CREST; and
- (c) to the extent not provided above, where an entitlement to New Melrose Shares was not taken up by an Overseas Shareholder, to that Overseas Shareholder.

New Melrose Shares for which subscribers are procured on this basis will be re-allotted to such subscribers and the aggregate of any premiums (being the amount paid by such subscribers after deducting the price at which the New Melrose Shares are offered pursuant to the Rights Issue and the expenses of procuring such subscribers including any applicable brokerage and commissions and amounts in respect of VAT which, in the reasonable opinion of the Underwriters, are not recoverable tax), if any, will be paid (without interest)

to those persons entitled (as referred to above) *pro rata* to the entitlements not taken up, save that no payment will be made of amounts of less than £5.00, which amounts will be aggregated and it is intended that such amounts shall be donated by Melrose to charities chosen by the Board. Cheques for the amounts due will be sent in pounds sterling, by first class post, at the risk of the person(s) entitled, to their registered addresses (the registered address of the first named in the case of joint holders), provided that where any entitlement concerned was held in CREST, the amount due will, unless the Company (in its absolute discretion) otherwise determines, be satisfied by the Company procuring the creation of an assured payment obligation in favour of the relevant CREST member's (or CREST sponsored member's) RTGS settlement bank in respect of the cash amount concerned in accordance with the RTGS payment mechanism.

Any transactions undertaken pursuant to this paragraph 6 shall be deemed to have been undertaken at the request of the persons who did not take up their entitlements and none of the Company, the Underwriters nor any other person procuring subscribers shall be responsible for any loss or damage (whether actual or alleged) arising from the terms of or timing of any such acquisition, any decision not to endeavour to procure subscribers or the failure to procure subscribers on the basis described above.

Melrose Shareholders will not be entitled to apply for New Melrose Shares in excess of their entitlement.

7. Overseas Shareholders and selling and transfer restrictions

7.1 General

The offer of Nil Paid Rights, Fully Paid Rights, Provisional Allotment Letters and/or New Melrose Shares pursuant to the Rights Issue and the distribution of this Prospectus or any other document relating to the Rights Issue (including the Provisional Allotment Letter) to persons located in or who have a registered address in a jurisdiction other than the United Kingdom, may be affected by the laws of the relevant jurisdiction. Those persons should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their rights. It is the responsibility of all persons (including, without limitation, custodians, nominees, agents and trustees) outside the United Kingdom receiving this Prospectus and/or a Provisional Allotment Letter and/or a credit of Nil Paid Rights to a stock account in CREST and wishing to accept the offer of New Melrose Shares to satisfy themselves as to full observance of the laws of the relevant territory, including obtaining all necessary governmental or other consents which may be required, observing all other requisite formalities needing to be observed and paying any issue, transfer or other taxes due in such territory. The comments set out in this paragraph 7 are intended as a general guide only and any Qualifying Shareholder who is in any doubt as to his position should consult his professional adviser without delay.

This paragraph 7 sets out the restrictions applicable to Qualifying Shareholders who have registered addresses outside the United Kingdom, who are located in countries other than the United Kingdom, or who are persons (including, without limitation, custodians, nominees, agents and trustees) who have a contractual or legal obligation to forward this Prospectus to a jurisdiction outside the United Kingdom or who hold Existing Melrose Shares for the account or benefit of any such person.

As legally required, New Melrose Shares will be provisionally allotted (nil paid) to all Qualifying Shareholders, including all Qualifying Shareholders with registered addresses in, or who are located in, the United States or any of the Excluded Territories. However, Provisional Allotment Letters have not been, and will not be, sent to, and Nil Paid Rights will not be credited to CREST accounts of, any Qualifying Shareholders with addresses in the United States or any of the Excluded Territories, or to their agents or intermediaries, except where the Company and the Underwriters are satisfied that such action would not result in the contravention of any registration or other legal requirement in such jurisdiction.

Receipt of this Prospectus and/or a Provisional Allotment Letter or the crediting of Nil Paid Rights to a stock account in CREST will not constitute an offer in or into the United States or an Excluded Territory and, in those circumstances, this Prospectus and/or a Provisional Allotment Letter must be treated as sent for information only and should not be copied or redistributed. No person receiving a copy of this Prospectus and/or a Provisional Allotment Letter and/or receiving a credit of Nil Paid Rights to a stock account in CREST with a registered address or who is located in any territory that is not an EEA State may treat the same as constituting an invitation or offer to him, nor should he in any event use the Provisional Allotment Letter or deal with Nil Paid Rights or Fully Paid Rights in CREST unless, in the relevant territory, such an invitation or offer could lawfully be made to him and the Provisional Allotment Letter or Nil Paid Rights or Fully Paid Rights in CREST could lawfully be used or dealt with without contravention of any unfulfilled registration or other legal or regulatory requirements.

Accordingly, persons (including, without limitation, custodians, nominees, agents and trustees) receiving a copy of this Prospectus and/or a Provisional Allotment Letter or whose stock account in CREST is credited with Nil Paid Rights or Fully Paid Rights should not, in connection with the Rights Issue, distribute or send the same, or transfer Nil Paid Rights or Fully Paid Rights to any person, in or into, the United States or an Excluded Territory. If a Provisional Allotment Letter or credit of Nil Paid Rights or Fully Paid Rights in CREST is received by any person with a registered address or who is located in the United States or any Excluded Territory or by their agent or nominee in any such territory, he may only seek to take up the rights referred to in the Provisional Allotment Letter or in this Prospectus or renounce the Provisional Allotment Letter or transfer the Nil Paid Rights or Fully Paid Rights in CREST to the extent that the Company determines that such actions would not violate applicable legal or regulatory requirements. Any person (including, without limitation, custodians, nominees and trustees) who does forward this Prospectus or a Provisional Allotment Letter into any such territories (whether under contractual or legal obligation or otherwise) should draw the recipient's attention to the contents of this paragraph 7.

Subject to this paragraph 7, any person (including, without limitation, custodians, nominees, agents and trustees) outside the United Kingdom wishing to take up his rights under the Rights Issue (or to do so on behalf of someone else) must satisfy himself as to full observance of the applicable laws of any relevant territory including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any issue, transfer or other taxes due in such territories. The comments set out in this paragraph 7 are intended as a general guide only and any Qualifying Shareholder who is in doubt as to his position should consult his own independent professional adviser without delay.

The Company may treat as invalid any acceptance or purported acceptance of the offer of Nil Paid Rights, Fully Paid Rights, Provisional Allotment Letters or New Melrose Shares which appears to the Company or the Receiving Agent or their respective agents to have been executed, effected or despatched in a manner which may involve a breach of the laws or regulations of any jurisdiction or if it believes or they believe that the same may violate applicable legal or regulatory requirements or if, in the case of a Provisional Allotment Letter, it provides for an address for delivery of the definitive share certificates for New Melrose Shares, or, in the case of a credit of New Melrose Shares in CREST, the Qualifying CREST Shareholder's registered address is in the United States or an Excluded Territory, or if the Company believes or its agents believe that the same may violate applicable legal or regulatory requirements.

Despite any other provisions of this Prospectus or the Provisional Allotment Letter, the Company reserves the right to permit any Qualifying Shareholder to take up his rights if the Company in its sole and absolute discretion is satisfied that the transaction in question is exempt from or not subject to the legislation or regulations giving rise to the restriction in question. If the Company is so satisfied, the Company will arrange for the relevant Qualifying Shareholder to be sent a Provisional Allotment Letter if he is a Qualifying Non-CREST Shareholder or, if he is a Qualifying CREST Shareholder, arrange for Nil Paid Rights to be credited to the relevant CREST stock account.

Those Qualifying Shareholders who wish, and are permitted, to take up their entitlements should note that payments must be made as described in paragraphs 4.2 and 4.4 in relation to Qualifying Non-CREST Shareholders and paragraph 5.2 in relation to Qualifying CREST Shareholders of this Part XI (*Terms and Conditions of the Rights Issue*).

The Underwriters will procure subscribers for New Melrose Shares not taken up in the Rights Issue only outside the US and in reliance on Regulation S of the US Securities Act.

The provisions of paragraph 6 of this Part XI (*Terms and Conditions of the Rights Issue*) will apply generally to Overseas Shareholders who are unable to take up New Melrose Shares provisionally allotted to them.

7.2 Offering and transfer restrictions relating to the United States

None of the New Melrose Shares, the Nil Paid Rights, the Fully Paid Rights and the Provisional Allotment Letters have been or will be registered under the US Securities Act or under any other relevant federal securities laws or the securities laws of any state or other jurisdiction of the United States and may not be offered, sold, taken up, exercised, resold, pledged, renounced, transferred or delivered, directly or indirectly, in or into the United States at any time without registration or an applicable exemption from or in a transaction not subject to the registration requirements of the US Securities Act and in compliance with state securities laws.

Neither this Prospectus nor a Provisional Allotment Letter will be sent to, and no Nil Paid Rights will be credited to a stock account in CREST with a bank or financial institution of, any Qualifying Shareholder

with an address in, or who is resident in, the United States and must not be transferred to any such Qualifying Shareholder unless such a person satisfies the Company that a relevant exemption from the US Securities Act is available. The Provisional Allotment Letters, Nil Paid Rights, Fully Paid Rights and New Melrose Shares may at the sole discretion of the Company be made available in the United States to qualified institutional buyers within the meaning of Rule 144A under the US Securities Act or accredited investors within the meaning of Rule 501(a) of Regulation D under the US Securities Act (“**Eligible US Holders**”). The Provisional Allotment Letter, Nil Paid Rights, Fully Paid Rights and New Melrose Shares are subject to certain restrictions on transfer within the United States, as set out below.

Any recipient of Provisional Allotment Letters, Nil Paid Rights, Fully Paid Rights or New Melrose Shares pursuant to transactions that are exempt from the registration requirements of the US Securities Act will be required to make such acknowledgements and representations to and agreements with the Company as the Company may require to establish that they are Eligible US Holders.

Provisional Allotment Letters or renunciations thereof sent from or post-marked in the United States will be deemed to be invalid. Any person in the United States who obtains a copy of this Prospectus or a Provisional Allotment Letter and who is not an Eligible US Holder is required to disregard them.

Accordingly:

- (a) the Company reserves the right to treat as invalid any Provisional Allotment Letter (or renunciation thereof) that appears to the Company or its agents to have been executed in or despatched from the United States, or that provides an address in the United States, from the acceptance or renunciation of the Rights Issue, or which does not make the warranty set out in the Provisional Allotment Letter to the effect that the person accepting and/or renouncing the provisional allotment is not otherwise located in the United States, and is not acquiring the Nil Paid Rights, Fully Paid Rights or New Melrose Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Nil Paid Rights, Fully Paid Rights or the New Melrose Shares in the United States or where the Company believes acceptance of such Provisional Allotment Letter may infringe applicable legal or regulatory requirements;
- (b) the Company will not be bound to offer any New Melrose Shares, Nil Paid Rights, Fully Paid Rights or Provisional Allotment Letter to any person with an address in, or who is otherwise located in, the United States in whose favour a Provisional Allotment Letter or any Nil Paid Rights, Fully Paid Rights or New Melrose Shares may be transferred or renounced; and
- (c) the Company reserves the right to reject any MTM instruction sent by or on behalf of any CREST member with a registered address in, or who is located in, the United States in respect of Nil Paid Rights.

The provisions set out in paragraph 6 above will apply to the rights of Qualifying Shareholders with registered addresses in the United States or who are located or located in the United States unless they take up their rights pursuant to a relevant exemption from the registration requirements of the US Securities Act, having satisfied the Company that they are an Eligible US Holder (as discussed above).

In addition, until 40 days after the commencement of the Rights Issue, an offer, sale or transfer of the New Melrose Shares, the Nil Paid Rights, the Fully Paid Rights or the Provisional Allotment Letters within the United States by a dealer that is participating in the Rights Issue may violate the registration requirements of the US Securities Act.

7.3 Canada

This Prospectus is not, and under no circumstances is to be construed as, an offer to any person in Canada and an advertisement or a public offering of the securities described herein. No securities commission or similar regulatory authority in Canada has reviewed or in any way passed upon this Prospectus or the merits of the securities described herein and any representation to the contrary is an offence in Canada.

Melrose prepares its financial statements in pounds sterling, the official currency of the United Kingdom.

The issuance of the Provisional Allotment Letters, Nil Paid Rights, Fully Paid Rights or New Melrose Shares to Canadian shareholders will be exempt from the requirement that Melrose prepare and file a prospectus with the relevant Canadian regulatory authorities pursuant to sections 2.1.2 and 2.42(1)(a) of National Instrument 45-106—Prospectus Exemptions. Accordingly, any resale of the Provisional Allotment Letters, Nil Paid Rights, Fully Paid Rights or New Melrose Shares must be made in accordance with applicable securities laws which may require resales to be made pursuant to exemptions from prospectus

requirements. These resale restrictions may in some circumstances apply to resales of the Provisional Allotment Letters, Nil Paid Rights, Fully Paid Rights or New Melrose Shares outside of Canada. Canadian investors are advised to seek legal advice prior to any resale of the Provisional Allotment Letters, Nil Paid Rights, Fully Paid Rights or New Melrose Shares.

Melrose is not, and does not intend to become, a “reporting issuer”, as such term is defined under applicable Canadian securities legislation, in any province or territory of Canada and there is currently no public market for the Provisional Allotment Letters, Nil Paid Rights, Fully Paid Rights or New Melrose Shares in Canada and no such market may ever develop. Under no circumstances will Melrose be required to file a prospectus or similar document with any securities regulatory authority in Canada qualifying the resale of the Provisional Allotment Letters, Nil Paid Rights, Fully Paid Rights or New Melrose Shares to the public in any province or territory of Canada. Canadian investors are advised that Melrose currently does not intend to file a prospectus or similar document with any securities regulatory authority in Canada qualifying the resale of the Provisional Allotment Letters, Nil Paid Rights, Fully Paid Rights or New Melrose Shares to the public, or listing its securities on any stock exchange, in any province or territory of Canada.

This Prospectus does not constitute an offer in Canada of New Melrose Shares not taken up in the Rights Issue. Subject to certain limited exceptions, no offering or sale of New Melrose Shares not taken up in the Rights Issue (including in connection with any sub-underwriting arrangement) may be made to or for the benefit of persons resident in Canada, and this Prospectus and any other offering material relating to the New Melrose Shares may not be distributed, forwarded or transmitted for the benefit of persons resident in Canada in connection with the offering or sale of New Melrose Shares not taken up in the Rights Issue (including in connection with any sub-underwriting arrangement).

Any discussion of taxation and related matters contained in this Prospectus does not purport to be a comprehensive description of all the tax considerations that may be relevant to an investment decision in respect of the Provisional Allotment Letters, Nil Paid Rights, Fully Paid Rights or New Melrose Shares and, in particular, does not address Canadian tax considerations. Shareholders who are Canadian residents should consult their own legal, financial and tax advisers with respect to the tax consequences of the Rights Issue in their particular circumstances.

Melrose is incorporated under the laws of England and Wales. All or substantially all of Melrose’s directors and officers may be located outside of Canada and, as a result, it may not be possible for Canadian investors to effect service of process within Canada upon Melrose or such persons. All or a substantial portion of the assets of Melrose and such other persons may be located outside of Canada and, as a result, it may not be possible to satisfy a judgment against Melrose or such persons in Canada or to enforce a judgment in Canadian courts against Melrose or persons outside of Canada.

Upon receipt of this Prospectus, each Canadian investor confirms that it has expressly requested that all documents evidencing or relating in any way to the issuance, exercise or sale of the securities described herein (including for greater certainty any purchase confirmation or any notice) be drawn up in the English language only. French translation: *Par la réception de ce document, chaque investisseur canadien confirme par les présentes qu’il a expressément exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à l’émission, exercice ou vente des valeurs mobilières décrites aux présentes (incluant, pour plus de certitude, toute confirmation d’achat ou tout avis) soient rédigés en anglais seulement.*

7.4 *Other overseas territories*

(a) *General*

Provisional Allotment Letters will be posted to Qualifying Non-CREST Shareholders (other than Qualifying Shareholders with registered addresses in the United States or any of the Excluded Territories) and Nil Paid Rights will be credited to the CREST stock accounts of Qualifying CREST Shareholders with registered addresses in any country other than the United States or an Excluded Territory. No offer of or invitation to subscribe for New Melrose Shares is being made by virtue of this Prospectus or the Provisional Allotment Letters into any of the United States or Excluded Territories. Qualifying Shareholders may, subject to the laws of their relevant jurisdiction, accept their rights under the Rights Issue in accordance with the instructions set out in this Prospectus and, in the case of Qualifying Non-CREST Shareholders only, the Provisional Allotment Letters.

Qualifying Shareholders who have registered addresses in or who are located in countries other than the United Kingdom should consult their appropriate professional advisers as to whether they require any

governmental or other consents or need to observe any other formalities to enable them to take up their Nil Paid Rights or to acquire Fully Paid Rights or New Melrose Shares. If you are in any doubt as to your eligibility to accept the offer of New Melrose Shares or to deal with Nil Paid Rights or Fully Paid Rights, you should contact your appropriate professional adviser immediately.

(b) *EEA States (other than the United Kingdom)*

In relation to the EEA States (except for the United Kingdom) that have implemented the Prospectus Directive (each, a “**relevant member state**”), with effect from and including the date on which the Prospectus Directive was implemented in that relevant member state (the “**relevant implementation date**”), no New Melrose Shares, Nil Paid Rights or Fully Paid Rights have been offered or will be offered pursuant to the Rights Issue to the public in that relevant member state prior to the publication of a prospectus in relation to the New Melrose Shares, Nil Paid Rights and Fully Paid Rights which has been approved by the competent authority in that relevant member state or, where appropriate, approved in another relevant member state and notified to the competent authority in the relevant member state, all in accordance with the Prospectus Directive, except that with effect from and including the relevant implementation date, offers of New Melrose Shares, Nil Paid Rights or Fully Paid Rights may be made to the public in that relevant member state at any time under the following exemptions under the Prospectus Directive, if they are implemented in that relevant member state:

- (i) to any legal entity which is a qualified investor, as defined in the Prospectus Directive;
- (ii) to fewer than 100, or if the relevant member state has implemented the relevant provisions of the PD Amending Directive, 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) in such relevant member states; or
- (iii) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of New Melrose Shares, Nil Paid Rights or Fully Paid Rights shall result in a requirement for the publication by the Company, the Sponsors or the Underwriters of a prospectus pursuant to Article 3 of the Prospectus Directive.

For this purpose, the expression “an offer of any New Melrose Shares, Nil Paid Rights or Fully Paid Rights to the public” in relation to any New Melrose Shares, Nil Paid Rights and Fully Paid Rights in any relevant member state means the communication in any form and by any means of sufficient information on the terms of the Rights Issue and any New Melrose Shares, Nil Paid Rights and Fully Paid Rights to be offered so as to enable an investor to decide to acquire any New Melrose Shares, Nil Paid Rights or Fully Paid Rights, as the same may be varied in that relevant member state by any measure implementing the Prospectus Directive in that relevant member state.

(c) *Dubai International Financial Centre (DIFC)*

This Prospectus relates to an ‘Exempt Offer’ in accordance with the Offered Securities Rules of the Dubai Financial Services Authority (“**DFSA**”). This Prospectus is intended for distribution only to persons of a type specified in the Offered Securities Rules of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with ‘Exempt Offers’. The DFSA has not approved this Prospectus nor taken steps to verify the information set forth herein and has no responsibility for the Prospectus. The Nil Paid Rights, the Fully Paid Rights or the New Melrose Shares to which this Prospectus relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the Nil Paid Rights, the Fully Paid Rights or the New Melrose Shares offered should conduct their own due diligence on the shares. If you do not understand the contents of this Prospectus you should consult an authorised financial advisor.

(d) *Japan*

The Nil Paid Rights, the Fully Paid Rights or the New Melrose Shares have not been and will not be registered under the Financial Instruments and Exchange Law (Law No.25 of 1948, as amended) and, accordingly, will not be offered or sold, directly or indirectly, in Japan, or for the benefit of any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to any Japanese Person, except in compliance with all applicable laws, regulations and ministerial guidelines promulgated by relevant Japanese governmental or regulatory authorities in effect at the relevant time. For the purposes of this paragraph, “**Japanese Person**” shall mean any person resident in Japan, including any corporation or other entity organized under the laws of Japan.

(e) *Singapore*

This Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. No person may offer or sell any New Melrose Shares, Nil Paid Rights or Fully Paid Rights or cause such New Melrose Shares, Nil Paid Rights or Fully Paid Rights to be made the subject of an invitation for subscription or purchase, and no person may circulate or distribute this Prospectus or any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of such New Melrose Shares, Nil Paid Rights or Fully Paid Rights, whether directly or indirectly, to persons in Singapore other than: (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”); (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA; or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where New Melrose Shares, Nil Paid Rights or Fully Paid Rights are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the New Melrose Shares, Nil Paid Rights or Fully Paid Rights pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA; or
- (v) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

(f) *Switzerland*

The Nil Paid Rights, the Fully Paid Rights or the New Melrose Shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange (“SIX”) or on any other stock exchange or regulated trading facility in Switzerland. This Prospectus has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this Prospectus nor any other offering or marketing material relating to the Nil Paid Rights, the Fully Paid Rights or the New Melrose Shares or the offering may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this Prospectus nor any other offering or marketing material relating to the offering, the Company, the Nil Paid Rights, the Fully Paid Rights or the New Melrose Shares have been or will be filed with or approved by any Swiss regulatory authority. In particular, this Prospectus will not be filed with, and the offer of Nil Paid Rights, the Fully Paid Rights or the New Melrose Shares will not be supervised by, the Swiss Financial Market Supervisory Authority FINMA (FINMA), and the offer of Nil Paid Rights, the Fully Paid Rights or the New Melrose Shares has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes (“CISA”). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of Nil Paid Rights, the Fully Paid Rights or the New Melrose Shares.

7.5 *Gazette notice*

In accordance with section 562(3) of the Companies Act, the offer by way of rights to Qualifying Shareholders who have no registered address in an EEA State, and who have not given to the Company an address in an EEA State for the serving of notices, will (subject to the other conditions of the Rights Issue) be made by the Company causing a notice to be published in the London Gazette on 9 August 2016 stating where copies of this Prospectus and the Provisional Allotment Letters may be obtained or inspected on personal application by or on behalf of such Qualifying Shareholders.

However, in order to facilitate acceptance of the offer made to such Qualifying Shareholders by virtue of such publication, Provisional Allotment Letters will also be posted to Qualifying Shareholders who are Overseas Shareholders (other than to those with addresses in the United States or any of the Excluded Territories). Such Melrose Shareholders, if it is lawful to do so, may accept the offer by way of rights either by returning the Provisional Allotment Letter posted to them in accordance with the instructions set out therein or, subject to surrendering the original Provisional Allotment Letter posted to them, by obtaining a copy thereof from the place stated in the notice and returning it in accordance with the instructions set out therein. Similarly, Nil Paid Rights are expected to be credited to stock accounts in CREST of Qualifying CREST Shareholders who are Overseas Shareholders (other than those with addresses in the United States or any of the Excluded Territories).

8. **Additional representations and warranties**

8.1 *Qualifying Non-CREST Shareholders*

Any person accepting and/or renouncing a Provisional Allotment Letter or requesting registration of the New Melrose Shares comprised therein represents and warrants to the Company and the Underwriters that, except where proof has been provided to the Company's and the Underwriters' satisfaction that such person's use of the Provisional Allotment Letter will not result in the contravention of any applicable legal requirement in any jurisdiction:

- (a) such person is not located in, and is not accepting and/or renouncing the Provisional Allotment Letter from within the United States or any Excluded Territory;
- (b) such person is not in any territory in which it is unlawful to make or accept an offer to subscribe for New Melrose Shares or to use the Provisional Allotment Letter in any manner in which such person has used or will use it;
- (c) such person is not acting on a non-discretionary basis for a person located within the United States or any Excluded Territory or any territory referred to in (b) above at the time the instruction to accept or renounce was given, and such person is not accepting for the account of any person who is located within the United States; and
- (d) such person is not acquiring New Melrose Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such New Melrose Shares into the United States or any Excluded Territory or any territory referred to in (b) above.

The Company may treat as invalid any acceptance or purported acceptance of the allotment of New Melrose Shares comprised in, or renunciation or purported renunciation of, a Provisional Allotment Letter in the circumstances set out in paragraph 4.8 of this Part XI (*Terms and Conditions of the Rights Issue*), or if it purports to exclude the warranty required by this paragraph.

8.2 *Qualifying CREST Shareholders*

A Qualifying CREST Shareholder who makes a valid acceptance in accordance with the procedure set out in paragraph 5 of this Part XI (*Terms and Conditions of the Rights Issue*) represents and warrants to the Company and the Underwriters that, except where proof has been provided to the Company's and the Underwriters' satisfaction that such person's acceptance will not result in the contravention of any applicable legal requirement in any jurisdiction:

- (a) he is not within the United States or any of the Excluded Territories;
- (b) he is not in any territory in which it is unlawful to make or accept an offer to acquire or subscribe for Nil Paid Rights, Fully Paid Rights or New Melrose Shares;
- (c) he is not acting on a non-discretionary basis for a person located within the United States or any Excluded Territory or any territory referred to in (b) above at the time the instruction to accept was

given, and such person is not accepting for the account of any person who is located within the United States; and

- (d) he is not acquiring Nil Paid Rights, Fully Paid Rights or New Melrose Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Nil Paid Rights, Fully Paid Rights or New Melrose Shares into the United States or any Excluded Territory or any territory referred to in (b) above.

The Company may treat as invalid any MTM instruction which: (a) appears to the Company to have been despatched from the United States or an Excluded Territory or otherwise in a manner which may involve a breach of the laws of any jurisdiction or they or their agents believe may violate any applicable legal or regulatory requirement; or (b) purports to exclude the warranty required by this paragraph.

8.3 *Waiver*

The provisions of paragraphs 7 and 8 of this Part XI (*Terms and Conditions of the Rights Issue*), and of any other terms of the Rights Issue relating to Qualifying Shareholders with registered addresses in, or who are located in, the United States or any of the Excluded Territories may be waived, varied or modified as regards specific Qualifying Shareholder(s) or on a general basis by the Company in its absolute discretion. Subject to this, the provisions of this paragraph 8.3 which refer to Qualifying Shareholders shall include references to the person or persons executing a Provisional Allotment Letter and, in the event of more than one person executing a Provisional Allotment Letter, the provisions of this paragraph 8.3 shall apply jointly to each of them.

8.4 *Payment*

All payments must be made in the manner set out in paragraphs 4.4 and 5.2 of this Part XI (*Terms and Conditions of the Rights Issue*) (as applicable).

9. **Taxation**

Information on taxation in the United Kingdom with regard to the Rights Issue is set out in Part VIII (*Taxation*) of this Prospectus. The information contained in Part VIII (*Taxation*) is intended only as a general guide to the current tax position in the United Kingdom and Qualifying Shareholders should consult their own tax advisers regarding the tax treatment of the Rights Issue in light of their own circumstances. Melrose Shareholders who are in any doubt as to their tax position or who are subject to tax in any other jurisdiction should consult an appropriate professional adviser immediately.

10. **Withdrawal rights**

Qualifying Shareholders wishing to exercise statutory withdrawal rights pursuant to section 87(Q)(4) of FSMA after the issue by the Company of a prospectus supplementing this Prospectus must do so by lodging a written notice of withdrawal (which shall not include notice sent by facsimile or any other form of electronic communication), which must include the full name and address of the person wishing to exercise statutory withdrawal rights and, if such person is a CREST member, the participant ID and the member account ID of such CREST member with the Receiving Agent by post or by hand (during normal business hours only) at Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, so as to be received no later than two Business Days after the date on which a supplementary prospectus is published. Notice of withdrawal given by any other means or which is deposited with or received by the Receiving Agent after expiry of such period will not constitute a valid withdrawal. The Company shall treat as valid any notice of withdrawal received through the post which bears a legible postmark on its envelope dated not later than the date falling two Business Days after the date on which such supplementary prospectus was published.

Following the valid exercise of statutory withdrawal rights, application moneys will be returned by post to relevant Qualifying Shareholders at their own risk and without interest to the address set out in the Provisional Allotment Letter and/or the Receiving Agent will refund the amount paid by a Qualifying CREST Shareholder by way of a CREST payment, without interest, as applicable within 14 days of such exercise of statutory withdrawal rights. Interest earned on such moneys will be retained for the benefit of the Company. Furthermore, the exercise of withdrawal rights will not be permitted after payment by the relevant Qualifying Shareholder of its subscription amount in full and the allotment of the New Melrose Shares to such Qualifying Shareholder becoming unconditional. In such circumstances, Qualifying

Shareholders are advised to consult their professional advisers including their legal advisers as this may be a matter of law. The provisions of this paragraph 10 are without prejudice to the statutory rights of Qualifying Shareholders. In such event investors are advised to seek independent legal advice. Provisional allotments of entitlements to New Melrose Shares which are the subject of a valid withdrawal notice will be deemed to be declined. Such entitlements to New Melrose Shares will be subject to the provisions of paragraph 6 above as if the entitlements had not been validly taken up.

11. Times and dates

The Company shall, at its discretion and after consultation with its financial and legal advisers, be entitled to amend the dates that Provisional Allotment Letters are despatched or dealings in Nil Paid Rights commence and amend or extend the latest date for acceptance under the Rights Issue and all related dates set out in this Prospectus and in such circumstances shall announce such amendment via a Regulatory Information Service and notify the UKLA and, if appropriate, Melrose Shareholders.

12. ISIN

The ISIN for the New Melrose Shares will be the same as for the Existing Melrose Shares being GB00BZ1G4322. The ISIN for the Nil Paid Rights will be GB00BYQLYB32 and for the Fully Paid Rights GB00BYQLYF79.

13. Dilution

If a Qualifying Shareholder does not take up the offer of New Melrose Shares in whole or in part, such Qualifying Shareholder's holding will be diluted by up to 92.3%.

14. Governing law

The terms and conditions of the Rights Issue as set out in this Prospectus and the Provisional Allotment Letter and any non-contractual obligations relating thereto shall be governed by, and construed in accordance with, the laws of England and Wales. The New Melrose Shares will be created pursuant to the Articles and under the Companies Act.

15. Jurisdiction

The courts of England and Wales are to have exclusive jurisdiction to settle any dispute which may arise out of or in connection with the Rights Issue, this Prospectus and the Provisional Allotment Letter (where appropriate). By accepting rights under the Rights Issue in accordance with the instructions set out in this Prospectus and, in the case of Qualifying Non-CREST Shareholders only, the Provisional Allotment Letter, Qualifying Shareholders irrevocably submit to the jurisdiction of the courts of England and Wales and waive any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum.

PART XII
ADDITIONAL INFORMATION

1. Responsibility

- 1.1 The Company and the Melrose Directors, whose names appear at paragraph 1 of Part IX (*Directors, Corporate Governance and Employees*) of this Prospectus, accept responsibility for the information contained in this Prospectus. To the best of the knowledge of the Company and the Melrose Directors (having taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and contains no omission that is likely to affect its import.
- 1.2 For the purposes of Prospectus Rule 5.5.3 R(2)(f), Deloitte LLP, whose registered address is at 2 New Street Square, London EC4A 3BZ and who is a member of the Institute of Chartered Accountants in England and Wales is responsible for its report in Part VII (*Unaudited Pro Forma Financial Information on the Enlarged Group*) of this Prospectus and declares that it has taken all reasonable care to ensure that the information contained in this report is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with Annex I, item 1.2 of the Prospectus Directive Regulation.
- 1.3 For the purposes of Prospectus Rule 5.5.3R(2)(f), Ernst & Young LLP is responsible for its report set out in Part B (*Historical Financial Information Relating to Nortek*) of Part IV (*Financial Information on Nortek*) of the Circular and incorporated into this Prospectus by reference as part of this Prospectus and declares that it has taken all reasonable care to ensure that the information contained in this report is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with Annex I, item 1.2 of the Prospectus Directive Regulation.

2. Corporate history

- 2.1 Melrose was incorporated in England and Wales on 29 September 2015 under the Companies Act as a public company limited by shares with registration number 9800044 and with the name New Melrose Industries PLC. The Company's name was changed to Melrose Industries PLC on 19 November 2015.
- 2.2 The liability of the members of the Company is limited.
- 2.3 The Company is domiciled in the United Kingdom and its registered office is at 11th Floor, The Colmore Building, 20 Colmore Circus Queensway, Birmingham, B4 6AT. The Company's principal place of business is at Leconfield House, Curzon Street, London W1J 5JA (tel. no. +44 (0)20 7647 4500).
- 2.4 On 1 October 2015, the Company was granted a certificate under section 761 of the Companies Act entitling it to commence business.
- 2.5 On 19 November 2015, the Melrose Shares were admitted to the premium segment of the Official List and to trading on the London Stock Exchange's main market for listed securities.

3. Share capital

- 3.1 The share capital history of the Company is as follows:
 - (a) On incorporation the share capital of the Company was £1, comprising 1 subscriber share of £1, held by the Company Secretary.
 - (b) On 1 October 2015, the Company issued 50,000 redeemable preference shares of £1 each, paid up in full, to Shield Trust Limited.
 - (c) On 19 November 2015, 995,206,966 ordinary shares of 26.5 pence each in the Company were issued to holders of ordinary shares in Old Melrose pursuant to the terms of the Scheme. In addition, the Melrose Board granted 47,625 2012 Incentive Options in respect of 2012 Incentive Shares (including 34,000 to Directors as set out at paragraph 1.3 to Part IX (*Directors, Corporate Governance and Employees*) of this Prospectus) in exchange for existing options over 2012 incentive shares in Old Melrose on a one for one basis upon the Scheme becoming effective, and upon such exchange taking effect the existing options lapsed. The terms of the 2012 Incentive Options are set out in paragraph 16 (*Terms of 2012 Incentive Options*) of Part XII (*Additional Information*).

- (d) On 23 November 2015, the nominal value of each ordinary share of 26.5 pence each in the Company was reduced to 1 penny and the subscriber share was cancelled.
- (e) On 26 January 2016, 26 ordinary shares of 1 penny each in the Company were issued to Investec Bank plc. At 6.00 p.m. on 26 January 2016 the Melrose Directors capitalised a sum of £2,388,496,718.40 then standing to the credit of the Company's merger reserve and applied such sum in paying up in full 995,206,966 B shares of £2.40 each in the Company and allotted such B shares credited as fully paid up to the holders of ordinary shares in the Company pro rata to their holdings as at 5.00 p.m. on 26 January 2016. On 27 January 2016, such B shares were cancelled and extinguished in return for a payment by the Company to each holder of a B share, as shown on the register of members of the Company at 5.00 p.m. on 26 January 2016, of £2.40 per B share held by that holder.
- (f) On 28 January 2016, each ordinary share of 1 penny each in the Company was sub-divided into 7 ordinary shares of 1/7 pence each in the Company and forthwith upon such sub-division every 48 ordinary shares in the Company resulting from the sub-division was consolidated into one Ordinary Share, provided that no shareholder was entitled to a fraction of an Ordinary Share and all fractional entitlements arising out of the consolidation were aggregated into whole Ordinary Shares and the Ordinary Shares so arising sold and the net proceeds of sale donated to a charity chosen by the Melrose Board.

3.2 The following table sets out the issued share capital of the Company as at the date of this Prospectus:

<u>Class</u>	<u>£</u>	<u>Number</u>	<u>Nominal value</u>
Ordinary	9,952,069.92	145,134,353	⁴⁸ / ₇ pence

3.3 The following table sets out the issued share capital of the Company immediately following Admission⁽¹⁾:

<u>Class</u>	<u>£</u>	<u>Number</u>	<u>Nominal value</u>
Ordinary	129,376,908.96	1,886,746,589	⁴⁸ / ₇ pence

Note:

(1) Assuming the maximum number of New Melrose Shares is issued.

3.4 Set out below is a description of the resolutions, authorisations and approvals by virtue of which the New Melrose Shares will be created and/or issued or which will be in effect following Admission:

3.4.1 The following ordinary resolutions will be proposed at the Melrose General Meeting:

- (a) that, subject to and conditional on the passing of resolution 1 (the approval of the Acquisition) set out in the Notice of General Meeting, in addition and without prejudice to all existing authorities conferred on the Melrose Directors, the Melrose Directors be generally and unconditionally authorised in accordance with section 551 of the Companies Act to allot shares in the Company or to grant rights to subscribe for or to convert any security into shares in the Company (“**Rights**”) up to an aggregate nominal amount of £119,424,839.04, provided that:
- (i) such authority shall expire on 31 December 2016; and
 - (ii) the Company may make offers or agreements before the authority expires which would or might require shares to be allotted or rights to be granted after the authority expires, and so that the Melrose Directors may allot shares or grant Rights in pursuance of any such offer or agreement notwithstanding that the authority conferred by this resolution has expired; and
- (b) that, subject to and conditional on Admission, in addition to the authority described in sub-paragraph (a) above but in substitution for the authority granted pursuant to resolution 14 passed at the 2016 AGM, the Melrose Directors be generally and unconditionally authorised in accordance with section 551 of the Companies Act to allot shares in the Company or grant Rights:
- (i) up to an aggregate nominal amount of £43,125,636 (such nominal amount representing approximately one third of the expected Enlarged Share Capital); and

- (ii) comprising equity securities (as defined in section 560 of the Companies Act) up to an aggregate nominal amount of £86,251,272 (such nominal amount representing approximately two thirds of the expected Enlarged Share Capital), such amount to be reduced by the aggregate nominal amount of any allotments or grants made under the authority described in sub paragraph (b)(i) of this paragraph 3.4.1 in connection with an offer by way of a rights issue:
 - a. to holders of Melrose Shares in proportion (as nearly as may be practicable) to their existing holdings; and
 - b. to holders of other equity securities as required by the rights of those securities or, subject to such rights, as the Melrose Directors otherwise consider necessary,
 and so that the Melrose Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter,

provided that such authority shall expire at the conclusion of the Company's next annual general meeting after this resolution is passed or, if earlier, at the close of business on 30 June 2017 but, in each case, so that the Company may make offers or agreements before the authority expires which would or might require shares to be allotted or rights to be granted after the authority expires, and so that the Melrose Directors may allot shares or grant Rights in pursuance of any such offer or agreement notwithstanding that the authority conferred by this resolution has expired.

3.4.2 The following special resolutions will be proposed at the Melrose General Meeting:

- (a) subject to and conditional on the passing of resolution 1:
 - (i) the proposed transfer of the Company's category of equity share listing on the Official List from the premium segment to the standard segment of the Official List; and
 - (ii) in the event that Completion takes place prior to such transfer, the cancellation of the listing of the Melrose Shares on the premium segment of the Official List and the Re-admission of the Melrose Shares to the standard segment of the Official List and to trading on the London Stock Exchange's main market for listed securities,

be and are approved and, in each case, the Directors (or any duly constituted committee thereof) be authorised, as they may in their absolute discretion think fit, to take all such steps and to enter into all agreements and arrangements as may be necessary or desirable in connection with, or to implement, Re-admission or the transfer, as applicable;

- (b) that, subject to and conditional on Admission and the resolution described in sub paragraph (b) of paragraph 3.4.1 having been passed, in substitution for the power granted pursuant to resolution 15 passed at the 2016 AGM, the Melrose Directors be and are generally empowered to allot equity securities (as defined in section 560 of the Companies Act) for cash pursuant to the authorities granted by the resolution described in sub paragraph (b) of paragraph 3.4.1 above and/or to sell ordinary shares held by the Company as treasury shares for cash, in each case as if section 561 of the Companies Act did not apply to any such allotment or sale, provided that this power shall be limited:
 - (i) to the allotment of equity securities in connection with an offer of equity securities (but in the case of an allotment pursuant to the authority described in sub paragraph (b)(ii) of the resolution described in paragraph 3.4.1 above, such power shall be limited to the allotment of equity securities in connection with an offer by way of a rights issue only):
 - a. to Melrose Shareholders in proportion (as nearly as may be practicable) to their existing holdings; and
 - b. to holders of other equity securities, as required by the rights of those securities or, subject to such rights, as the Melrose Directors otherwise consider necessary,

and so that the Melrose Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter; and

- (ii) to the allotment (otherwise than in the circumstances set out in sub paragraph (i) above) of equity securities pursuant to the authority granted by sub paragraph (b)(i) of the resolution described in paragraph 3.4.1 above or sale of treasury shares up to a nominal amount of £6,468,845 (such amount representing approximately 5% of the expected Enlarged Share Capital),

provided that such powers shall expire at the conclusion of the Company's next annual general meeting after this resolution is passed or, if earlier, at the close of business on 30 June 2017, but, in each case, so that the Company may make offers or agreements before the power expires which would or might require equity securities to be allotted (and/or treasury shares to be sold) after the power expires, and so that the Melrose Directors may allot equity securities (and/or to sell treasury shares) in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired;

- (c) that, subject to and conditional on Admission and the resolution described in sub paragraph (b) of paragraph 3.4.1 having been passed, in substitution for the power granted pursuant to resolution 15 passed at the 2016 AGM and in addition to any authority granted under the resolution described in sub paragraph (b) of paragraph 3.4.2 above, the Melrose Directors be and are generally empowered to allot equity securities (as defined in section 560 of the Companies Act) for cash pursuant to the authorities granted by the resolution described in sub paragraph (b) of paragraph 3.4.1 above as treasury shares for cash as if section 561 of the Companies Act did not apply to any such allotment or sale, provided that this power shall be:

- (i) limited to the allotment of equity securities pursuant to the authority granted by sub paragraph (i) of the resolution described in paragraph 3.4.1(b) above or sale of treasury shares up to a nominal amount of £6,468,845 (such amount representing approximately 5% of the expected Enlarged Share Capital); and
- (ii) used only for the purposes of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which the Directors determine to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of the Notice of General Meeting,

provided that such powers shall expire at the conclusion of the Company's next annual general meeting after this resolution is passed or, if earlier, at the close of business on 30 June 2017, but, in each case, so that the Company may make offers or agreements before the power expires which would or might require equity securities to be allotted (and/or treasury shares to be sold) after the power expires, and so that the Melrose Directors may allot equity securities (and/or to sell treasury shares) in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired; and

- (d) that, subject to and conditional on Admission and in substitution for the authority granted pursuant to resolution 16 passed at the 2016 AGM, the Company be generally and unconditionally authorised to make one or more market purchases (within the meaning of section 693 of the Companies Act) of Ordinary Shares provided that:

- (i) the maximum aggregate number of Ordinary Shares authorised to be purchased is 188,674,658 (representing approximately 10% of the expected Enlarged Share Capital);
- (ii) the minimum price which may be paid for an Ordinary Share shall not be less than the nominal value of an Ordinary Share at the time of such purchase;
- (iii) the maximum price which may be paid for an Ordinary Share is not more than the higher of:
 - a. 105% of the average of the middle market quotation for an Ordinary Share as derived from the Daily Official List of the London Stock Exchange for the five Business Days immediately preceding the day on which the Ordinary Share is purchased; and
 - b. the higher of the price of the last independent trade and the highest current independent bid on the trading venue where the purchase is carried out,

in each case, exclusive of expenses;

- (iv) this authority shall expire at the conclusion of the Company's first annual general meeting after this resolution is passed or, if earlier, at the close of business on 30 June 2017;
 - (v) the Company may make a contract to purchase Ordinary Shares under this authority which would or might be executed wholly or partly after the expiry of this authority, and may make a purchase of Ordinary Shares in pursuance of any such contract; and
 - (vi) any Ordinary Shares purchased pursuant to this authority may either be held as treasury shares or cancelled by the Company, depending on which course of action is considered by the Melrose Directors to be in the best interests of shareholders at the time.
- 3.5 Save as disclosed in this paragraph 3, as at the date of this Prospectus:
- (a) there has been no issue of shares or loan capital of the Company since its incorporation; and
 - (b) the Company does not hold any Ordinary Shares in treasury.
- 3.6 The Company remains subject to the continuing obligations of the Listing Rules published by the FCA with regard to the issue of securities for cash.
- 3.7 In relation to the resolutions described in paragraphs 3.4.2(b) and 3.4.2(c) above, as part of the Company's strategy, Melrose regularly utilises equity funding and, under certain circumstances, may benefit from the flexibility this authority provides.
- 3.8 In relation to the resolution described in paragraph 3.4.2(d) above, given that the Company's model is to return capital to shareholders upon the successful sale of a business, it may be that, in certain circumstances, a share buy-back proves to be the most efficient means of returning such capital. As a result, the Company seeks authority from shareholders to have this option were the circumstances to arise.
- 3.9 Nonetheless, the Melrose Directors have no present intention to make any allotments or sell any treasury shares pursuant to the authorities and powers contemplated in the resolutions described in paragraphs 3.4.1(b), 3.4.2(b), 3.4.2(c) or 3.4.2(d) above.
- 3.10 The principal legislation under which the Company operates and pursuant to which the Existing Melrose Shares have been, and the New Melrose Shares will be, created is the Companies Act and regulations made under the Companies Act. The Existing Melrose Shares are, and the New Melrose Shares will be, denominated in pounds sterling. The ISIN for the New Melrose Shares will be the same as for the Existing Melrose Shares, being GB00BZ1G4322, and the SEDOL number will continue to be BZ1G432. The ISIN for the Nil Paid Rights will be GB00BYQLYB32 and for the Fully Paid Rights GB00BYQLYF79. The New Melrose Shares will be in registered form and are capable of being held in either (i) certificated form; or (ii) uncertificated form, and title to such shares may be transferred by means of a relevant system (as defined in the CREST Regulations).

4. Articles of Association

The following is a summary of the rights and restrictions attaching to the Ordinary Shares, and the 2012 Incentive Shares, which are more fully set out in the Articles. The New Melrose Shares will have the same rights and restrictions as the Existing Melrose Shares.

4.1 Voting rights

- 4.1.1 Subject to any special rights or restrictions as to voting attached to any class of shares by or in accordance with the Melrose Articles, at a general meeting every Melrose Shareholder present in person or by proxy has on a show of hands one vote and every Melrose Shareholder present in person or by proxy has on a poll one vote for every share of which he is the holder. In the case of joint holders, the vote of the person whose name stands first in the register of members and who tenders a vote is accepted to the exclusion of any votes tendered by any other joint holders.
- 4.1.2 The holders of 2012 Incentive Shares have the right to receive notice of and to attend general meetings of Melrose, but do not have the right to vote thereat.

4.2 Dividends

- 4.2.1 Subject to the Articles and the Companies Act, the Company may by ordinary resolution declare a dividend to be paid to the Melrose Shareholders according to their respective rights and interests,

but no dividend may exceed the amount recommended by the Melrose Board. The Melrose Board may declare and pay such interim dividends as appear to it to be justified by the profits of the Company available for distribution.

- 4.2.2 The 2012 Incentive Shares do not confer a right to be paid a dividend save (in the case of the 2012 Incentive Shares) as set out in paragraph 4.4 below.
- 4.2.3 Except as otherwise provided by the rights attached to shares, a dividend shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is declared and paid, but no amount paid up on a share in advance of a call may be treated for these purposes as paid up on the share. Dividends shall be apportioned and paid proportionately to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid.
- 4.2.4 Except as otherwise provided by the rights attached to shares, dividends may be declared or paid in any currency and, with the prior authority of an ordinary resolution of the Company, payment of a dividend may be satisfied wholly or in part by the distribution of assets in specie.
- 4.2.5 A dividend unclaimed for a period of 12 years from the date it was declared or became due for payment is forfeited and ceases to remain owing by the Company.

4.3 *Return of capital*

- 4.3.1 On a voluntary winding up of the Company the liquidator may, on obtaining any sanction required by law, divide among the members in kind the whole or any part of the assets of the Company, whether or not the assets consist of property of one kind or of different kinds and vest the whole or any part of the assets in trustees upon such trusts for the benefit of the members. For such purpose the liquidator may set the value he deems fair on a class or classes of property, and may determine on the basis of that valuation and in accordance with the then existing rights of members how the division is to be carried out between members or classes of members. The liquidator may not, however, distribute to a member without his consent an asset to which there is attached a liability or potential liability for the owner.
- 4.3.2 On a return of capital on winding up (but not otherwise), the holders of 2012 Incentive Shares shall be entitled to participate in the Company's assets available for distribution in accordance with paragraph 4.4.14 below.

4.4 *Further rights attaching to 2012 Incentive Shares*

4.4.1

- (a) The holders of the 2012 Incentive Shares shall, not later than 20 Business Days after the trigger date, be paid a dividend which shall be equal to such amount per 2012 Incentive Share (the "**Dividend Amount**") as equals the Conversion Number (as determined in accordance with paragraph 4.4.3 for the trigger date, except that if the Conversion Number is a fraction it shall not be rounded up) multiplied by SP (as determined in accordance with paragraph 4.4.3). To the extent that a dividend is paid in respect of 2012 Incentive Shares in accordance with this paragraph 4.4.1(a), those shares shall, with effect from the payment date, be re-designated, and in any event shall have the same rights (and no other rights), as non-voting deferred shares, having the rights set out in paragraph 4.4.11.
- (b) Prior to the trigger date, the Remuneration Committee may in its absolute discretion determine that the Dividend Amount to be paid on the 2012 Incentive Shares should be reduced in whole or in part. If the Dividend Amount is reduced in whole, the 2012 Incentive Shares shall be converted in accordance with the remaining provisions of this paragraph 4.4. If the Dividend Amount is reduced in part the 2012 Incentive Shares shall be converted in accordance with the remaining provisions of this paragraph 4.4 save that the Conversion Number shall be reduced to reflect the amount of the dividend per share to be paid. Melrose shall serve a notice on the holders of such 2012 Incentive Shares (a "**conversion notice**") informing such holders of the determination by the Remuneration Committee and such notice shall be served within five Business Days of such determination.

(c) If the Company is unable (for whatever reason) to pay the full amount of the dividend which is due as provided for in paragraph 4.4.1(a) or paragraph 4.4.1(b) or if the Company decides not to pay such a dividend or if the Remuneration Committee determines in accordance with paragraph 4.4.1(b) that the 2012 Incentive Shares should be converted but the Company fails to convert the 2012 Incentive Shares in accordance with paragraph 4.4.1(b) and the remaining provisions of this paragraph 4.4, then the Company shall procure that such 2012 Incentive Shares shall be purchased, not later than 25 Business Days after the trigger date, by an employee benefit trust nominated by the Company for a consideration per 2012 Incentive Share equal to the Dividend Amount (as defined in paragraph 4.4.1(a)), failing which the Company shall redeem such 2012 Incentive Shares, not later than 25 Business Days after the trigger date, for a redemption payment per 2012 Incentive Share equal to the Dividend Amount (the Dividend Amount, in each case, to be reduced by the amount of any dividend actually paid on the 2012 Incentive Shares in accordance with paragraph 4.4.1(b)).

4.4.2 If a conversion notice is served in accordance with paragraph 4.4.1(b), or pursuant to paragraph 4.4.13 or paragraph 4.4.14, on conversion each 2012 Incentive Share shall convert into such number of fully paid ordinary shares as equals the Conversion Number (save where a dividend has been paid on the 2012 Incentive Shares in accordance with paragraph 4.4.1(b) in which case the Conversion Number shall be reduced to reflect the amount of any dividend per share actually paid).

4.4.3 Subject to paragraph 4.4.7 and paragraph 4.4.13 and subject always to adjustment in accordance with paragraph 4.4.15 and/or paragraph 4.4.16, the “**Conversion Number**” equals:

$$\frac{7.5}{100} \times [(SP \times N) - IC] \times \frac{1}{SP}$$

NBS

Where:

N = the number of ordinary shares in issue on the relevant trigger date.

NBS = 50,000.

SP = the price certified by Investec Bank plc (or other brokers for the time being of the Company) to be the average closing middle market quotation (in pounds sterling) of an ordinary share in the capital of the Company as derived from the Daily Official List for the 40 Business Days prior to the trigger date.

IC = the invested capital (in pounds sterling), relating to the ordinary shares of Melrose PLC, Old Melrose or Melrose, as the case may be, being the sum of the Indexed Capital for each month in which there is either an Ordinary Share Cost or a return from (and including) March 2012 (and for these purposes the Ordinary Share Cost for March 2012 shall be £1,518,492,691, being the deemed market capitalisation of Melrose PLC as at 21 March 2012 based on the average closing middle market quotation (in pounds sterling) of an ordinary share in the capital of Melrose PLC as derived from the Daily Official List for the 40 Business Days up to and including 21 March 2012).

and where:

(i) the “**Indexed Capital**” for a month means the Net Capital for that month multiplied by the relevant Index Adjustment for the period from the commencement of that month until the commencement of the month in which the trigger date falls.

(ii) the “**Net Capital**” for a month means the Ordinary Share Cost in that month or the Returns in that month or, in the event that there are both, the net amount of Ordinary Share Cost minus Returns, and which for the avoidance of doubt may be zero or a negative number.

(iii) “**Ordinary Share Cost**” means the total amount (in pounds sterling) paid up (as to nominal value and any premium) on any allotment of ordinary shares of Melrose PLC (prior to 27 November 2012), Old Melrose (on or after 27 November 2012 and prior to 19 November 2015) or of Melrose (on or after 19 November 2015) in the period (excluding the ordinary shares of, Melrose PLC, Old Melrose or Melrose issued or to be issued pursuant to the Old Scheme or the Scheme), provided that (I) if any part of such amount paid up on any ordinary share in Melrose PLC, Old Melrose or Melrose, as the case may be, is paid up otherwise than in cash

the amount paid up on that share shall be deemed to be the price certified by Investec Bank plc (or other broker for the time being of Melrose) to be the average closing middle market quotation (in pounds sterling) of an ordinary share in Melrose PLC, Old Melrose or Melrose, as the case may be, as derived from the Daily Official List for the 10 Business Days from and including the date on which the new ordinary shares are admitted to trading, and (II) if any ordinary shares in Melrose PLC, Old Melrose or Melrose, as the case may be, shall be allotted credited as fully paid by way of capitalisation of profits or reserves, the amount paid up on such shares shall be excluded from the calculation of Ordinary Share Cost.

- (iv) **“Returns”** means the sum of any dividends or distributions of any kind paid or made on or in respect of the ordinary shares of Melrose PLC (prior to 27 November 2012), Old Melrose (on or after 27 November 2012 and prior to 19 November 2015) or of the Company (on or after 19 November 2015), including (I) a purchase of any of Melrose PLC’s (prior to 27 November 2012), Old Melrose’s (on or after 27 November 2012 and prior to 19 November 2015) or of Melrose’s (on or after 19 November 2015) own shares (whether or not out of the proceeds of any fresh issue of shares or out of unrealised profits), (II) a reduction of share capital by repaying paid up share capital, and (III) any other returns of capital in the period, whether in cash or otherwise and however described, excluding:
- a. any issue of shares credited as fully paid to shareholders by way of capitalisation of profits or reserves which is to be, or may at the election of the shareholders be, issued instead of the whole or any part of a cash dividend which the shareholders concerned would or could otherwise have received; and
 - b. any issue of shares credited as fully paid to the shareholders (or as they may direct) by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve).
- (v) **“Index Adjustment”** =

$$\left(\left(\frac{RPI_2}{RPI_1} \right)^{\frac{12}{t}} + 0.02 \right)^{\frac{t}{12}}$$

Where:

RPI₁ is the RPI for the month immediately preceding the start of the period referred to in (i) above (rounded to one decimal place).

RPI₂ is the RPI for the month immediately preceding the end of the period referred to in (i) above (or, if that has not been published by the close of business on the trigger date, then the RPI for the latest month for which the RPI has been published) (rounded to one decimal place).

“t” is the number of months between the two months used to determine RPI₁ and RPI₂ (and for the avoidance of doubt, there are 12 months between the same months in consecutive years).

“RPI” means the UK Retail Prices Index (all items) published by the Office for National Statistics (or any successor Government department) (January 1987 = 100) or any index which may replace the RPI, as selected by the Remuneration Committee.

References to a month are to a calendar month.

For the avoidance of doubt, where “IC” is a negative number, the formula in this paragraph 4.4.3 shall continue to be applicable.

In the event that the calculation in this paragraph 4.4.3 results in a Conversion Number being less than one, the Conversion Number for the purposes of these paragraphs shall be one.

The Conversion Number multiplied by NBS shall not exceed the sum of (i) 5% of the aggregate number of ordinary shares in Melrose PLC in issue on 22 March 2012, being 390,961,043, plus (ii) 5% of any additional ordinary shares issued or created by Melrose PLC or Old Melrose after 22 March 2012 and prior to 19 November 2015 or by the Company on or after 19 November 2015 (but in each case excluding the ordinary shares in Melrose PLC, Old Melrose or the Company to be issued pursuant to the scheme of arrangement under section 899 of the Companies Act between Melrose PLC, Old Melrose, and holders of

ordinary shares in Melrose PLC which became effective on 12 July 2015 (the “**Old Scheme**”), (the “**Cap**”).

- 4.4.4 In this paragraph 4.4, the “**trigger date**” is (except where paragraph 4.4.13 or paragraph 4.4.14 applies) 31 May 2017. If, however, the Company annual accounts for its preceding financial period (or where applicable a summary financial statement derived from the annual accounts) have (or has) not been published by 31 March 2017, the trigger date is two months after the date on which the annual accounts (or where applicable the summary financial statement) are (or is) so published. If the Company shall change its accounting reference date from 31 December, there shall be substituted for the said 31 May 2017 the date which is five months after the new accounting date. Other than pursuant to paragraph 4.4.13 and paragraph 4.4.14 the trigger date as calculated in accordance with this paragraph 4.4.4 shall not be prior to 31 May 2017.
- 4.4.5 The ordinary shares to which a holder is entitled on conversion shall not rank for any dividends or other distributions paid or made on ordinary shares prior to the relevant trigger date but shall rank for any paid or made thereafter, and subject thereto they shall rank *pari passu* in all respects and form one class with the ordinary shares then in issue.
- 4.4.6 If a conversion notice is served in accordance with paragraph 4.4.1(b), within 20 Business Days after the trigger date (the “**conversion date**”), the Melrose Board shall convert the 2012 Incentive Shares into the ordinary shares and deferred shares (if any) arising on conversion and, as soon as reasonably practicable thereafter, shall issue to the holders of such ordinary shares without charge certificates for the ordinary shares and deferred shares (if any). In the meantime, transfers of ordinary shares shall be certified against the register.
- 4.4.7 Except for the purposes of paragraph 4.4.1(a), where the Conversion Number is a fraction, the Conversion Number shall be rounded up to the nearest whole number provided that where a holder of 2012 Incentive Shares converts more than one 2012 Incentive Share at the same time, then for the purposes of determining the number of ordinary shares to which a holder is entitled and whether (and if so what) fraction of an ordinary share arises, the number of ordinary shares arising on the conversion of 2012 Incentive Shares by any one holder shall first be aggregated.
- 4.4.8 Where a block admission arrangement is in place with a relevant investment exchange, the Company will use its best endeavours to procure that the aggregate Conversion Number of ordinary shares shall, upon conversion, be admitted to the relevant investment exchange. Where a block admission arrangement is not in place or is insufficient to deal with the aggregate Conversion Number, the Company will apply for admission to the relevant investment exchange for that number of ordinary shares for which there are insufficient ordinary shares available under a block admission arrangement to satisfy the aggregate Conversion Number. The Company shall prepare and use its best endeavours to issue any listing particulars and other documents that may be required to be issued in respect of any ordinary shares arising on conversion pursuant to the rules of any relevant investment exchange.
- 4.4.9 The Melrose Board may in its absolute discretion from time to time decide the manner in which 2012 Incentive Shares are to be converted, subject to the provisions of the Articles and the Companies Act, and for the avoidance of doubt may decide to effect conversion of 2012 Incentive Shares partly in one manner and partly in another.
- 4.4.10 Without prejudice to paragraph 4.4.9, the Melrose Board may, pursuant to the authority given by the adoption of the Articles and without the requirement for any further resolution of the Company or of the holders of any class of shares, elect to effect conversion, in whole or in part, by sub-division, in which case each 2012 Incentive Share to be converted shall, pursuant to the authority granted by the adoption of the Articles, be sub-divided and re-designated into:
- (i) such number of ordinary shares of the same nominal amount as the ordinary shares of the Company at such time as the Melrose Board determines, equal to (or no greater than) the Conversion Number; and
 - (ii) a non-voting Deferred Share with a nominal value equal to the balance of such share, having the rights set out in paragraph 4.4.11 (a “**Deferred Share**” and, together, the “**Deferred Shares**”).
- 4.4.11 The Deferred Shares shall not confer the right to be paid a dividend or to receive notice of or to attend or vote at a general meeting. On a winding-up, after the distribution of the first £10 billion of

the assets in accordance with paragraph 4.3.2, the holders of the Deferred Shares (if any) shall be entitled to receive an amount equal to the nominal value of such Deferred Shares pro rata to their respective holdings. The Deferred Shares shall not, save as referred to in this paragraph 4.4.11, be transferable. Conversion of a 2012 Incentive Share is deemed to confer irrevocable authority on the Melrose Board at any time to do all or any of the following without obtaining the sanction of the holder of any or all of the Deferred Shares:

- (i) to appoint a person to execute on behalf of each holder of Deferred Shares an instrument of transfer for or an agreement to transfer (or both) all or some of the Deferred Shares, without making a payment to the holder, to such person as the Melrose Board may decide, as custodian;
- (ii) to purchase all or some of the Deferred Shares (subject to the provisions of the Companies Act) for a price of 1 penny for all the Deferred Shares purchased, without obtaining the sanction of the holder;
- (iii) for the purposes of any such purchase, to appoint any person to execute on behalf of the holder of Deferred Shares a contract for the sale to the Company of any such Deferred Shares by him or her; and
- (iv) to cancel all or any of the same so purchased in accordance with the Companies Act.

Pending the transfer or purchase the Company may retain the certificates for the Deferred Shares.

4.4.12 Without prejudice to paragraph 4.4.9, and notwithstanding the provisions of the Articles, the Melrose Board may without the requirement for any further resolution of the Company or of the holders of any class of shares, (I) elect to effect conversion, in whole or in part, by way of the capitalisation of profits or reserves (including a share premium account, capital redemption reserve and profit and loss account), whether or not available for distribution, and/or (II) appropriate the sum to be capitalised to any one or more holders of 2012 Incentive Shares and whether or not in proportion to the nominal amounts of shares held by them, and apply that sum on such holders' behalf in or towards paying up in full unissued ordinary shares of a nominal amount equal to that sum, and to allot the shares to such holders or as they may direct. Immediately upon such allotment, the 2012 Incentive Shares to be converted at any one time and held by such holder shall, if conversion is effected in whole pursuant to this paragraph 4.4.12, pursuant to the authority given by the adoption of the Articles and without the requirement for any further resolution of the Company, be re-designated as non-voting Deferred Shares having the rights set out in paragraph 4.4.11.

4.4.13 If, prior to the payment of the dividend provided for in paragraph 4.4.1(a) and paragraph 4.4.1(b), the conversion of the 2012 Incentive Shares into ordinary shares pursuant to paragraph 4.4.1(b) or the purchase or redemption of the 2012 Incentive Shares pursuant to paragraph 4.4.1(c), as the case may be, the Company becomes aware that, as a result of an offer made to all holders of ordinary shares (or all holders of ordinary shares other than the offeror and any associates of the offeror, as defined in section 988 of the Companies Act) to acquire all or some of the ordinary shares (including any such offer implemented by way of a court approved scheme of arrangement under Part 26 of the Companies Act) the right to cast more than 50% of the votes that may ordinarily be cast on a poll at a general meeting has or will become vested in the offeror and those associates, the Company shall give notice to all holders of 2012 Incentive Shares forthwith upon it becoming so aware. Subject to paragraph 4.6.3, the 2012 Incentive Shares shall convert on the third day following the date of the notice in accordance with this paragraph 4.4 except that for such purposes the "trigger date" shall be the date of, but immediately prior to, the change of control of the Company (the "**Change of Control**") and "SP" shall be the offer price as calculated on the date of the Change of Control. In the event that part or all of the offer price is not in cash, the Remuneration Committee shall determine the value of the non-cash element, having been advised by an investment bank of repute that such valuation is fair and reasonable. For the avoidance of doubt, any offer so made (including any offer implemented by way of a court-approved scheme of arrangement under Part 26 of the Companies Act) which results in the Company being controlled by a new company ("**New Company**") in which at least 90% of the shares in the New Company are held by substantially the same persons who immediately before the offer was made were shareholders in the Company shall not constitute a Change of Control of the Company and no "trigger date" shall be deemed to have occurred provided that the 2012 Incentive Shares have been

exchanged or are exchangeable for new incentive shares in the New Company on substantially the same terms as the 2012 Incentive Shares.

- 4.4.14 If, prior to the payment of the dividend provided for in paragraph 4.4.1(a) and paragraph 4.4.1(b) , the conversion of the 2012 Incentive Shares into ordinary shares pursuant to paragraph 4.4.1(b) or the purchase or redemption of the 2012 Incentive Shares pursuant to paragraph 4.4.1(c), as the case may be, either (I) a resolution for voluntary winding-up of the Company is passed or (II) a winding-up order is made by the court in relation to the Company, subject to paragraph 4.6.3, the 2012 Incentive Shares shall be treated as if they had converted in accordance with this paragraph 4.4 on the date of, and with effect immediately prior to, the resolution for the voluntary winding-up of the Company being passed or the date of the winding-up order being made, as the case may be (in either case, the “**operative date**”) except that for such purposes the “trigger date” shall be the operative date. In that event, the holder thereof shall be entitled to be paid, in satisfaction of the amount due in respect of his 2012 Incentive Shares, a sum equal to the amount to which he would have been entitled on a return of capital on a winding-up if he had been the holder of the ordinary shares to which he would have become entitled on such conversion.
- 4.4.15 If a doubt or dispute arises concerning the calculation of the Conversion Number or any component part of the formulae for calculating the Conversion Number, the Melrose Board shall refer the matter to the auditors and their certificate as to such calculation shall be conclusive and binding on all concerned.
- 4.4.16 In the event that any provision (or combination of provisions) in this paragraph 4.4 or any future change to the capital structure of the Company produces, or is likely to produce, a Conversion Number which appears to the Remuneration Committee to be an anomalous result or there shall be quantified material information known to the Remuneration Committee in relation to the current financial position of the Company that is not in the public domain that would, in the reasonable opinion of the Remuneration Committee, produce an anomalous result if such information were in the public domain, the Remuneration Committee may make such adjustments to the method of calculating the Conversion Number as it considers appropriate to ensure that conversion is fair and reasonable, and as an investment bank of repute shall have confirmed in writing to be fair and reasonable so far as the Melrose Shareholders are concerned.

4.5 *Permitted transfer of 2012 Incentive Shares*

- 4.5.1 Subject to paragraph 4.5.2, the holders of 2012 Incentive Shares may not transfer, charge, encumber, grant any option over or otherwise dispose of any 2012 Incentive Share or any interest therein.
- 4.5.2 A holder of a 2012 Incentive Share may at any time transfer a 2012 Incentive Share:
- (a) with the prior written consent of the Melrose Board (and where such consent is given in relation to a transfer to the trustees of a trust of which the only beneficiaries (and the only people capable of being beneficiaries) are the holder of the 2012 Incentive Shares who established the trust and who is transferring the relevant shares; and/or his spouse; and/or his lineal descendants by blood or adoption, such transferees being “permitted transferees”); or
 - (b) when required by paragraph 4.5.3 or paragraph 4.6.2.
- 4.5.3 If a transferee of any shares under paragraph 4.5.2 shall at any time cease to be a permitted transferee in relation to the original holder of the relevant 2012 Incentive Shares (the “**relevant shares**”), it shall be the duty of the trustees and/or the person holding the relevant shares to notify the Melrose Board in writing that such event has occurred and the trustees and/or the person shall be bound to execute a stock transfer form and to do such other things as may be necessary to transfer the relevant shares at the price per relevant share (if any) for which they were acquired, to the original holder (who shall be bound to acquire the relevant shares) and, if they or he fails to do so, the Directors may authorise any Director to execute any stock transfer form and to do such other things as may be necessary or desirable to transfer the relevant shares on behalf of the trustees and/or the person holding the relevant shares pursuant to this paragraph 4.5.3.
- 4.5.4 The Melrose Board may require from any person lodging a share transfer such information and evidence as the Melrose Board thinks fit regarding any matter which they may reasonably deem

relevant for the purposes of paragraph 4.5.2 and may refuse to register the relevant transfer until they have received information and evidence satisfactory to them.

4.6 *Compulsory transfer or conversion of 2012 Incentive Shares*

- 4.6.1 If the holder of any 2012 Incentive Shares or the original holder of any 2012 Incentive Shares transferred pursuant to paragraph 4.5, if an employee of the Company or any of its subsidiary undertakings, ceases to be an employee, if a Melrose Director ceases to be a director, and if an employee and director ceases to be both, in each case other than by reason of death, permanent ill health, permanent disability, his resignation in connection with a Change of Control, or the termination of his employment or directorship without cause, he shall be deemed to be a “**bad leaver**”.
- 4.6.2 If the holder of any 2012 Incentive Shares or the original holder of any 2012 Incentive Shares transferred pursuant to paragraph 4.5, if an employee of the Company or any of its subsidiary undertakings, ceases to be an employee, if a Melrose Director ceases to be a director, and if an employee and director ceases to be both, and such person is not a bad leaver, he shall be deemed to be a “**good leaver**”.
- 4.6.3 Unless the Remuneration Committee shall in its absolute discretion determine otherwise, if the holder of any 2012 Incentive Shares or the original holder of any 2012 Incentive Shares transferred pursuant to paragraph 4.5 becomes a bad leaver then the provisions of paragraph 4.6.1 to paragraph 4.6.3 shall apply in respect of:
- (a) the bad leaver; and
 - (b) any permitted transferee of such bad leaver and any subsequent transferee of such shares (together the “**compulsory transferors**”).
- 4.6.4 Each 2012 Incentive Share held by the compulsory transferors shall within the period of 20 Business Days following the bad leaver ceasing to be an employee or Director, be transferred to the trustees of an employee share ownership plan trust, or such person as the Melrose Board may direct, at a price per share equal to the lower of the nominal value per 2012 Incentive Share and the closing middle market quotation of an ordinary share in the capital of the Company as derived from the Daily Official List on the Business Day prior to the transfer, and the compulsory transferors shall be bound to execute a stock transfer form and to do such other things as may be necessary to transfer the relevant shares and if they fail to do so, the Directors may authorise any Director to execute any stock transfer form and to do such other things as may be necessary or desirable to transfer the relevant shares on behalf of the compulsory transferors.
- 4.6.5 Following a cessation of employment or directorship causing this paragraph 4.6 to apply to particular 2012 Incentive Shares, those 2012 Incentive Shares may not be transferred pursuant to paragraph 4.5.2(a). In the event of a Change of Control between the date of cessation of employment or directorship and the relevant transfer date in paragraph 4.6.2, those 2012 Incentive Shares shall convert in accordance with paragraph 4.4.13 except that each such 2012 Incentive Share shall convert into one fully paid ordinary share and one fully paid deferred share with a nominal value equal to the balance of the nominal value of the 2012 Incentive Share (the “**bad leaver conversion rate**”). In the event of either (I) a resolution for a voluntary winding-up of the Company being passed or (II) a winding-up order being made by the court in relation to the Company, in either case between the date of cessation of employment or directorship and the relevant transfer date in paragraph 4.6.2, those 2012 Incentive Shares shall convert in accordance with paragraph 4.4.14 except that each such 2012 Incentive Share will convert in accordance with the bad leaver conversion rate.
- 4.6.6 Save in circumstances where a holder of 2012 Incentive Shares becomes a good leaver as a result of his resignation in connection with a Change of Control, the Remuneration Committee may, in its absolute discretion, require that a good leaver and any person to whom such good leaver has transferred 2012 Incentive Shares pursuant to paragraph 4.5 and any subsequent transferee of such shares shall be deemed to be a compulsory transferor and that the provisions of paragraph 4.6.2 shall apply to such good leaver or transferee as the case may be, in respect of some or all of the Unvested Portion of the 2012 Incentive Shares held by such good leaver, as they apply to a bad leaver.

- 4.6.7 Any determination by the Remuneration Committee in accordance with paragraph 4.6.4 shall be notified to such good leaver within three months of such person becoming a good leaver.
- 4.6.8 For the purposes of this paragraph 4.6.4, “**Unvested Portion**” shall mean the product of (i) the number of full calendar months remaining from the date on which a holder of 2012 Incentive Shares becomes a good leaver up to 31 May 2017 divided by 62 and (ii) the total number of 2012 Incentive Shares held by such good leaver; rounded up to the nearest whole number of 2012 Incentive Shares; save that, in the case of a good leaver who first became, or becomes, entitled to become a holder of 2012 incentive shares of £1 each in the capital of Melrose PLC (“**Melrose PLC 2012 Incentive Shares**”) or 2012 incentive shares of £1 each in the capital of Old Melrose (“**Old Melrose 2012 Incentive Shares**”) or 2012 Incentive Shares more than six weeks after 11 April 2012 (other than pursuant to the exchange of options over Melrose PLC 2012 incentive shares for options over Old Melrose 2012 incentive shares as a result of the Old Scheme or pursuant to the exchange of options over Old Melrose 2012 incentive shares for 2012 Incentive Options as a result of the Scheme) the Unvested Portion shall be the total number of 2012 Incentive Shares held by such good leaver.

4.7 *Restrictions on 2012 Incentive Shares*

If 2012 Incentive Shares remain capable of being converted into ordinary shares, the Company shall not, except with the consent in writing of the holders of at least three-fourths of the nominal amount of the 2012 Incentive Shares then in issue or with the sanction of a special resolution passed at a separate meeting of the holders of 2012 Incentive Shares then in issue validly held in accordance with the provisions of the Articles (i) create, allot or issue any further 2012 Incentive Shares in the capital of the Company; or (ii) pass a resolution varying any of the special rights attached to the 2012 Incentive Shares.

4.8 *Transfer of shares*

- 4.8.1 Shares issued by the Company in certificated form may be transferred by an instrument of transfer in writing in any usual form, or in such other form as the Melrose Board may approve. The instrument of transfer shall be executed by or on behalf of the transferor and, in the case of a transfer of a share that is not fully paid, by or on behalf of the transferee.
- 4.8.2 In exceptional circumstances, approved by any relevant investment exchange, the Melrose Board may refuse to register the transfer of certificated shares provided that such refusal would not disturb the market in those shares. Subject to the requirements of any relevant investment exchange, the Melrose Board may, in its absolute discretion refuse to register any transfer of a certificated share which is not fully paid or the transfer of a certificated share on which the Company has a lien. Subject to the requirements of any relevant investment exchange, the Melrose Board may also, in its absolute discretion, refuse to register the transfer of a certificated share or a renunciation of a renounceable letter of allotment unless:
- (a) it is only in respect of one class of shares;
 - (b) it is in favour of a single transferee or renounee or not more than four joint transferees or renounees;
 - (c) it is duly stamped (if required); and
 - (d) it is delivered for registration to the registered office or such other place as the Melrose Board may decide, accompanied by the certificate for the shares to which it relates (except where the shares are transferred by a recognised financial institution and no certificates have been issued for them or in the case of a renunciation) and such other evidence as the Melrose Board may reasonably require to prove title of the transferor or the person renouncing and due execution by him of the transfer or renunciation.

If the Melrose Board refuses to register the transfer of a certificated share it shall, as soon as reasonably practicable, send notice of such refusal to the transferee together with its reasons for the refusal.

- 4.8.3 Shares issued by the Company in uncertificated form may be transferred in accordance with the CREST Regulations. The Melrose Board may refuse to register a transfer of a share in uncertificated form in any case where the Company is entitled to refuse (or is expected from the requirement) under the CREST Regulations to register the transfer.

4.9 *Changes in capital and purchase of own shares*

4.9.1 The Company may at any time by way of ordinary resolution:

- (a) consolidate and divide all or any of its share capital into shares of a larger amount;
- (b) subject to the Companies Act, subdivide all or part of its share capital into shares of a smaller amount and may determine that the shares resulting from the sub-division have among themselves such preferred, deferred or other special rights or advantages or be subject to any such restrictions as the Company has power to attach to unissued or new shares;
- (c) cancel any shares which, at the date of the ordinary resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; and
- (d) increase its share capital.

4.9.2 Subject to the Companies Act and to the rights attached to existing shares, the Company may:

- (a) subject to the requirements of any relevant investment exchange, purchase, or agree to purchase in the future, its own shares; and
- (b) by special resolution, reduce its share capital, capital redemption reserve, share premium account or other undistributable reserve in any way.

4.10 *Variation of rights*

Subject to the Companies Act, all or any of the rights for the time being attached to any class of shares may be varied or abrogated either with the consent in writing of the holders of at least three-fourths in nominal amount of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the issued shares of that class validly held in accordance with the Articles. The rights attached to a class of shares are not, unless otherwise expressly provided for in the rights attaching to those shares, deemed to be varied by the creation, allotment or issue of further shares ranking in priority to, *pari passu* with or subsequent to them or by the purchase or redemption by the Company of its own shares in accordance with the Companies Act and the Articles.

4.11 *Constitution of the Melrose Board*

There is no age limit for directors. The directors must not, unless otherwise determined by an ordinary resolution of the Company, be less than two. A director need not be a member of the Company.

4.12 *Directors' remuneration, pensions and benefits*

4.12.1 The directors shall be paid such aggregate amount of fees for their services as directors as the Melrose Board decides (or such other aggregate amount as the Company may by ordinary resolution decide). The aggregate fees shall be divided among the directors in such proportions as the Melrose Board decides or, if no decision is made, equally. Subject to the Companies Act, the requirements of any relevant investment exchange and the Articles, the Melrose Board may arrange for part of a fee payable to a director to be provided in the form of fully-paid shares in the capital of the Company.

4.12.2 The directors are entitled to be repaid all reasonable travelling, hotel and other expenses properly incurred by them in the performance of their duties as directors including expenses incurred in attending meetings of the Melrose Board or of Committees of the Melrose Board or general meetings or separate meetings of the holders of a class of shares of the Company.

4.12.3 In addition, the Melrose Board may decide to pay a director who, at the request of the Melrose Board, goes or resides abroad, makes a special journey or performs a special service on behalf of the Company, such reasonable additional remuneration (whether by way of salary or otherwise) and expenses as the Melrose Board may decide.

- 4.12.4 The salary or other remuneration of a director appointed to hold employment or executive office in accordance with the Articles may be a fixed sum of money, or wholly or in part governed by business done or profits made, or as otherwise decided by the Melrose Board, and may be in addition to or instead of a fee payable to him for his services as director pursuant to the Articles.
- 4.12.5 The Melrose Board may exercise all the powers of the Company to provide pensions or other retirement or superannuation benefits and to provide death or disability benefits or other allowances or gratuities to a person who is or has at any time been a director of:
- (a) Melrose or any company which is or was a subsidiary undertaking of the Company;
 - (b) any company allied to or associated with the Company or a subsidiary undertaking of the Company; or
 - (c) a predecessor in business of the Company or of a subsidiary undertaking of the Company, or any member of his family or his dependants. For this purpose the Melrose Board may establish, maintain, subscribe and contribute to any scheme, trust or fund and pay premiums.

4.13 *Directors' retirement*

At each annual general meeting of the Company each director then in office shall retire from office with effect from the conclusion of the meeting. A retiring director shall be eligible for re-election, and a director who is re-elected will be treated as continuing in office without a break. A retiring director who is not re-elected shall retain office until the close of the meeting at which he retires.

4.14 *Directors' interests in contracts*

Subject to the Companies Act and provided he has disclosed to the Melrose Board the nature and extent of any direct or indirect interest of his, a director, notwithstanding his office:

- 4.14.1 may enter into or otherwise be interested in a contract, arrangement, transaction or proposal with the Company or in which the Company is otherwise interested either in connection with his tenure of an office or place of profit or as seller, buyer or otherwise;
- 4.14.2 may hold another office with the Company (except that of auditor or auditor of a subsidiary of the Company) in conjunction with the office of director and may act by himself or through his firm in a professional capacity to the Company, and in that case on such terms as to remuneration and otherwise as the Melrose Board may decide either in addition to or instead of the remuneration described in paragraph 4.9 above;
- 4.14.3 may be a director or other officer of, or employed by, or a party to a contract, transaction, arrangement or proposal with or otherwise interested in, a company promoted by Melrose or in which the Company is otherwise interested or as regards which the Company has a power of appointment; and
- 4.14.4 is not liable to account to the Company for a profit, remuneration or other benefit realised by such contract, arrangement, transaction, proposal, office or employment and no such contract, arrangement, transaction or proposal is avoided on the grounds of any such interest or benefit.

4.15 *Restrictions on voting by directors*

- 4.15.1 A director may not vote or be counted in the quorum in respect of any contract, arrangement, transaction or proposal to which the Company is or is to be a party and in which he has an interest which is, to his knowledge, a material interest (otherwise than by virtue of his interest in shares or debentures or other securities of or otherwise in or through the Company). Notwithstanding the above, a director shall be entitled to vote on:
- (a) the giving of a guarantee, security or indemnity in respect of money lent or obligations incurred by him or by any other person at the request of, or for the benefit of, the Company or any of its subsidiary undertakings;
 - (b) the giving of a guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility under a guarantee or indemnity or by the giving of security;

- (c) any contract, arrangement, transaction or proposal concerning an offer of shares, debentures or other securities of the Company or any of its subsidiary undertakings for subscription or purchase in respect of which he is or may be entitled to participate as a holder of any such securities or in the underwriting or sub-underwriting of which he is to participate;
- (d) any contract, an arrangement, transaction or proposal to which the Company is or is to be a party concerning another company (including a subsidiary undertaking of the Company) in which he is interested (directly or indirectly) if he does not to his knowledge hold an interest in shares (within the meaning of sections 820 to 825 of the Companies Act) representing 1% or more of any class of the equity share capital of such company or of the voting rights of that company;
- (e) any contract, arrangement, transaction or proposal for the benefit of employees of the Company or any of its subsidiary undertakings which does not award him a privilege or benefit not generally awarded to the employees to whom it relates; and
- (f) any contract, arrangement, transaction or proposal concerning the purchase or maintenance of an insurance policy under which he may benefit.

4.15.2 A director shall not vote or be counted in the quorum at a meeting of the directors or Committee meeting in respect of any resolution concerning his own appointment (including fixing and varying the terms of his appointment or its termination), as the holder of any office or place of profit with the Company or any other company in which Melrose is interested.

4.16 *Borrowing powers*

The Melrose Board may exercise all the powers of the Company to borrow money and to mortgage or charge all or part of the undertaking, property and assets (present or future) and uncalled capital of the Company and, subject to the Companies Act and all other relevant legislation, to issue debentures and other securities whether outright or as collateral security for a debt, liability or obligation of the Company or a third party. There is no limit on the amount of borrowings.

4.17 *Disclosure*

Where there is a default in supplying information required by a notice served under section 793 of the Companies Act, the Articles provide for voting and related rights to be restricted in relation to the relevant shares and, where the relevant shares represent 0.25% or more in nominal value of the issued shares of the relevant class, the right to receive dividends to be withheld.

4.18 *General Meetings*

- 4.18.1 The Melrose Board may call general meetings whenever it thinks fit and upon receipt of a requisition of members pursuant to the Companies Act, within 21 days from the date on which the Melrose Board becomes subject to the requirement.
- 4.18.2 Unless consent to short notice is obtained in accordance with the provisions of the Companies Act, an annual general meeting shall be called by at least 21 clear days' notice. All other general meetings shall be called by at least 14 clear days' notice. A notice of meeting shall be given to each member of the Company (other than any who, under the Articles or the terms of an allotment or issue of shares, is not entitled to receive notice), to the directors and to Melrose's auditors.
- 4.18.3 Holders of 2012 Incentive Shares shall have a right to receive notice of, and to attend, general meetings of the Company, but shall have no right to vote thereat.
- 4.18.4 No business shall be transacted at any general meeting unless a quorum is present. Two "qualifying persons" present and entitled to vote shall be a quorum, where "qualifying persons" includes proxies and corporate representatives. The absence of a quorum does not prevent appointment of a chairman in accordance with the Articles, which shall not be treated as part of the business of the meeting.
- 4.18.5 The Melrose Board may make any arrangement and impose any restriction it considers appropriate to ensure the security of a meeting of the Company including, without limitation, the searching of a person attending the meeting and the restriction of the items of personal property that may be taken into a meeting. A director or the secretary of the Company may refuse entry to a

meeting to any person who refuses to comply with any such arrangements and eject from a meeting any person who causes the proceedings to become disorderly.

- 4.18.6 Each director shall be entitled to attend and speak at a general meeting and at a separate meeting of the holders of a class of shares or debentures in the Company, whether or not he is a member. The chairman may invite any person to attend and speak at any general meeting of the Company where he considers that this will assist in the deliberations of the meeting.
- 4.18.7 The directors may decide in advance of any general meeting that some or all of the resolutions to be put to the vote at a general meeting will be decided on a poll.
- 4.18.8 At a general meeting, a resolution put to the vote of the meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands), a poll is demanded by the chairman of the meeting; or not less than five members present in person or by proxy and entitled to vote at the meeting; or a member or members present in person or by proxy and representing in aggregate not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or a member or members present in person or by proxy holding shares conferring a right to vote at the meeting, being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right. Members present by proxy shall have the right to speak and to vote on a show of hands.
- 4.18.9 On a poll votes may be given in person or by proxy and a member entitled to more than one vote need not, if he votes, use all his votes or cast all the votes he uses in the same way. A person appointed to act as a proxy need not be a member of the Company. Members may appoint more than one proxy, provided that each proxy is appointed to exercise the rights attached to different shares.
- 4.18.10 A company which is a member of Melrose may, by resolution of its directors or other governing body, authorise one or more persons to act as its representative at a meeting of the Company or at a separate meeting of the holders of a class of shares. The person so authorised is entitled to exercise on behalf of the company which he represents (in respect of that part of the company's holding of shares to which the authorisation relates) those powers that the company could exercise if it were an individual member. The company is for the purposes of the Articles deemed to be present in person at a meeting if a representative is present. Such representative may be required to produce a certified copy of the resolution of authorisation before permitting him to exercise his powers.
- 4.18.11 The above is a summary only of certain provisions of the Articles. Copies of the Articles are available for inspection in the manner specified in paragraph 21 (*Documents for inspection*) below.

5. Major Interests in Shares

- 5.1 As at the Latest Practicable Date, the following voting interests in the ordinary share capital of the Company, disclosable under Chapter 5 of the Transparency Rules, had been notified to the Company:

Shareholder	Interests as notified to the Company		Interests immediately following the Rights Issue	
	Number of Existing Melrose Shares	Percentage of existing issued share capital	Number of Ordinary Shares following Rights Issue ⁽²⁾	Percentage of issued share capital following Rights Issue ⁽²⁾
Old Mutual plc	10,267,701	7.1%	133,480,113	7.1%
Ameriprise Financial, Inc	57,982,217 ⁽¹⁾	5.8%	109,924,607	5.8%
BlackRock, Inc.	7,127,896	4.9%	92,662,648	4.9%
Schroders plc	47,968,415 ⁽¹⁾	4.5%	90,940,109	4.5%
Legal & General Investment Management	39,791,884 ⁽¹⁾	4.0%	75,438,779	4.0%

Notes:

- (1) Such holdings of Existing Melrose Shares have not been re-notified to the Company since the Share Capital Consolidation became effective on 28 January 2016, and as such the number of Existing Melrose Shares is as notified to the Company prior to this consolidation.
- (2) Assuming no change to the percentage interests as notified to the Company, each major Melrose Shareholder takes up its rights to New Melrose Shares in full and the maximum number of New Melrose Shares is issued. Where such holdings of Existing

Melrose Shares has not been re-notified to the Company since the Share Capital Consolidation as set out in note 1, such number of Ordinary Shares following the Rights Issue has been calculated by applying the Share Capital Consolidation ratio of 7 for every 48 shares to the number of Existing Melrose Shares notified.

- 5.2 None of the Melrose Shareholders referred to in paragraph 5.1 above has now, or will following the Rights Issue have, different voting rights from any other holder of Melrose Shares in respect of any Melrose Shares held by them.
- 5.3 As at the Latest Practicable Date, the Company is not aware of any person or persons who directly or indirectly, acting jointly with others or acting alone, exercised or could exercise control over the Company.

6. Melrose properties

6.1 The following properties are the principal properties occupied by the Melrose Group:

<u>UK</u>	<u>Division</u>	<u>Tenure</u>	<u>Use</u>
Leconfield House, Curzon Street, London W1J 5JA	Group	Leasehold	Offices
11 th Floor, The Colmore Building, 20 Colmore Circus Queensway, Birmingham B4 6AT	Group	Leasehold	Offices
Falcon Works, Nottingham Road, Loughborough, Leicestershire LE11 1EX	Brush Turbogenerators	Freehold	Manufacturing
Newport Road, Blackwood, Gwent NP12 2XH	Switchgear	Leasehold	Manufacturing
<u>Europe</u>	<u>Division</u>	<u>Tenure</u>	<u>Use</u>
Edvarda Beneše 39/564, Plzen, Czech Republic, 301 00	Brush Turbogenerators	Freehold	Manufacturing
Ringdijk, 390B, Ridderkerk, Netherland, 2983GS, The Netherlands	Brush Turbogenerators	Freehold	Manufacturing
<u>Asia</u>	<u>Division</u>	<u>Tenure</u>	<u>Use</u>
No. 8, Changhong Road, Changshu Economic Development Zone, Jiangsu Province, Peoples Republic of China, 215500	Brush Turbogenerators	Freehold	Manufacturing
<u>North America</u>	<u>Division</u>	<u>Tenure</u>	<u>Use</u>
601 Braddock Ave, Turtle Creek, PA 15145, USA	Brush Turbogenerators	Leasehold	Manufacturing

6.2 The Company is not aware of any material environmental issues which may affect the Melrose Group's utilisation of its principal properties.

7. Melrose subsidiaries

7.1 The Company is the holding company of the Melrose Group. The Melrose Group's stated strategy is to acquire companies and businesses whose operational performance the Melrose Directors believe can be improved to create shareholder value. Further details are set out in paragraph 2 (*The Melrose Group's strategy*) of Part II (*Information on Melrose*) of this Prospectus.

7.2 The significant subsidiary undertakings of the Company are set out in the table below. The proportion of share capital indicated in each of these companies is directly or indirectly owned by the Company. The issued share capital of each subsidiary is fully paid.

Name of subsidiary	Incorporated and registered in	Proportion of share capital owned by the Melrose Group (%)
Energy		
Brush Electrical Machines Limited	England and Wales	100
Brush HMA B.V.	Netherlands	100
Brush Holdings Limited	England and Wales	100
Brush Properties Limited	England and Wales	100
Brush SEM s.r.o.	Czech Republic	100
Brush Transformers Limited	England and Wales	100
Harrington Generators International Limited	England and Wales	100
Hawker Siddeley Switchgear Limited	England and Wales	100
Generator & Motor Services of Pennsylvania LLC	USA	100
Group		
Melrose PLC	England and Wales	100
Melrose North America, Inc	USA	100

8. Nortek properties

8.1 The following properties are the principal properties occupied by the Nortek Group:

Location	Segment	Tenure	Use
North America			
Alameda, California, US	AQH	Leased	Warehouse / Administrative
Anjou, QUE, Canada	CAS	Leased	Manufacturing / Administrative
Boonville, Missouri, US	RCH	Owned	Manufacturing
Carlsbad, California, US	SCS	Leased	Warehouse / Administrative
Drummondville, QUE, Canada	AQH	Owned	Manufacturing / Warehouse / Administrative
Drummondville, QUE, Canada	AQH	Leased	Manufacturing / Warehouse / Administrative
Drummondville, QUE, Canada	CAS	Leased	Manufacturing / Warehouse / Administrative
Dyersburg, Tennessee, US	RCH	Leased	Manufacturing / Warehouse
Eastvale, California, US	Other	Leased	Warehouse / Administrative
Eden Prairie, Minnesota, US	CAS	Leased	Administrative
Englewood, Colorado, US	RCH	Leased	Warehouse / Administrative
Flagstaff, Arizona, US	RCH	Leased	Warehouse / Administrative
Grand Rapids, Michigan, US	SCS	Leased	Manufacturing / Warehouse / Administrative
Hartford, Wisconsin, US	AQH	Owned	Manufacturing / Warehouse / Administrative
Hartford, Wisconsin, US	AQH	Leased	Warehouse
Houston, Texas, US	RCH	Leased	Warehouse
Lenexa, Kansas, US	RCH	Leased	Warehouse / Administrative
Los Angeles, California, US	AVC	Leased	Warehouse / Administrative
Mercer, Pennsylvania, US	RCH	Owned	Manufacturing / Warehouse / Administrative
Miami, Florida, US	RCH	Leased	Warehouse / Administrative
Mississauga, ONT, Canada	AQH	Owned	Manufacturing / Warehouse / Administrative
Newbern, Tennessee, US	RCH	Leased	Warehouse / Administrative
O'Fallon, Missouri, US	RCH	Leased	Warehouse / Administrative
Okarche, Oklahoma, US	CAS	Owned	Manufacturing / Warehouse / Administrative
Oklahoma City, Oklahoma, US	CAS	Owned	Manufacturing / Administrative
Oklahoma City, Oklahoma, US	CAS	Leased	Warehouse
Olive Branch, Mississippi, US	Other	Leased	Warehouse / Administrative
Petaluma, California, US	AVC	Leased	Warehouse / Administrative
Phoenix, Arizona, US	ERG	Leased	Manufacturing / Warehouse / Administrative
Phoenix, Arizona, US	RCH	Leased	Warehouse / Administrative
Poplar Bluff, Missouri, US	RCH	Leased	Warehouse

<u>Location</u>	<u>Segment</u>	<u>Tenure</u>	<u>Use</u>
Providence, Rhode Island, US . . .	Other	Leased	Corporate HQ
San Antonio, Texas, US	RCH	Leased	Warehouse
Saskatoon, Saskatchewan, Canada	CAS	Leased	Warehouse / Administrative
Seattle, Washington, US	SCS	Leased	Warehouse / Administrative
Shakopee, Minnesota, US	CAS	Leased	Warehouse
Show Low, Arizona, US	RCH	Leased	Warehouse / Administrative
St. Leonard d'Aston, QUE, Canada	CAS	Leased	Manufacturing / Administrative
St. Paul, Minnesota, US	ERG	Owned	Manufacturing / Warehouse / Administrative
Surprise, Arizona, US	RCH	Leased	Warehouse / Administrative
Tallahassee, Florida, US	SCS	Owned	Warehouse / Administrative
Tempe, Arizona, US	RCH	Leased	Warehouse / Administrative
Tualatin, Oregon, US	ERG	Leased	Manufacturing / Warehouse / Administrative
Tualatin, Oregon, US	CAS	Leased	Manufacturing / Warehouse / Administrative
Tuscon, Arizona, US	RCH	Leased	Warehouse / Administrative
Europe			
Amersfoort, The Netherlands . . .	ERG	Leased	Warehouse / Administrative
Brierley Hill, West Midlands, UK .	RCH	Leased	Manufacturing / Warehouse
Cerreto D'Esi, Italy	AQH	Owned	Manufacturing / Warehouse / Administrative
Edenbridge, Kent, UK	RCH	Leased	Administrative
Fenton, Stoke-on-Trent, UK	RCH	Leased	Manufacturing / Administrative
Folkestone, Kent, UK	RCH	Leased	Warehouse / Administrative
Gliwice, Poland	AQH	Owned	Manufacturing / Warehouse / Administrative
Menen, Belgium	RCH	Leased	Manufacturing / Warehouse / Administrative
Mirabel, France	RCH	Leased	Manufacturing / Warehouse / Administrative
Asia			
Dongguan City, Guangdong, China	ERG	Leased	Manufacturing / Warehouse / Administrative
Xiang, Bao An County, Shenzhen, China	SCS	Leased	Manufacturing / Warehouse / Administrative / Other
Chaiwan, Hong Kong	SCS	Leased	Administrative
Chenjian, Huizhou, China	AQH	Owned	Manufacturing / Warehouse / Administrative / Other
Quinpo, Shanghai, China	RCH	Leased	Administrative
Latin America			
Coahuila, Mexico	RCH	Leased	Warehouse
Monterrey, Nuevo Leon, Mexico .	RCH	Leased	Manufacturing / Warehouse
Saltillo, Coahuila, Mexico	RCH	Leased	Manufacturing / Warehouse
Tecate, Baja California, Mexico . .	AQH	Leased	Manufacturing / Warehouse / Administrative

8.2 Nortek is not aware of any material environmental issues which may affect the Melrose Group's utilisation of its principal properties.

8.3 Nortek is subject to numerous federal, state, local and foreign laws and regulations relating to protection of the environment, including those that impose limitations on the discharge of pollutants into the environment (land, air and water), establish standards for the use, treatment, storage and disposal of solid and hazardous materials and wastes, and govern the clean-up of contaminated sites. Nortek believes that it is in substantial compliance with the material laws and regulations applicable to it.

8.4 Nortek is involved in current, and may become involved in future, remedial actions under federal and state environmental laws and regulations which impose liability on companies to clean up, or contribute to the cost of cleaning up, sites currently or formerly owned or operated by such companies or sites at which their hazardous wastes or materials were disposed of or released. Such claims may relate to properties or business lines acquired after a release has occurred. In other instances, Nortek may be partially liable under law or contract to other parties that have acquired businesses or assets from Nortek for past practices relating to hazardous materials or wastes. Expenditures for 2015, 2014 and 2013 to evaluate and remediate such sites were not material to Nortek's business, either individually or collectively.

9. Nortek subsidiaries

9.1 The significant subsidiary undertakings of Nortek are set out in the table below as at 31 December 2015, the assets and operations of which are included in the historical financial information of Nortek. The proportion of share capital indicated in each of these companies is directly or indirectly owned by Nortek. The issued share capital of each company is fully paid.

Name of subsidiary	Incorporated and registered in	Proportion of share capital owned by the Nortek Group (%)
Anthro Corporation ⁽¹⁾	Oregon, US	100
Best S.p.A.	Italy	100
Best Deutschland GmbH	Germany	100
Best Poland S.p.zo.o.	Poland	100
Broan Building Products-Mexico, S. de R.L. de C.V.	Mexico	100
Broan-NuTone Canada, ULC	Alberta, Canada	100
Venmar Ventilation ULC	Alberta, Canada	100
Innergy Tech Inc.	Quebec, Canada	100
Ergotron, Inc.	Minnesota, US	100
Dongguan Ergotron Precision Technology Co. Ltd.	China	100
Ergotron Nederland B.V.	The Netherlands	100
Broan-NuTone LLC	Delaware, US	100
Broan Building Products (Huizhou) Co., Ltd.	China	100
Broan-NuTone (HK) Limited	Hong Kong	100
Pacific Zephyr Range Hood, Inc.	California, US	100
Zephyr Ventilation, LLC	California, US	100
Eaton-Williams Group Limited	UK	100
Nortek Security & Control LLC	California, US	100
GTO Access Systems, LLC	Florida, US	100
Gefen, LLC ⁽²⁾	California, US	100
Operator Specialty Company, Inc.	Michigan, US	100
Core Brands, LLC	California, US	100
Linear Electronics (Shenzhen) Co., Ltd.	China	100
Nortek International Holdings, B.V.	The Netherlands	100
Nortek Global HVAC, LLC	Delaware, US	100
Nortek Air Solutions Canada, LLC	Saskatchewan, Canada	100
Nortek Air Solutions, LLC	Delaware, US	100
Nortek Global HVAC de Puerto Rico, LLC	Puerto Rico	100
Nortek Global HVAC Latin America, Inc.	Delaware, US	100
Nortek Global HVAC Mexico S.A. de R.L. de C.V.	Mexico	100
Nordyne Argentina SRL	Argentina	100
Nordyne do Brasil Distribuidora de Ar Condicionado Ltda.	Brazil	100
Nortek Air Solutions Quebec, Inc.	Quebec, Canada	100
Nortek (Shanghai) Trading Co., Ltd.	China	100
Nortek Global HVAC (UK) Limited	UK	100
Ambi-Rad Group Limited	UK	100
Nortek Global HVAC France S.A.S.	France	100
Nortek Global HVAC Belgium NV	Belgium	100

Notes:

(1) Anthro Corporation has since merged into Ergotron, Inc., with effect from 1 January 2016.

(2) Gefen, LLC has since merged into Core Brands, LLC, with effect from 31 January 2016.

10. Takeover Bids

The City Code on Takeovers and Mergers (the “**Takeover Code**”) is issued and administered by the UK Panel on Takeovers and Mergers (the “**Panel**”). The Company is subject to the Takeover Code and therefore the Melrose Shareholders are entitled to the protections afforded by the Takeover Code.

10.1 *Mandatory bids*

Rule 9 of the Takeover Code provides that, except with the consent of the Panel, when: (a) any person acquires, whether by a series of transactions over a period of time or not, an interest in shares which (taken together with shares in which persons acting in concert with him are interested) carry 30% or more of the voting rights of a company; or (b) any person, together with persons acting in concert with him, is interested in shares which in the aggregate carry not less than 30% of the voting rights of a company but does not hold shares carrying more than 50% of such voting rights and such person, or any person acting in concert with him, acquires an interest in any other shares of that company which increases the percentage of shares carrying voting rights in which he is interested, then, in either case, that person (and possibly each of the principal members of a group of persons acting in concert with him) is normally required to extend offers in cash, or accompanied by a cash alternative, at the highest price paid by him (or any persons acting in concert with him) for shares of that company within the preceding 12 months, to the holders of any class of equity share capital whether voting or non-voting and also to the holders of any other class of transferable securities carrying voting rights.

If any person, together with persons acting in concert with him, is interested in shares which in the aggregate carry more than 50% of the voting rights of a company, such person, or any person acting in concert with him, may acquire further interests in shares of that company without incurring any obligation under Rule 9 of the Takeover Code to extend any offers.

10.2 *Squeeze out*

Under the Companies Act, if a “takeover offer” (as defined in section 974 of the Companies Act) is made for the Melrose Shares and the offeror were to acquire, or unconditionally contract to acquire, not less than 90% in value of the shares to which the takeover offer relates (the “**Takeover Offer Shares**”) and not less than 90% of the voting rights attached to the Takeover Offer Shares within three months of the last day on which its offer can be accepted, it could acquire compulsorily the remaining 10%. It would do so by sending a notice to outstanding shareholders telling them that it will acquire compulsorily their Takeover Offer Shares and then, six weeks later, it would execute a transfer of the outstanding Takeover Offer Shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for outstanding shareholders. The consideration offered to the shareholders whose Takeover Offer Shares are acquired compulsorily under the Companies Act must, in general, be the same as the consideration that was available under the takeover offer.

10.3 *Sell out*

The Companies Act also gives minority shareholders a right to be bought out in certain circumstances by an offeror who has made a takeover offer. If a takeover offer related to all the Melrose Shares and at any time before the end of the period within which the offer could be accepted the offeror held or had agreed to acquire not less than 90% of the Melrose Shares to which the offer relates, any holder of Melrose Shares to which the offer related who had not accepted the offer could by a written communication to the offeror require it to acquire those Melrose Shares. The offeror is required to give any shareholder notice of his right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of the minority shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period. If a shareholder exercises his or her rights, the offeror is bound to acquire those Melrose Shares on the terms of the offer or on such other terms as may be agreed.

11. **Working Capital**

Melrose is of the opinion that the Melrose Group has sufficient working capital for its present requirements, that is, for at least the 12 months following the date of publication of this Prospectus.

12. **Significant Change**

12.1 There has been no significant change in the financial or trading position of the Melrose Group since 31 December 2015, being the latest date to which the last audited consolidated annual accounts of the Melrose Group were prepared, save for the Return of Capital (as described in paragraph 3.1(e) and (f) of Part XII (*Additional Information*) of this Prospectus).

12.2 There has been no significant change in the financial or trading position of the Nortek Group since 31 December 2015, being the latest date to which the historical financial information for Nortek set

out in Part B (*Historical Financial Information relating to Nortek*) of Part IV (*Financial Information on Nortek*) of the Circular, and incorporated into this Prospectus by reference, was prepared.

13. Litigation

13.1 Melrose Group

There are no, nor have there been any, governmental, legal or arbitration proceedings (nor is the Company aware of any such proceedings which are pending or threatened) during the last twelve months prior to the date of this Prospectus which may have, or during the last twelve months prior the date of this Prospectus have had, a significant effect on the Company and/or any member of the Melrose Group's financial position or profitability.

13.2 Nortek Group

Save as set out below, there are no, nor have there been any, governmental, legal or arbitration proceedings (nor is the Company aware of any such proceedings which are pending or threatened) during the last twelve months prior to the date of this Prospectus which may have, or during the last twelve months prior the date of this Prospectus which have had, a significant effect on Nortek and/or any member of the Nortek Group's financial position or profitability.

In 2014, Nortek discovered questionable hospitality, gift and payment practices, and other expenses at Linear Electronics (Shenzhen) Co. Ltd. ("**Linear**") which appeared inconsistent with Nortek's policies and raised concerns under the FCPA and perhaps under other applicable anti-corruption laws. Nortek conducted an internal investigation into the practices and payments with the assistance of external counsel.

On 7 January 2015 and 8 January 2015, respectively, Nortek voluntarily contacted the SEC and the DOJ to advise both agencies of the internal investigation.

On 3 June 2016, the DOJ confirmed that it had closed its investigation into the matter, having considered, among things, Nortek's identification of, and thorough investigation into, the misconduct, the prompt voluntary disclosure and cooperation, and the steps taken by Nortek to remediate the issue (including the termination of employment of all five individuals involved) and to enhance its compliance programmes and internal accounting controls. On 7 June 2016, Nortek entered into a non-prosecution agreement with the SEC, pursuant to which the SEC agreed not to prosecute Nortek for violations of the FCPA in relation to questionable hospitality, gift and payment practices by Linear employees to local Chinese officials from 2009 to 2014, in consideration for, among other things, Nortek paying to the SEC a sum of \$291,410, together with interest thereon of \$30,655, in relation to profits received by Nortek as a consequence of the alleged misconduct, such sums being payable within 15 days of the date of the agreement and which have since been paid by Nortek.

14. Material Contracts

14.1 Melrose Group

No contracts have been entered into (other than contracts entered into in the ordinary course of business) by the Company and/or any member of Melrose Group either (i) within the period of two years immediately preceding the date of this Prospectus which are or may be material to the Company and/or any member of the Melrose Group; or (ii) which, regardless of when entered into, contain any provisions under which the Company and/or any member of the Melrose Group has any obligation or entitlement which is, or may be, material to New Melrose and/or the Melrose Group as at the date of this Prospectus, save as disclosed below:

14.1.1 Underwriting Agreement

On 6 July 2016, the Company entered into the Underwriting Agreement with the Underwriters pursuant to which the Underwriters have agreed to fully underwrite the Rights Issue. Pursuant to the Underwriting Agreement, the Underwriters will (severally) use all reasonable endeavours to procure subscribers in the market for any New Melrose Shares not validly accepted (or not treated as validly accepted) under the Rights Issue at a price not less than the Rights Issue Price plus the Underwriters' expenses in procuring such subscribers and, failing this, the Underwriters have agreed to subscribe themselves (or procure subscribers) for any outstanding New Melrose Shares at the Rights Issue Price.

In consideration of such underwriting, the Company has agreed to pay (together with any applicable VAT):

- (a) to the Underwriters, a commission of:
 - (i) 1.5% of the aggregate value of the Rights Issue Price of the number of New Melrose Shares for which sub-underwriters have, upon or prior to Announcement, provided firm commitments to the Underwriters to sub-underwrite; plus
 - (ii) 2.2% of the aggregate value of the Rights Issue Price of the New Melrose Shares (less those New Melrose Shares which have been sub-underwritten in accordance with sub-paragraph (i) above); plus
- (b) to the Joint Global Co-ordinators, a distribution fee of 0.1% of the aggregate value at the Rights Issue Price of the New Melrose Shares,
(together, the “**Underwriting Fees**”).

The Company has given representations, warranties and undertakings to the Underwriters customary for such agreements regarding, among other things, the accuracy of the information contained in this Prospectus and the Circular. The Company has also provided an indemnity to the Underwriters and each person acting for and on behalf of them in connection with the services rendered or duties performed by any such indemnified person in connection with the Rights Issue, the Acquisition, Admission, Re-Admission, the arrangements contemplated by this Prospectus, the Announcement and the Circular. In addition, the Company has agreed to perform certain obligations relating to the implementation of the Rights Issue and the Re-Admission.

The obligations of the Underwriters under the Underwriting Agreement are subject to certain conditions including Admission having occurred by not later than 8.00 a.m. on 9 August 2016 (or such later time and/or date as may be agreed between the Joint Bookrunners and the Company in writing) and the Acquisition not having been withdrawn or terminated prior to Admission.

The Underwriting Agreement provides that if a condition is not fulfilled or waived before 8.00 a.m. on the date of Admission, or the relevant parties agree in writing that a condition has become incapable of being fulfilled before 8.00 a.m. on the date of Admission, the Underwriting Agreement will terminate immediately.

In the event that the Underwriting Agreement terminates prior to Admission as a result of a condition not being fulfilled or waived, the Underwriting Fees shall not be payable, and the Company shall instead pay in aggregate to the Underwriters a termination fee of 0.1% of the aggregate value of the Rights Issue Price of 1,741,612,236 New Melrose Shares.

The Underwriters may by notice to the Company (to be received prior to Admission) terminate the Underwriting Agreement in limited circumstances.

On behalf of the Underwriters, the Joint Global Co-ordinators may arrange sub-underwriting for some, all or none of the New Melrose Shares.

The Underwriters and any of their respective affiliates may engage in trading activity in connection with their roles under the Underwriting Agreement and may take up a portion of the securities of the Company in the Rights Issue as a principal position and, in that capacity, may retain, purchase, sell, offer to sell or otherwise deal for their own account in securities of the Company and related or other securities and instruments (including Melrose Shares, Nil Paid Rights and Fully Paid Rights) and may offer or sell such securities or other investments otherwise than in connection with the Rights Issue. Accordingly, references in this Circular to Nil Paid Rights, Fully Paid Rights or New Shares being issued, offered, subscribed, acquired, placed or otherwise dealt in should be read as including any issue or offer to, or subscription, acquisition, placing or dealing by, the Underwriters and any of their affiliates acting as investors in such capacity. In addition certain of the Underwriters or their affiliates may enter into financing arrangements (including swaps or contracts for differences) with investors in connection with which such Underwriters (or their affiliates) may from time to time acquire, hold or dispose of Melrose Shares. Except as required by applicable law or regulation, none of the Underwriters propose to make any public disclosure in relation to such transactions.

14.1.2 *New Facilities Agreement*

On 6 July 2016 (the “**Signing Date**”), Melrose entered into the New Facilities Agreement pursuant to which a US\$350,000,000 million term facility and a US\$900,000,000 million revolving credit facility will be provided to certain members of the Enlarged Group by a group of lenders.

For details of the terms of the New Facilities Agreement, see paragraph 2 (*Funding*) of Part V (*Capital Resources*) of this Prospectus.

14.1.3 *Merger Agreement*

On 6 July 2016, Melrose, MergerCo and Nortek entered into the Merger Agreement, which sets out terms and conditions for the Tender Offer to acquire all of the Nortek Shares at the Tender Offer Price, followed by the Merger of MergerCo with and into Nortek, Inc.

For details of the terms of the Merger Agreement, see paragraph 3 (*Terms of the Acquisition*) of Part I (*Information on the Acquisition and the Rights Issue*) of this Prospectus.

14.1.4 *Tender and Support Agreements*

In connection with the Tender Offer and the Merger, on 6 July 2016 certain stockholders of Nortek entered into Tender and Support Agreements which govern the conditions upon which such stockholders shall tender their Nortek Shares pursuant to the Tender Offer and obliging such stockholders to support the Tender Offer and the Merger. Such Tender and Support Agreements have been entered into by each of Ares Management, Gates Capital Management and Anchorage Capital (amounting in aggregate to approximately 68.7% of the total share capital of Nortek as at the Latest Practicable Date). The undertakings pursuant to the Tender and Support Agreements will cease to be binding if the Merger Agreement is terminated.

14.1.5 *Elster Disposal Agreement*

On 28 July 2015, Old Melrose, Melrose PLC and Sageford UK Limited entered into an agreement with Honeywell in respect of the sale and purchase of Elster (comprising Teaford GmbH, its subsidiaries and subsidiary undertakings from time to time) for £3.3 billion, on a debt free and cash free basis subject to customary adjustments (the “**Elster Disposal Agreement**”). The disposal completed on 29 December 2015.

In addition to the Elster defined benefit pension plans, Honeywell assumed the Melrose Group’s FKI UK and McKechnie UK defined benefit pension plans which together had combined gross liabilities of £848.7 million and a net IAS 19 deficit of £111.9 million at the date of disposal.

14.1.6 *Elster Warranty Agreement*

Pursuant to the terms of the Elster Disposal Agreement, the warranty agreement was entered into on 28 July 2015 between Sageford UK Limited and Honeywell (the “**Elster Warranty Agreement**”).

Pursuant to the Elster Warranty Agreement, Sageford UK Limited provided certain warranties to Honeywell with respect to the business of the Elster Group. The Elster Warranty Agreement also contains a covenant in respect of certain tax matters relating to the Elster Group arising on or before completion of the disposal. However, other than in the event of fraud, Honeywell’s sole recourse for any breach of such business warranties and/or under the tax covenant shall be to an insurance policy taken out by Honeywell and Honeywell will not be able to recover against the Melrose Group for any claims in respect of the business warranties or the tax covenant.

14.1.7 *Bridon Group Disposal Agreement*

On 11 October 2014, Melrose PLC and Brush Holdings Limited entered into an agreement with Bridge Bidco Limited, an affiliate of the Ontario Teachers’ Pension Plan, in respect of the sale and purchase of the Bridon Group for an enterprise value of £365 million payable in cash on completion of the transaction, subject to limited adjustments. As part of the transaction, the Melrose Group contributed £6.7 million into the Bridon Group (2013) Pension Scheme, which remains with the Bridon Group following completion. The disposal completed on 12 November 2014.

14.2 *Nortek Group*

No contracts have been entered into (other than contracts entered into in the ordinary course of business) by the Company and/or any member of the Nortek Group either (i) within the period of two years immediately preceding the date of this Prospectus which are or may be material to the Company and/or

any member of the Nortek Group; or (ii) which, regardless of when entered into, contain any provisions under which the Company and/or any member of the Nortek Group has any obligation or entitlement which is, or may be, material to Melrose and/or the Melrose Group as at the date of this Prospectus, save as disclosed below:

14.2.1 *Nortek Credit Agreements*

The ABL Facility Agreement was entered into between, among others, Nortek Inc. as borrower and Bank of America, N.A. as agent on 17 December 2010, as amended and/or amended and restated from time to time, and comprises a \$325.0 million senior secured asset-based revolving credit facility which matures in 2021.

Subsequently, in April 2011, Nortek placed \$500.0 million in aggregate principal amount of 8.5% Notes due 2021, pursuant to the 8.5% Notes Indenture, which was entered into between Nortek Inc. and U.S. Bank N.A. as trustee on 26 April 2011. A further \$235 million in aggregate principle amount of 8.5% Notes were placed in 2012.

Finally, the Nortek Term Loan Facility Agreement was entered into on 30 April 2014, as amended and/or amended and restated from time to time, between, among others, Nortek Inc. as borrower and Wells Fargo, N.A. as agent, in relation to the acquisition by Nortek of Reznor and the repayment of a prior secured facility and provides for a \$615.0 million senior secured term loan facility, due 2020.

The Nortek Credit Agreements contain covenants that restrict Nortek's ability to, among other things, incur additional indebtedness, pay dividends or make other distributions, and consolidate, merge or sell assets. Further, the Acquisition may trigger certain change of control provisions under these agreements.

Pursuant to the terms of the Merger Agreement, Nortek has agreed to use commercially reasonable efforts to facilitate the payment and redemption of the indebtedness pursuant to the Nortek Credit Agreements on or following Completion.

14.2.2 *Anthro Acquisition Agreement*

On 21 January 2015, Nortek Inc. acquired from Shocat Inc. all of the issued and outstanding stock of Anthro Corporation, a designer and manufacturer of technology furniture, for approximately \$50 million, pursuant to a stock purchase agreement dated 18 January 2015 between Ergotron Inc. (a wholly owned subsidiary of Nortek) as buyer, Shocat Inc., as seller, and two individual shareholders of Shocat Inc.

14.2.3 *Ares Investor Agreement*

On 4 April 2012, Nortek, Ares Management LLC and certain entities affiliated with Ares Management LLC (together, "**Ares**") entered into an investor agreement whereby Ares and Nortek agreed, among other things, on the circumstances and terms upon which Ares may transfer shares of common stock in Nortek. The investor agreement terminates upon Ares and its affiliated entities no longer holding any shares of common stock of Nortek and, as such, shall terminate upon Completion.

15. Related Party Transactions

15.1 Save as disclosed in note 28 to each of the financial statements of the Company for the financial year ended 31 December 2015 and Old Melrose for the financial years ended 31 December 2014 and 31 December 2013, which are incorporated by reference into this Prospectus, none of the Company nor any member of the Melrose Group entered into any related party transactions (which for these purposes are those set out in the standards adopted according to the Regulation (EC) No 1606/2002) during the period covered by the historical financial information and up to the date of this Prospectus.

15.2 Save as disclosed in note 30 to the historical financial information of the Nortek Group for the financial years ended 31 December 2015, 31 December 2014 and 31 December 2013, prepared under IFRS using policies which are consistent with those used in preparing the Melrose Group's historical financial information, which is set out in Part B (*Historical Financial Information Relating to Nortek*) of Part IV (*Financial Information on Nortek*) of the Circular, and incorporated by reference into this Prospectus, none of Nortek nor any member of the Nortek Group entered into any related party transactions (which for these purposes are those set out in the standards adopted according to the Regulation (EC) No 1606/2002) during the period covered by the historical financial information and up to the date of this Prospectus.

16. Terms of the 2012 Incentive Options

- 16.1 Each 2012 Incentive Option entitles its holder to subscribe for one 2012 Incentive Share at a nominal value of £1 per share.
- 16.2 The Board may, from time to time at the recommendation of the Remuneration Committee, grant options to subscribe for an aggregate of up to 50,000 2012 Incentive Shares (the “**2012 Incentive Plan**”). If an option over a 2012 Incentive Share lapses the Board may, on the recommendation of the Remuneration Committee, grant further 2012 Incentive Options provided that the aggregate number of 2012 Incentive Options when added to the number of 2012 Incentive Shares in issue does not exceed 50,000. If, immediately prior to the “trigger date” (as defined in article 6(D) of the Articles), the full exercise of 2012 Incentive Options would result in there being fewer than 50,000 2012 Incentive Shares in issue, the Board shall grant (prior to any automatic exercise of the 2012 Incentive Options pursuant to paragraph 16.3) additional 2012 Incentive Options to the employee benefit trust such that the full exercise of 2012 Incentive Options will result in 50,000 2012 Incentive Shares being in issue immediately prior to the “trigger date”.
- 16.3 2012 Incentive Options may be exercised at any time up to and including the “trigger date” and, if not exercised within such time, will be automatically exercised immediately prior to the “trigger date”. On exercise, a 2012 Incentive Share certificate will be issued to the holder of the 2012 Incentive Shares.
- 16.4 A 2012 Incentive Option may be exercised by notification in writing (which may include email) to the secretary to the Remuneration Committee by the holder of such 2012 Incentive Option of such holder’s exercise of the 2012 Incentive Option and delivery by such holder of payment in full for the share to be subscribed and, if available, the holder’s option certificate in respect of such 2012 Incentive Option. If any such exercise is for less than such holder’s total holding of 2012 Incentive Options, the Remuneration Committee will determine which 2012 Incentive Options have been exercised and a new certificate will be issued to reflect the balance of any remaining 2012 Incentive Options held by such holder.
- 16.5 If any 2012 Incentive Option is automatically exercised pursuant to paragraphs 16.3, 16.6 or 16.7, to the extent that the consideration payable on such exercise is not immediately paid and in order to enable the 2012 Incentive Share to be issued fully paid, an amount of £1 will become due to the Company by the holder of such 2012 Incentive Option and it is a term of the grant of each 2012 Incentive Option that each holder undertakes to pay, cash to the Company, in satisfaction of such amount, on demand and in any event within one month of the automatic exercise of the 2012 Incentive Option.
- 16.6 If the Company becomes aware, in accordance with article 6(M) of the Articles, of a potential Change of Control and notwithstanding the requirements in paragraph 16.4 above, it will:
- (a) as soon as possible on becoming so aware, provide notice thereof to holders of 2012 Incentive Options; and
 - (b) at the same time as such notice is required to be given to holders of 2012 Incentive Shares, provide to all holders of 2012 Incentive Options a copy of the notice required to be given to holders of 2012 Incentive Shares in accordance with such article 6(M) of the Articles, whether or not any 2012 Incentive Shares are in issue at that time.
- 16.7 If, for any reason, the Company is not able to or does not comply with sub-paragraphs (a) and (b) of this paragraph, the 2012 Incentive Options will be automatically exercised immediately prior to the “trigger date” in accordance with paragraph 16.3.
- 16.8 If, in accordance with article 6(N) of Articles, a resolution for voluntary winding up of the Company is passed or a winding up order is made by the court, notwithstanding the requirements in paragraph 16.4 above, the 2012 Incentive Options then outstanding will be deemed to have been exercised immediately prior to the conversion of the 2012 Incentive Shares in accordance with such article 6(N).
- 16.9 Except as set out in paragraph 16.10, holders of 2012 Incentive Options may not transfer, charge, encumber or grant any options over or otherwise dispose of any 2012 Incentive Options or interest therein.

- 16.10 A holder of a 2012 Incentive Option may at any time transfer an option:
- (a) with the prior written consent of the Board (and where such consent is given in relation to a transfer to the trustees of a trust of which the only beneficiaries (and the only people capable of being beneficiaries) are the holder of the 2012 Incentive Option who established the trust and who is transferring the relevant 2012 Incentive Option; and/or his spouse; and/or his lineal descendants by blood or adoption, such transferees being “permitted 2012 Incentive Option transferees”); and
 - (b) if a transferee ceases to be a permitted 2012 Incentive Option transferee in relation to the original holder of the option, to such original holder of the option.
- 16.11 Unless the Remuneration Committee determines otherwise, if a holder of 2012 Incentive Options or an original holder of 2012 Incentive Options transferred pursuant to paragraph 16.10 becomes a “bad leaver” (as defined in article 8 of the Articles), any unexercised 2012 Incentive Options shall lapse.
- 16.12 If a holder of 2012 Incentive Options or an original holder of 2012 Incentive Options transferred pursuant to paragraph 16.10 becomes a “good leaver” (as defined in article 8 of the Articles), at the Remuneration Committee’s discretion, some or all of such good leaver’s unexercised 2012 Incentive Options shall lapse, such number to be no more than that number of 2012 Incentive Options as would be equal to the Unvested Portion (as such term is defined in paragraph 4.6.8 of this Part XII (*Additional Information*)) of 2012 Incentive Shares had such holder’s 2012 Incentive Options been exercised in full prior to the holder becoming a “good leaver” and a new certificate will be issued to reflect the balance of 2012 Incentive Options held by such good leaver (if any) following such lapse.
- 16.13 2012 Incentive Shares allotted on exercise of 2012 Incentive Options will have the rights set out in the Articles.
- 16.14 If any offer is made and is implemented (including any offer implemented by way of a court approved scheme of arrangement under Part 26 of the Companies Act) which results in the Company being controlled by a new company in which at least 90% of the shares in the new company are held by substantially the same persons who immediately before the offer was made were shareholders in the Company, the 2012 Incentive Options will, at the direction of the Remuneration Committee, be automatically exchanged for like options over shares in the new company on substantially the same terms as the 2012 Incentive Options and upon such exchange taking effect the existing 2012 Incentive Options will lapse.
- 16.15 The Remuneration Committee may amend the terms of the 2012 Incentive Options at any time with the consent of the holders of 2012 Incentive Options holding not less than three-quarters of the 2012 Incentive Options then in issue. Prior approval will not be required for any minor alteration made to benefit the administration of the 2012 Incentive Options, to take account of a change in legislation or to obtain or maintain favourable tax, exchange or regulatory treatment for holders of 2012 Incentive Options or for any company in the Melrose Group provided that an investment bank of repute shall have confirmed in writing that such alterations are fair and reasonable so far as holders of 2012 Incentive Shares are concerned.
- 16.16 If any amendment is made to the terms of the 2012 Incentive Shares, the terms of the 2012 Incentive Options will be amended in such manner as the Remuneration Committee determines to be fair and reasonable to reflect such amendments.

17. Consents

- 17.1 Deloitte LLP has given and has not withdrawn its written consent to the inclusion of its report on *pro forma* financial information set out in Part VII (*Unaudited Pro Forma Financial Information on the Enlarged Group*) of this Prospectus and the references to its reports in the form and context in which they are included and has authorised the contents of the part of this Prospectus which comprises its reports for the purposes of Prospectus Rule 5.5.3(2)(f).
- 17.2 Ernst & Young LLP has given and has not withdrawn its written consent to the inclusion in this Prospectus of its report set out in Section B (*Historical Financial Information Relating to Nortek*) of Part IV (*Financial Information on Nortek*) of the Circular and incorporated into this Prospectus by reference and the references to its name in the form and context in which they are included and has

authorised the contents of the part of the Circular which comprises its reports for the purposes of Prospectus Rule 5.5.3(2)(f).

- 17.3 Investec Bank plc has given and has not withdrawn its written consent to the inclusion in this Prospectus of the references to its name in the form and context in which they are included.
- 17.4 J.P. Morgan Cazenove has given and has not withdrawn its written consent to the inclusion in this Prospectus of the references to its name in the form and context in which they are included.
- 17.5 J.P. Morgan Limited has given and has not withdrawn its written consent to the inclusion in this Prospectus of the references to its name in the form and context in which they are included.
- 17.6 BofA Merrill Lynch has given and has not withdrawn its written consent to the inclusion in this Prospectus of the references to its name in the form and context in which they are included.
- 17.7 Nomura International PLC has given and has not withdrawn its written consent to the inclusion in this Prospectus of the references to its name in the form and context in which they are included.
- 17.8 Evercore Partners International LLP has given and not withdrawn its written consent to the inclusion in this Prospectus of the references to its name in the form and context in which they are included.

18. Sources and Bases of Selected Financial Information

- 18.1 Unless otherwise stated, financial information relating to the Company has been extracted (without material adjustment) from the audited annual report and accounts for the Company for the year ended 31 December 2015, and from the audited annual report and accounts for Old Melrose for the years ended 31 December 2014 and 31 December 2013. As a consequence of applying reverse acquisition accounting principles, the consolidated results of the Company for the year ended 31 December 2015 comprise the results of Old Melrose and its subsidiaries for the year ended 31 December 2015 consolidated with those of the Company from 19 November 2015. The comparative figures for the Melrose Group are those of the Melrose Group headed by Old Melrose for the year ended 31 December 2014 except for the presentation of the issued share capital, merger reserve, capital redemption reserve and other reserves balances which have been restated to reflect the reserves position of the Melrose Group as if the Company had been the parent company during both periods presented.
- 18.2 The financial information concerning the Company and the Melrose Group contained in this Prospectus does not constitute statutory accounts within the meaning of section 434 of the Companies Act. Full individual accounts of the Company and each of its subsidiary undertakings for each financial year to which the financial information relates and on which the auditors gave unqualified reports have been delivered to the Registrar of Companies. The consolidated financial statements of the Melrose Group in respect of the financial years ended 31 December 2015, 31 December 2014 and 31 December 2013 were reported on by Deloitte LLP, a member of the Institute of Chartered Accountants for England and Wales, the auditors of the Company within the meaning of section 434 of the Companies Act.
- 18.3 Unless otherwise stated, financial information relating to the Nortek Group has been extracted (without material adjustment) from the historical financial information of the Nortek Group for the financial years ended 31 December 2015, 31 December 2014 and 31 December 2013 and the accountant's report thereto, prepared under IFRS using policies which are consistent with those used in preparing the latest audited consolidated financial statements of the Melrose Group and the unaudited quarterly financial statements of the Nortek Group for the first quarters ended 2 April 2016 and 28 March 2015, prepared in accordance with US GAAP.

19. General

- 19.1 As at the close of business on the Latest Practicable Date, the Company had in issue 145,134,353 ordinary shares of $\frac{4}{7}$ pence each. The ISIN for Melrose Shares is GB00BZ1G4322.
- 19.2 The total costs, charges and expenses payable by the Company in connection with the Rights Issue and the Acquisition are estimated to be approximately £62.9 million (exclusive of VAT).

20. Forecasts and Projections

Nortek Financial Projections

- 20.1 Certain financial projections for Nortek's profitability for the financial year ending 31 December 2016 have been disclosed by Nortek in: (i) its unaudited quarterly report for the first quarter ended 2 April 2016, published on 12 May 2016; and (ii) the accompanying announcement for the unaudited quarterly report for the first quarter ended 2 April 2016, published on 12 May 2016 (together, the "**Nortek Financial Projections**").
- 20.2 The Nortek Financial Projections do not reflect the Melrose Directors' view of Nortek's prospects and financial performance nor the prospects and financial performance of the Enlarged Group. As such, the Melrose Directors believe that the Nortek Financial Projections cease to be valid under Melrose's ownership, in particular as a result of:
- (i) changes of strategic direction and changes to the financial and operational management of Nortek under Melrose's ownership (such as cost efficiencies as a result of the delisting of Nortek, investment in operations, further technology improvements, further emphasis on product development, the potential disposal of underperforming businesses and pursuit of new business development opportunities); and
 - (ii) the fact that, as part of the Enlarged Group, Nortek will report under IFRS, rather than US GAAP, as previously, which is specifically expected to affect, among others, impairment of goodwill and long-lived assets, the method for calculating tax benefits for uncertain tax positions and deferred tax on undistributed earnings, pension accounting, restructuring and warranty provisions, accounting for share-based payments, research and development cost recognition, accounting for business combinations, lease accounting and inventory valuation policies.
- 20.3 Neither Melrose nor any Melrose Director was involved in the preparation or review of the Nortek Financial Projections. The Nortek Financial Projections were not intended for publication by Melrose and should not be regarded as forecasts of profits by Melrose or any of the Melrose Directors and accordingly have not been prepared to the standard required in producing a profit forecast in the context of the Acquisition. Melrose Shareholders should not rely upon any of the Nortek Financial Projections in making any decision about New Melrose Shares, the Rights Issue or the Acquisition.
- 20.4 None of Melrose, the Melrose Directors or their respective advisers accept responsibility for the accuracy, reasonableness, validity or completeness of the Nortek Financial Projections or the estimates and assumptions that underlie them.

21. Documents available for inspection

Copies of the following documents will be available for inspection during normal business hours on any weekday (Saturday, Sundays and UK public holidays excepted) at: (i) the registered office of the Company (being 11th Floor, The Colmore Building, 20 Colmore Circus Queensway, Birmingham, B4 6AT); and (ii) the offices of Simpson Thacher & Bartlett LLP (being CityPoint, One Ropemaker Street, London EC2Y 9HU) from the date of this Prospectus up to and including the date of Re-admission:

- (a) the Articles;
- (b) the report by Ernst & Young LLP set out in Section B (*Historical Financial Information relating to Nortek*) of Part IV (*Financial Information on Nortek*) of the Circular and incorporated into this Prospectus by reference;
- (c) the report by Deloitte LLP set out in Part VII (*Unaudited Pro Forma Financial Information on the Enlarged Group*) of this Prospectus;
- (d) the audited consolidated accounts of the Melrose Group for the financial years ended 31 December 2015, 31 December 2014 and 31 December 2013;
- (e) the historical financial information for the Nortek Group for the financial years ended 31 December 2015, 31 December 2014 and 31 December 2013 and the unaudited financial information of the Nortek Group for the first quarters ended 2 April 2016 and 28 March 2015, set out in Part B

(*Historical Financial Information Relating to Nortek*) of Part IV (*Financial Information on Nortek*) of the Circular and incorporated into this Prospectus by reference;

- (f) the Circular and Form of Proxy;
- (g) the Merger Agreement;
- (h) the Tender and Support Agreements;
- (i) the consent letters referred to in paragraph 17 above; and
- (j) this Prospectus.

The Circular and this Prospectus and the information incorporated by reference into this Prospectus (as set out on Part XIV (*Documents Incorporated by Reference*)) may also be viewed via the National Storage Mechanism.

22. Announcement on Results of the Rights Issue

The Company will make an announcement to a Regulatory Information Service giving details of the results of the Rights Issue.

Dated: 6 July 2016

PART XIII
DEFINITIONS

The following definitions apply throughout this Prospectus unless the context otherwise requires:

2012 Incentive Options	options over the 2012 Incentive Shares
2012 Incentive Plan	has the meaning given to such term at paragraph 16.2 of Part XII (<i>Additional Information</i>)
2012 Incentive Shares	the 2012 Incentive Shares of £1 each of the Company having the rights and restrictions attaching to them as more specifically set out in paragraph 4.4 of Part XII (<i>Additional Information</i>)
2016 AGM	the annual general meeting of the Company held on 11 May 2016
2017 AGM	the annual general meeting of the Company to take place in 2017
8.5% Notes	8.5% senior unsecured notes due 2021 issued by Nortek pursuant to the 8.5% Notes Indenture
8.5% Notes Indenture	the indenture dated 26 April 2011 between Nortek Inc. and U.S. Bank N.A. as trustee
ABL Facility	the \$325 million senior secured asset-based revolving credit facility which expires in 2021, available to the Nortek Group pursuant to the ABL Facility Agreement
ABL Facility Agreement	the credit agreement dated 17 December 2010, as amended and/or amended and restated from time to time, between, among others, Nortek Inc. as borrower and Bank of America, N.A. as agent
Acquisition	the proposed acquisition of the entire issued share capital of Nortek by the Melrose Group, by way of the Tender Offer and the Merger, pursuant to the Merger Agreement
Admission	the proposed admission of the New Melrose Shares to the premium segment of the Official List and to trading nil paid on the main market for listed securities of the London Stock Exchange
AIM	AIM, a market operated by the London Stock Exchange
Anchorage Capital	Anchorage Capital Master Offshore, Ltd.
Announcement	the announcement made by the Company on 6 July 2016 in relation to the Acquisition and the Rights Issue
Anthro	Anthro Corporation
Anti-trust Clearance	the anti-trust clearance under the HSR Act in the US required in connection with the Acquisition
AQH segment	the Air Quality and Home Solutions segment of the Nortek Group
Ares Management	Ares Corporate Opportunities Fund II L.P. and Ares Corporate Opportunities Fund III L.P.

Articles	the articles of association of Melrose summarised at paragraph 4 of Part XII (<i>Additional Information</i>) as amended from time to time
Audit Committee	the audit committee of the Melrose Board
Australia	the Commonwealth of Australia and its dependent territories
AVC segment	the audio, video and control entities of the Nortek Group
BACS	the UK BACS system for the electronic processing of financial transactions
Board(s)	the Melrose Board and/or the Nortek Board (as the case may be)
BofA Merrill Lynch	Merrill Lynch International
Bribery Act	has the meaning given to such term at paragraph 4 of Part C of the section of this Prospectus headed “Risk Factors”
Bridon or Bridon Group	the Bridon business which comprised, prior to its disposal by the Melrose Group, Bridon Limited together with its direct and indirect subsidiaries and subsidiary undertakings
Brush or Brush Group	the Brush business which comprises Brush Holdings Limited together with its direct and indirect subsidiaries and subsidiary undertakings
Brush UK Plan	the occupational pension scheme known as the ‘Brush Group (2013) Pension Scheme’, established by a definitive deed dated 4 April 2013
Brush US Plan	the defined benefit plan known as the Brush Aftermarket North America, Inc. Group Pension Plan (formerly known as the FKI US Plan)
Business Day	a day (other than a Saturday or Sunday or public holiday) on which banks are open for business in London, other than solely for trading and settlement in Euro
Canada	Canada, its provinces and territories and all areas subject to its jurisdiction or any political subdivision thereof
CAS segment	the Custom and Commercial Air Solutions segment of the Nortek Group
certificated or in certificated form	in relation to a share or other security, a share or other security title to which is recorded in the relevant register of the share or other security as being held in certificated form (that is, not in CREST)
CHAPS	the UK Clearing House Automated Payment System for the same-day processing of pound sterling and Euro fund transfers
Circular	the circular to be sent to Melrose Shareholders on or about the date hereof containing details of the Acquisition

Closing Price	the closing, middle market quotation in pounds sterling of a Melrose Share, as published in the Daily Official List
Committees	the Audit, Nomination and Remuneration Committees of the Melrose Board as described at paragraph 3 (<i>Corporate Governance</i>) of Part IX (<i>Directors, Corporate Governance and Employees</i>) of this Prospectus
Companies Act	the Companies Act 2006, as amended, modified or re-enacted from time to time
Company or Melrose	Melrose Industries PLC, a public limited company incorporated in England and Wales with registered number 9800044
Company Secretary	Adam Westley
Completion	completion of the Acquisition
Court	the High Court of Justice of England and Wales
CREST	the electronic transfer and settlement system for the paperless settlement of trades in listed securities and the holding of uncertificated securities in accordance with the CREST Regulations operated by Euroclear
CREST courier and sorting service or CCSS	the CREST courier and sorting service operated by Euroclear to facilitate <i>inter alia</i> , the deposit and withdrawal of securities
CREST Deposit Form	the form used to deposit securities into the CREST system in the United Kingdom
CREST Manual	the manual, as amended from time to time, produced by Euroclear describing the CREST system and supplied by Euroclear to users and participants thereof
CREST member	a person who has been admitted by Euroclear as a system-member (as defined in the CREST Regulations)
CREST Regulations	the Uncertificated Securities Regulations 2001 (SI 2001 No. 01/378), as amended
CREST sponsor	a CREST participant admitted to CREST as a CREST sponsor
CREST sponsored member	a CREST member admitted to CREST as a sponsored member
Daily Official List	the daily official list of the London Stock Exchange
dealing day	a day upon which dealings in domestic securities may take place on and with the authority of the London Stock Exchange
Director(s) or Melrose Director(s)	the directors of the Company whose names are set out on page 47 of this Prospectus
Disclosure Requirements	articles 17, 18 and 19 of the Market Abuse Regulation

Dividend Amount	has the meaning given to such term at paragraph 4.4.1(a) of Part XII (<i>Additional Information</i>) of this Prospectus
DOJ	United States Department of Justice
EBITDA	earnings before interest, tax, depreciation and amortisation
EEA	the European Economic Area
EEA States	the member states of the EEA
Eligible US Holders	has the meaning given to such term at paragraph 7.2 of Part XI (<i>Terms and Conditions of the Rights Issue</i>) of this Prospectus
Elster or Elster Group	the Elster business which comprised, prior to its disposal by the Melrose Group, Teaford GmbH, together with its direct and indirect subsidiaries and subsidiary undertakings
Enlarged Group	the Melrose Group following the acquisition of the Nortek Group
Enlarged Share Capital	the share capital of Melrose immediately following the completion of the Rights Issue and the issue of the New Melrose Shares
ERG segment	the Ergonomic and Productivity Solutions segment of the Nortek Group
Ergotron	Ergotron, Inc.
EU	the European Union
EUR, € and Euro	the lawful currency of the member states of the EU that have adopted the euro as their common currency and sole legal tender
Euroclear	Euroclear UK & Ireland Limited, the operator of CREST
Excluded Territories	Australia, Japan and South Africa and any other jurisdictions where the extension and availability of the Rights Issue would breach any applicable law
Existing Facility	the £200 million multi-currency revolving credit facility available to the Melrose Group pursuant to the Existing Facility Agreement
Existing Facility Agreement	the multi-currency revolving credit facility agreement dated 29 June 2012, as amended and/or amended and restated from time to time (including pursuant to an amendment and restatement agreement dated 30 September 2015) between, among others, Melrose PLC as borrower and Lloyds Bank PLC as agent
Existing Melrose Shares	the ordinary shares of $\frac{48}{7}$ pence each in the capital of the Company in issue at the Record Date
ex-rights date	the time and date on which the holders of Existing Melrose Shares cease to have a right to participate in the Rights Issue (expected to be 8.00 a.m. on 9 August 2016)
FCA	the United Kingdom Financial Conduct Authority

FCPA	has the meaning given to such term at paragraph 4 of Part C of the section of this Prospectus headed “Risk Factors”
Flextronics	Flextronics International, Ltd
Form of Proxy	the form of proxy for use at the Melrose General Meeting
FSMA	the Financial Services and Markets Act 2000, as amended, modified or re-enacted from time to time
Fully Paid Rights	the rights to acquire New Melrose Shares, fully paid
Gates Capital Management	ECF Value Fund, L.P., ECF Value Fund II L.P. and ECF Value Fund International Ltd.
General Meeting	the general meeting of the Company to be held at the offices of Investec Bank plc at 2 Gresham Street, London EC2V 7QP at 11.00 a.m. on 25 July 2016 to vote on the Resolutions
headline	before exceptional costs, exceptional income and intangible asset amortisation
HMRC	HM Revenue and Customs, the UK tax authority
Honeywell	Honeywell International Inc.
HSR Act	the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations promulgated thereunder
HVAC	heating, ventilation and air conditioning
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards, as issued by the International Accounting Standards Board and endorsed by the EU
ISIN	the international code for a listed security
J.P. Morgan Cazenove	J.P. Morgan Securities plc, which conducts its investment banking activities as J.P. Morgan Cazenove
Joint Bookrunners	Investec Bank plc, J.P. Morgan Cazenove and BofA Merrill Lynch
Joint Global Co-ordinators	Investec Bank plc and J.P. Morgan Cazenove
Latest Practicable Date	5 July 2016 (being the latest practicable date prior to the publication of this Prospectus)
Listing Rules	the listing rules made by the FCA under section 73A FSMA
London Gazette	the official newspaper of the Crown
London Stock Exchange or LSE	the London Stock Exchange plc or its successor(s)
Market Abuse Regulation	Regulation (EU) No. 596/2014 of the European Parliament and the Council of 16 April 2014 on market abuse
Melrose Board	the board of directors of the Company

Melrose Group	(i) for the period from and including 19 November 2015, the Company, its subsidiaries and subsidiary undertakings from time to time; or (ii) for the period prior to 19 November 2015, Old Melrose, its subsidiaries and subsidiary undertakings from time to time
Melrose PLC	Melrose PLC, a public limited company incorporated in England and Wales, with registered number 04763064
Melrose Shareholder(s)	holder(s) of Melrose Shares
MergerCo	a wholly-owned subsidiary of the Company, incorporated for the purposes of implementing the Acquisition
Merger	the merger of MergerCo with and into Nortek pursuant to the Merger Agreement
Merger Agreement	the agreement and plan of merger between Melrose, MergerCo and Nortek dated on or around 6 July 2016 relating to the Acquisition
Money Laundering Regulations	the Money Laundering Regulations 2007, as amended
MTM	a many-to-many instruction in CREST
NAHB	the National Association of Home Builders
NASDAQ	the NASDAQ Global Market, a US stock exchange based in New York
National Storage Mechanism	the document publication facility made available by the FCA at www.morningstar.co.uk/uk/nsm
New Melrose Shares	the ordinary shares of $\frac{48}{7}$ pence each in the capital of the Company proposed to be issued by the Company pursuant to the Rights Issue
New Facilities Agreement	the senior term and revolving facilities agreement dated 6 July 2016 entered into between Melrose PLC and MergerCo as initial borrowers, the parties named therein as original lenders and Lloyds Bank plc as agent.
Nil Paid Rights	New Melrose Shares in nil paid form provisionally allotted to Qualifying Shareholders pursuant to the Rights Issue
Nomination Committee	the nomination committee of the Melrose Board
Nortek	Nortek, Inc., a corporation organised under the laws of the State of Delaware
Nortek Board	the board of directors of Nortek
Nortek Credit Agreements	the ABL Facility Agreement, the Nortek Term Loan Facility Agreement and the 8.5% Notes Indenture
Nortek Directors	the members of the Nortek Board
Nortek Financial Projections	has the meaning given to such term in paragraph 20.1 (Forecasts and Projections) of Part XII (<i>Additional Information</i>)

Nortek Group	Nortek, its subsidiaries and subsidiary undertakings from time to time
Nortek Shareholders	holders of Nortek Shares
Nortek Shares	the entire issued ordinary share capital of Nortek
Nortek Term Loan Facility	the \$615 million term loan facility due 2020, available to the Nortek Group pursuant to the Nortek Term Loan Facility Agreement
Nortek Term Loan Facility Agreement	the term loan facility agreement entered into on 30 April 2014, as amended and/or amended and restated from time to time, between, among others, Nortek Inc. as borrower and Wells Fargo, N.A. as agent
Notice of General Meeting	the notice of Melrose General Meeting which forms part of the Circular
Nuvera	the mobile personal emergency response system and telehealth business of Nuvera, Inc.
OEE	the Office of Export Enforcement of the US Department of Commerce
OFAC	the US Department of the Treasury's Office of Foreign Assets Control
Official List	the official list maintained by the UKLA for the purposes of Part V of FSMA
Old Melrose	Melrose Holdings Limited, a private company limited by shares incorporated in England and Wales, with registered number 08243706
Old Scheme	the scheme of arrangement under section 899 of the Companies Act between Melrose PLC, Old Melrose, and holders of ordinary shares in Melrose PLC which became effective on 27 November 2012
Overseas Shareholders	Shareholders who are resident in, ordinarily resident in, or citizens of, jurisdictions outside the United Kingdom
Panel	the UK Panel on Takeovers and Mergers
pence, £, GBP and pounds sterling	the lawful currency of the United Kingdom
Phoenix	Phoenix Wholesale, Inc.
PRA	the United Kingdom Prudential Regulation Authority and includes, where applicable, any successor body or bodies carrying the functions currently carried out by the Prudential Regulation Authority
Premium Listing	a premium listing under Chapter 6 of the Listing Rules
Prospectus	this Prospectus dated 6 July 2016, comprising a prospectus relating to the Company, Admission and Re-admission (together with any supplements or amendments thereto)

Prospectus Directive	Directive 2003/71/EC (as amended from time to time, including by Directive 2010/73/EC (the “ PD Amending Directive ”) to the extent implemented in the relevant EEA State) and includes any relevant implementing measures in each EEA State that has implemented Directive 2003/71/EC
Prospectus Directive Regulation	Commission Regulation (EC) No 809/2004
Prospectus Rules	the rules for the purposes of Part VI of FSMA in relation to offers of securities to the public and the admission of securities to trading on a regulated market
Provisional Allotment Letter	the renounceable provisional allotment letters relating to the Rights Issue to be issued to Qualifying Non-CREST Shareholders other than certain Overseas Shareholders as described in Part XI (<i>Terms and Conditions of the Rights Issue</i>) of this Prospectus
Qualifying CREST Shareholders	Qualifying Shareholders whose Existing Melrose Shares are in uncertificated form
Qualifying Non-CREST Shareholders	Qualifying Shareholders whose Existing Melrose Shares are in certificated form
Qualifying Shareholders	Melrose Shareholders on the Register at the Record Date
RCH segment	the Residential and Commercial HVAC segment of the Nortek Group
Re-admission	the proposed re-admission of the Melrose Shares to the standard segment of the Official List and to the main market for listed securities of the London Stock Exchange
Receiving Agent	Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA
Record Date	the close of business in London on 4 August 2016
Register	the Company’s statutory register of members
Registrar	Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA
Registrar of Companies	the Registrar of Companies in England and Wales
Regulatory Information Service or RIS	one of the regulatory information services authorised by the UKLA to receive, process and disseminate regulatory information from listed companies
Remuneration Committee	the remuneration committee of the Melrose Board
Resolutions	the resolutions to be proposed at the Melrose General Meeting as set out in the Notice of General Meeting, with any permitted amendments thereto

Return of Capital	the Court-confirmed return of approximately £2,388.5 million of capital by Melrose to Melrose Shareholders by way of cancellation of B shares which took effect on 27 January 2016, as described in paragraph 3.1(e) and (f) of Part XII (<i>Additional Information</i>) of this Prospectus
Reznor	the HVAC business previously owned by Thomas & Betts Corporation, as acquired by the Nortek Group on 30 April 2014
Rights	has the meaning given to it in paragraph 3 (<i>Share capital</i>) of Part XII (<i>Additional Information</i>)
Rights Issue	the proposed issue of the New Melrose Shares to Qualifying Shareholders by way of rights on the terms and conditions set out in this Prospectus and in the case of Qualifying Non-CREST Shareholders only, the Provisional Allotment Letters
Rights Issue Price	95 pence per New Melrose Share
RTGS	has the meaning given to it in paragraph 5.2 (<i>Procedure for acceptance and payment</i>) of Part XI (<i>Terms and Conditions of the Rights Issue</i>)
Schedule 14D-9	a tender offer recommendation statement on Schedule 14D-9 (together with all amendments, supplements and exhibits thereto), which will be filed with the SEC and mailed to Nortek Shareholders on the Tender Offer Commencement Date
Scheme	the scheme of arrangement under section 899 of the Companies Act between Old Melrose, Melrose and holders of ordinary shares in Old Melrose which became effective on 19 November 2015
SCS segment	the Security and Control Solutions segment of the Nortek Group
SDRT	stamp duty reserve tax
SEC	the US Securities and Exchange Commission
SEDOL	the London Stock Exchange Daily Official List of share identifiers
Share Capital Consolidation	the 7 for 48 share consolidation in the number of ordinary shares in the capital of the Company which was effected on 28 January 2016
Shareholder Helpline	the helpline set up for Melrose Shareholders which will advise Melrose Shareholders how to complete the Provisional Allotment Letter (if they are Qualifying Non-CREST Shareholders) and answer certain questions about the Rights Issue, available between 8.30 a.m. and 5.30 p.m. Monday to Friday (except public holidays in England and Wales) on 0333 207 6392 (from within the UK) and + 44 121 415 0966 (from outside the UK). Network providers' costs may vary. Calls to the Shareholder Helpline from outside the UK will be charged at the applicable international rates. Different charges may apply to calls from mobile

	telephones and calls may be recorded and randomly monitored for security and training purposes. For legal reasons, the Shareholder Helpline will be unable to give advice on the merits of the Rights Issue or to provide financial, tax or investment advice
Sponsors	together, Investec Bank plc and J.P. Morgan Cazenove
Standard Listing	a standard listing under Chapter 14 of the Listing Rules
subsidiary and subsidiary undertaking	have the meaning given to them in sections 1159 and 1162 of the Companies Act respectively
Superior Proposal	has the meaning given to it in paragraph 3 (<i>Terms of the Acquisition</i>) of Part I (<i>Information on the Acquisition and the Rights Issue</i>)
Superior Proposal Termination Event	has the meaning given to it in paragraph 3 (<i>Terms of the Acquisition</i>) of Part I (<i>Information on the Acquisition and the Rights Issue</i>)
Takeover Code	the City Code on Takeovers and Mergers issued from time to time by or on behalf of the Panel
Tender and Support Agreements	the tender and support agreements entered into on or about the date of this Prospectus between Melrose, MergerCo and each of Ares Management, Gates Capital Management and Anchorage Capital in relation to the Tender Offer and the Merger
Tender Offer	the offer by MergerCo to purchase all of the issued and outstanding Nortek Shares as at the Tender Offer Expiration Date at the Tender Offer Price
Tender Offer Commencement Date	the date the Tender Offer Document is filed with the SEC and mailed to Nortek Shareholders, expected to be no later than 11 July 2016
Tender Offer Conditions	has the meaning given to it in paragraph 3 (<i>Terms of the Acquisition</i>) of Part I (<i>Information on the Acquisition and the Rights Issue</i>)
Tender Offer Document	a tender offer statement on Schedule TO and the related letter of transmittal, which will be filed with the SEC and mailed to Nortek Shareholders on the Tender Offer Commencement Date containing and setting out the terms and conditions of the Tender Offer
Tender Offer Expiration Date	2.00 a.m. (New York time) on 31 August 2016 (or such subsequent date to which the expiration of the Tender Offer is extended pursuant to and in accordance with the terms of the Tender Offer Document)
Tender Offer Price	\$86 per Nortek Share, net, in cash without interest
Transaction Resolutions	the resolutions to be proposed at the Melrose General Meeting to approve the Acquisition, the Rights Issue and Re-admission, being resolution 1, resolution 2 and resolution 4 as set out in the Notice of General Meeting, with any permitted amendments thereto

Transparency Rules	the transparency rules and corporate governance rules made by the FCA under Part VI of FSMA
TV One	has the meaning given to it in paragraph 1 (<i>Significant events</i>) Part IV (<i>Operating and Financial Review</i>) of this Prospectus
UK Corporate Governance Code	the UK Corporate Governance Code published in September 2014, which is applicable for the current and previous reporting periods and issued by the Financial Reporting Council in the United Kingdom
UK or United Kingdom	the United Kingdom of Great Britain and Northern Ireland
UKLA	the FCA acting in its capacity as the competent authority for the purposes of Part VI of FSMA
Unaudited Pro forma Financial Information	has the meaning given to it in Part VII (<i>Unaudited Pro forma Financial Information on the Enlarged Group</i>) of this Prospectus
uncertificated or in uncertificated form	a share or other security title to which is recorded in the relevant register of the share or security as being held in uncertificated form, in CREST, and title to which, by virtue of the CREST Regulations may be transferred by means of CREST
Underwriters	Investec Bank plc, J.P. Morgan Cazenove and BofA Merrill Lynch
Underwriting Agreement	the underwriting agreement dated 6 July 2016 between Melrose and the Underwriters pursuant to which the Underwriters have conditionally agreed to underwrite the Rights Issue, a summary of which is contained in Part I (<i>Information on the Acquisition and the Rights Issue</i>) of this Prospectus
US or United States or United States of America	the United States of America (including the states of the United States and the District of Columbia), its possessions and territories and all areas subject to its jurisdiction
US Exchange Act	the US Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder
US\$, US dollars, USD or \$	the lawful currency of the United States
US GAAP	generally accepted accounting principles in the United States
US Securities Act	the US Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
VAT	(i) within the EU, any tax imposed by any member state in conformity with the directive of the council of the EU on the common system of value added tax (2006/112/EC), and (ii) outside the EU, any tax corresponding to, or substantially similar to, the common system of value added tax referred to in paragraph (i) of this definition

Window Shop Deadline has the meaning given to it in paragraph 3 (*Terms of the Acquisition*) of Part I (*Information on the Acquisition and the Rights Issue*)

All times referred to are London times unless otherwise stated.

All references to legislation in this Prospectus are to the legislation of England and Wales unless the contrary is indicated. Any reference to any provision of any legislation shall include any amendment, modification, re-enactment or extension thereof.

Words importing the singular shall include the plural and vice versa, and words importing the masculine gender shall include the feminine or neutral gender.

PART XIV

DOCUMENTS INCORPORATED BY REFERENCE

The following documentation contains information which is relevant to the Acquisition:

1. The annual report and accounts of Melrose for the year ended 31 December 2015 and of Old Melrose for the years ended 31 December 2014 and 31 December 2013

These reports and accounts contain Melrose's annual report and accounts for 2015 including the Melrose Group's financial statements for the year ended 31 December 2015, the notes and the auditors' report thereon and the Finance Director's review, Old Melrose's annual report and accounts for 2014 including Old Melrose's financial statements for the year ended 31 December 2014, the notes and the auditors' report thereon. Old Melrose's annual report and accounts for 2013 including Old Melrose's financial statements for the year ended 31 December 2013, the notes and the auditors' report thereon.

2. Information incorporated by reference

The table below sets out the documents which are incorporated by reference into this Prospectus, to ensure that Melrose Shareholders and others are aware of all information which, according to the particular nature of the Company and of the New Melrose Shares, is necessary to enable Melrose Shareholders and others to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Company and of the rights attaching to the New Melrose Shares.

<u>Information incorporated by reference into this Prospectus</u>	<u>Location of information in this Prospectus</u>	<u>Page number(s) in this Prospectus</u>
Melrose's annual report and accounts for 2015 including Melrose's financial statements for the year ended 31 December 2015, the notes and the auditors' report thereon and the Finance Director's review.	Part A of Part VI (<i>Historical Financial Information</i>)	102
Old Melrose's annual report and accounts for 2014 including Old Melrose's financial statements for the year ended 31 December 2014, the notes and the auditors' report thereon.	Part A of Part VI (<i>Historical Financial Information</i>)	103
Old Melrose's annual report and accounts for 2013 including Old Melrose's financial statements for the year ended 31 December 2013, the notes and the auditors' report thereon.	Part A of Part VI (<i>Historical Financial Information</i>)	103
The Melrose Group's operating and financial review for the year ended 31 December 2015	Part A of Part IV (<i>Operating and Financial Review Relating to the Melrose Group</i>)	71
The Melrose Group's operating and financial review for the year ended 31 December 2014	Part A of Part IV (<i>Operating and Financial Review Relating to the Melrose Group</i>)	71
The Melrose Group's operating and financial review for the year ended 31 December 2013	Part A of Part IV (<i>Operating and Financial Review Relating to the Melrose Group</i>)	72

<u>Information incorporated by reference into this Prospectus</u>	<u>Location of information in this Prospectus</u>	<u>Page number(s) in this Prospectus</u>
The historical financial information of the Nortek Group for the financial years ended 31 December 2015, 31 December 2014 and 31 December 2013, prepared under IFRS using policies which are consistent with those used in preparing the latest audited consolidated financial statements of the Melrose Group and the accountant's report thereon, which was prepared in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom	Part B (<i>Historical financial information of the Nortek Group</i>) of Part VI (<i>Historical Financial Information</i>)	104
The unaudited quarterly financial statements of the Nortek Group for the first quarters ended 2 April 2016 and 28 March 2015, published on 12 May 2016 and prepared in accordance with US GAAP	Part B (<i>Historical financial information of the Nortek Group</i>) of Part VI (<i>Historical Financial Information</i>)	104
Unaudited reconciliation of quarterly financial statements of the Nortek Group for the first quarter ended 2 April 2016 to IFRS as applied by Melrose	Part B (<i>Historical financial information of the Nortek Group</i>) of Part VI (<i>Historical Financial Information</i>)	104

To the extent that any document or information incorporated by reference or attached to this Prospectus itself incorporates any information by reference, either expressly or impliedly, such information will not form part of this Prospectus for the purposes of the Prospectus Rules, except where such information or documents are stated within this Prospectus as specifically being incorporated by reference or where this Prospectus is specifically defined as including such information.

Any statement contained in a document which is deemed to be incorporated by reference into this Prospectus shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained in this Prospectus (or in a later document which is incorporated by reference into this Prospectus) modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

Where certain parts only of a document have been incorporated by reference into this Prospectus, the other parts of those documents which have not been expressly stated to be incorporated are either not relevant to investors or are covered elsewhere in this Prospectus.

The information incorporated by reference is available for inspection (in respect of (i) and (ii) during normal business hours on any weekday (Saturday, Sundays and public holidays excepted)) (i) at the registered office of the Company (being 11th Floor, The Colmore Building, 20 Colmore Circus Queensway, Birmingham, B4 6AT), (ii) at the offices of Simpson Thacher & Bartlett LLP (being CityPoint, One Ropemaker Street, London EC2Y 9HU); and (iii) via the National Storage Mechanism.

