28 July 2015

MELROSE INDUSTRIES PLC

UNAUDITED RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2015

Melrose Industries PLC today announces its interim results for the six months ended 30 June 2015.

Highlights

- Management action produced strong Elster profit improvement
- Brush is performing broadly in line with earlier indications in a tough market
- Melrose net debt at the half year was £742 million, representing a leverage of 2.7x
- The Board has declared an interim dividend of 2.8p (2014: 2.8p) to be paid on 3 September 2015
- Proposed sale of Elster to Honeywell for £3.3 billion, a multiple of 3.1x 2014 revenue and 14.3x 2014 headline[1] EBITDA[2]
- The current intention is to return over £2 billion to shareholders following the sale
- In addition £0.9 billion of pension liabilities, with an accounting deficit of £134 million, which include the Group's FKI UK and McKechnie UK defined benefit pension plans, will be transferred to Honeywell with the sale of Elster

---

[1] Before exceptional costs, exceptional income and intangible asset amortisation
[2] Operating profit before depreciation and amortisation

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.

"In ten years we have created well over £2 billion of shareholder value. We look forward to beating that performance over the next decade."

An Analysts' meeting will be held today at 11.00 am at Investec, 2 Gresham Street, London EC2V 7QP

Enquiries:
Montfort Communications:
Nick Miles, Hannah Glynn: +44 (0) 20 3514 0897

CHAIRMAN'S STATEMENT

I am pleased to report Melrose's interim results for the six month period to 30 June 2015.

RESULTS FOR THE GROUP

The results for the Group in the period have been significantly impacted by the announced agreement to sell Elster and the requirement to show the results of Elster within discontinued operations. Continuing revenue in these interim results relates to the Energy division only and was £117.7 million (2014: £164.5 million), down 28% after a currency headwind of 2%. The continuing Group made a headline loss before tax of £4.1 million (2014: profit of £12.2 million). However, the accounting treatment of the sale of Elster does make it difficult to draw any meaningful comparison between these results and the results for the same period last year and I would draw shareholders' attention to greater detail contained in the Finance Director's review.

DISPOSAL OF ELSTER

Today your Board has announced that, in line with our "buy, improve, sell" business model, Melrose has entered into an agreement for the sale of its Elster Group to Honeywell International Inc. ("Honeywell"), for £3.3 billion. In addition Honeywell will assume Elster related pension obligations as well as the Group's FKI UK and McKechnie defined benefit pension plans.

This is an attractive transaction for Melrose shareholders. The sale consideration of £3.3 billion implies a multiple of 3.1 times Elster's 2014 revenue and 14.3 times 2014 headline EBITDA and means that Melrose will have generated 2.3 times equity investment and 33 per cent equity IRR within the three years since acquiring Elster for £1.8 billion in August 2012.

To sell its assets at an appropriate price and on satisfactory terms is a key part of the Melrose business model. Your Board considers that this transaction fulfils this requirement.

Barring any unforeseen circumstances, Melrose intends to return over £2 billion from the sale of Elster to Shareholders. The proposed return of capital will be conditional on completion of the disposal and will also require the prior approval of Shareholders.

RETURN OF CAPITAL

Following the sale of Bridon in November 2014, as noted in the Annual Report in March this year, a return of capital of approximately £200 million was approved by shareholders on 20 February 2015. At the same time a share consolidation took place which reduced the number of shares in issue to 995.2 million.

DIVIDEND

Your Board has declared an interim dividend of 2.8p (2014: 2.8p). The dividend will be paid on 3 September 2015 to shareholders on the register at the close of business on 7 August 2015.

TRADING

Elster has performed strongly. Headline operating profit is up 22%, at constant currency, at the half year and headline operating margins have increased in all three of its businesses to a combined 20.1% on sales. Revenue growth of 14%, at constant currency, has been achieved, driven by strong performances in Gas and Electricity. With order intake growth at 18%, Elster's prospects remain exciting.

Brush has experienced challenging markets in the first half of 2015. However, with actions being taken to reduce cost and enhance efficiency and with a better order phasing, a much improved performance is expected going forward.

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

STRATEGY

The disposal of Elster crystallises significant value creation in the business, in line with our strategy.

Melrose acquired Elster in August 2012 and has since implemented numerous operational improvement programmes within the business. We are pleased with the progress that Elster has made to date and prior to being approached by Honeywell we had expected to continue to own most of the Elster business for longer. However, the Melrose Board believes that Honeywell's offer for the Elster business, combined with the transfer of the majority of the Group's defined benefit pension liabilities, represents a very attractive offer for shareholders in terms of delivering both certainty in one transaction and a sizeable return on original investment earlier than the Melrose Board had anticipated.

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 later subsequently decreased as we sold them when we believed value for shareholders would be maximised. Following the sale of our Elster business and associated return of capital, Melrose will become substantially smaller in size. The Melrose Board wish to make clear to our shareholders that there is no change to our "buy, improve, sell" business model nor will this sale influence the size of the acquisition opportunities that we are able to pursue. The search for our next acquisition continues and we believe that Melrose will, if anything, benefit from a greater level of flexibility for our next acquisition. The Melrose Board is excited to begin another successful chapter in Melrose's history and looks forward in due course to inviting you to invest in the next project.

OUTLOOK

Current trading conditions remain challenging for Brush, but with action being taken in the business, coupled with a better order phasing, a much improved second half of 2015 is anticipated. Brush is a high quality business and your Board believes that its medium to long term prospects continue to look attractive.

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 2015

CHIEF EXECUTIVE'S REVIEW

ELSTER GAS

	2015	2014	Constant currency growth
Total revenue	£370.6m	£325.5m	+18%
Headline operating profit	£93.3m	£76.9m	+25%

Elster Gas performed strongly in the first half of this year due to the strength of its core businesses and the benefits from the integration of Eclipse, which was acquired in October 2014. Eclipse has been merged with the existing Elster Gas business Kromschroder to form Elster Thermal Solutions. Elster Thermal Solutions is now one of the leading players in the gas combustion controls industry.

Total revenues were up 18% overall in the period and the underlying revenues, adjusted for the Eclipse acquisition, were 6% higher compared to the same period last year. In the US there was continued high demand for both residential and commercial/industrial gas meters. The growth in Europe was even higher, as the incremental residential Smart meter roll-out of the foundation phase has started in the UK and Netherlands. The sales of standard residential and commercial/industrial gas meters in Germany and especially in Eastern Europe also remained at a high level. All major Elster Gas metering factories were operating at good capacities during the period and further capacity increase investments are in process and will be completed in the second half of the year.

Order input increased by 20% (8% when adjusted for the Eclipse acquisition) overall resulting in a book to bill of 106%. The current order bank covers more than three months and secures good capacity for all major meter factories in the second half of the year.

Resulting from the benefits of strong demand, selling price increases for standard residential meters in the US, continuous margin improvement actions, Eclipse footprint synergy savings and tight operational cost control, headline operating profit increased by 25% (18% adjusted for the Eclipse acquisition).

The first half of 2015 saw the commencement of a number of significant manufacturing footprint projects, especially in the IMS ('Integrated Metering Solutions') division where ultrasonic meter production and gas station operations were transferred from Belgium to Germany and Malaysia respectively. A significant milestone was achieved in the US with the launch of a new low cost standard residential meter *BK250*. With this new type of meter, which is currently in test at multiple utilities, we are now well positioned to further develop our position in the US residential meter business.

On the back of the strong order intake in the first half of the year, the order backlog going into the second half of the year is healthy. We therefore expect another good performance from Elster Gas in the second half of 2015.

ELSTER ELECTRICITY

	2015	2014	Constant currency growth
Total revenue	£98.9m	£87.1m	+18%
Headline operating profit	£4.7m	£4.0m	+30%

Elster Electricity made pleasing progress in the first half of 2015. Improved market competitiveness and operational improvements contributed to the increased overall profitability of the business. At the same time, significant market growth projects were identified to fuel further expansion of the business in years to come. Total revenues grew 18% compared to the first half of 2014.

Headline operating profit for the first 6 months increased by 30% compared to the same period last year albeit the second half of the year has a strong seasonal bias. This growth was driven both by the operational improvements and strong Smart meter sales.

In Europe the roll out of Smart meters continues to gather pace and Electricity is especially well positioned both in the UK and France. In addition the Middle East – led by the Gulf States – has commenced large roll outs of Smart metering end-to-end solutions. Growth in both of these regions is forecast to be strong over the next 5 years. There have also been strong Smart meter sales in the US.

In the first half of the year Elster Electricity introduced its new enhanced open software offering, Connexo, in the US and Europe. Connexo is an open software product which covers the entire energy distribution value chain.

The supply chain, both in the Americas and Europe, has been consolidated in low cost countries, Mexico and Romania respectively, resulting in not only lower manufacturing costs but also improved quality.

The outlook for the second half of the year remains promising. In addition to the normal second half seasonality of this business, the US has a strong sales pipeline which we expect to be converted to orders and revenue based on the latest software and communication technology. When combined with the projected European Smart meter growth, we expect Elster Electricity to have a successful year.

ELSTER WATER

	2015	2014	Constant currency growth
Total revenue	£71.8m	£81.0m	-5%
Headline operating profit	£11.9m	£13.3m	-3%

Revenues in the first half were down year-on-year due to timing differences that are expected to reverse in the second half of 2015. Headline operating profits improved as a percentage of sales during the first half of 2015 when compared to the same period in 2014. This increase follows the continued focus on margin performance within the water business including the successful restructuring of the Belgian operation.

Elster Water continues to develop its sales with customers who are responsive to metering innovation and total cost of ownership. Its products help water utility customers secure their revenues, reduce their operating costs and improve customer service. Elster Water has seen good year-on-year growth in several regions, most notably the Middle East, South America and Africa and have secured important long term contracts in Western Europe. We continue to grow the quantity sold of our award winning polymer-bodied water meters which are supporting trends in several markets to meet changing drinking water quality regulations and help reduce CO_2 footprint.

Our pipeline remains strong with several important projects expected to be awarded in the second half of 2015. Elster Water expects to deliver a strong second half both in terms of sales and profitability.

ENERGY

BRUSH

	2015	2014	Constant currency growth
Total revenue	£117.7m	£164.5m	-26%
Headline operating profit	£14.5m	£34.2m	-55%

Brush experienced extremely challenging markets in the first half of 2015. Since these effects worsened in the fourth quarter of 2014, especially for Turbogenerators, this resulted in a particularly sharp impact on sales, and therefore factory loading and recoveries in the first half of 2015. The business is being reorganised to streamline capacity and the synergies from evolving into one global generator business are being accelerated. The bulk of the work has been completed in the first half of 2015 and the benefits will therefore underpin the performance in the second half. With these efficiency initiatives due to be completed during the second half of 2015, significant benefits are anticipated in 2016.

Whilst the adverse market conditions predominantly affected new build generator sales, down 52% year-on-year, the aftermarket business was not immune. The severe constraining of repair, maintenance and replacement budgets, particularly in the US, by end-users, predominantly in the utility and Oil & Gas sectors, acted as a brake on sales. The pipeline remains strong. Certain projects have been delayed into the second half, but completion before year-end is still hoped for. The launch of the VF programme (industry-leading short lead time generator replacements) continues to generate much interest and potential for the future, as it is rolled out globally.

Orders have been won from former customers who have not been traded with for some time. The phasing of orders this year, underpinned by the savings noted above, bodes well for a much stronger second half of 2015.

The generator business continues to invest in research and development; the first 270MW air cooled generator remains on track for completion this year. As demand on the factories increases in the second half of 2015, the benefits of efficiency driving capital expenditure will support performance.

The new China factory is progressing well. The first generators are nearing completion and are entering the testing phase for delivery by the year-end. While the delay in local government adoption of infeed tariffs to support gas fired generation (replacing coal) has caused a likely delay of 18 months to the commercial plan, these tariffs are now ratified and the medium term outlook is good.

The increased product development programme implemented within Hawker Siddeley Switchgear continues apace. A range of new products will be available for sale this year and are generating considerable market interest. The Transformer business has had a much improved year, as a new OFGEM ('the UK Government's Office of Gas and Electricity Markets') cycle commenced.

Conditions remain challenging for the Brush group, but with action taken in the business, and the phasing of orders, a much improved performance is anticipated going forward.

Simon Peckham
Chief Executive
28 July 2015

FINANCE DIRECTOR'S REVIEW

The results for the period are significantly impacted by the agreement to sell the Elster division. This division contributed over three quarters of the revenue and headline operating profit of the Group in the year ended 31 December 2014 and, in accordance with IFRS 5, is shown as discontinued in these interim accounts and the assets and liabilities are shown as held for sale.

Consequently, in accordance with IFRS 5, the revenue and headline operating profit in continuing operations consists only of the Energy division and Melrose central costs. However the finance charge represents the entire charge for the six months to 30 June 2015, including the interest on the debt which was used to finance the Elster Group. In addition, the comparative results for the six months to 30 June 2014 have been restated to show the Lifting division as a discontinued operation following the disposal of Bridon on 12 November 2014. As a consequence the statutory results are not fully reflective of the underlying performance of the continuing Group post the sale of Elster nor of the underlying trading pre the sale of Elster.

RESULTS FOR THE PERIOD

Despite the comments above regarding the make-up of the interim accounts a similar reporting format has been kept from previous years to show consistency of reporting. To this end the term 'headline' has been used. This refers to results calculated before exceptional items and intangible asset amortisation.

Revenue in the period for the continuing business was £117.7 million (2014: £164.5 million) and headline operating profit after central corporate costs was £6.1 million (2014: £26.0 million). The Group headline operating margin (defined as headline operating profit as a percentage of revenue) for the six months was 5.2% (2014: 15.8%).

After exceptional costs, exceptional income and intangible asset amortisation, the continuing operating loss was £3.2 million (2014: operating profit of £27.0 million), and the loss before tax was £13.4 million (2014: profit of £13.2 million).

To give greater clarity to the headline performance of the Group and its divisions the table below shows a reconciliation of the profit for the period as if Elster was not shown as discontinued. The Board believes this gives the reader a better understanding of the underlying performance of the Group in the period. This shows that Brush achieved headline operating profit of £14.5 million in the period (2014: £34.2 million), down 55% at constant currency, whilst Elster achieved an operating profit of £109.0 million (2014: £93.1 million) up 22% at constant currency. The total headline operating profit for the businesses that existed in the period was £111.9 million (2014: £115.0 million), up 2% at constant currency.

	Jun 2015 £m	Jun 2014 £m	Dec 2014 £m
Brush	14.5	34.2	65.4
Elster	109.0	93.1	205.5
Central costs (including LTIPs[1])	(11.6)	(12.3)	(24.9)
Headline operating profit - existing businesses	111.9	115.0	246.0
Lifting	-	13.5	22.6
Headline operating profit - continuing and discontinued	111.9	128.5	268.6
Exceptional items[2]	(21.0)	(40.3)	(91.7)
Operating profit	90.9	88.2	176.9
Net finance costs	(13.6)	(18.6)	(33.9)
Profit before tax	77.3	69.6	143.0
Headline tax	(27.4)	(29.7)	(62.9)
Tax on exceptional items[2]	7.8	10.4	17.7
Profit on disposal of Lifting	-	-	96.9
Profit for the period	57.7	50.3	194.7

[1] Long Term Incentive Plans
[2] Including intangible asset amortisation

The performance of the Energy division is discussed in the Chief Executive's review along with the performance of the Elster division, which is shown in discontinued operations.

Central costs comprise £11.6 million (2014: £12.3 million) of which £8.4 million (2014: £8.2 million) relate to continuing central costs and £3.2 million (2014: £4.1 million) are discontinued. Continuing central costs comprise £6.4 million (2014: £5.5 million) of Melrose corporate costs and a Long Term Incentive Plan ("LTIP") accrual of £2.0 million (2014: £2.7 million). This LTIP accrual includes an amount of £2.0 million in respect of the Melrose share-based Incentive Plan (2014: £2.0 million), and in 2014 a charge of £0.7 million for the cash-based divisional management incentive plans.

Discontinued central costs comprise £0.7 million (2014: £1.3 million) of Melrose corporate costs and £2.5 million (2014: £2.8 million) of divisional LTIP charge mainly relating to Elster.

EXCEPTIONAL ITEMS

During the period exceptional costs of £5.2 million (2014: £0.2 million) were incurred, £5.0 million of which were in respect of a restructuring programme across the Energy division to align the cost base with the reduced revenue. The remaining charge of £0.2 million related to committed acquisition and disposal costs as at 30 June 2015.

The charge for amortisation of intangible assets, in continuing operations, in the period was £4.1 million (2014: £4.2 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 1.2p (2014: gain of 1.0p), but including discontinued operations, and thereby including the performance of Elster, was a gain of 5.5p (2014: 4.4p). These are calculated after exceptional costs, exceptional income and amortisation of intangible assets.

RETURN OF CAPITAL

Consistent with the Group strategy of returning to shareholders a large part of any proceeds from the disposal of businesses, £200.4 million was returned to shareholders in March 2015 following the sale of Bridon a few months earlier. This return was made via a redeemable share scheme alongside a share consolidation which reduced the number of Ordinary Shares by a factor of 13 for 14, or 7%, from 1,071.8 million to 995.2 million.

CASH GENERATION AND NET DEBT

Given both the Elster and Brush businesses were owned for the whole of the six month period the cash flow of the full Group is shown below. This is more reflective of the underlying cash generation of Melrose during the six month period than the cash flow shown in the accounts because the accounts show Elster cash flows as discontinued.

Cash flow from trading (after all costs including tax)	**Six months ended 30 June 2015 £m**
Headline operating profit	111.9
Depreciation and amortisation[1]	15.8
Working capital movement	(18.5)
Headline operating cash flow (pre capex)	**109.2**
Net capital expenditure	(30.5)
Net interest and net tax paid	(13.7)
Defined benefit pension contributions	(17.9)
Net other (including restructuring)	(43.3)
Cash inflow from trading (after all costs including tax)	**3.8**

[1] Including computer software and development costs

Movement in net debt	**£m**
Opening net debt	**(501.3)**
Cash flow from trading (after all costs including tax)	3.8
Net cash flow from disposals	(2.4)
Amount paid to shareholders (Return of Capital and dividends)	(253.1)
Foreign exchange and other non-cash movements	10.7
Closing net debt	**(742.3)**

The net capital expenditure to depreciation ratio for the Group was 1.9x in the period which included the continued expenditure on the Brush China factory. The working capital outflow was caused by an inventory build within the Brush business to support the expectations of stronger second half trading due to the phasing of revenue throughout the year.

Total cash inflow from trading after all costs in the period was £3.8 million. The increase in net debt in the period of £241.0 million included the £200.4 million Return of Capital to shareholders following the disposal of Bridon in 2014 and the £52.7 million final dividend for 2014 paid in May 2015.

LEVERAGE AND INTEREST COVER

Leverage for banking purposes, being the net debt to headline EBITDA ratio calculated using average exchange rates, was 2.7x at 30 June 2015 (31 December 2014: 1.7x) with the increase in the period being as expected due to the £200.4 million repayment of capital to shareholders in the period following the sale of Bridon. The covenant test requirement at 30 June 2015 was 3.5x or lower and therefore the Board is comfortable that sufficient headroom exists.

The interest cover at 30 June 2015 was 17.0x (31 December 2014: 15.3x) and is therefore comfortable against the interest cover covenant test requirement of 4.0x or higher.

PENSIONS

As a consequence of the proposed sale of the Elster businesses to Honeywell, all Elster related pension plans, along with the FKI UK Pension Scheme and the McKechnie UK Pension Plan, which in total represented £882.3 million of gross liabilities and a net accounting deficit of £133.8 million, at 30 June 2015, are shown as held for sale.

The remaining defined benefit pension plans in the Group, being the Brush Group (2013) Pension Plan and the FKI US Pension Plan had IAS 19 accounting deficits as at 30 June 2015 totalling £34.1 million (31 December 2014: £47.1 million). These Plans had assets of £366.4 million (31 December 2014: £373.9 million) and liabilities of £400.5 million at 30 June 2015 (31 December 2014: £421.0 million).

The values of these plans were updated at 30 June 2015 by independent actuaries to reflect the latest key assumptions. The most significant movement in assumptions in the period was in respect of discount rates in the following countries:

	30 June 2015	**31 December 2014**
UK	3.8%	3.5%
US	4.3%	3.9%

The ongoing cash contributions relating to the remaining UK Brush plan total £5.0 million per annum and the US FKI plan total £0.3 million per annum.

EXCHANGE

The main foreign currency exposures for the Energy division 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 2015	1.52	1.57
Twelve months to December 2014	1.65	1.56
Six months to June 2014	1.67	1.71
Euro:		
Six months to June 2015	1.37	1.41
Twelve months to December 2014	1.24	1.29
Six months to June 2014	1.22	1.25
Czech Koruna:		
Six months to June 2015	37.5	38.6
Twelve months to December 2014	34.2	35.7
Six months to June 2014	33.4	34.3

The Group policy on foreign currency risk is explained on pages 48 and 49 of the 2014 Annual Report, a copy of which is available on the Company's website, www.melroseplc.net.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties faced by the Group have not changed significantly from 2014. In summary the financial risks include liquidity risk, finance cost risk, exchange rate risk, contract and warranty risk, commodity cost risk and pension risk. These risks have the potential to affect the Group's results and financial position during the remainder of 2015. A more detailed explanation of risks and uncertainties is set out on pages 38 to 41 of the Annual Report for the year ended 31 December 2014.

Geoffrey Martin
Group Finance Director
28 July 2015

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 2015

Geoffrey Martin
Group Finance Director
28 July 2015

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 2015 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 13. 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 2015 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 2015

Melrose Industries PLC
Condensed Consolidated Income Statement

	Notes	6 months ended 30 June 2015 Unaudited £m	Restated[1] 6 months ended 30 June 2014 Unaudited £m	Restated[2] year ended 31 December 2014 £m
Continuing operations				
Revenue	3	**117.7**	164.5	327.3
Cost of sales		**(81.9)**	(110.2)	(220.2)
Gross profit		**35.8**	54.3	107.1
Headline[3] operating expenses		**(30.0)**	(29.4)	(60.1)
Share of headline[3] results of joint ventures		**0.3**	1.1	1.1
Intangible asset amortisation		**(4.1)**	(4.2)	(8.6)
Exceptional operating costs	4	**(5.2)**	(0.2)	(7.8)
Exceptional operating income	4	**-**	5.4	5.4
Total net operating expenses		**(39.0)**	(27.3)	(70.0)
Operating (loss)/profit		**(3.2)**	27.0	37.1
Headline[3] operating profit	3	**6.1**	26.0	48.1
Finance costs		**(15.6)**	(21.3)	(38.7)
Finance income		**5.4**	7.5	14.2
(Loss)/profit before tax		**(13.4)**	13.2	12.6
Headline[3] (loss)/profit before tax		**(4.1)**	12.2	23.6
Headline[3] tax		**0.5**	(2.5)	(5.2)
Exceptional tax[4]		**0.8**	0.8	0.9
Total tax	5	**1.3**	(1.7)	(4.3)
(Loss)/profit for the period from continuing operations		**(12.1)**	11.5	8.3
Headline[3] (loss)/profit for the period from continuing operations		**(3.6)**	9.7	18.4
Discontinued operations				
Profit for the period from discontinued operations	8	**69.8**	38.8	186.4
Profit for the period		**57.7**	50.3	194.7
Attributable to:				
Owners of the parent		**57.2**	50.0	193.9
Non-controlling interests		**0.5**	0.3	0.8
		57.7	50.3	194.7
Earnings per share				
From continuing operations				
- Basic	6	**(1.2)**	1.0	0.8
- Diluted	6	**(1.2)**	1.0	0.8
From continuing and discontinued operations				
- Basic	6	**5.6**	4.5	17.8
- Diluted	6	**5.5**	4.4	17.5

(1) Restated to include the results of Bridon and the Elster disposal group (note 1) within discontinued operations (note 8).
(2) Restated to include the results of the Elster disposal group (note 1) within discontinued operations (note 8).
(3) Before exceptional costs, exceptional income and intangible asset amortisation.
(4) Includes exceptional tax and tax on exceptional items and intangible asset amortisation.

Melrose Industries PLC
Condensed Consolidated Statement of Comprehensive Income

	6 months ended 30 June 2015 Unaudited £m	6 months ended 30 June 2014 Unaudited £m	Year ended 31 December 2014 £m
Profit for the period	**57.7**	50.3	194.7
Items that will not be reclassified subsequently to the Income Statement:			
Net remeasurement gain/(loss) on retirement benefit obligations	**26.7**	(31.0)	(35.5)
Income tax credit relating to items that will not be reclassified	**-**	3.0	8.7
	26.7	(28.0)	(26.8)
Items that may be reclassified subsequently to the Income Statement:			
Currency translation on net investments	**(94.1)**	(64.3)	(93.2)
Currency translation on non-controlling interests	**(0.1)**	(0.1)	-
Transfer to Income Statement from equity of cumulative translation differences on disposal of foreign operations	**-**	-	(7.6)
Losses on cash flow hedges	**(1.7)**	(5.6)	(11.9)
Transfer to Income Statement on cash flow hedges	**2.4**	1.1	5.6
Income tax charge relating to items that may be reclassified	**(0.2)**	-	-
	(93.7)	(68.9)	(107.1)
Other comprehensive expense after tax	**(67.0)**	(96.9)	(133.9)
Total comprehensive (expense)/income for the period	**(9.3)**	(46.6)	60.8
Attributable to:			
Owners of the parent	**(9.7)**	(46.8)	60.0
Non-controlling interests	**0.4**	0.2	0.8
	(9.3)	(46.6)	60.8

Melrose Industries PLC
Condensed Consolidated Statement of Cash Flows

	Notes	**6 months ended 30 June 2015 Unaudited £m**	Restated[1] 6 months ended 30 June 2014 Unaudited £m	Restated[2] year ended 31 December 2014 £m
Net cash used in operating activities from continuing operations	12	**(30.5)**	(4.9)	(10.3)
Net cash from operating activities from discontinued operations	12	**58.8**	55.3	126.8
Net cash from operating activities		**28.3**	50.4	116.5
Investing activities				
Disposal of businesses		**-**	-	374.8
Disposal costs		**(2.4)**	(1.0)	(8.5)
Net cash disposed		**-**	-	(14.6)
Purchase of property, plant and equipment		**(12.9)**	(14.4)	(29.8)
Proceeds from disposal of property, plant and equipment		**-**	0.2	-
Purchase of computer software and development costs		**(0.2)**	(0.4)	(0.5)
Dividends received from joint ventures		**0.3**	1.2	1.2
Interest received		**5.4**	7.5	14.2
Net cash (used in)/from investing activities from continuing operations		**(9.8)**	(6.9)	336.8
Net cash used in investing activities from discontinued operations	12	**(17.1)**	(12.0)	(126.0)
Net cash (used in)/from investing activities		**(26.9)**	(18.9)	210.8
Financing activities				
Return of Capital	13	**(200.4)**	(595.3)	(595.3)
Movement in borrowings		**233.5**	532.9	226.1
Costs of amending borrowing facilities		**-**	-	(3.6)
Dividends paid	7	**(52.7)**	(53.6)	(83.6)
Net cash used in financing activities from continuing operations		**(19.6)**	(116.0)	(456.4)
Net cash used in financing activities from discontinued operations	12	**-**	-	-
Net cash used in financing activities		**(19.6)**	(116.0)	(456.4)
Net decrease in cash and cash equivalents		**(18.2)**	(84.5)	(129.1)
Cash and cash equivalents at the beginning of the period		**70.5**	200.4	200.4
Effect of foreign exchange rate changes		**(6.7)**	(0.6)	(0.8)
Cash and cash equivalents at the end of the period		**45.6**	115.3	70.5

[1] Restated to include the cash flows of Bridon and the Elster disposal group (note 1) within discontinued operations (note 8).
[2] Restated to include the cash flows of the Elster disposal group (note 1) within discontinued operations (note 8).

As at 30 June 2015, the Group’s net debt was £742.3 million (31 December 2014: £501.3 million). A reconciliation of the movement in net debt is shown in note 12.

Melrose Industries PLC
Condensed Consolidated Balance Sheet

	Notes	**30 June 2015 Unaudited £m**	30 June 2014 Unaudited £m	Restated[1] 31 December 2014 £m
Non-current assets				
Goodwill and other intangible assets		**272.5**	2,499.9	2,401.1
Property, plant and equipment		**110.6**	243.1	199.6
Interests in joint ventures		**-**	12.0	11.8
Deferred tax assets		**5.4**	98.5	68.7
Derivative financial assets		**-**	2.8	1.2
Trade and other receivables		**-**	0.3	3.3
		388.5	2,856.6	2,685.7
Current assets				
Inventories		**58.6**	236.2	166.5
Trade and other receivables		**73.2**	286.0	257.5
Derivative financial assets		**7.6**	3.4	3.9
Cash and cash equivalents		**45.6**	115.3	70.5
Assets held for sale	8	**2,455.6**	-	-
		2,640.6	640.9	498.4
Total assets	3	**3,029.1**	3,497.5	3,184.1
Current liabilities				
Trade and other payables		**93.0**	369.2	320.5
Interest-bearing loans and borrowings		**1.2**	-	0.9
Derivative financial liabilities		**7.5**	5.1	10.1
Current tax liabilities		**1.8**	46.8	48.8
Provisions	9	**15.4**	63.8	71.7
Liabilities directly associated with assets classified as held for sale	8	**737.3**	-	-
		856.2	484.9	452.0
Net current assets		**1,784.4**	156.0	46.4
Non-current liabilities				
Trade and other payables		**-**	1.3	0.4
Interest-bearing loans and borrowings		**786.7**	865.9	570.9
Derivative financial liabilities		**2.2**	0.4	0.2
Deferred tax liabilities		**15.9**	310.1	267.3
Retirement benefit obligations	10	**34.1**	236.9	218.5
Provisions	9	**22.3**	103.7	101.1
		861.2	1,518.3	1,158.4
Total liabilities	3	**1,717.4**	2,003.2	1,610.4
Net assets		**1,311.7**	1,494.3	1,573.7
Equity				
Issued share capital		**1.3**	1.3	1.3
Merger reserve		**394.9**	595.3	595.3
Capital redemption reserve		**795.7**	595.3	595.3
Other reserves		**(757.1)**	(757.1)	(757.1)
Hedging reserve		**-**	1.3	(0.5)
Translation reserve		**(224.8)**	(94.2)	(130.7)
Retained earnings		**1,100.2**	1,150.4	1,267.5
Equity attributable to owners of the parent		**1,310.2**	1,492.3	1,571.1
Non-controlling interests		**1.5**	2.0	2.6
Total equity		**1,311.7**	1,494.3	1,573.7

[1] Restated to reflect the completion of the acquisition accounting of Eclipse (note 1).

Melrose Industries PLC
Condensed Consolidated Statement of Changes in Equity

	Issued share capital £m	Merger reserve £m	Capital redemption 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 2014 (audited)	1.3	1,190.6	-	(757.1)	5.8	(29.9)	1,775.3	2,186.0	1.9	2,187.9
Profit for the period	-	-	-	-	-	-	50.0	50.0	0.3	50.3
Other comprehensive expense	-	-	-	-	(4.5)	(64.3)	(28.0)	(96.8)	(0.1)	(96.9)
Total comprehensive (expense)/income	-	-	-	-	(4.5)	(64.3)	22.0	(46.8)	0.2	(46.6)
Return of Capital	-	(595.3)	595.3	-	-	-	(595.3)	(595.3)	-	(595.3)
Dividends paid	-	-	-	-	-	-	(53.6)	(53.6)	(0.1)	(53.7)
Credit to equity for equity-settled share-based payments	-	-	-	-	-	-	2.0	2.0	-	2.0
At 30 June 2014 (unaudited)	1.3	595.3	595.3	(757.1)	1.3	(94.2)	1,150.4	1,492.3	2.0	1,494.3
Profit for the period	-	-	-	-	-	-	143.9	143.9	0.5	144.4
Other comprehensive (expense)/income	-	-	-	-	(1.8)	(36.5)	1.2	(37.1)	0.1	(37.0)
Total comprehensive (expense)/income	-	-	-	-	(1.8)	(36.5)	145.1	106.8	0.6	107.4
Dividends paid	-	-	-	-	-	-	(30.0)	(30.0)	(0.3)	(30.3)
Credit to equity for equity-settled share-based payments	-	-	-	-	-	-	2.0	2.0	-	2.0
Acquisition of non-controlling interests	-	-	-	-	-	-	-	-	0.3	0.3
At 31 December 2014 (audited)	1.3	595.3	595.3	(757.1)	(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)	(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 (unaudited)	**1.3**	**394.9**	**795.7**	**(757.1)**	**-**	**(224.8)**	**1,100.2**	**1,310.2**	**1.5**	**1,311.7**

Notes to the condensed financial statements

1. Corporate information

The interim financial information for the six months ended 30 June 2015 has been reviewed by the auditor, but not audited. The information for the year ended 31 December 2014 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.

On 12 November 2014 the Group disposed of Bridon. The comparative information for the period ended 30 June 2014 in these interim financial statements has been restated to include the results and cash flows of Bridon within discontinued operations, and exclude them from continuing operations. Bridon was previously disclosed within the Lifting segment, which ceased to exist following this disposal.

On 28 July 2015, the Group announced that it had signed an agreement for the disposal of the Elster businesses ("Elster") to Honeywell International Inc. ("Honeywell"). The disposal is conditional, amongst other things, upon obtaining regulatory clearances in the relevant jurisdictions in which Elster operates. In accordance with IFRS 5: "Non-current assets held for sale and discontinued operations", Elster has been classified as held for sale at 30 June 2015 and its results and cash flows are reported within discontinued operations in all periods in these interim financial statements. Elster comprises the Gas, Electricity and Water segments along with their associated central costs. In addition, the "Elster disposal group" also contains the Elster divisional long term incentive plans, the FKI UK defined benefit pension plan and the McKechnie defined benefit pension plan which will be disposed and have been shown as discontinued in these interim statements.

During the period, the Group has completed its review of the assets and liabilities acquired following the acquisition of Eclipse by the Gas segment on 31 October 2014. As a result, the Group has recorded its final adjustments to the opening balance sheet of Eclipse. In accordance with IFRS 3: "Business combinations" the balance sheet at 31 December 2014 has been restated to reflect these adjustments which decreased provisions by £4.2 million and decreased the goodwill arising on the acquisition of Eclipse from £64.6 million to £60.4 million.

2. Summary of significant accounting policies

The interim financial information for the six months ended 30 June 2015, which has been approved by a committee of the Board of Directors on 28 July 2015 has been prepared on the basis of the accounting policies set out in the Group's 2014 Annual Report and financial statements on pages 108 to 116. The Group's 2014 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 2014 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.

The Group's principal risks and uncertainties are unchanged from 2014, as discussed in the Finance Director's review. These are set out in more detail on pages 38 to 41 in the Group's Annual Report for the year ended 31 December 2014.

After making appropriate enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing 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. Following the disposal of Bridon and the classification of Elster segments as held for sale, as described in note 1, the Group's only remaining 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.

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 2015 and comparative periods. Note 4 gives details of exceptional costs and income.

Segment results

	Notes	Segment profit		
		6 months ended 30 June 2015 £m	Restated[1] 6 months ended 30 June 2014 £m	Restated[2] year ended 31 December 2014 £m
Continuing operations				
Energy		**14.5**	34.2	65.4
Central – corporate		**(6.4)**	(5.5)	(11.9)
Central – LTIPs		**(2.0)**	(2.7)	(5.4)
Headline[3] operating profit		**6.1**	26.0	48.1
Intangible asset amortisation		**(4.1)**	(4.2)	(8.6)
Exceptional operating costs	4	**(5.2)**	(0.2)	(7.8)
Exceptional operating income	4	**-**	5.4	5.4
Operating (loss)/profit		**(3.2)**	27.0	37.1
Finance costs		**(15.6)**	(21.3)	(38.7)
Finance income		**5.4**	7.5	14.2
(Loss)/profit before tax		**(13.4)**	13.2	12.6
Tax	5	**1.3**	(1.7)	(4.3)
Profit for the period from discontinued operations	8	**69.8**	38.8	186.4
Profit for the period		**57.7**	50.3	194.7

(1) Restated to include the results of Bridon and the Elster disposal group (note 1) within discontinued operations (note 8).
(2) Restated to include the results of the Elster disposal group (note 1) within discontinued operations (note 8).
(3) Before exceptional costs, exceptional income and intangible asset amortisation.

	Total assets			Total liabilities		
	30 June 2015 £m	Restated[1] 30 June 2014 £m	Restated[2] 31 December 2014 £m	**30 June 2015 £m**	Restated[1] 30 June 2014 £m	Restated[2] 31 December 2014 £m
Continuing operations						
Energy	**496.7**	501.5	502.5	**117.0**	146.7	136.3
Central – corporate	**76.8**	145.0	96.5	**862.1**	945.6	649.7
Central – LTIPs	**-**	-	-	**1.0**	13.2	11.0
Total continuing operations	**573.5**	646.5	599.0	**980.1**	1,105.5	797.0
Discontinued operations	**2,455.6**	2,851.0	2,585.1	**737.3**	897.7	813.4
Total	**3,029.1**	3,497.5	3,184.1	**1,717.4**	2,003.2	1,610.4

(1) Restated to include the total assets and total liabilities of Bridon and the Elster disposal group (note 1) within discontinued operations (note 8).
(2) Restated to include the total assets and total liabilities of the Elster disposal group (note 1) within discontinued operations (note 8) and to reflect the completion of the acquisition accounting of Eclipse (note 1).

	Capital expenditure[1]			Depreciation[1]		
		Restated[2]	Restated[3]		Restated[2]	Restated[3]
	6 months ended 30 June 2015	6 months ended 30 June 2014	year ended 31 December 2014	**6 months ended 30 June 2015**	6 months ended 30 June 2014	year ended 31 December 2014
	£m	£m	£m	**£m**	£m	£m
Continuing operations						
Energy	**13.1**	14.1	30.1	**3.6**	3.1	6.3
Central – corporate	**-**	0.2	0.2	**0.3**	0.4	0.9
Total continuing operations	**13.1**	14.3	30.3	**3.9**	3.5	7.2
Discontinued operations	**17.1**	15.7	36.0	**11.9**	16.2	31.4
Total	**30.2**	30.0	66.3	**15.8**	19.7	38.6

(1) Including computer software and development costs.
(2) Restated to include the capital expenditure[1] and depreciation[1] of Bridon and the Elster disposal group (note 1) within discontinued operations (note 8).
(3) Restated to include the capital expenditure[1] and depreciation[1] of the Elster disposal group (note 1) within discontinued operations (note 8).

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 interests in joint ventures, deferred tax assets, derivative financial 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[3]		Restated[2]	Restated[4]
	6 months ended 30 June 2015	6 months ended 30 June 2014	year ended 31 December 2014	**30 June 2015**	30 June 2014	31 December 2014
	£m	£m	£m	**£m**	£m	£m
UK	**44.4**	43.5	83.6	**192.5**	196.4	162.4
Europe	**28.7**	42.4	87.5	**143.7**	164.3	189.3
North America	**22.1**	41.8	91.7	**20.3**	16.5	19.1
Other	**22.5**	36.8	64.5	**26.6**	10.1	21.2
Total continuing operations	**117.7**	164.5	327.3	**383.1**	387.3	392.0
Discontinued operations	**541.3**	616.4	1,258.2	**-**	2,355.7	2,208.7
Total	**659.0**	780.9	1,585.5	**383.1**	2,743.0	2,600.7

(1) Revenue is presented by destination.
(2) Restated to include the revenue from external customers and non-current assets of Bridon and the Elster disposal group (note 1) within discontinued operations (note 8).
(3) Restated to include the revenue from external customers of the Elster disposal group (note 1) within discontinued operations (note 8).
(4) Restated to include the non-current assets of the Elster disposal group (note 1) within discontinued operations (note 8) and to reflect the completion of the acquisition accounting of Eclipse (note 1).

4. Exceptional costs and income

Exceptional costs	**6 months ended 30 June 2015 £m**	Restated[(1)] 6 months ended 30 June 2014 £m	Restated[(2)] year ended 31 December 2014 £m
Continuing operations			
Restructuring costs	**5.0**	0.2	6.4
Acquisition and disposal costs	**0.2**	-	1.4
Total exceptional costs	**5.2**	0.2	7.8

(1) Restated to include the results of Bridon and the Elster disposal group (note 1) within discontinued operations (note 8).
(2) Restated to include the results of the Elster disposal group (note 1) within discontinued operations (note 8).

During the six months ended 30 June 2015 restructuring costs were incurred within the Brush business, primarily in respect of headcount reductions to align the cost base with the business' reduced revenue, resulting in a charge for the period of £5.0 million. The charge for restructuring in 2014 of £6.4 million related mainly to the set-up of the new Brush China factory.

Exceptional income	**6 months ended 30 June 2015 £m**	6 months ended 30 June 2014 £m	Year ended 31 December 2014 £m
Continuing operations			
Release of surplus leasehold property costs provision	**-**	5.4	5.4
Total exceptional income	**-**	5.4	5.4

During the six months to 30 June 2014 a historical onerous lease dispute was successfully resolved for less than expected resulting in the release of £5.4 million from provisions as exceptional income.

5. Tax

Analysis of the (credit)/charge in the period:	**6 months ended 30 June 2015 £m**	Restated[(1)] 6 months ended 30 June 2014 £m	Restated[(2)] year ended 31 December 2014 £m
Continuing operations			
Current tax	**(1.2)**	1.6	4.6
Deferred tax	**(0.1)**	0.1	(0.3)
Total income tax (credit)/charge from continuing operations	**(1.3)**	1.7	4.3
Discontinued operations			
Current tax	**31.7**	24.6	46.2
Deferred tax	**(10.8)**	(7.0)	(5.3)
Total income tax charge from discontinued operations	**20.9**	17.6	40.9
Total income tax charge	**19.6**	19.3	45.2

(1) Restated to include the results of Bridon and the Elster disposal group (note 1) within discontinued operations (note 8).
(2) Restated to include the results of the Elster disposal group (note 1) within discontinued operations (note 8).

The effective tax rate in respect of headline (loss)/profit before tax on continuing activities for the half year is 12.2% (period to 30 June 2014: 20.5%). The headline tax credit on continuing activities has been calculated by applying the expected rate for the full year to the headline loss before tax of £4.1 million (period to 30 June 2014: profit of £12.2 million), giving a headline tax credit of £0.5 million (period to 30 June 2014: charge of £2.5 million).

The headline tax credit on continuing activities of £0.5 million (period to 30 June 2014: charge of £2.5 million) has been increased by a deferred tax credit on intangible asset amortisation of £0.8 million (period to 30 June 2014: £0.8 million) to give a total tax credit on continuing activities of £1.3 million (period to 30 June 2014: charge of £1.7 million).

In addition to the amount charged to the Income Statement, a charge of £0.2 million (period to 30 June 2014: credit of £3.0 million) has been recognised directly in the Statement of Comprehensive Income. This represents a tax charge of £0.2 million (period to 30 June 2014: £nil) in respect of movements on cash flow hedges and a tax credit of £nil (period to 30 June 2014: £3.0 million) 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 2015 £m**	Restated[(1)] 6 months ended 30 June 2014 £m	Restated[(2)] year ended 31 December 2014 £m
Profit for the purposes of earnings per share	**57.2**	50.0	193.9
Less: profit for the period from discontinued operations (note 8)	**(69.3)**	(38.5)	(185.6)
Earnings for basis of earnings per share from continuing operations	**(12.1)**	11.5	8.3

(1) Restated to include the results of Bridon and the Elster disposal group (note 1) within discontinued operations (note 8).
(2) Restated to include the results of the Elster disposal group (note 1) within discontinued operations (note 8).

	6 months ended 30 June 2015 Number	6 months ended 30 June 2014 Number	Year ended 31 December 2014 Number
Weighted average number of Ordinary Shares for the purposes of basic earnings per share (million)	**1,016.4**	1,112.7	1,092.0
Further shares for the purposes of diluted earnings per share (million)	**16.4**	17.6	13.7
Weighted average number of Ordinary Shares for the purposes of diluted earnings per share (million)	**1,032.8**	1,130.3	1,105.7

On 7 February 2014 the number of Ordinary Shares in issue was consolidated in a ratio of 11 to 13, which reduced the number of Ordinary Shares in issue from 1,266.6 million to 1,071.8 million.

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.

Earnings per share	**6 months ended 30 June 2015 pence**	Restated[(1)] 6 months ended 30 June 2014 pence	Restated[(2)] year ended 31 December 2014 pence
Basic earnings per share			
From continuing operations	**(1.2)**	1.0	0.8
From continuing and discontinued operations	**5.6**	4.5	17.8
Diluted earnings per share			
From continuing operations	**(1.2)**	1.0	0.8
From continuing and discontinued operations	**5.5**	4.4	17.5

(1) Restated to include the results of Bridon and the Elster disposal group (note 1) within discontinued operations (note 8).
(2) Restated to include the results of the Elster disposal group (note 1) within discontinued operations (note 8).

7. Dividends

	6 months ended 30 June 2015 £m	6 months ended 30 June 2014 £m	Year ended 31 December 2014 £m
Final dividend for the year ended 31 December 2013 paid of 5.0p	**-**	53.6	53.6
Interim dividend for the year ended 31 December 2014 paid of 2.8p	**-**	-	30.0
Final dividend for the year ended 31 December 2014 paid of 5.3p	**52.7**	-	-
Total dividends paid	**52.7**	53.6	83.6
Proposed interim dividend for the period ended 30 June 2015 of 2.8p	**27.9**	-	-

A 2015 interim dividend of 2.8p per Ordinary Share was declared by the Board on 28 July 2015 and, in accordance with IAS 10: “Events after the reporting period”, has not been included as a liability as at 30 June 2015.

8. Discontinued operations

As described in note 1, the comparative information in these interim financial statements for the period ended 30 June 2014 has been restated to include the results and cash flows of Bridon and the Elster disposal group within discontinued operations and exclude them from continuing operations.

In addition, the comparative information for the year ended 31 December 2014 has been restated to include the results and cash flows of the Elster disposal group within discontinued operations and exclude them from continuing operations.

Financial performance of discontinued operations:

	6 months ended 30 June 2015 £m	Restated[(1)] 6 months ended 30 June 2014 £m	Restated[(2)] year ended 31 December 2014 £m
Revenue	**541.3**	616.4	1,258.2
Operating costs	**(435.5)**	(513.9)	(1,037.7)
Headline[(3)] operating profit	**105.8**	102.5	220.5
Intangible asset amortisation	**(23.5)**	(26.7)	(52.4)
Exceptional items	**11.8**	(14.6)	(28.3)
Net finance costs	**(3.4)**	(4.8)	(9.4)
Profit before tax	**90.7**	56.4	130.4
Headline[(3)] tax	**(27.9)**	(27.2)	(57.7)
Exceptional tax[(4)]	**7.0**	9.6	16.8
Profit after tax	**69.8**	38.8	89.5
Cumulative translation differences recycled on disposals	**-**	-	7.6
Gain on disposal of net assets of discontinued operations	**-**	-	89.3
Profit for the period from discontinued operations	**69.8**	38.8	186.4
Attributable to:			
Owners of the parent	**69.3**	38.5	185.6
Non-controlling interests	**0.5**	0.3	0.8
	69.8	38.8	186.4

(1) Restated to include the results of Bridon and the Elster disposal group (note 1) within discontinued operations.
(2) Restated to include the results of the Elster disposal group (note 1) within discontinued operations.
(3) Before exceptional costs, exceptional income and intangible asset amortisation.
(4) Includes exceptional tax and tax on exceptional items and intangible asset amortisation.

Revenue from discontinued operations comprises £370.6 million in relation to Gas (period ended 30 June 2014: £325.5 million, year ended 31 December 2014: £687.0 million), £98.9 million in relation to Electricity (period ended 30 June 2014: £87.1 million, year ended 31 December 2014: £215.7 million), £71.8 million in relation to Water (period ended 30 June 2014: £81.0 million, year ended 31 December 2014: £147.5 million) and £nil in relation to Bridon (period ended 30 June 2014: £122.8 million, year ended 31 December 2014: £208.0 million).

Headline operating profit from discontinued operations comprises £93.3 million profit in relation to Gas (period ended 30 June 2014: £76.9 million, year ended 31 December 2014: £161.4 million), £4.7 million profit in relation to Electricity (period ended 30 June 2014: £4.0 million, year ended 31 December 2014: £22.8 million), £11.9 million profit in relation to Water (period ended 30 June 2014: £13.3 million, year ended 31 December 2014: £23.4 million), £0.9 million loss in relation to Elster central (period ended 30 June 2014: £1.1 million, year ended 31 December 2014: £2.1 million), £nil profit in relation to Bridon (period ended 30 June 2014: £13.5 million, year ended 31 December 2014: £22.6 million) and a £3.2 million loss in relation to discontinued corporate costs (period ended 30 June 2014: £4.1 million, year ended 31 December 2014: £7.6 million).

The net credit on exceptional items of £11.8 million includes the release of £29.2 million of items previously booked as fair value adjustments following the successful resolution of certain warranty and legal issues inherited with the acquisition of Elster, comprising £24.6 million of provisions and £4.6 million of trade and other payables. These are offset by an accelerated charge on long term incentive plans of £5.4 million and £12.0 million of restructuring costs primarily in relation to the Gas segment which includes the integration of Eclipse.

The charge in relation to exceptional items for the year ended 31 December 2014 of £28.3 million is comprised of £26.0 million in relation to restructuring costs, weighted towards the Gas segment and £2.3 million of acquisition costs in relation to the acquisition of Eclipse. Of these costs, £14.6 million of restructuring costs had been incurred by 30 June 2014.

Assets held for sale
The major classes of assets and liabilities of the Elster disposal group, which are classified as held for sale at 30 June 2015, are as follows:

	30 June 2015 £m
Goodwill and other intangible assets	1,989.2
Property, plant and equipment	90.7
Interests in joint ventures	10.7
Deferred tax assets	61.9
Derivative financial assets	1.0
Inventories	128.7
Trade and other receivables	173.4
Total assets classified as held for sale	2,455.6
Trade and other payables	(222.3)
Derivative financial liabilities	(3.3)
Current tax	(62.2)
Deferred tax liabilities	(229.3)
Retirement benefit obligations	(133.8)
Provisions	(86.4)
Total liabilities associated with assets classified as held for sale	(737.3)
Net assets classified as held for sale	**1,718.3**

9. Provisions

	Surplus leasehold property costs £m	Environmental and legal costs £m	Incentive plan related £m	Warranty related costs £m	Other £m	Total £m
At 1 January 2015 restated[1]	11.0	51.0	26.6	50.8	33.4	172.8
Utilised	(1.7)	(1.7)	(10.0)	(10.9)	(16.7)	(41.0)
Net charge to headline[2] operating profit	-	(1.0)	2.5	(1.2)	0.2	0.5
Net release to exceptional items	(3.0)	(15.0)	5.4	(4.7)	13.0	(4.3)
Unwind of discount	0.1	-	0.5	-	-	0.6
Exchange differences	-	(0.8)	-	(2.0)	(1.7)	(4.5)
Transfer to held for sale	(0.5)	(12.8)	(24.0)	(29.1)	(20.0)	(86.4)
At 30 June 2015	**5.9**	**19.7**	**1.0**	**2.9**	**8.2**	**37.7**
Current	2.3	3.8	-	1.6	7.7	15.4
Non-current	3.6	15.9	1.0	1.3	0.5	22.3
	5.9	**19.7**	**1.0**	**2.9**	**8.2**	**37.7**

(1) Restated to reflect the completion of the acquisition accounting of Eclipse (note 1).
(2) Before exceptional costs, exceptional income and intangible asset amortisation.

The provision for surplus leasehold property costs represents the estimated net payments payable over the term of these leases together with any dilapidation costs. This is expected to result in cash expenditure over the next one to four years.

Environmental and legal costs provisions relate to the estimated remediation costs of pollution, soil and groundwater contamination at certain sites and estimated future costs and settlements in relation to legal claims. Due to their nature, it is not possible to predict precisely when these provisions will be utilised.

Incentive plan related provisions are in respect of long-term incentive plans for divisional senior management, expected to result in cash expenditure in the next five years.

The provision for warranty related costs represents the best estimate of the expenditure required to settle the Group's obligations. Warranty terms are, on average, between one and five years.

Other provisions relate primarily to costs that will be incurred in respect of restructuring programmes, usually resulting in cash spend within one year.

Where appropriate, provisions have been discounted using a discount rate of 3% (31 December 2014: 3%).

10. Retirement benefit obligations

In accordance with IFRS 5: "Non-current assets held for sale and discontinued operations", £133.8 million of net liabilities on defined benefit pension plans within Elster, the FKI UK Pension Plan and the McKechnie UK Pension Plan are shown within liabilities directly associated with assets classified as held for sale at 30 June 2015 following the agreement to sell the Elster disposal group.

The remaining defined benefit obligations as at 30 June 2015 in the UK relate to the Brush Group (2013) Pension Plan and in the US relate to the FKI US Pension Plans. The amount recognised in the Balance Sheet in respect of these plans is as follows:

	30 June 2015			31 December 2014		
	UK Plans £m	**US Plans £m**	**Total £m**	UK Plans £m	US Plans £m	Total £m
Present value of defined benefit obligations	**(217.4)**	**(183.1)**	**(400.5)**	(225.8)	(195.2)	(421.0)
Fair value of plan assets	**198.7**	**167.7**	**366.4**	197.4	176.5	373.9
Net liabilities	**(18.7)**	**(15.4)**	**(34.1)**	(28.4)	(18.7)	(47.1)

The valuations of these plans have been updated at 30 June 2015 by independent actuaries to reflect updated assumptions regarding discount rates, inflation rates and asset values. These assumptions were as follows:

	30 June 2015		31 December 2014	
	UK Plans % p.a.	**US Plans % p.a.**	UK Plans % p.a.	US Plans % p.a.
Rate of increase in salaries	**N/A**	**N/A**	N/A	N/A
Rate of increase in pensions in payment	**3.10**	**N/A**	3.00	N/A
Discount rate	**3.80**	**4.30**	3.50	3.90
RPI inflation assumptions	**3.20**	**N/A**	3.10	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 and the benefits earned during the period to 30 June 2015.

11. 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 2015, 31 December 2014 and 30 June 2014:

	Current £m	Non-current £m	Total £m
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)
31 December 2014			
Financial assets			
Cash and cash equivalents	70.5	-	70.5
Net trade receivables	220.2	3.3	223.5
Derivative financial assets:			
Foreign currency forward contracts	3.9	-	3.9
Interest rate swaps	-	1.2	1.2
Financial liabilities			
Interest-bearing loans and borrowings	(0.9)	(570.9)	(571.8)
Derivative financial liabilities:			
Foreign currency forward contracts	(8.0)	(0.2)	(8.2)
Interest rate swaps	(2.1)	-	(2.1)
Other financial liabilities	(308.9)	(0.4)	(309.3)
30 June 2014			
Financial assets			
Cash and cash equivalents	115.3	-	115.3
Net trade receivables	237.1	0.3	237.4
Derivative financial assets:			
Foreign currency forward contracts	2.8	0.1	2.9
Interest rate swaps	0.6	2.7	3.3
Financial liabilities			
Interest-bearing loans and borrowings	-	(865.9)	(865.9)
Derivative financial liabilities:			
Foreign currency forward contracts	(5.1)	(0.4)	(5.5)
Other financial liabilities	(353.9)	(1.3)	(355.2)

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.

12. Notes to the Cash Flow Statement

	6 months ended 30 June 2015 £m	Restated[1] 6 months ended 30 June 2014 £m	Restated[2] year ended 31 December 2014 £m
Reconciliation of headline[3] operating profit to cash generated by continuing operations			
Headline[3] operating profit from continuing operations	**6.1**	26.0	48.1
Adjustments for:			
Depreciation of property, plant and equipment	**3.7**	3.3	6.6
Amortisation of computer software and development costs	**0.2**	0.2	0.6
Restructuring costs paid and movements in other provisions	**(7.9)**	(0.6)	(5.1)
Operating cash flows before movements in working capital	**2.1**	28.9	50.2
(Increase)/decrease in inventories	**(14.0)**	(4.0)	4.6
Decrease/(increase) in receivables	**6.8**	(3.0)	(7.0)
Decrease in payables	**(4.6)**	(7.2)	(13.0)
Cash (used in)/generated by operations	**(9.7)**	14.7	34.8
Tax paid	**(1.7)**	(1.5)	(3.4)
Interest paid	**(6.4)**	(15.6)	(36.7)
Defined benefit pension contributions paid	**(2.7)**	(2.5)	(5.0)
Incentive scheme payments	**(10.0)**	-	-
Net cash used in operating activities from continuing operations	**(30.5)**	(4.9)	(10.3)

(1) Restated to include the cash flows of Bridon and the Elster disposal group (note 1) within discontinued operations (note 8).
(2) Restated to include the cash flows of the Elster disposal group (note 1) within discontinued operations (note 8).
(3) Before exceptional costs, exceptional income and intangible asset amortisation.

Cash flow from discontinued operations	6 months ended 30 June 2015 £m	Restated[1] 6 months ended 30 June 2014 £m	Restated[2] year ended 31 December 2014 £m
Cash generated from discontinued operations	**85.3**	90.4	201.4
Tax paid	**(10.0)**	(19.9)	(35.9)
Defined benefit pension contributions paid	**(15.2)**	(13.9)	(34.2)
Interest paid	**(1.2)**	(1.3)	(2.2)
Acquisition costs	**(0.1)**	-	(2.3)
Net cash from operating activities from discontinued operations	**58.8**	55.3	126.8
Purchase of property, plant and equipment	**(13.0)**	(12.8)	(28.4)
Purchase of computer software and developments costs	**(6.0)**	(2.8)	(7.6)
Cash acquired on acquisition of subsidiaries	**-**	-	1.5
Acquisition of subsidiaries and non-controlling interests	**(1.5)**	-	(97.6)
Dividends received from joint ventures	**1.7**	2.1	2.1
Dividends paid to minority interests	**(0.1)**	(0.1)	(0.4)
Proceeds from disposal of property, plant and equipment	**1.6**	1.4	3.9
Interest received	**0.2**	0.2	0.5
Net cash used in investing activities from discontinued operations	**(17.1)**	(12.0)	(126.0)
Net cash used in financing activities from discontinued operations	**-**	-	-

(1) Restated to include the cash flows of Bridon and the Elster disposal group (note 1) within discontinued operations (note 8).
(2) Restated to include the cash flows of the Elster disposal group (note 1) within discontinued operations (note 8).

Net debt reconciliation

	At 31 December 2014 £m	Cash flow[1] £m	Other non-cash movements £m	Effect of foreign exchange £m	At 30 June 2015 £m
Cash	70.5	(18.2)	-	(6.7)	**45.6**
Debt due within one year	(0.9)	-	(0.3)	-	**(1.2)**
Debt due after one year	(570.9)	(233.5)	(1.5)	19.2	**(786.7)**
Net debt	(501.3)	(251.7)	(1.8)	12.5	**(742.3)**

(1) Includes a £200.4 million return of capital to shareholders and £52.7 million of dividends paid.

13. Return of capital

On 20 February 2015 a £200.4 million return of capital was approved by shareholders. At this date 1,071.8 million 18.7 pence ‘B’ and ‘C’ shares were created utilising £200.4 million of the merger reserve. These shares were subsequently redeemed in the period resulting in a £200.4 million transfer to the capital redemption reserve.

Alongside the return of capital the number of Ordinary Shares was consolidated in a ratio of 13 to 14, which reduced the number of Ordinary Shares in issue from 1,071.8 million to 995.2 million.