28 July 2016

MELROSE INDUSTRIES PLC

UNAUDITED RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2016

Melrose Industries PLC today announces its interim results for the six months ended 30 June 2016.

Highlights

Trading

- Brush is performing in line with expectations in a tough market.
- Headline[(1)] operating profit of £3.9 million (2015: £5.9 million). Loss for the period from continuing operations, after exceptional items and intangible asset amortisation, of £8.8 million (2015: £12.3 million).
- Melrose had net cash at the half year of £51 million.
- Interim dividend of 1.4p to be paid on 1 September 2016 to shareholders on the register at close of business on 5 August 2016.

Agreement to purchase Nortek Inc. ("Nortek")

- Agreement to purchase 100% of the issued share capital of Nortek for $1,436 million (£1,101 million[(2)]) entered into on 6 July 2016, valuing Nortek at an enterprise value of $2,810 million (£2,154 million[(2)]).
- Proposed acquisition of Nortek funded by a fully underwritten 12 for 1 Rights Issue and new $1,250 million debt facility.

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(1) Before exceptional costs, exceptional income and intangible asset amortisation
(2) Converted at an exchange rate of £1:US $1.3048

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

"Since 2005 Melrose has focused on acquiring businesses to help them fulfil their potential. We are grateful to have shareholders who support that vision and we are proud of the value we have created for them.

Earlier this month we announced that Melrose is in the process of acquiring the US manufacturing group Nortek. This represents the next chapter in the Melrose story. Since founding Melrose, we have created over £2.8 billion of value for our shareholders and we believe that Nortek presents a significant opportunity for Melrose to build substantially on that track record."

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CHAIRMAN'S STATEMENT

I am pleased to report Melrose's interim results for the six month period to 30 June 2016.

RESULTS FOR THE GROUP

Following the sale of Elster in December 2015, the continuing revenue in these interim results relates to Brush only and was £104.7 million (2015: £116.4 million), down 13% at constant currency. The continuing Group made a headline operating profit (before exceptional costs and intangible asset amortisation) of £3.9 million (2015: £5.9 million). Further details of these results are contained in the Finance Director's review.

TRADING

The challenging end market conditions experienced by Brush during 2015 have continued into 2016. However, the strategic actions being taken by Brush management in relation to its customer base and its cost structure, coupled with the expected higher factory loadings during the second half of 2016, will help the Brush performance in the future.

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

PROPOSED ACQUISITION OF NORTEK GROUP AND 12 FOR 1 RIGHTS ISSUE

On 6 July 2016 your Board announced that, in line with our "buy, improve, sell" business model, Melrose has reached an agreement with Nortek Inc. ("Nortek") on the terms of a recommended proposal for Melrose to acquire for cash the issued and outstanding shares of Nortek for an enterprise value of $2,810 million (£2,154 million). Nortek is a leading diversified global manufacturer of innovative air management, security, home automation and ergonomic and productivity solutions.

This acquisition represents a significant opportunity for Melrose to execute its strategy of acquiring specialised industrial businesses and maximising the value inherent in those businesses.

If, as expected, completion occurs, the acquisition, related expenses and the repayment of the existing net debt of Nortek will be funded by a £1,655 million 12 for 1 Rights Issue and through Melrose Group net debt of approximately £600 million.

At a general meeting held on 25 July 2016, shareholders approved, amongst other things, the acquisition and the Rights Issue.

Subject to the satisfaction of, or where appropriate, waiver of conditions to the acquisition, it is expected that completion of the acquisition will occur in late August or early September 2016.

RETURN OF CAPITAL

Following the sale of Elster in December 2015, as noted in the Annual Report in March this year, a return of capital of approximately £2.4 billion was delivered to shareholders on 5 February 2016. At around the same time a share consolidation took place which reduced the number of shares in issue to 145.1 million.

BOARD CHANGES

As we announced in May this year, Perry Crosthwaite stepped down from the Board with effect from the conclusion of the 2016 Annual General Meeting. Perry served as a non-executive Director of Melrose since 2005, latterly as Senior non-executive Director, and his advice and extensive financial experience have been invaluable to the Company. We will miss his input and contribution.

At the same time, we are delighted to welcome David Lis who joined the Board as a non-executive Director on 12 May 2016. David has considerable experience of the investment industry. We are confident that his long-standing experience of addressing investors' needs will be of significant benefit to Melrose as we embark on the next chapter of our business.

DIVIDEND

Your Board has declared an interim dividend of 1.4p (2015: 2.8p) which, as expected, is commensurate with the current shape and size of the Group post the sale of Elster and prior to the acquisition of Nortek. The dividend will be paid on 1 September 2016 to shareholders on the register at the close of business on 5 August 2016. Your Board continues to align its dividend policy with the earnings of the Group and will use this basis to set future dividends, including the final dividend for this year. For the avoidance of doubt, the dividend will not be payable on the new Melrose shares to be issued pursuant to the Rights Issue.

STRATEGY

Melrose's focus since its inception has always been to generate superior returns for our shareholders. Over the years Melrose has increased in size as we have acquired businesses in which we saw significant potential and subsequently decreased as we sold them when we believed value for shareholders would be maximised.

The acquisition of Nortek represents the next chapter in the Melrose story. Since formation we have created over £2.8 billion of value for our shareholders and we believe that Nortek presents an excellent opportunity for Melrose to build substantially on that track record.

OUTLOOK

The world economy remains unpredictable and this uncertainty may impact the level of investment in the manufacturing sector.

Brush is not immune to these economic headwinds and current trading conditions remain challenging. However, with strategic and cost structure actions being taken in the business and improving factory loadings, a better trading performance in the second half of 2016 is anticipated in line with our previous expectations. Brush is a high quality business and your Board believes that its medium to long term prospects continue to look attractive.

Economic conditions are difficult to predict at present, but your Board is optimistic about the future and believes that Melrose is very well positioned to continue to create superior value for shareholders.

Christopher Miller
Chairman
28 July 2016

CHIEF EXECUTIVE'S REVIEW

BRUSH

	2016	2015	Constant currency growth
Total revenue	£104.7m	£116.4m	-13%
Headline operating profit	£12.6m	£15.3m	-20%

As expected at the end of 2015, the difficult end market conditions experienced last year have continued into the first half of 2016. For Turbogenerators the key market driver is Gas Turbine orders and the most recent industry data shows that Gas Turbine orders in the Brush output range increased by 7% in 2015 vs 2014, although this activity level was not sustained in to 2016. Total 2015 Gas Turbine orders were still some 42% below the 2011 peak.

The low order input experienced in the second half of 2015 resulted in relatively low factory loading in the first half of 2016, with a consequent negative impact on utilisation and productivity. Capacity reduction actions, including short time working and targeted shutdowns were taken in all factories. In addition, further fixed cost reduction programmes have been put in place with the objective of making Brush more flexible and better able to respond to the uneven demand which has become a feature of the market. In particular action was taken in China to adjust the factory capacity to the slower than anticipated switch from coal to gas fired power generation, as previously noted. The effect of all of these actions will result in an overall 25% headcount reduction in Brush since the beginning of 2015.

Order entry in the first half of 2016 at £111 million was positive at a 1.06 book to bill rate. Although 2 pole generator orders were disappointing, there were pleasing increases in 4 pole generators, the Brush Aftermarket and specifically Hawker Siddeley Switchgear, which recorded a significant increase compared to last year's low levels. As a result, factory loading in all locations is much improved in the second half of the year.

In this period Brush has signed Long Term Agreements (LTAs) with customers who represent over half of the global Gas Turbine market. In addition, a new LTA for the supply of 33KV system transformers was agreed with a UK Distribution Network Operator.

Although the market conditions remain challenging, we are confident that Brush is taking the right actions in strategically addressing not only its customer base, but also its cost structure. With expected improved factory loadings in the second half of the year, we anticipate that trading performance will improve in line with our previous expectations.

FINANCE DIRECTOR'S REVIEW

RESULTS FOR THE PERIOD

For the six months ended 30 June 2016 the Melrose Group consisted solely of the Brush business along with Melrose central costs.

	2016 Revenue £m	2016 Headline operating profit/ (loss) £m	2016 Headline operating profit margin %	2015 Revenue £m	2015 Headline operating profit/ (loss) £m	2015 Headline operating profit margin %
Brush	**104.7**	**12.6**	**12.0**	**116.4**	**15.3**	**13.1**
Central - corporate	-	(6.7)	n/a	-	(7.4)	n/a
Central - LTIPs(1)	-	(2.0)	n/a	-	(2.0)	n/a
Continuing Group	**104.7**	**3.9**	**3.7**	**116.4**	**5.9**	**5.1**

(1) Long Term Incentive Plans

Revenue in the period was £104.7 million (2015: £116.4 million) and headline operating profit (calculated before exceptional items and intangible asset amortisation) was £3.9 million (2015: £5.9 million). The Group headline operating margin (defined as headline operating profit as a percentage of revenue) for the six months was 3.7% (2015: 5.1%).

The performance of Brush is discussed in the Chief Executive's review.

Continuing central costs comprised of £6.7 million (2015: £7.4 million) Melrose corporate costs and a Long Term Incentive Plan ("LTIP") accrual of £2.0 million (2015: £2.0 million) in respect of the Melrose share-based Incentive Plan.

After exceptional costs, exceptional income and intangible asset amortisation, the continuing loss before tax was £9.2 million (2015: £13.6 million).

EXCEPTIONAL ITEMS

During the period exceptional costs of £9.2 million (2015: £5.2 million) were incurred. Included within this amount were £7.3 million of fees predominantly relating to services provided in the period ended 30 June 2016 in respect of the proposed acquisition of Nortek Inc. ("Nortek"). It is expected that this transaction will complete in late August or early September 2016. Should the deal not complete, as a consequence of Nortek receiving and accepting a superior offer before 7 August 2016, Nortek will pay a break fee of $50 million which will cover the entire committed costs incurred up to the date the superior offer is accepted and therefore under this scenario there will be no resulting net cost to Melrose.

The remaining £1.9 million of exceptional costs were in respect of restructuring projects in Brush to further align the cost base with the revenue.

The charge for amortisation of intangible assets in the period was £4.2 million (2015: £4.1 million).

RETURN OF CAPITAL

Consistent with the Group's strategy of returning the majority of proceeds from the disposal of businesses to shareholders, £2,388.5 million (equivalent to 240 pence per ordinary share) was returned to shareholders on 5 February 2016 following the sale of Elster on 29 December 2015. Following this latest Return of Capital Melrose has returned approximately £4.3 billion in cash to shareholders, after only having raised £2.0 billion from them, and at 30 June 2016 had created net shareholder value of over £2.8 billion including shareholders' existing investment in Melrose.

Alongside this Return of Capital a 7 for 48 share consolidation was performed on 28 January 2016 which reduced the number of shares in issue by 85%, from 995.2 million to 145.1 million.

EARNINGS PER SHARE ("EPS")

In accordance with IAS 33, two sets of basic and diluted EPS numbers are disclosed on the face of the Income Statement, one for continuing operations and one that includes discontinued operations. The diluted EPS for continuing operations in the period was a loss of 3.2p (2015: loss of 1.2p). There are no discontinued operations in the period to 30 June 2016 but the diluted EPS including continuing and discontinued operations in the period ended 30 June 2015, which included Elster, were 5.5p.

These are calculated after exceptional costs, exceptional income and amortisation of intangible assets.

CASH GENERATION AND NET DEBT

For the period ended 30 June 2016 Brush achieved a 96% conversion of profit to cash, defined as EBITDA to operating cash flow pre capital expenditure.

The operating cash flow generated by Brush in the period was offset by the amount spent on Melrose central costs, on capital projects (equal to 0.6x depreciation which is a lower ratio than spent in recent periods as significant investment projects were completed) and also on restructuring provisions, interest and tax.

Cash flow from trading (after all costs including tax)	**Six months ended 30 June 2016 £m**
Brush headline operating profit	12.6
Brush depreciation and amortisation[1]	4.3
Brush working capital movement	(0.6)
Brush headline operating cash flow (pre capex)	**16.3**
Central operating cash costs	(11.2)
Net capital expenditure	(2.4)
Net interest and net tax paid	0.5
Net other (including restructuring)	(3.2)
Cash flow from trading (after all costs including tax)	**-**

(1) Including computer software and development costs

Movement in net cash	**£m**
Net cash at 1 January 2016	**2,451.4**
Return of Capital	(2,388.5)
Early contributions to the Brush UK Pension Plan	(8.8)
Proforma net cash at 1 January 2016	**54.1**
Cash flow from trading (after all costs including tax)	-
Dividends	(3.8)
Foreign exchange	1.1
Net cash at 30 June 2016	**51.4**

The net cash position of the Group at the start of the year was £2,451.4 million. This was prior to returning the Elster proceeds to shareholders and before the early contributions paid to the Brush UK Pension Plan of £8.8 million. After these two payments the proforma opening cash position for the Group was £54.1 million. The cash position at 30 June reduced to £51.4 million mainly as a result of the payment of the 2015 final dividend.

PENSIONS

Two defined benefit pension plans remain in the Group, being the Brush Group (2013) Pension Plan and the Brush Aftermarket North America, Inc. Group Pension Plan. These plans are closed both to new members and current members' future service.

Following an agreement with the Brush Group (2013) Pension Plan Trustees, the Group contributed £8.8 million early to the Brush UK Plan in the period ended 30 June 2016. Consequently, no further contributions are expected to be made in 2016 or 2017. Annual contributions to the Brush US Plan are approximately £0.1 million per annum.

The Brush Group (2013) Pension Plan had a net IAS 19 accounting surplus as at 30 June 2016 of £19.5 million (31 December 2015: £1.4 million). This plan had assets of £245.5 million

(31 December 2015: £197.1 million) and liabilities of £226.0 million at 30 June 2016 (31 December 2015: £195.7 million).

The Brush Aftermarket North America, Inc. Group Pension Plan had a net IAS 19 accounting deficit as at 30 June 2016 of £25.5 million (31 December 2015: £18.6 million). This plan had assets of £168.1 million (31 December 2015: £146.4 million) and liabilities of £193.6 million at 30 June 2016 (31 December 2015: £165.0 million).

The values of these plans were updated at 30 June 2016 by independent actuaries to reflect the latest key assumptions. The most significant movement in assumptions in the period was in respect of discount rates as follows:

	30 June 2016	31 December 2015
UK	2.8%	3.7%
US	3.3%	4.1%

EXCHANGE

The main foreign currency exposures for Brush are to the US Dollar, the Euro and the Czech Koruna.

The table below shows the exchange rates used for these currencies in this Interim Report:

Exchange rates used in the period	**Average rate**	**Closing rate**
US Dollar:		
Six months to June 2016	1.43	1.33
Twelve months to December 2015	1.53	1.47
Six months to June 2015	1.52	1.57
Euro:		
Six months to June 2016	1.28	1.20
Twelve months to December 2015	1.38	1.36
Six months to June 2015	1.37	1.41
Czech Koruna:		
Six months to June 2016	34.7	32.4
Twelve months to December 2015	37.6	36.6
Six months to June 2015	37.5	38.6

The Group policy on foreign currency risk is explained on pages 25 and 26 of the 2015 Annual Report, a copy of which is available on the Company's website, www.melroseplc.net.

Noting recent movements in exchange rates, an indication of the short-term exchange rate risk, which shows both translation exchange risk and unhedged transaction exchange rate risk, is as follows:

Sensitivity of profit to translation and unhedged transaction exchange rate risk	Increase in headline operating profit £m
For every 10 per cent strengthening of the US Dollar against Sterling	0.5
For every 10 per cent strengthening of the Euro against Sterling	0.8
For every 10 per cent strengthening of the Czech Koruna against Sterling	1.3

PRINCIPAL RISKS AND UNCERTAINTIES

Except for the risks that will be considered in respect of the proposed acquisition of Nortek the principal risks and uncertainties faced by the Group have not changed significantly from 2015. In summary these risks include the integration and improvement strategies of new businesses, the timing of disposals of businesses, the diversity of operations, economic and political risk, the risk of loss of key management, risks associated with legal, regulatory and environmental law compliance, security and cyber threat, liquidity risk, foreign exchange rate risk, and pension risk. These risks have the potential to affect the Group's results and financial position during the remainder of 2016. A more detailed explanation of risks and uncertainties is set out on pages 30 to 35 of the Annual Report for the year ended 31 December 2015.

POST BALANCE SHEET EVENTS – PROPOSED ACQUISITION OF NORTEK

On 6 July 2016 Melrose announced an agreement with Nortek for Melrose to acquire the entire issued ordinary share capital of Nortek for a total cash consideration of $1,436 million, valuing Nortek at an enterprise value of $2,810 million. The transaction is expected to complete in late August or early September 2016.

The acquisition and associated expenses, along with the repayment of the existing debt of Nortek will be funded through a combination of new debt and equity. A fully underwritten Rights Issue of 12 New Melrose Shares at 95 pence for each 1 Existing Melrose Share will raise £1,611 million (net of expenses). The Rights Issue will take the number of shares in issue from 145.1 million to 1,886.7 million. In addition, a new five year bank facility has been agreed totalling $1,250 million, split into a $350 million term loan and a $900 million revolving credit facility. The term loan and revolving credit facility will partly be used to refinance, where necessary, the existing indebtedness of Nortek and to finance the enlarged Group's working capital requirements.

Geoffrey Martin
Group Finance Director
28 July 2016

Additional Information

This announcement does not, and is not intended to, constitute an offer to sell or issue or the solicitation of an offer to buy or acquire securities in the United States or any other jurisdiction where to do so would constitute a violation of the relevant securities laws.

This announcement is for information purposes only and shall not constitute an offer to buy, sell, issue or subscribe for, or the solicitation of an offer to buy, sell, issue, or subscribe for, any securities in Melrose Industries PLC or any other entity. No securities of Melrose Industries PLC have been or will be registered under the U.S. Securities Act of 1933 and such securities may not be offered or sold in the United States absent registration or an exemption from registration thereunder.

This announcement is for information purposes only and is not an offer to buy or the solicitation of an offer to sell any Nortek Shares. The solicitation of offers to buy Nortek Shares will only be made pursuant to the offer to purchase, the letters of transmittal and related documents which were filed with the United States Securities and Exchange Commission ("SEC") on 8 July 2016. Nortek securityholders are strongly advised to read both the tender offer statement and the solicitation/recommendation statement filed by Nortek regarding the tender offer on 8 July 2016 as they contain important information. Nortek securityholders may obtain free copies of these statements and other documents filed with respect to the tender offer at the SEC's website at www.sec.gov. In addition, copies of the tender offer statement and related materials may be obtained for free by directing such requests to the information agent for the tender offer. The solicitation/recommendation statement and related documents may be obtained by directing such requests to Nortek.

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

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

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

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

By order of the Board

Simon Peckham
Chief Executive
28 July 2016

Geoffrey Martin
Group Finance Director
28 July 2016

INDEPENDENT REVIEW REPORT TO MELROSE INDUSTRIES PLC

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2016 which comprises the Condensed Consolidated Income Statement, the Condensed Consolidated Statement of Comprehensive Income, the Condensed Consolidated Statement of Cash Flows, the Condensed Consolidated Balance Sheet, the Condensed Consolidated Statement of Changes in Equity and related notes 1 to 12. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

Directors’ responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom’s Financial Conduct Authority.

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

Our responsibility

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2016 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
28 July 2016

Melrose Industries PLC
Condensed Consolidated Income Statement

	Notes	**6 months ended 30 June 2016 Unaudited £m**	Restated[1] 6 months ended 30 June 2015 Unaudited £m	Year ended 31 December 2015 £m
Continuing operations				
Revenue	3	**104.7**	116.4	261.1
Cost of sales		**(74.4)**	(81.1)	(179.0)
Gross profit		**30.3**	35.3	82.1
Headline[2] operating expenses		**(26.7)**	(29.7)	(61.6)
Share of headline[2] results of joint ventures		**0.3**	0.3	0.3
Intangible asset amortisation		**(4.2)**	(4.1)	(8.1)
Exceptional operating costs	4	**(9.2)**	(5.2)	(7.9)
Total net operating expenses		**(39.8)**	(38.7)	(77.3)
Operating (loss)/profit		**(9.5)**	(3.4)	4.8
Headline[2] operating profit	3	**3.9**	5.9	20.8
Finance costs[3]		**(1.2)**	(15.6)	(45.6)
Finance income		**1.5**	5.4	10.1
Loss before tax		**(9.2)**	(13.6)	(30.7)
Tax[4]	5	**0.4**	1.3	14.4
Loss for the period from continuing operations		**(8.8)**	(12.3)	(16.3)
Discontinued operations				
Profit for the period from discontinued operations		**-**	70.0	1,424.3
(Loss)/profit for the period		**(8.8)**	57.7	1,408.0
Attributable to:				
Owners of the parent		**(8.8)**	57.2	1,407.1
Non-controlling interests		**-**	0.5	0.9
		(8.8)	57.7	1,408.0
Earnings per share				
From continuing operations				
- Basic	6	**(3.2)**	(1.2)	(1.6)
- Diluted	6	**(3.2)**	(1.2)	(1.6)
From continuing and discontinued operations				
- Basic	6	**(3.2)**	5.6	139.9
- Diluted	6	**(3.2)**	5.5	137.1

(1) Restated to include the results of Prelok within discontinued operations (note 1).
(2) Before exceptional costs, exceptional income and intangible asset amortisation.
(3) Includes exceptional finance costs of £nil (period ended 30 June 2015: £nil, year ended 31 December 2015: £13.1 million) in respect of accelerated future year charges following the repayment of all external debt facilities.
(4) Includes an exceptional tax credit of £nil (period ended 30 June 2015: £nil, year ended 31 December 2015: £14.5 million), a tax credit on exceptional items of £0.9 million (period ended 30 June 2015: £nil, year ended 31 December 2015: £0.8 million) and a tax credit on intangible asset amortisation of £0.8 million (period ended 30 June 2015: £0.8 million, year ended 31 December 2015: £2.1 million).

Melrose Industries PLC
Condensed Consolidated Statement of Comprehensive Income

	6 months ended 30 June 2016 Unaudited £m	6 months ended 30 June 2015 Unaudited £m	Year ended 31 December 2015 £m
(Loss)/profit for the period	**(8.8)**	57.7	1,408.0
Items that will not be reclassified subsequently to the Income Statement:			
Net remeasurement gain on retirement benefit obligations	**5.4**	26.7	57.5
Income tax charge relating to items that will not be reclassified	**(1.9)**	-	(6.0)
	3.5	26.7	51.5
Items that may be reclassified subsequently to the Income Statement:			
Currency translation on net investments	**25.5**	(94.1)	(30.8)
Currency translation on non-controlling interests	**-**	(0.1)	0.2
Transfer to Income Statement from equity of cumulative translation differences on disposal of foreign operations	**-**	-	123.7
Losses on cash flow hedges	**(0.6)**	(1.7)	(2.8)
Transfer to Income Statement on cash flow hedges	**(0.2)**	2.4	3.7
Income tax credit/(charge) relating to items that may be reclassified	**0.2**	(0.2)	(1.0)
	24.9	(93.7)	93.0
Other comprehensive income/(expense) after tax	**28.4**	(67.0)	144.5
Total comprehensive income/(expense) for the period	**19.6**	(9.3)	1,552.5
Attributable to:			
Owners of the parent	**19.6**	(9.7)	1,551.4
Non-controlling interests	**-**	0.4	1.1
	19.6	(9.3)	1,552.5

Melrose Industries PLC
Condensed Consolidated Statement of Cash Flows

	Notes	**6 months ended 30 June 2016 Unaudited £m**	Restated[1] 6 months ended 30 June 2015 Unaudited £m	Year ended 31 December 2015 £m
Net cash used in operating activities from continuing operations	10	**(8.1)**	(30.6)	(57.8)
Net cash from operating activities from discontinued operations	10	**-**	58.9	89.2
Net cash (used in)/from operating activities		**(8.1)**	28.3	31.4
Investing activities				
Disposal of businesses		**-**	-	3,381.0
Disposal costs		**(0.1)**	(2.4)	(25.6)
Net cash disposed		**-**	-	(93.5)
Purchase of property, plant and equipment		**(2.4)**	(12.9)	(17.4)
Proceeds from disposal of property, plant and equipment		**0.2**	-	-
Purchase of computer software and development costs		**(0.2)**	(0.2)	(0.3)
Dividends received from joint ventures		**0.3**	0.3	0.3
Interest received		**1.5**	5.4	10.1
Net cash (used in)/from investing activities from continuing operations		**(0.7)**	(9.8)	3,254.6
Net cash used in investing activities from discontinued operations	10	**-**	(17.1)	(38.7)
Net cash (used in)/from investing activities		**(0.7)**	(26.9)	3,215.9
Financing activities				
Return of Capital	11	**(2,388.5)**	(200.4)	(200.4)
Movement in borrowings		**-**	233.5	(595.1)
Dividends paid	7	**(3.8)**	(52.7)	(80.6)
Net cash used in financing activities from continuing operations		**(2,392.3)**	(19.6)	(876.1)
Net cash used in financing activities from discontinued operations	10	**-**	-	-
Net cash used in financing activities		**(2,392.3)**	(19.6)	(876.1)
Net (decrease)/increase in cash and cash equivalents		**(2,401.1)**	(18.2)	2,371.2
Cash and cash equivalents at the beginning of the period		**2,451.4**	70.5	70.5
Effect of foreign exchange rate changes		**1.1**	(6.7)	9.7
Cash and cash equivalents at the end of the period		**51.4**	45.6	2,451.4

[1] Restated to include the cash flows of Prelok within discontinued operations (note 1).

Melrose Industries PLC
Condensed Consolidated Balance Sheet

	Notes	30 June 2016 Unaudited £m	Restated[1] 30 June 2015 Unaudited £m	31 December 2015 £m
Non-current assets				
Goodwill and other intangible assets		**284.7**	272.5	273.0
Property, plant and equipment		**119.1**	110.6	112.9
Deferred tax assets		**25.7**	5.4	25.7
Trade and other receivables		**2.4**	-	1.1
		431.9	388.5	412.7
Current assets				
Inventories		**63.4**	58.6	55.6
Trade and other receivables		**70.1**	73.2	67.9
Derivative financial assets		**1.2**	7.6	1.2
Cash and cash equivalents		**51.4**	45.6	2,451.4
Assets held for sale		**-**	2,455.6	-
		186.1	2,640.6	2,576.1
Total assets	3	**618.0**	3,029.1	2,988.8
Current liabilities				
Trade and other payables		**80.7**	93.0	71.2
Interest-bearing loans and borrowings		**-**	1.2	-
Derivative financial liabilities		**2.4**	7.5	1.5
Current tax liabilities		**1.9**	1.8	3.3
Provisions		**10.8**	15.4	12.0
Liabilities directly associated with assets classified as held for sale		**-**	737.3	-
		95.8	856.2	88.0
Net current assets		**90.3**	1,784.4	2,488.1
Non-current liabilities				
Interest-bearing loans and borrowings		**-**	786.7	-
Derivative financial liabilities		**-**	2.2	-
Deferred tax liabilities		**24.0**	15.9	20.2
Retirement benefit obligations	8	**6.0**	34.1	17.2
Provisions		**17.5**	22.3	18.0
		47.5	861.2	55.4
Total liabilities	3	**143.3**	1,717.4	143.4
Net assets		**474.7**	1,311.7	2,845.4
Equity				
Issued share capital		**10.0**	263.8	10.0
Merger reserve		**112.4**	2,500.9	2,500.9
Other reserves		**(2,329.9)**	(2,329.9)	(2,329.9)
Hedging reserve		**(0.6)**	-	-
Translation reserve		**(12.3)**	(224.8)	(37.8)
Retained earnings		**2,695.1**	1,100.2	2,702.2
Equity attributable to owners of the parent		**474.7**	1,310.2	2,845.4
Non-controlling interests		**-**	1.5	-
Total equity		**474.7**	1,311.7	2,845.4

[1] In accordance with IFRS 3, the Issued share capital, Merger reserve, Capital redemption reserve and Other reserves balances have been restated to reflect the nominal share capital and reserves position of the new parent company as if it had been the holding company during all periods presented. The overall impact on net equity is £nil (note 1).

Melrose Industries PLC
Condensed Consolidated Statement of Changes in Equity

	Issued share capital £m	Merger reserve £m	Other reserves £m	Hedging reserve £m	Translation reserve £m	Retained earnings £m	Equity attributable to owners of the parent £m	Non-controlling interests £m	Total equity £m
At 1 January 2015 (audited)	263.8	2,500.9	(2,329.9)	(0.5)	(130.7)	1,267.5	1,571.1	2.6	1,573.7
Profit for the period	-	-	-	-	-	57.2	57.2	0.5	57.7
Other comprehensive income/(expense)	-	-	-	0.5	(94.1)	26.7	(66.9)	(0.1)	(67.0)
Total comprehensive income/(expense)	-	-	-	0.5	(94.1)	83.9	(9.7)	0.4	(9.3)
Return of capital	-	-	-	-	-	(200.4)	(200.4)	-	(200.4)
Dividends paid	-	-	-	-	-	(52.7)	(52.7)	(0.1)	(52.8)
Credit to equity for equity-settled share-based payments	-	-	-	-	-	2.0	2.0	-	2.0
Purchase of non-controlling interests	-	-	-	-	-	(0.1)	(0.1)	(1.4)	(1.5)
At 30 June 2015[(1)] (unaudited)	263.8	2,500.9	(2,329.9)	-	(224.8)	1,100.2	1,310.2	1.5	1,311.7
Profit for the period	-	-	-	-	-	1,349.9	1,349.9	0.4	1,350.3
Other comprehensive income	-	-	-	-	187.0	24.2	211.2	0.3	211.5
Total comprehensive income	-	-	-	-	187.0	1,374.1	1,561.1	0.7	1,561.8
Dividends paid	-	-	-	-	-	(27.9)	(27.9)	(0.3)	(28.2)
Capital reduction	(253.8)	-	-	-	-	253.8	-	-	-
Credit to equity for equity-settled share-based payments	-	-	-	-	-	2.0	2.0	-	2.0
Disposal of non-controlling interests	-	-	-	-	-	-	-	(1.9)	(1.9)
At 31 December 2015 (audited)	10.0	2,500.9	(2,329.9)	-	(37.8)	2,702.2	2,845.4	-	2,845.4
Loss for the period	-	-	-	-	-	(8.8)	(8.8)	-	(8.8)
Other comprehensive (expense)/income	-	-	-	(0.6)	25.5	3.5	28.4	-	28.4
Total comprehensive (expense)/income	-	-	-	(0.6)	25.5	(5.3)	19.6	-	19.6
Return of capital	-	(2,388.5)	-	-	-	-	(2,388.5)	-	(2,388.5)
Dividends paid	-	-	-	-	-	(3.8)	(3.8)	-	(3.8)
Credit to equity for equity-settled share-based payments	-	-	-	-	-	2.0	2.0	-	2.0
At 30 June 2016 (unaudited)	**10.0**	**112.4**	**(2,329.9)**	**(0.6)**	**(12.3)**	**2,695.1**	**474.7**	**-**	**474.7**

[(1)] In accordance with IFRS 3, the Issued share capital, Merger reserve, Capital redemption reserve and Other reserves balances have been restated to reflect the nominal share capital and reserves position of the new parent company as if it had been the holding company during all periods presented. The overall impact on net equity is £nil (note 1).

Notes to the condensed financial statements

1. Corporate information

The interim financial information for the six months ended 30 June 2016 has been reviewed by the auditor, but not audited. The information for the year ended 31 December 2015 shown in this report does not constitute statutory accounts for that year as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditor has reported on those accounts. Their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

As described in the Group's 2015 Annual Report a new holding company for the Group was introduced and became effective on 19 November 2015 and comparative figures were restated as a consequence of applying reverse acquisition principles. The Issued share capital, Merger reserve, Capital redemption reserve and Other reserves balances at 30 June 2015 have been restated in these interim financial statements to reflect the reserves position of the Group as if the new Melrose Industries PLC company had been the parent company during all periods presented.

On 18 December 2015 the Group disposed of Prelok. The comparative information for the period ended 30 June 2015 in these interim financial statements has been restated to include the results and cash flows of Prelok within discontinued operations, and exclude them from continuing operations. Prelok was previously disclosed within the Energy segment.

2. Summary of significant accounting policies

The interim financial information for the six months ended 30 June 2016, which has been approved by a committee of the Board of Directors on 28 July 2016 has been prepared on the basis of the accounting policies set out in the Group's 2015 Annual Report and financial statements on pages 96 to 105. The Group's 2015 Annual Report and financial statements can be found on the Group's website www.melroseplc.net. These interim financial statements should therefore be read in conjunction with the 2015 information. The accounting policies used in the preparation of the interim financial information have been consistently applied to all periods presented. The annual financial statements are prepared in accordance with IFRS as adopted by the European Union. These interim financial statements have been prepared in accordance with IAS 34: "Interim Financial Reporting" as adopted by the European Union.

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

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

Except for the risks that will be considered in respect of the proposed acquisition of Nortek, Inc. (note 12) the Group's principal risks and uncertainties are unchanged from 2015, as discussed in the Finance Director's review. These are set out in more detail on pages 30 to 35 in the Group's Annual Report for the year ended 31 December 2015.

After making appropriate enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, a period of not less than twelve months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing these interim financial statements.

3. Segment information

Segment information is presented in accordance with IFRS 8: "Operating segments" which requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reported to the Group's Board in order to allocate resources to the segments and assess their performance. The Group's only reportable operating segment under IFRS 8 is the Energy segment which includes the Brush business, a specialist supplier of energy industrial products to the global market.

In addition, there are two central cost centres which are also separately reported to the Board. The central corporate cost centre which contains the Melrose Group head office costs and the central long term incentive plan ("LTIP") cost centre which contains the costs associated with the five year Melrose Incentive Plan (granted on 11 April 2012) and the divisional management LTIPs that relate to the Energy segment.

During the period ended 30 June 2016, the Group completed an internal reorganisation that caused the composition of its reportable segments to change. Certain entities, acquired with FKI, previously reported within the central corporate cost centre were transferred into the Energy segment. The comparative information has been restated accordingly.

All continuing revenue in these interim financial statements relates to the Energy segment.

The Group's geographical segments are determined by the location of the Group's non-current assets and, for revenue, the location of external customers.

The following tables present the results and certain asset and liability information regarding the Group's operating segments and central cost centres for the six month period ended 30 June 2016 and comparative periods. Note 4 gives details of exceptional costs.

Segment results

		Segment profit		
	Notes	**6 months ended 30 June 2016 £m**	Restated[1] 6 months ended 30 June 2015 £m	Restated[2] year ended 31 December 2015 £m
Continuing operations				
Energy		**12.6**	15.3	40.2
Central – corporate		**(6.7)**	(7.4)	(14.4)
Central – LTIPs[3]		**(2.0)**	(2.0)	(5.0)
Headline[4] operating profit		**3.9**	5.9	20.8
Intangible asset amortisation		**(4.2)**	(4.1)	(8.1)
Exceptional operating costs	4	**(9.2)**	(5.2)	(7.9)
Operating (loss)/profit		**(9.5)**	(3.4)	4.8
Finance costs		**(1.2)**	(15.6)	(45.6)
Finance income		**1.5**	5.4	10.1
Loss before tax		**(9.2)**	(13.6)	(30.7)
Tax	5	**0.4**	1.3	14.4
Profit for the period from discontinued operations		**-**	70.0	1,424.3
(Loss)/profit for the period		**(8.8)**	57.7	1,408.0

[1] Restated following an internal reorganisation that caused the composition of reportable segments to change and to include the results of Prelok within discontinued operations (note 1).
[2] Restated following an internal reorganisation that caused the composition of reportable segments to change.
[3] Long Term Incentive Plans.
[4] Before exceptional costs, exceptional income and intangible asset amortisation.

	Total assets			Total liabilities		
	30 June 2016 £m	Restated[1] 30 June 2015 £m	Restated[2] 31 December 2015 £m	**30 June 2016 £m**	Restated[1] 30 June 2015 £m	Restated[2] 31 December 2015 £m
Continuing operations						
Energy	**547.4**	509.7	525.0	**114.5**	137.8	123.2
Central – corporate	**70.6**	63.2	2,463.8	**27.5**	841.1	18.2
Central – LTIPs[3]	**-**	-	-	**1.3**	1.0	2.0
Total continuing operations	**618.0**	572.9	2,988.8	**143.3**	979.9	143.4
Discontinued operations	**-**	2,456.2	-	**-**	737.5	-
Total	**618.0**	3,029.1	2,988.8	**143.3**	1,717.4	143.4

[1] Restated following an internal reorganisation that caused the composition of reportable segments to change and to include the total assets and total liabilities of Prelok within discontinued operations (note 1).
[2] Restated following an internal reorganisation that caused the composition of reportable segments to change.
[3] Long Term Incentive Plans.

	Capital expenditure[1]			Depreciation[1]		
		Restated[2]	Restated[3]		Restated[2]	Restated[3]
	6 months ended 30 June 2016 £m	6 months ended 30 June 2015 £m	year ended 31 December 2015 £m	**6 months ended 30 June 2016 £m**	6 months ended 30 June 2015 £m	year ended 31 December 2015 £m
Continuing operations						
Energy	**2.3**	13.1	16.8	**4.3**	3.7	7.8
Central – corporate	**-**	-	-	**0.1**	0.2	0.3
Total continuing operations	**2.3**	13.1	16.8	**4.4**	3.9	8.1
Discontinued operations	**-**	17.1	39.9	**-**	11.9	11.9
Total	**2.3**	30.2	56.7	**4.4**	15.8	20.0

[1] Including computer software and development costs.
[2] Restated following an internal reorganisation that caused the composition of reportable segments to change and to include the capital expenditure[1] and depreciation[1] of Prelok within discontinued operations (note 1).
[3] Restated following an internal reorganisation that caused the composition of reportable segments to change.

Geographical information

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

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

	Revenue[1] from external customers			Non-current assets		
		Restated[2]			Restated[2]	
	6 months ended 30 June 2016 £m	6 months ended 30 June 2015 £m	Year ended 31 December 2015 £m	**30 June 2016 £m**	30 June 2015 £m	31 December 2015 £m
UK	**33.4**	44.4	83.2	**185.6**	192.5	189.3
Europe	**27.1**	27.4	66.3	**163.0**	143.3	146.9
North America	**23.7**	22.1	57.4	**27.1**	20.3	23.6
Other	**20.5**	22.5	54.2	**28.1**	26.6	26.1
Total continuing operations	**104.7**	116.4	261.1	**403.8**	382.7	385.9
Discontinued operations	**-**	542.6	1,109.8	**-**	0.4	-
Total	**104.7**	659.0	1,370.9	**403.8**	383.1	385.9

[1] Revenue is presented by destination.
[2] Restated to include the revenue from external customers and non-current assets of Prelok within discontinued operations (note 1).

4. Exceptional costs

Exceptional costs	**6 months ended 30 June 2016 £m**	Restated[1] 6 months ended 30 June 2015 £m	Year ended 31 December 2015 £m
Continuing operations			
Acquisition and disposal costs	**7.3**	0.2	0.3
Restructuring costs	**1.9**	5.0	7.6
Total exceptional costs	**9.2**	5.2	7.9

[1] Restated to include the results of Prelok within discontinued operations (note 1).

During the six months ended 30 June 2016, the Group incurred £7.3 million of deal fees (period to 30 June 2015: £0.2 million) predominantly relating to services provided in respect of the proposed acquisition of Nortek Inc. ("Nortek"). It is expected that this transaction will complete in late August or early September 2016. Should the deal not complete, as a consequence of Nortek receiving and accepting a superior offer before 7 August 2016, Nortek will pay a break fee of $50 million which will cover the entire committed costs incurred up to the date the superior offer is accepted and therefore, under this scenario, there will be no resulting net cost to Melrose.

In addition, £1.9 million (period to 30 June 2015: £5.0 million) of costs were incurred in respect of restructuring projects in Brush to further align the cost base with the revenue in this business.

5. Tax

Analysis of the (credit)/charge in the period:	**6 months ended 30 June 2016 £m**	Restated[1] 6 months ended 30 June 2015 £m	Year ended 31 December 2015 £m
Continuing operations			
Current tax	**(1.4)**	(1.2)	2.9
Deferred tax	**1.0**	(0.1)	(17.3)
Total income tax credit from continuing operations	**(0.4)**	(1.3)	(14.4)

[1] Restated to include the results of Prelok within discontinued operations (note 1).

The effective tax rate in respect of headline profit/(loss) before tax on continuing activities for the half year is 31.0% (period to 30 June 2015: 11.6%). The headline tax charge on continuing activities has been calculated by applying the expected rate for the full year to the headline profit before tax of £4.2 million (period to 30 June 2015: loss of £4.3 million), giving a headline tax charge of £1.3 million (period to 30 June 2015: credit of £0.5 million).

The headline tax charge on continuing activities of £1.3 million (period to 30 June 2015: credit of £0.5 million) has been decreased by a deferred tax credit on intangible asset amortisation of £0.8 million (period to 30 June 2015: £0.8 million) and a tax credit on exceptional costs of £0.9 million (period to 30 June 2015: £nil) to give a total tax credit of £0.4 million on continuing activities (period to 30 June 2015: credit of £1.3 million).

In addition to the amount charged to the Income Statement, a charge of £1.7 million (period to 30 June 2015: charge of £0.2 million) has been recognised directly in the Statement of Comprehensive Income. This represents a tax credit of £0.2 million (period to 30 June 2015: charge of £0.2 million) in respect of movements on cash flow hedges and a tax charge of £1.9 million (period to 30 June 2015: £nil) in respect of the remeasurement of retirement benefit obligations.

6. Earnings per share

Earnings attributable to owners of the parent	**6 months ended 30 June 2016 £m**	Restated[(1)] 6 months ended 30 June 2015 £m	Year ended 31 December 2015 £m
(Loss)/profit for the purposes of earnings per share	**(8.8)**	57.2	1,407.1
Less: profit for the period from discontinued operations	**-**	(69.5)	(1,423.4)
Earnings for basis of earnings per share from continuing operations	**(8.8)**	(12.3)	(16.3)

[(1)] Restated to include the results of Prelok within discontinued operations (note 1).

	6 months ended 30 June 2016 Number	6 months ended 30 June 2015 Number	Year ended 31 December 2015 Number
Weighted average number of ordinary shares for the purposes of basic earnings per share (million)	**271.2**	1,016.4	1,005.9
Further shares for the purposes of diluted earnings per share (million)[(1)]	**18.6**	16.4	20.7
Weighted average number of ordinary shares for the purposes of diluted earnings per share (million)	**289.8**	1,032.8	1,026.6

[(1)] The results for 30 June 2016 are a loss and therefore in accordance with IAS 33: "Earnings per share" there is no dilution. However, the dilutive number of shares for the period 30 June 2016 are shown for illustrative purposes only.

On 20 February 2015 the number of ordinary shares in issue was consolidated in a ratio of 13 for 14, which reduced the number of ordinary shares in issue from 1,071.8 million to 995.2 million.

On 28 January 2016 the number of ordinary shares in issue was consolidated in a ratio of 7 for 48, which reduced the number of ordinary shares in issue from 995.2 million to 145.1 million.

Earnings per share	**6 months ended 30 June 2016 pence**	Restated[(1)] 6 months ended 30 June 2015 pence	Year ended 31 December 2015 pence
Basic earnings per share			
From continuing operations	**(3.2)**	(1.2)	(1.6)
From continuing and discontinued operations	**(3.2)**	5.6	139.9
Diluted earnings per share			
From continuing operations	**(3.2)**	(1.2)	(1.6)
From continuing and discontinued operations	**(3.2)**	5.5	137.1

[(1)] Restated to include the results of Prelok within discontinued operations (note 1).

7. Dividends

	6 months ended 30 June 2016 £m	6 months ended 30 June 2015 £m	Year ended 31 December 2015 £m
Final dividend for the year ended 31 December 2014 paid of 5.3p	**-**	52.7	52.7
Interim dividend for the year ended 31 December 2015 paid of 2.8p	**-**	-	27.9
Final dividend for the year ended 31 December 2015 paid of 2.6p	**3.8**	-	-
Total dividends paid	**3.8**	52.7	80.6

A 2016 interim dividend of 1.4p per ordinary share totalling £2.0 million was declared by the Board on 28 July 2016 and, in accordance with IAS 10: "Events after the reporting period", has not been included as a liability as at 30 June 2016.

8. Retirement benefit obligations

The defined benefit obligations in the UK relate to the Brush Group (2013) Pension Plan ("Brush UK") and in the US relate to the Brush Aftermarket North America, Inc. Group Pension Plan ("Brush US"). The amount recognised in the Balance Sheet in respect of these plans is as follows:

	30 June 2016			31 December 2015		
	Brush UK £m	**Brush US £m**	**Total £m**	Brush UK £m	Brush US £m	Total £m
Present value of defined benefit obligations	**(226.0)**	**(193.6)**	**(419.6)**	(195.7)	(165.0)	(360.7)
Fair value of plan assets	**245.5**	**168.1**	**413.6**	197.1	146.4	343.5
Net surplus/(deficit)	**19.5**	**(25.5)**	**(6.0)**	1.4	(18.6)	(17.2)

The valuations of these plans have been updated at 30 June 2016 by independent actuaries to reflect updated assumptions regarding discount rates, inflation rates and asset values. These assumptions were as follows:

	30 June 2016		31 December 2015	
	Brush UK % p.a.	**Brush US % p.a.**	Brush UK % p.a.	Brush US % p.a.
Rate of increase in salaries	**n/a**	**n/a**	n/a	n/a
Rate of increase in pensions in payment	**2.8**	**n/a**	3.0	n/a
Discount rate	**2.8**	**3.3**	3.7	4.1
RPI inflation assumptions	**2.8**	**n/a**	3.0	n/a
CPI inflation assumptions	**1.7**	**n/a**	1.9	n/a

In addition, the defined benefit plan assets and liabilities have been updated to reflect the contributions made to the defined benefit plans during the period to 30 June 2016. These contributions include £8.8 million contributed early to the Brush UK Plan following an agreement with the Trustees. Consequently, no further contributions are expected to be made during the remainder of the current year or in the year ending 31 December 2017. Annual contributions to the Brush US Plan are approximately £0.1 million per annum.

9. Financial instruments

The table below sets out the Group's accounting classification of each category of financial assets and liabilities and their fair values as at 30 June 2016, 31 December 2015 and 30 June 2015:

	Current £m	Non-current £m	Total £m
30 June 2016			
Financial assets			
Cash and cash equivalents	51.4	-	51.4
Net trade receivables	49.1	-	49.1
Derivative financial assets:			
Foreign currency forward contracts	1.2	-	1.2
Financial liabilities			
Derivative financial liabilities:			
Foreign currency forward contracts	(2.4)	-	(2.4)
Other financial liabilities	(79.5)	-	(79.5)
31 December 2015			
Financial assets			
Cash and cash equivalents	2,451.4	-	2,451.4
Net trade receivables	57.3	-	57.3
Derivative financial assets:			
Foreign currency forward contracts	1.2	-	1.2
Financial liabilities			
Derivative financial liabilities:			
Foreign currency forward contracts	(1.5)	-	(1.5)
Other financial liabilities	(70.3)	-	(70.3)
30 June 2015			
Financial assets			
Cash and cash equivalents	45.6	-	45.6
Net trade receivables	53.5	-	53.5
Derivative financial assets:			
Foreign currency forward contracts	2.3	-	2.3
Interest rate swaps	5.3	-	5.3
Net assets held for sale	1,718.3	-	1,718.3
Financial liabilities			
Interest-bearing loans and borrowings	(1.2)	(786.7)	(787.9)
Derivative financial liabilities:			
Foreign currency forward contracts	(4.5)	-	(4.5)
Interest rate swaps	(3.0)	(2.2)	(5.2)
Other financial liabilities	(91.7)	-	(91.7)

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

10. Notes to the Cash Flow Statement

	6 months ended 30 June 2016 £m	Restated[1] 6 months ended 30 June 2015 £m	Year ended 31 December 2015 £m
Reconciliation of headline[2] operating profit to cash generated by continuing operations			
Headline[2] operating profit from continuing operations	**3.9**	5.9	20.8
Adjustments for:			
Depreciation of property, plant and equipment	**4.1**	3.7	7.6
Amortisation of computer software and development costs	**0.3**	0.2	0.5
Restructuring costs paid and movements in other provisions	**(3.1)**	(17.9)	(28.8)
Defined benefit pension contributions paid	**(8.8)**	(2.7)	(5.1)
Increase in inventories	**(3.9)**	(14.0)	(9.9)
Decrease in receivables	**6.7**	6.9	10.8
Decrease in payables	**(6.0)**	(4.6)	(12.3)
Tax paid	**(0.1)**	(1.7)	(2.8)
Interest paid	**(0.9)**	(6.4)	(38.6)
Acquisition costs	**(0.3)**	-	-
Net cash used in operating activities from continuing operations	**(8.1)**	(30.6)	(57.8)

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

Cash flow from discontinued operations	**6 months ended 30 June 2016 £m**	Restated[1] 6 months ended 30 June 2015 £m	Year ended 31 December 2015 £m
Cash generated from discontinued operations	**-**	85.4	172.9
Defined benefit pension contributions paid	**-**	(15.2)	(30.1)
Tax paid	**-**	(10.0)	(51.2)
Interest paid	**-**	(1.2)	(1.6)
Acquisition costs	**-**	(0.1)	(0.8)
Net cash from operating activities from discontinued operations	**-**	58.9	89.2
Purchase of property, plant and equipment	**-**	(13.0)	(26.0)
Proceeds from disposal of property, plant and equipment	**-**	1.6	1.7
Purchase of computer software and developments costs	**-**	(6.0)	(15.5)
Acquisition of subsidiaries and non-controlling interests	**-**	(1.5)	-
Purchase of non-controlling interests	**-**	-	(1.5)
Dividends received from joint ventures	**-**	1.7	2.2
Dividends paid to non-controlling interests	**-**	(0.1)	(0.4)
Interest received	**-**	0.2	0.8
Net cash used in investing activities from discontinued operations	**-**	(17.1)	(38.7)
Net cash used in financing activities from discontinued operations	**-**	-	-

[1] Restated to include the cash flows of Prelok within discontinued operations (note 1).

11. Return of capital

Following the sale of Elster, the Company announced a Return of Capital of 240 pence per ordinary share totalling £2,388.5 million.

'B' shares with a total value of £2,388.5 million were created on 26 January 2016 resulting in a corresponding reduction in the Merger reserve. The 'B' shares were cancelled on 27 January 2016 and capital return payments representing the nominal value of the 'B' shares (240 pence each) were made to shareholders on 5 February 2016.

Alongside the capital return, 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 capital return. On 28 January 2016 the number of ordinary shares in issue became 145,134,353 each with a nominal value of 48/7 pence.

12. Post Balance Sheet events

On 6 July 2016, Melrose Industries PLC announced that it had reached an agreement with Nortek, Inc. ("Nortek") on the terms of a recommended cash offer for the entire issued share capital of Nortek. To finance the acquisition, a 12 for 1, fully underwritten Rights Issue is expected to be completed and as a result, 1,741,612,236 New Melrose shares will be issued to raise approximately £1,611 million (net of expenses).

Nortek is a leading diversified global manufacturer of innovative air management, security, home automation and ergonomic and productivity solutions.

In July 2016, the Group agreed a new five year banking facility for the purpose of financing the acquisition of Nortek. The new facility, totalling $1,250 million, is split into a $350 million term loan and a $900 million revolving credit facility. The term loan and revolving credit facility will be used to finance the existing indebtedness of Nortek and to finance the enlarged Group's working capital requirements.

Transaction costs relating to the Nortek acquisition, which include equity raising fees, debt arrangement fees and other costs of acquisition, are expected to be approximately £75 million. In addition costs are expected to be incurred in respect of hedging the Sterling value of the US Dollar acquisition price and the makewhole cost of repaying Nortek's debt. Should the deal not complete, as a consequence of Nortek receiving and accepting a superior offer before 7 August 2016, Nortek will pay a break fee of $50 million which will cover the entire committed costs incurred up to that date and therefore, under this scenario, there will be no resulting net cost to Melrose. Costs contingent on the acquisition and Rights Issue have not been accrued at the half year in compliance with IAS 37: "Provisions, Contingent Liabilities and Contingent Assets".