

THIS DOCUMENT AND THE ACCOMPANYING FORMS OF PROXY ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION. Part III contains an explanatory statement in compliance with section 897 of the Companies Act 2006. If you are in any doubt about the contents of this document or as to the action you should take, you should consult immediately your stockbroker, bank, solicitor, accountant, fund manager or other appropriate independent financial adviser authorised under the Financial Services and Markets Act 2000 if you are resident in the United Kingdom or, if not, another appropriately authorised independent financial adviser.

If you have sold or otherwise transferred or sell or otherwise transfer your entire holding of Old Melrose Ordinary Shares, please forward this document and the accompanying Forms of Proxy as soon as possible to the purchaser or transferee or to the agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. However, such documents should not be forwarded or transmitted in or into any jurisdiction in which such act would constitute a violation of the relevant laws of such jurisdiction. If you have sold or transferred only part of your holding of Old Melrose Ordinary Shares please consult the agent through whom the sale or transfer was effected.

Application will be made to the UKLA and the London Stock Exchange respectively for the New Melrose Ordinary Shares to be admitted to the Official List and to trading on the main market for listed securities of the London Stock Exchange. It is expected that Admission of the New Melrose Ordinary Shares will become effective and dealings in them will commence on the London Stock Exchange at 8.00 a.m. on the Effective Date, which, is expected to occur on 27 November 2012. No application has been made or is currently intended to be made for the New Melrose Ordinary Shares to be admitted to listing or dealing on any other exchange. No application has been or is currently intended to be made for any other class of shares issued by New Melrose to be admitted to the Official List or to trading on the London Stock Exchange or to be admitted to listing or dealing on any other exchange.

No New Melrose Ordinary Shares have been marketed to, or are available for purchase in whole or in part by, the public in the United Kingdom or elsewhere in connection with Admission. This document does not constitute an offer or form part of any offer or invitation to purchase, subscribe for, sell or issue, or a solicitation of any offer to purchase, subscribe for, sell or issue New Melrose Ordinary Shares or any other securities in Old Melrose or New Melrose. This document does not constitute a prospectus equivalent document.



Melrose PLC

(Incorporated and registered in England and Wales with registered number 4763064)

Recommended Proposals relating to the introduction of New Melrose as the holding company of Old Melrose

**by means of a Scheme of Arrangement under Part 26
of the Companies Act 2006**

and

Notices of Court Meeting and Old Melrose General Meeting

Notices convening the Court Meeting and the Old Melrose General Meeting, each of which will be held at the Serpentine Suite of the London Hilton, 22 Park Lane, London, W1K 1BE on 5 November 2012, are set out at Parts VIII and IX, respectively, of this document. The Court Meeting will start at 9:00 a.m. and the Old Melrose General Meeting will start at 9:15 a.m. (or as soon thereafter as the Court Meeting concludes or is adjourned).

This document should be read as a whole and in conjunction with the accompanying Forms of Proxy. Your attention is drawn to the letter from the Chairman of Old Melrose which is set out in Part I (*Letter from the Chairman of Old Melrose*) of this document and which contains a unanimous recommendation from the Board of Old Melrose that you vote in favour of the resolutions to be proposed at the Court Meeting and Old Melrose General Meeting referred to below. You should note that the Proposals are conditional, amongst other things, upon the approval by the Shareholders of the resolutions at both the Court Meeting and the Old Melrose General Meeting. A letter from Rothschild explaining the Scheme appears in Part III (*Explanatory Statement*) of this document.

A summary of the action to be taken by Shareholders in respect of the Court Meeting and the Old Melrose General Meeting is set out in paragraph 12 of Part III (*Explanatory Statement*) of this document. Shareholders will find enclosed with this document a blue Form of Proxy for use in connection with the Court Meeting and a white Form of Proxy for use in connection with the Old Melrose General Meeting. Whether or not you propose to attend the Court Meeting and/or the Old Melrose General Meeting in person, you are requested to complete and sign the enclosed Forms of Proxy in accordance with the instructions printed on them and return them to the Company's Receiving Agent, Equiniti Limited, Aspect House, Lancing, West Sussex, BN99 6DA, as soon as possible, and in any event so as to arrive by no later than 48 hours (excluding any part of a day that is not a working day) before the time appointed for the relevant meeting (although the blue Form of Proxy for use at the Court Meeting may be handed to the Company's Receiving Agent or the Chairman immediately prior to the Court Meeting).

If you would like to submit your proxy vote electronically, you can do so by visiting www.sharevote.co.uk. You will need to enter your voting reference numbers (the three numbers quoted on your Forms of Proxy) and follow the online instructions. The deadline for receipt of electronic proxies is 48 hours (excluding any part of a day that is not a working day) before the time appointed for the relevant meeting.

If you hold your Old Melrose Ordinary Shares in CREST, you may appoint a proxy by completing and transmitting a CREST Proxy Instruction in accordance with the procedures set out in the CREST Manual so that it is received by the Company's Receiving Agent (under CREST participant ID RA19) by no later than 48 hours (excluding any part of a day that is not a working day) before the time appointed for the relevant meeting.

The return of completed Forms of Proxy, submitting your proxy vote electronically or transmitting a CREST Proxy Instruction will not prevent you from attending either of the meetings and voting in person if you so wish and are so entitled.

If you are a Shareholder and have any questions about the Proposals, the contents of this document or the completion and return of your Forms of Proxy, please call Equiniti Limited, the Company's Receiving Agent, on 0871 384 2971 (or, if you are calling from outside the United Kingdom, +44 121 415 0208) between 8:30 a.m. and 5:30 p.m. Monday to Friday (excluding public holidays). Calls to this number are charged at 8 pence per minute from a BT landline. Other telephony provider costs may vary. Please note that calls to these numbers may be monitored or recorded, and no advice on the Proposals can be given.

Rothschild, which is authorised and regulated by the Financial Services Authority in the United Kingdom, is acting as Sponsor to New Melrose in relation to Admission and as Financial Adviser to Old Melrose and New Melrose in relation to the Proposals and is not advising any other person in connection with the Proposals and accordingly will not be responsible to anyone other than Old Melrose or New Melrose for providing the protections afforded to clients of Rothschild nor for providing advice in relation to the Proposals, the contents of this document or any transaction, arrangement or other matter referred to in this document.

Investec, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting for New Melrose in relation to Admission and Old Melrose in relation to the Proposals and is not advising any other person and accordingly will not be responsible to any person other than New Melrose and Old Melrose for providing the protections afforded to the clients of Investec or for providing advice in relation to the matters described in this document.

The Prospectus relating to the New Melrose Ordinary Shares is expected to be published on or around the date of this Circular. The Prospectus will not be sent to you when published, but it will be possible to obtain a copy of the Prospectus from the Melrose Group's website (www.melroseplc.net) or, on request, free of charge from the Company's Receiving Agent by telephone on 0871 384 2971 (or from outside the UK on +44 121 415 0208). Calls to this number are charged at 8 pence per minute from a BT landline. Other telephony provider costs may vary. A copy of this document and the Prospectus will also be available

for inspection (i) via the National Storage Mechanism, (ii) at the registered office of Old Melrose and of New Melrose (both being Precision House, Arden Road, Alcester, Warwickshire, B49 6HN), and (iii) at the offices of Simpson Thacher & Bartlett LLP (being CityPoint, One Ropemaker Street, London, EC2Y 9HU) up until Admission (in the case of (ii) and (iii)) during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted).

This document has been prepared for the purposes of complying with English law, the Listing Rules and the rules of the London Stock Exchange and the information disclosed herein may not be the same as that which would have been disclosed if this document had been prepared in accordance with the laws of any other jurisdiction. The distribution of this document and the Prospectus and the allotment and issue of New Melrose Ordinary Shares in jurisdictions other than the United Kingdom may be restricted by law. No action has been taken by Old Melrose or New Melrose to obtain any approval, authorisation or exemption to permit the allotment and issue of New Melrose Ordinary Shares or the possession or distribution of this document, the Prospectus (or any other publicity material relating to the New Melrose Ordinary Shares) in any jurisdiction other than the United Kingdom.

Overseas Shareholders may be affected by the laws of other jurisdictions in relation to the Proposals or the distribution of this document. Persons into whose possession this document comes should inform themselves about and observe any applicable restrictions and legal, exchange control or regulatory requirements in relation to the Proposals, the distribution of this document and the Prospectus. Any failure to comply with such restrictions or requirements may constitute a violation of the securities laws of any such jurisdiction.

The contents of this document should not be construed as legal, financial or tax advice. Shareholders should consult their own legal adviser, financial adviser or tax adviser for legal, financial or tax advice.

Neither the delivery of this document nor Admission shall, under any circumstances, create any implication that there has been no change in the affairs of the Melrose Group since the date of this document or that the information is correct as of any time subsequent to the date of this document.

Nothing contained herein shall be deemed to be a forecast, projection or estimate of the future financial performance of Old Melrose, New Melrose or the Melrose Group except where otherwise stated.

Some financial and other numerical information in this document has been rounded and, as a result, the numerical figures shown as totals in this document may vary slightly from the exact arithmetic aggregation of the figures that precede them.

Certain terms used in this document, including certain capitalised terms and certain technical and other terms, are defined in Part VII (*Definitions*) of this document.

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INFORMATION FOR US SHAREHOLDERS

This document is not an offer of securities for sale in the United States. New Melrose Ordinary Shares to be issued to Shareholders in connection with the Scheme have not been, and will not be, registered with the SEC under the US Securities Act, and will be issued in reliance upon the exemption from the registration requirements of the US Securities Act provided by Section 3(a)(10) of that act. For the purpose of qualifying for the exemption from the registration requirements of the US Securities Act provided by Section 3(a)(10) of that act with respect to the New Melrose Ordinary Shares issued pursuant to the Scheme, Old Melrose will advise the Court that it will rely on the Section 3(a)(10) exemption based on the Court's sanctioning of the Scheme, which will be relied upon by Old Melrose as an approval of the Scheme. Notice is hereby given to all Shareholders that the Court will hold a hearing on the Scheme's fairness to Old Melrose Shareholders, at which hearing all such Shareholders will be entitled to attend in person or through counsel to support or oppose the sanctioning of the Scheme.

The New Melrose Ordinary Shares have not been and will not be registered on a United States securities exchange or quoted on any inter-dealer quotation system in the United States. New Melrose does not intend to take any action to facilitate a market in New Melrose Ordinary Shares in the United States. Consequently, New Melrose believes that it is unlikely that an active trading market in the United States will develop for the New Melrose Ordinary Shares.

The New Melrose Ordinary Shares have not been, and will not be, registered under the securities laws of any state or jurisdiction in the United States and, accordingly, will only be issued to the extent that exemptions from the registration or qualification requirements of state "blue-sky" securities laws are available or such registration or qualification requirements have been complied with.

Neither the SEC nor any other US federal or state securities commission or regulatory authority has approved or disapproved the New Melrose Ordinary Shares or passed an opinion on the adequacy of this document. Any representation to the contrary is a criminal offence in the United States.

A person who is entitled to receive New Melrose Ordinary Shares and who is an affiliate of New Melrose following the Effective Date may not resell such securities without registration under the US Securities Act or pursuant to the applicable resale provisions of Rule 144 of the US Securities Act or another applicable exemption from registration or in a transaction not subject to registration (including a transaction that satisfies the applicable requirements of Regulation S under the US Securities Act). Whether a person is an affiliate of a company for the purposes of the US Securities Act depends on the circumstances but affiliates can include certain officers, directors and significant shareholders. Persons who believe that they may be affiliates of New Melrose should consult their own legal advisers prior to any sale of securities received pursuant to the Scheme.

Shareholders who are citizens or residents of the United States are advised that any securities issued pursuant to the Scheme have not been and will not be registered under the US Exchange Act. New Melrose intends, if necessary, to rely on exemption from the reporting requirements of Section 12(g) of the US Exchange Act pursuant to Rule 12g3-2(b) thereunder.

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

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER RSA 421-B WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

EXPECTED TIMETABLE OF EVENTS

2012⁽⁵⁾

Record date for Old Melrose interim dividend	21 September
Posting of the Circular to Shareholders and publication of the New Melrose prospectus	12 October
Payment of Old Melrose interim dividend	19 October
Latest time and date for receipt of blue Form of Proxy for the Court Meeting	9:00 a.m. on 1 November ⁽¹⁾
Latest time and date for receipt of white Form of Proxy for the Old Melrose General Meeting	9:15 a.m. on 1 November ⁽²⁾
Scheme Voting Record Time (in respect of the Old Melrose General Meeting and the Court Meeting)	6.00 p.m. on 1 November ⁽³⁾
Court Meeting	9:00 a.m. on 5 November
Old Melrose General Meeting	9:15 a.m. on 5 November ⁽⁴⁾
Court Hearing	26 November
Last day for dealings in Old Melrose Ordinary Shares	26 November
Scheme Record Date	26 November
Scheme Record Time	6:00 p.m. on 26 November
Effective Date of the Scheme	27 November
Delisting of Old Melrose Ordinary Shares, Admission of New Melrose Ordinary Shares, crediting of New Melrose Ordinary Shares to CREST accounts and dealings in New Melrose Ordinary Shares commence on the London Stock Exchange's main market for listed securities	8.00 a.m. on 27 November
Name Changes expected to become effective	27 November
Court Hearing of the claim form to confirm the New Melrose Reduction of Capital	28 November
New Melrose Reduction of Capital becomes effective	29 November
Despatch of the New Melrose Ordinary Share certificates	4 December

(1) Blue Forms of Proxy for the Court Meeting not returned by this time may be handed to the Chairman or the Company's Receiving Agent at the Court Meeting prior to the vote being taken.

(2) To be valid the white Forms of Proxy for the Old Melrose General Meeting must be lodged at least 48 hours (excluding any part of a day that is not a working day) before the time appointed.

(3) If either the Court Meeting or the Old Melrose General Meeting is adjourned, the Scheme Voting Record Time for the adjourned meeting will be 6:00 p.m. on the day which is two days (excluding any part of a day that is not a working day) before the date of the adjourned meeting.

(4) To commence at the time fixed or, if later, immediately following the conclusion or adjournment of the Court Meeting.

(5) These dates are indicative only and will depend, amongst other things, on the date upon which the Court sanctions the Scheme and confirms the New Melrose Reduction of Capital.

All references in this document to times are to London time unless otherwise stated.

PART I
LETTER FROM THE CHAIRMAN OF OLD MELROSE



Registered in England and Wales, Registration No. 4763064

Directors:

Christopher Miller (*Executive Chairman*)
David Roper (*Executive Vice-Chairman*)
Simon Peckham (*Chief Executive*)
Geoffrey Martin (*Group Finance Director*)
Miles Templeman (*Senior Non-Executive Director*)
Perry Crosthwaite (*Non-Executive Director*)
John Grant (*Non-Executive Director*)
Justin Dowley (*Non-Executive Director*)

Registered office:

*Precision House
Arden Road
Alcester
Warwickshire
B49 6HN*

12 October 2012

Dear Shareholder,

RECOMMENDED PROPOSALS RELATING TO THE INTRODUCTION OF A NEW HOLDING COMPANY AND CREATION OF DISTRIBUTABLE RESERVES

1. Introduction

Today your Board announced its intention to implement a corporate reorganisation in order to provide greater flexibility within the Melrose Group's capital structure and to enable the Melrose Group to continue to efficiently return the proceeds of future disposals to Shareholders. It is proposed that a new holding company be introduced for the Melrose Group by means of a Court-approved scheme of arrangement. The new company, New Melrose PLC (to be renamed Melrose PLC shortly after the Scheme becomes effective and referred to as "**New Melrose**"), is a newly incorporated company registered in England and Wales. After the Scheme becomes effective it is intended that a subsequent reduction of capital of New Melrose will be used to create approximately £1.5 billion of distributable reserves. The Proposals will not affect the commercial operations of the Melrose Group and you will own the same number and proportion of the ordinary share capital of the Melrose Group before and after implementation of the Scheme. Inserting a holding company is a common method of creating distributable reserves. All of the Directors of Old Melrose have been appointed as Directors of New Melrose.

The implementation of the Scheme will have no impact on the reported historical financial statements of the Melrose Group or the way in which the Melrose Group will report its financial results on an ongoing basis.

This document sets out details of the steps required to implement the Proposals and why the Board of Old Melrose considers the Proposals to be in the best interests of Old Melrose and its shareholders as a whole. The Board of Old Melrose is unanimously recommending that you vote in favour of the Proposals.

A summary of the Proposals is set out on pages 5 to 8 to help you understand what is involved. ***You should nevertheless read the whole of this document and not rely solely on the "Summary" section of this document.***

2. Principal features of the Scheme

The reorganisation will be carried out by a formal procedure, known as a scheme of arrangement, under the 2006 Act. The key features of the Scheme are as follows:

2.1 Share capital

Under the Scheme:

- (a) all of the issued ordinary share capital of Old Melrose will be cancelled by way of a Court-approved reduction of capital;

- (b) as a result of such cancellation the reserve arising will be applied in paying up and issuing to New Melrose such number of ordinary shares in the capital of Old Melrose that have an aggregate nominal value equal to the aggregate nominal value of the Old Melrose Ordinary Shares cancelled pursuant to paragraph (a) above, so that New Melrose will own all of the issued share capital of Old Melrose and accordingly Old Melrose will become a subsidiary of New Melrose; and
- (c) you will receive 1 New Melrose Ordinary Share for every 1 Old Melrose Ordinary Share that you hold at the Scheme Record Time.

The Scheme Record Time is expected to be 6:00 p.m. on 26 November 2012 (subject to the date on which the Court sanctions the Scheme).

The nominal value of each New Melrose Ordinary Share has been set at 120 pence such that the aggregate nominal value of New Melrose Ordinary Shares will be approximately £1.5 billion. This should enable distributable reserves of approximately £1.5 billion to be created pursuant to the New Melrose Reduction of Capital. The difference between the aggregate nominal value of the New Melrose Ordinary Shares and the market capitalisation of Old Melrose at the Scheme Record Time will be credited to a merger reserve of New Melrose which will be available to New Melrose to issue bonus shares to New Melrose Ordinary Shareholders credited as fully paid up to facilitate any future return of capital.

Overseas Shareholders should refer to paragraph 8 of Part III (*Explanatory Statement*) of this document for further information.

2.2 Court Meeting and General Meeting

The Scheme requires the approval of Shareholders at the Court Meeting. If the Scheme is approved by the requisite majority at the Court Meeting, an application will be made to the Court to sanction the Scheme at the Court Hearing.

All holders of options over Old Melrose 2012 Incentive Shares have undertaken not to exercise their options between the Latest Practicable Date and 31 December 2012 (or the Effective Date, if earlier) (inclusive) and, pursuant to the terms of the options, upon the Scheme becoming effective, will receive options over New Melrose 2012 Incentive Shares in exchange for their existing options over Old Melrose 2012 Incentive Shares on a one-for-one basis on substantially the same terms and economic basis as their existing options. The terms of the options over the New Melrose 2012 Incentive Shares are set out in paragraph 13 of Part IX (*Additional Information*) of the Prospectus.

Shareholders will also be asked to approve resolutions implementing matters in connection with the Scheme at the Old Melrose General Meeting including, amongst other things, providing the Directors with authority to give effect to the Scheme by approving the cancellation of the Scheme Shares and authorising the allotment and issue of the Capitalisation Shares to New Melrose as part of the Scheme.

3. Admission

The New Melrose Ordinary Shares will be listed only in the United Kingdom. Application will be made to the UKLA for the New Melrose Ordinary Shares to be admitted to the Official List and to the London Stock Exchange for such shares to be admitted to trading on the London Stock Exchange's main market for listed securities. The Board expects that the New Melrose Ordinary Shares will be admitted, and that dealings in them will commence, at 8:00 a.m. on 27 November 2012. No application has been or is currently intended to be made for any other class of shares issued by New Melrose to be admitted to the Official List or to trading on the London Stock Exchange or to be admitted to listing or dealing on any other exchange.

4. Name Change

Shortly after Admission, pursuant to resolutions of the Boards of New Melrose and Old Melrose, respectively, New Melrose will be renamed Melrose PLC and Old Melrose will be renamed and will be re-registered as a private limited company.

5. New Melrose Reduction of Capital

The share capital of New Melrose will be reduced by reducing the nominal value of each New Melrose Ordinary Share to 0.1 penny. The nominal value of each New Melrose Ordinary Share has been set at 120 pence such that the aggregate nominal value of New Melrose Ordinary Shares will be approximately £1.5 billion. This should enable distributable reserves of approximately £1.5 billion to be created pursuant to the Reduction of Capital.

The difference between the aggregate nominal value of the New Melrose Ordinary Shares and the market capitalisation of Old Melrose at the Scheme Record Time will be credited to a merger reserve of New Melrose which will be available to New Melrose to issue bonus shares to New Melrose Ordinary Shareholders credited as fully paid up to facilitate any future return of capital.

This is a legal and accounting adjustment and should not have any impact on the market value of the New Melrose Ordinary Shares. Prior to confirming the reduction of capital of New Melrose, the Court will need to be satisfied that the creditors (if any) of New Melrose are not thereby prejudiced. New Melrose will put in place such form of creditor protection (if any) as it may be advised is appropriate to satisfy the Court in this regard.

The New Melrose Reduction of Capital is expected to become effective on 29 November 2012.

6. United Kingdom taxation

Certain UK tax considerations which arise from the implementation of the Proposals and which will apply to Shareholders resident in the UK are summarised in Part V (*United Kingdom Taxation*) of this document.

Subject to the qualifications described in the summary information on taxation in this document, the Scheme is not expected to give rise to any new UK taxation liabilities for Shareholders. However, all Shareholders, including those who are subject to tax in a jurisdiction other than the United Kingdom, are encouraged to consult their professional advisers.

7. Action to be taken

For guidance on what action you need to take with respect to the Court Meeting and the Old Melrose General Meeting, please refer to paragraph 12 of Part III (*Explanatory Statement*) of this document.

YOUR VOTES COUNT. It is important that the maximum number of votes possible are cast at the Court Meeting so as to demonstrate that there is a fair representation of Shareholder opinion. You are encouraged to vote at both the Court Meeting and the Old Melrose General Meeting.

8. Recommendation

Your Board, which has been advised by Rothschild, considers the Proposals to be fair and reasonable as far as Shareholders are concerned. In providing advice to the Board, Rothschild has taken into account the commercial assessments of the Board.

The Board considers the Proposals to be in the best interests of Shareholders as a whole and recommends that you vote in favour of the Scheme at the Court Meeting and the resolutions proposed at the Old Melrose General Meeting, as the Directors intend to do in respect of their own shareholdings totaling 39,747,379 Old Melrose Ordinary Shares (representing in aggregate approximately 3.14 per cent. of the issued ordinary share capital of Old Melrose).

Yours faithfully

Christopher Miller
Executive Chairman

PART II

SUMMARY

This document explains the steps to be effected to implement the Proposals. Old Melrose has prepared this summary to help you understand what is involved in the Proposals. You should read the whole of this document and not rely solely on the summary below.

1. What changes are the Board proposing?

As part of the Proposals, New Melrose will be put in place as the new listed holding company of Old Melrose. Upon the Scheme becoming effective, New Melrose will own all shares in the current listed company, Old Melrose, and you will hold New Melrose Ordinary Shares in New Melrose in place of your Old Melrose Ordinary Shares. All the New Melrose Ordinary Shares will be admitted to the Official List and admitted to trading on the London Stock Exchange's main market for listed securities. No application has been or is currently intended to be made for any other class of shares issued by New Melrose to be admitted to the Official List or to trading on the London Stock Exchange.

Under the Scheme, you will receive 1 New Melrose Ordinary Share for every 1 Old Melrose Ordinary Share that you hold at the Scheme Record Time.

The Scheme Record Time is expected to be 6:00 p.m. on 26 November 2012 (subject to the date on which the Court sanctions the Scheme).

You will not have to pay anything for the New Melrose Ordinary Shares issued to you pursuant to the Scheme.

If the Proposals proceed as currently envisaged, it is expected that dealings in Old Melrose Ordinary Shares will continue until close of business on 26 November 2012 and that Admission of the New Melrose Ordinary Shares will become effective, and that dealings in the New Melrose Ordinary Shares will commence, at 8:00 a.m. on 27 November 2012. Shortly after Admission, pursuant to resolutions of the Boards of New Melrose and Old Melrose, respectively, New Melrose will be renamed Melrose PLC and Old Melrose will be renamed and will be re-registered as a private limited company.

The share capital of New Melrose will be reduced by reducing the nominal value of each New Melrose Ordinary Share to 0.1 penny. The nominal value of each New Melrose Ordinary Share has been set at 120 pence such that the aggregate nominal value of New Melrose Ordinary Shares will be approximately £1.5 billion. This should enable distributable reserves of approximately £1.5 billion to be created pursuant to the Reduction of Capital.

The difference between the aggregate nominal value of the New Melrose Ordinary Shares and the market capitalisation of Old Melrose at the Scheme Record Time will be credited to a merger reserve of New Melrose which will be available to New Melrose to issue bonus shares to New Melrose Ordinary Shareholders credited as fully paid up to facilitate any future return of capital.

The Proposals will not affect the commercial operations of the Melrose Group.

2. Why is your Board proposing these changes?

Under the 2006 Act, a company requires, amongst other things, "distributable reserves" in order to return cash to shareholders. The introduction of the New Melrose as the holding company of the Melrose Group provides flexibility within New Melrose's capital structure by creating distributable reserves in New Melrose to enable the Melrose Group to continue to efficiently return the proceeds of future disposals to Shareholders. The Board of New Melrose is and will, on the Scheme becoming effective, be identical to the current Board of Old Melrose and the management and business of the Melrose Group will not change as a result of the Proposals.

3. Will there be any change to the value of my shareholding?

You will own the same number and proportion of the ordinary share capital of the Melrose Group before and after implementation of the Scheme. There is no reason to believe (subject to normal market movements after the date of this document) that the market value of one New Melrose Ordinary Share immediately following Admission would not be approximately equal to the market value of one Old Melrose Ordinary Share immediately beforehand.

The New Melrose Reduction of Capital is being effected in order to create distributable reserves and is not expected to affect the value of your New Melrose Ordinary Shares.

4. What if I am an Overseas Shareholder?

If you live outside the United Kingdom or are a national or citizen of a country outside the United Kingdom, you should read the additional information set out in paragraph 8 of Part III (*Explanatory Statement*) of this document.

5. Why are you implementing the Proposals by way of the Scheme?

The Scheme is a formal procedure under the 2006 Act and this procedure is commonly used to carry out corporate reorganisations involving the introduction of a new holding company. The Scheme requires the approval of Shareholders and sanction by the Court. If the relevant approvals are obtained, all Shareholders will be bound by the Scheme regardless of whether or how they voted.

6. What is happening to holders of options over Old Melrose 2012 Incentive Shares?

All holders of options over Old Melrose 2012 Incentive Shares have undertaken not to exercise their options between the Latest Practicable Date and 31 December 2012 (or the Effective Date, if earlier) (inclusive) and, pursuant to the terms of the options, upon the Scheme becoming effective, will receive options over New Melrose 2012 Incentive Shares in exchange for their existing options over Old Melrose 2012 Incentive Shares on a one-for-one basis on substantially the same terms and economic basis as their existing options. The terms of the options over the New Melrose 2012 Incentive Shares are set out in paragraph 13 of Part IX (*Additional Information*) of the Prospectus.

7. Why am I being sent this document?

The Proposals require Shareholders to vote on certain matters. This document contains information to inform your voting decision.

8. Do I have to pay anything under the Scheme?

All New Melrose Ordinary Shares arising as a result of the Scheme are being issued to Old Melrose Ordinary Shareholders in consideration for the cancellation of their Old Melrose Ordinary Shares. No payment is required.

9. How is New Melrose reducing its capital?

The share capital of New Melrose will be reduced by reducing the nominal value of each New Melrose Ordinary Share from 120 pence to 0.1 penny. This is a legal and accounting adjustment and should not have any impact on the market value of the New Melrose Ordinary Shares. A resolution authorising the New Melrose Reduction of Capital was passed at the New Melrose General Meeting held on 11 October 2012. However, as Old Melrose Ordinary Shareholders will be shareholders of New Melrose at the time the New Melrose Reduction of Capital takes effect, you are also being asked to approve the New Melrose Reduction of Capital at the Company's General Meeting.

10. Are the Proposals connected with the acquisition of Elster?

The Proposals are independent of the acquisition of Elster and are being implemented in order to provide greater flexibility within the Melrose Group capital structure.

11. Why are there two meetings of Shareholders?

There are two meetings of Shareholders: the Court Meeting and the Old Melrose General Meeting, which are being called for different purposes. The Court Meeting is to seek the approval of Shareholders for the Scheme. The Old Melrose General Meeting will be held immediately after the Court Meeting and will enable Shareholders to vote on various matters required to implement the Scheme, as described in the section entitled "Meetings and consents for the implementation of the Proposals" in paragraph 9 of Part III (*Explanatory Statement*) of this document. Both meetings will be held on 5 November 2012.

12. Do I need to vote?

It is important that as many Shareholders as possible cast their votes either in person or by proxy. This applies to both the Court Meeting and the Old Melrose General Meeting.

The Scheme needs to be approved by a majority in number, representing not less than 75 per cent. in value of those Shareholders present and voting, either in person or by proxy, at the Court Meeting and the special resolution to approve certain matters to give effect to the Scheme needs to be duly passed at the Old Melrose General Meeting by a majority of not less than 75 per cent. of the votes cast.

YOUR VOTES COUNT. It is important that the maximum number of votes possible are cast at the Court Meeting so as to demonstrate that there is a fair representation of Shareholder opinion. You are encouraged to vote at both the Court Meeting and the Old Melrose General Meeting.

If you do not wish, or are unable, to attend the Court Meeting and/or the Old Melrose General Meeting you may appoint a proxy to act on your behalf and vote. Your proxy can be the Chairman of Old Melrose. At the Court Meeting voting will be by way of a poll and at the Old Melrose General Meeting voting will be by way of a show of hands (unless a poll is duly demanded). You may appoint your proxy by completing the Forms of Proxy and returning them in accordance with the instructions set out in the section entitled "Action to be taken" in paragraph 12 of Part III (*Explanatory Statement*) of this document and on the relevant Form of Proxy.

You will have been sent a blue Form of Proxy for the Court Meeting and a white Form of Proxy for the Old Melrose General Meeting. Whether or not you propose to attend the Court Meeting and/or the Old Melrose General Meeting in person, you are strongly encouraged to complete, sign and return your Forms of Proxy as soon as possible and in any event no later than 48 hours (excluding any part of a day that is not a working day) before the time appointed for the relevant meeting (although the blue Form of Proxy for use at the Court Meeting may be handed to the Company's Receiving Agent or the Chairman immediately prior to the Court Meeting).

If you would like to submit your proxy vote electronically you can do so by visiting www.sharevote.co.uk. You will need to enter your voting reference numbers (the three numbers quoted on your Forms of Proxy) and follow the online instructions. The deadline for receipt of electronic proxies is 48 hours (excluding any part of a day that is not a working day) before the time appointed for the relevant meeting.

If you hold your Old Melrose Ordinary Shares in CREST, you may appoint a proxy by completing and transmitting a CREST Proxy Instruction in accordance with the procedures set out in the CREST Manual so that it is received by the Company's Receiving Agent (under CREST participant ID RA19) by no later than 48 hours (excluding any part of a day that is not a working day) before the time appointed for the relevant meeting.

The return of completed Forms of Proxy, transmitting CREST Proxy Instructions or submitting your proxy vote electronically will not prevent you from attending either the Court Meeting or the Old Melrose General Meeting and voting in person if you so wish and are so entitled.

13. What will I end up with after the Scheme comes into effect?

When the Scheme becomes effective, you will receive 1 New Melrose Ordinary Share for every 1 Old Melrose Ordinary Share you hold at the Scheme Record Time.

The Scheme Record Time is expected to be 6:00 p.m. on 26 November 2012 (subject to the date on which the Court sanctions the Scheme).

New Melrose Ordinary Shares will rank equally and in full for all dividends or distributions declared, made or paid after the Effective Date.

14. Will I be entitled to receive dividends on my New Melrose Ordinary Shares?

New Melrose will follow Old Melrose's dividend policy (further details of which are set out in paragraph 4 of Part I (*Information on the Proposals*) of the Prospectus).

All mandates in force at the Scheme Record Time relating to payment of dividends on Old Melrose Ordinary Shares and all instructions then in force relating to notices and other communications will, unless and until varied or revoked, be deemed from the Effective Date to be valid and effective mandates or instructions to New Melrose in relation to the corresponding holding of New Melrose Ordinary Shares.

15. If I hold share certificates, what do I do with them?

If you hold share certificates for Old Melrose Ordinary Shares, they will cease to be valid on the Effective Date. When the relevant share certificates for New Melrose Ordinary Shares are sent to you, your original share certificates for Old Melrose Ordinary Shares should be destroyed.

16. If I hold share certificates, how can I transfer my New Melrose Ordinary Shares after the Effective Date but before I receive share certificates in respect of my New Melrose Ordinary Shares?

Pending the despatch of certificates for New Melrose Ordinary Shares, certificated holdings of New Melrose Ordinary Shares may be transferred and any such transfers will be certified against the register of members of New Melrose.

17. Will I have to pay any tax as a result of the Proposals?

A summary of the UK tax treatment of the Proposals is set out in Part V (*United Kingdom Taxation*) of this document. If you are in any doubt about your tax position, you should consult a professional adviser.

18. Do I need to take any further action?

It is important that you vote at the Court Meeting and the Old Melrose General Meeting. You are strongly encouraged to complete, sign and return your Forms of Proxy, submit your proxy vote electronically or (if you are a CREST Shareholder) transmit a CREST Proxy Instruction.

If you hold your Old Melrose Ordinary Shares in certificated form, then upon receipt of your share certificates for New Melrose Ordinary Shares, your share certificates for Old Melrose Ordinary Shares should be destroyed. See paragraph 15 above for further details.

19. What if I still have questions?

If you have read this document and still have questions, please call Equiniti Limited, the Company's Receiving Agent, on telephone number 0871 384 2971 (or +44 121 415 0208 if calling from outside the United Kingdom) between 8:30 a.m. and 5:30 p.m. Monday to Friday (excluding public holidays). Calls to this number are charged at 8 pence per minute from a BT landline. Other telephony provider costs may vary.

NOTE: For legal reasons, Equiniti Limited will only be able to provide practical information about how to complete the enclosed Forms of Proxy and other information contained in this document and will be unable to give advice on the merits of the Proposals described in this document or to provide legal, financial or taxation advice. For legal, financial or taxation advice, you will need to consult an independent adviser.

PART III
EXPLANATORY STATEMENT

(In compliance with section 897 of the Companies Act 2006)

N M Rothschild & Sons Limited
New Court, St Swithin's Lane
London, EC4N 8AL



12 October 2012

Dear Shareholder,

Recommended Proposals for introduction of a new holding company and creation of distributable reserves

1. Introduction

The Board of Old Melrose today announced its intention to implement a corporate reorganisation pursuant to which it is proposed that a new holding company should be introduced for the Melrose Group. The new company, New Melrose PLC (to be renamed Melrose PLC shortly after the Scheme becomes effective), is a newly incorporated company registered in England and Wales. It is intended that this new corporate structure will be implemented by means of a Court-approved scheme of arrangement under Part 26 of the 2006 Act and that a subsequent reduction of capital of New Melrose will be used to create distributable reserves. The structure intended to be implemented as part of the Proposals will provide greater flexibility within the Melrose Group's capital structure by creating distributable reserves in New Melrose to enable the Melrose Group to continue to efficiently return the proceeds of future disposals to Shareholders.

The Scheme is subject to various conditions, including approval by Shareholders and the sanction of the Court. If these conditions are satisfied and the Scheme is implemented in full, New Melrose will own the entire issued share capital of Old Melrose and Shareholders of Old Melrose will hold New Melrose Ordinary Shares in place of their Old Melrose Ordinary Shares. It is expected that, if approved, the Scheme will become effective and that trading in New Melrose Ordinary Shares will commence at 8:00 a.m. on 27 November 2012.

Your attention is drawn to the Chairman's Letter in Part I (*Letter from the Chairman of Old Melrose*) of this document which contains, amongst other things, information on the reasons for the Proposals and the unanimous recommendation by the Board of Old Melrose to Shareholders to vote in favour of the Scheme at the Court Meeting and in favour of the resolutions to be proposed at the Old Melrose General Meeting. That letter and Parts VIII (*Notice of Court Meeting*) and IX (*Notice of General Meeting*) of this document form part of this Explanatory Statement.

The Directors have been advised by Rothschild in connection with the Proposals. We have been authorised by the Directors of Old Melrose to write to you to explain the terms of the Proposals and to provide you with other relevant information. The Scheme is set out in full in Part IV (*Scheme of Arrangement*) of this document. The Notice of the Court Meeting and the Notice of the Old Melrose General Meeting which contain the full text of each of the resolutions to be proposed at each of the meetings are set out in Parts VIII (*Notice of Court Meeting*) and IX (*Notice of General Meeting*) respectively of this document.

2. Summary of the Proposals

2.1 Effects of the Scheme

- (a) The effects of the implementation of the Scheme will be as follows:
 - (i) instead of having its issued share capital owned by Old Melrose Ordinary Shareholders, Old Melrose will become a wholly-owned subsidiary of New Melrose with its entire issued share capital owned by New Melrose;

- (ii) instead of owning a given number of Old Melrose Ordinary Shares, each Old Melrose Ordinary Shareholder will become a New Melrose Ordinary Shareholder and will own the same number of New Melrose Ordinary Shares; and
 - (iii) New Melrose will be the new holding company of the Melrose Group.
- (b) The effect of the implementation of the Scheme on Old Melrose 2012 Incentive Optionholders is that instead of owning a given number of options over Old Melrose 2012 Incentive Shares, they will own the same number of options over New Melrose 2012 Incentive Shares and such options will be on substantially the same terms and economic basis as their existing options.
- (c) Immediately following the Scheme becoming effective, New Melrose will own no assets other than the £1 cash, the Capitalisation Shares, the Deferred A Share and a receivable of £50,000 in respect of the Redeemable Preference Shares.

2.2 *The Scheme*

The insertion of New Melrose will be effected through a Court-approved scheme of arrangement under section 899 of the 2006 Act.

Under the Scheme, all Old Melrose Ordinary Shares will be cancelled on the Effective Date. In consideration for the cancellation, Old Melrose Ordinary Shareholders on the register of members of Old Melrose at the Scheme Record Time, expected to be 6:00 p.m. on 26 November 2012, will receive 1 New Melrose Ordinary Share for every 1 Old Melrose Ordinary Share that they hold at the Scheme Record Time.

The rights attaching to the New Melrose Ordinary Shares will be substantially the same as those attaching to the Old Melrose Ordinary Shares. Upon implementation of the Scheme, a holder of New Melrose Ordinary Shares will have the same interest in the profits, net assets and dividends of New Melrose as he or she had as a holder of Old Melrose Ordinary Shares in the profits, net assets and dividends of Old Melrose before the Scheme became effective.

The nominal value of each New Melrose Ordinary Share has been set at 120 pence such that the aggregate nominal value of New Melrose Ordinary Shares will be approximately £1.5 billion. This should enable distributable reserves of approximately £1.5 billion to be created pursuant to the Reduction of Capital. The difference between the aggregate nominal value of the New Melrose Ordinary Shares and the market capitalisation of Old Melrose at the Scheme Record Time will be credited to a merger reserve of New Melrose which will be available to New Melrose to issue bonus shares to New Melrose Ordinary Shareholders credited as fully paid up to facilitate any future return of capital.

A summary of the rights attaching to the New Melrose Ordinary Shares and the New Melrose 2012 Incentive Shares is set out at paragraph 4 of Part IX (*Additional Information*) of the Prospectus.

Pursuant to the Scheme, the issued share capital of Old Melrose will be reduced by cancelling and extinguishing the Scheme Shares, following which the share capital of Old Melrose will be restored to its former nominal amount and the credit arising in the books of Old Melrose as a result of the cancellation will be applied in paying up in full the Capitalisation Shares, such that the aggregate nominal value of such Capitalisation Shares equals the aggregate nominal value of the Scheme Shares cancelled. The Capitalisation Shares will be issued to New Melrose which will, as a result, become the holding company of Old Melrose and the Melrose Group.

2.3 *The New Melrose Reduction of Capital*

The New Melrose Reduction of Capital, which will occur following, and subject to, the Scheme becoming effective, will involve the reduction of New Melrose's ordinary share capital by approximately £1.5 billion by reducing the nominal amount of each New Melrose Ordinary Share issued pursuant to the Scheme from 120 pence to 0.1 penny. This reduction will create distributable reserves for future dividends and/or returns of capital to Shareholders. This is a legal and accounting adjustment and should not have any impact on the market value of the New Melrose Ordinary Shares.

3. Conditions to the implementation of the Proposals

3.1 *The Scheme*

The implementation of the Scheme is conditional upon:

- (a) approval of the Scheme at the Court Meeting by a majority in number, representing not less than 75 per cent. in value, of those Shareholders present and voting, either in person or by proxy;
- (b) the passing of the special resolution set out in the notice of Old Melrose General Meeting to approve, amongst other things, the cancellation of the Scheme Shares and the allotment of the Capitalisation Shares by the Directors of Old Melrose (pursuant to the Scheme);
- (c) sanction by the Court of the Scheme and confirmation by the Court of the reduction of capital of Old Melrose which occurs as a result of the cancellation of Scheme Shares as part of the Scheme; and
- (d) the delivery of a copy of the order of the Court sanctioning the Scheme and confirming the reduction of capital of Old Melrose in relation to the Scheme to the Registrar of Companies.

The Court Hearing (at which it is proposed that the Court sanction the Scheme) is expected to be held on or around 26 November 2012. Any creditors or Shareholders who wish to oppose the Scheme will be informed by advertisement in a newspaper with national distribution of their right to appear in person, or be represented by Counsel, at the Court Hearing.

All holders of options over Old Melrose 2012 Incentive Shares have undertaken not to exercise their options between the Latest Practicable Date and 31 December 2012 (or the Effective Date, if earlier) (inclusive) and, pursuant to the terms of the options, upon the Scheme becoming effective, will receive options over New Melrose 2012 Incentive Shares in exchange for their existing options over Old Melrose 2012 Incentive Shares on a one-for-one basis on substantially the same terms and economic basis as their existing options. The terms of the options over the New Melrose 2012 Incentive Shares are set out in paragraph 13 of Part IX (*Additional Information*) of the Prospectus.

In addition, the Directors of Old Melrose will not take the necessary steps to enable the Scheme to become effective unless, at the relevant time, the conditions below have been satisfied and, at the relevant time, they consider that it continues to be in the best interests of Old Melrose and Old Melrose Ordinary Shareholders that the Scheme should be implemented:

- (e) the agreement of the UKLA to admit the New Melrose Ordinary Shares to be issued in connection with the Scheme to the Official List and its agreement not being withdrawn prior to the Effective Date have been received; and
- (f) the agreement of the London Stock Exchange to admit the New Melrose Ordinary Shares to be issued in connection with the Scheme to trading on its main market for listed securities and its agreement not being withdrawn prior to the Effective Date have been received.

If the Scheme is sanctioned by the Court and conditions (e) and (f) above are satisfied, the Scheme is expected to become effective and dealings in the New Melrose Ordinary Shares to be issued pursuant to the Scheme are expected to commence at 8:00 a.m. on 27 November 2012.

If the Scheme has not become effective by 31 December 2012 (or such later date as the Court may allow), it will lapse, in which event neither the Scheme nor the New Melrose Reduction of Capital will proceed and (i) Old Melrose Ordinary Shareholders will remain holders of Old Melrose Ordinary Shares and Old Melrose Ordinary Shares will continue to be listed on the Official List and (ii) Old Melrose 2012 Incentive Optionholders will remain holders of options over Old Melrose 2012 Incentive Shares.

The Scheme contains a provision for Old Melrose and New Melrose jointly to consent, on behalf of all persons concerned, to any modification of, or addition to, the Scheme or to any condition that the Court may think fit to approve or impose. The Court would be unlikely to approve or impose any modification of, or addition or condition to, the Scheme which might be material to the interests of Shareholders unless such Shareholders were informed of any such modification, addition or condition. It will be a matter for the Court to decide, in its discretion, whether or not the consent of Shareholders should be sought at a further meeting. If the Court approves or imposes a modification of, addition or condition to, the Scheme which, in the opinion of the Directors of Old Melrose, is of such a nature or importance as to require the approval of Shareholders at a further meeting (or

meetings), the Directors of Old Melrose will not take the necessary steps to enable the Scheme to become effective unless and until such approval(s) is obtained.

Shortly after Admission, pursuant to resolutions of the Boards of New Melrose and Old Melrose, respectively, New Melrose will be renamed Melrose PLC and Old Melrose will be renamed and will be re-registered as a private limited company.

3.2 *The New Melrose Reduction of Capital*

The New Melrose Reduction of Capital involves:

- (a) the Scheme becoming effective and being fully implemented;
- (b) the confirmation of the New Melrose Reduction of Capital by the Court; and
- (c) the delivery of a copy of the order of the Court confirming the New Melrose Reduction of Capital to the Registrar of Companies for registration.

The Court Hearing to confirm the New Melrose Reduction of Capital is expected to be held on or around 28 November 2012. Shareholders will have the right to attend the Court Hearing to support or oppose the New Melrose Reduction of Capital and to appear in person or be represented by Counsel.

The New Melrose Reduction of Capital is expected to become effective on 29 November 2012.

4. **Listings, dealings, share certificates and settlement**

Application will be made to the UKLA for the admission of 1,266,627,036 New Melrose Ordinary Shares to the Official List and to the London Stock Exchange for such shares to be admitted to trading on the London Stock Exchange's main market for listed securities. No applications will be made in relation to any other class of shares issued by New Melrose.

The listing of Old Melrose Ordinary Shares is expected to be cancelled on the Effective Date and the last day of dealings in Old Melrose Ordinary Shares is expected to be 26 November 2012. The last time for registration of transfers of Old Melrose Ordinary Shares is expected to be 6:00 p.m. on 26 November 2012, the Scheme Record Time.

It is expected that Admission will become effective and that dealings in the New Melrose Ordinary Shares will commence at 8:00 a.m. on 27 November 2012, the Effective Date.

These dates may be deferred if it is necessary to adjourn any meetings required to approve the arrangements described in this document or if there is any delay in obtaining the Court's sanction of the Scheme.

In the event of a delay, the application for the Old Melrose Ordinary Shares to be delisted will be deferred, so that the listing of those shares will not be cancelled until immediately before the Scheme becomes effective.

With effect from and including the Effective Date, all share certificates representing Old Melrose Ordinary Shares will cease to be of value and should be destroyed.

CREST is a paperless settlement system enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by written instrument. The Directors will apply for the New Melrose Ordinary Shares to be admitted to CREST with effect from Admission. Accordingly, settlement of transactions in New Melrose Ordinary Shares following Admission may take place within the CREST system.

For those holding their Old Melrose Ordinary Shares in a CREST account at the Scheme Record Time, New Melrose Ordinary Shares are expected to be credited to the relevant CREST members' accounts on 27 November 2012, the Effective Date.

For those holding their Old Melrose Ordinary Shares in certificated form at the Scheme Record Time, certificates for the New Melrose Ordinary Shares are expected to be despatched by 4 December 2012, being within fifteen Business Days after the Effective Date. In the case of joint holders, certificates will be despatched to the joint holder whose name appears first in the relevant register. All certificates will be sent by pre-paid first class post at the risk of the person entitled thereto. Pending the despatch of certificates for New Melrose Ordinary Shares, transfers of New Melrose Ordinary Shares will be certified against the register of members of New Melrose.

Old Melrose Ordinary Shares held in uncertificated form will be disabled in CREST on the Scheme Record Date. New Melrose reserves the right to issue New Melrose Ordinary Shares to any or all Shareholders in certificated form if, for any reason, it wishes to do so.

All mandates in force at the Scheme Record Time relating to payment of dividends on Old Melrose Ordinary Shares and all instructions then in force relating to notices and other communications will, unless and until varied or revoked, be deemed from the Effective Date to be valid and effective mandates or instructions to New Melrose in relation to the corresponding holding of New Melrose Ordinary Shares.

All documents, certificates, cheques or other communications sent by or to Shareholders, or as such persons shall direct, will be sent at their own risk and may be sent by post.

5. Directors' and other interests

All of the Directors of Old Melrose have been appointed as Directors of New Melrose.

The effect of the Scheme on the interests of the Directors of Old Melrose does not differ from its effect on the like interests of other persons.

The service agreements with the executive Directors of Old Melrose will be novated from Old Melrose to New Melrose. All the Directors of Old Melrose except Simon Peckham and Geoffrey Martin will resign as Directors of Old Melrose.

The non-executive Directors of Old Melrose have been appointed as Directors of New Melrose and will enter into new letters of appointment with New Melrose on similar terms to their existing letters of appointment with Old Melrose. Such new letters of appointment will take effect upon the Scheme becoming effective, and all the non-executive Directors will resign as Directors of Old Melrose.

6. Taxation

Certain UK tax considerations which arise from the implementation of the Proposals and which will apply to Shareholders resident in the UK are summarised in Part V (*United Kingdom Taxation*) of this document.

Shareholders who are in any doubt about their tax position should consult their own professional adviser.

7. New Melrose Articles

The rights attaching to the New Melrose Ordinary Shares will be substantially the same as those attaching to the Old Melrose Ordinary Shares. The rights relating to the New Melrose 2012 Incentive Shares have been amended to ensure that such shares are on the same economic basis as the Old Melrose 2012 Incentive Shares and therefore apply to Old Melrose up to the Effective Date. The New Melrose Articles have also been amended to: (a) require that every Director retire from office at each annual general meeting and shall be eligible for re-appointment at that meeting; (b) clarify that the issue of a separate class of shares is not a variation of class rights unless stated in the class rights; and (c) provide that notices sent to a shareholder with a registered address not in the United Kingdom and who has not provided an address for service in the United Kingdom shall be deemed to have been sent for information purposes only.

8. Overseas Shareholders

No New Melrose Ordinary Shares nor any other securities in New Melrose have been marketed to, nor are any available for purchase, in whole or in part, by, the public in the United Kingdom or elsewhere in connection with Admission or the Proposals. This document does not constitute or form part of any offer or invitation to purchase, subscribe for, sell or issue, or any solicitation of any offer to purchase, subscribe for, sell or issue, New Melrose Ordinary Shares or any other securities of New Melrose.

The distribution of this document and the allotment and issue of New Melrose Ordinary Shares in jurisdictions other than the United Kingdom may be restricted by law. No action has been taken by Old Melrose or New Melrose to obtain any approval, authorisation or exemption to permit the allotment or issue of New Melrose Ordinary Shares or the possession or distribution of this document (or any other publicity material relating to the New Melrose Ordinary Shares) in any jurisdiction other than in the United Kingdom.

Overseas Shareholders may be affected by the laws of other jurisdictions in relation to the distribution of this document or the Proposals. Persons into whose possession this document comes should inform

themselves about and observe any applicable restrictions and legal, exchange control or regulatory requirements in relation to the distribution of this document and the Proposals. Any failure to comply with such restrictions or requirements may constitute a violation of the securities laws of any such jurisdiction.

This document is not for publication or distribution in or into any jurisdiction in which such act would constitute a violation of the relevant laws of such jurisdiction. The New Melrose Ordinary Shares may not be offered, sold or otherwise transferred, directly or indirectly, in or into any jurisdiction or for the account or benefit of citizens or residents of any such jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such jurisdiction.

It is the responsibility of any person into whose possession this document comes to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection with the distribution of this document or the allotment and issue of New Melrose Ordinary Shares pursuant to the Scheme, including the obtaining of any governmental, exchange control or other consents which may be required and/or compliance with other necessary formalities which are required to be observed and the payment of any issue, transfer or other taxes or levies due in such jurisdiction.

If, in respect of any Overseas Shareholders, Old Melrose or New Melrose is advised that the allotment and issue of New Melrose Ordinary Shares would or might infringe the laws of any jurisdiction outside the United Kingdom or would or might require New Melrose to obtain any governmental or other consent or effect any registration, filing or other formality with which, in the opinion of New Melrose, it would be unable to comply or which it regards as unduly onerous, the Scheme provides that:

- (a) in the case of such New Melrose Ordinary Shares, New Melrose may in its sole discretion determine that such shares shall be allotted and issued to such persons as New Melrose may procure, as nominee for such Overseas Shareholder, on terms that they shall, as soon as practicable following the Effective Date, be sold on behalf of such Overseas Shareholder at the best price which can reasonably be obtained at the time of sale and the net proceeds of such sale (after the deduction of all expenses and commissions) shall be paid to such Overseas Shareholder; or
- (b) where such New Melrose Ordinary Shares have already been allotted and issued (in circumstances where paragraph (a) does not apply), New Melrose may in its sole discretion determine that such New Melrose Ordinary Shares shall be sold, and New Melrose shall appoint a person who shall be authorised on behalf of such Overseas Shareholder to procure that any shares in respect of which New Melrose has made such determination shall, as soon as practicable following the Effective Date, be sold at the best price which can reasonably be obtained at the time of sale and the net proceeds of such sale (after the deduction of all expenses and commissions) shall be paid to such Overseas Shareholder.

Any remittance of the net proceeds of sale or redemption referred to in this section shall be at the risk of the relevant Overseas Shareholder.

Overseas Shareholders should consult their own legal and tax advisers with respect to the legal and tax consequences of the Proposals in their particular circumstances.

Further information for Shareholders who are citizens of or resident in the US or Canada is set out at paragraphs 5.2 and 5.3, respectively, of Part I (*Information on the Proposals*) of the Prospectus.

9. Meetings and consents for implementation of the Proposals

The Scheme will require Shareholders to vote on the Scheme at the Court Meeting, convened pursuant to an order of the Court, and the passing of the special resolution relating to the Scheme at the Old Melrose General Meeting, both of which have been convened for 5 November 2012 and will be held at the Serpentine Suite of the London Hilton, 22 Park Lane, London, W1K 1BE at 9:00 a.m. and 9:15 a.m. (or, if later, immediately following the conclusion or adjournment of the Court Meeting) respectively.

All holders of options over Old Melrose 2012 Incentive Shares have undertaken not to exercise their options between the Latest Practicable Date and 31 December 2012 (or the Effective Date, if earlier) (inclusive) and, pursuant to the terms of the options, upon the Scheme becoming effective, will receive options over New Melrose 2012 Incentive Shares in exchange for their existing options over Old Melrose 2012 Incentive Shares on a one-for-one basis on substantially the same terms and economic basis as their existing options. The terms of the options over the New Melrose 2012 Incentive Shares are set out in paragraph 13 of Part IX (*Additional Information*) of the Prospectus.

New Melrose has agreed to appear by Counsel at the final hearing to sanction the Scheme and to undertake to be bound by the Scheme.

Each of the Scheme and the New Melrose Reduction of Capital requires a separate sanction from the Court. Further details regarding the court hearings to sanction the Scheme and the New Melrose Reduction of Capital are set out in paragraphs 3.1 and 3.2, respectively, of this Part III.

Notices of the Court Meeting and the Old Melrose General Meeting are set out in Parts VIII (*Notice of Court Meeting*) and IX (*Notice of General Meeting*) respectively of this document.

Court Meeting

The Court Meeting has been convened for 9:00 a.m. on 5 November 2012, pursuant to an order of the Court, at which meeting, or at any adjournment thereof, Shareholders appearing on the register at the Scheme Voting Record Time will consider and, if thought fit, approve the Scheme.

At the Court Meeting, voting will be by poll and each Shareholder present in person or by proxy will be entitled to one vote for each Old Melrose Ordinary Share held. The statutory majority required to approve the Scheme at the Court Meeting is a majority in number of the Shareholders present and voting (either in person or by proxy) at the Court Meeting representing 75 per cent. in value of the Old Melrose Ordinary Shares held and voted by them.

In order that the Court can be satisfied that the votes cast constitute a fair representation of the views of the Shareholders, it is important that as many votes as possible are cast at the Court Meeting.

Shareholders are therefore encouraged to take the action referred to in paragraph 12 below.

Shareholders should be aware that if the Scheme is approved and becomes effective, it will be binding on all Shareholders irrespective of whether they attended and voted at the Court Meeting or the way they voted.

General Meeting

The Old Melrose General Meeting has been convened for 9:15 a.m. on 5 November 2012 (or, if later, immediately following the conclusion or adjournment of the Court Meeting). The resolutions to be proposed at the Old Melrose General Meeting are set out in full in the notice of Old Melrose General Meeting set out in Part IX (*Notice of General Meeting*) of this document.

The special resolution set out in the notice of the Old Melrose General Meeting is proposed in order to approve:

- (i) the Scheme;
- (ii) the cancellation of the Scheme Shares (including the related reduction of share capital); and
- (iii) the application of the reserve arising as a result of the cancellation of the Scheme Shares to paying up the Capitalisation Shares and the allotment of the Capitalisation Shares to New Melrose.

The special resolution referred to above will be decided on a show of hands (unless a poll is duly demanded). The majority required for the passing of such resolution is not less than 75 per cent. of the votes cast.

10. Authorities relating to New Melrose's share capital

A general meeting of New Melrose has already been held at which, amongst other matters, the Directors of New Melrose were granted authority to undertake the New Melrose Reduction of Capital and to issue and allot New Melrose Ordinary Shares requisite to the implementation of the Scheme. The Directors have also been granted authorities to allot New Melrose Ordinary Shares, to make allotments otherwise than in accordance with pre-emption rights and to make purchases of New Melrose Ordinary Shares, in each case on substantially the same terms and basis as those authorities granted at the 2012 AGM (adjusted to reflect the Old Melrose Ordinary Shares issued pursuant to the 2012 Rights Issue) and to allot 50,000 New Melrose 2012 Incentive Share Options on the same terms as the authority granted in relation to the options over the Old Melrose 2012 Incentive Shares at the general meeting of Old Melrose held on 11 April 2012.

For additional information on the authorities relating to New Melrose's share capital which have been granted and a summary of the terms of the options over New Melrose 2012 Incentive Shares, please see paragraphs 3 and 13, respectively, of Part IX (*Additional Information*) of the Prospectus.

11. Prospectus

The Prospectus relating to New Melrose and the New Melrose Ordinary Shares which is required to be published in connection with the introduction of the New Melrose Ordinary Shares to the Official List, can be accessed in electronic form via www.melroseplc.net. Should you wish to receive a paper copy of the Prospectus free of charge, please contact the Company's Receiving Agent on 0871 384 2971 (or from outside the UK +44 121 415 0208). Calls to this number are charged at 8 pence per minute from a BT landline. Other telephony provider costs may vary. Please note that calls to these numbers may be monitored or recorded, and no advice on the Proposals can be given. The Prospectus contains information (including financial information) in relation to New Melrose, a business overview of the Melrose Group, an operating and financial review in relation to the Melrose Group and a section of additional information, including details of the remuneration and shareholding of the Directors and material contracts of the Melrose Group.

12. Action to be taken

Voting at the Court Meeting and the Old Melrose General Meeting

On 5 November 2012, the Court Meeting and the Old Melrose General Meeting will be held to seek approval for the Proposals. Notices of the Court Meeting and the Old Melrose General Meeting are set out as Parts VIII (*Notice of Court Meeting*) and IX (*Notice of General Meeting*) respectively of this document.

Forms of proxy are enclosed as follows:

(A) for the Court Meeting, a blue Form of Proxy; and

(B) for the Old Melrose General Meeting, a white Form of Proxy.

Whether or not you propose to attend the meetings in person, you are requested, if you hold Old Melrose Ordinary Shares in certificated form, to complete and sign both Forms of Proxy.

Completed Forms of Proxy should be returned (together with any power of attorney or other authority under which it is signed or a duly certified copy of such power or authority) to the Company's Receiving Agent, Equiniti Limited either by post to, Aspect House, Lancing, West Sussex, BN99 6DA, or by hand during normal business hours only, to Corporate Actions, Aspect House, Lancing, West Sussex, BN99 6DA, as soon as possible, and in any event so as to arrive not later than 9:00 a.m. on 1 November 2012 in respect of the blue Form of Proxy for the Court Meeting and 9:15 a.m. on 1 November 2012 in respect of the white Form of Proxy for the Old Melrose General Meeting. In each case, the Forms of Proxy should be completed in accordance with the instructions printed on them.

The blue Form of Proxy in respect of the Court Meeting may also be handed to the Company's Receiving Agent or the Chairman at the Court Meeting before the start of such meeting. However, in the case of the Old Melrose General Meeting, unless the white Form of Proxy is returned to the Company's Receiving Agent so as to arrive by 9:15 a.m. on 1 November 2012 or, if the meeting is adjourned, 48 hours (excluding any part of a day that is not a working day) before the time appointed for the adjourned meeting, it will be invalid.

Alternatively, you can submit your proxy vote electronically by visiting www.sharevote.co.uk. You will need to enter your voting reference numbers (the three numbers quoted on your Forms of Proxy) and follow the online instructions. The deadline for receipt of electronic proxies is 9:00 a.m. for the Court Meeting and 9:15 a.m. for the Old Melrose General Meeting on 1 November 2012 or, if either of the meetings is adjourned, 48 hours (excluding any part of a day that is not a working day) before the time appointed for the adjourned meeting(s).

If you hold your Old Melrose Ordinary Shares in CREST, you can appoint a proxy by completing and transmitting a CREST Proxy Instruction in accordance with the procedures set out in the CREST Manual. Your CREST Proxy Instruction must be received by the Company's Receiving Agent by 9:15 a.m. on 1 November 2012 or, if the meeting is adjourned, 48 hours (excluding any part of a day that is not a working day) before the time appointed for the adjourned meeting.

The lodging of the Forms of Proxy, submitting your proxy vote electronically or transmitting a CREST Proxy Instruction will not prevent you from attending either the Court Meeting or the Old Melrose General Meeting and voting in person should you decide to do so.

13. Further information

Your attention is drawn to the Chairman's Letter set out in Part I (*Letter from the Chairman of Old Melrose*) of this document, the Scheme (which is set out in full in Part IV (*Scheme of Arrangement*) of this document) and the additional information set out in Part VI (*Additional Information*) of this document.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Ravi Gupta', written in a cursive style.

Ravi Gupta
for and on behalf of
N M Rothschild & Sons Limited

PART IV
SCHEME OF ARRANGEMENT

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT

No. 7747 of 2012

IN THE MATTER OF MELROSE PLC
and
IN THE MATTER OF THE COMPANIES ACT 2006
SCHEME OF ARRANGEMENT
(under section 899 of the Companies Act 2006)

Between
MELROSE PLC
And
THE SCHEME SHAREHOLDERS
(as hereinafter defined)

PRELIMINARY

(A) In this scheme of arrangement, references to clauses are references to clauses of this scheme of arrangement and, unless the context otherwise requires, the following expressions shall bear the following meanings:

2006 Act	the Companies Act 2006, as amended and for the time being in force
Business Day	a day (other than a Saturday or Sunday or public holiday) on which banks are open for business in London, other than solely for trading and settlement in Euro
Capitalisation Shares	the ordinary shares of $\frac{14}{55}$ pence nominal value each in the capital of Old Melrose to be allotted and issued to New Melrose following the cancellation of the Old Melrose Ordinary Shares pursuant to the operation of the Scheme
Circular	the circular sent to Old Melrose Ordinary Shareholders on or around 12 October 2012 containing details of the Scheme and the subsequent New Melrose Reduction of Capital
Companies Acts	the Companies Act 1985 and the 2006 Act, as amended
Court	the High Court of Justice of England and Wales
Court Hearing	the hearing of the claim form to sanction the Scheme and confirm the reduction of capital of Old Melrose involved in the Scheme
Court Meeting	the meeting of the holders of Old Melrose Ordinary Shares convened for 5 November 2012 by order of the Court pursuant to section 896 of the 2006 Act to consider and, if thought fit, approve this Scheme, and any adjournment of that meeting
CREST	the relevant system (as defined in the CREST Regulations) in respect of which Euroclear is the operator (as defined in the CREST Regulations)
CREST Regulations	the Uncertificated Securities Regulations 2001 (SI 2001 No. 01/378), as amended
Effective Date	the date on which this Scheme becomes effective in accordance with clause 7

Euroclear	Euroclear UK & Ireland Limited, the operator of CREST
FSMA	the Financial Services and Markets Act 2000, as amended from time to time
New Melrose	New Melrose PLC, a public limited company incorporated in England and Wales with registered number 8243706, to be renamed Melrose PLC shortly after the Scheme becomes effective
New Melrose Ordinary Shares	the ordinary shares in the capital of New Melrose to be allotted and issued pursuant to the Scheme, with a the nominal value of 120 pence
New Melrose Reduction of Capital	the proposed reduction of capital of New Melrose under Part 17 Chapter 10 of the 2006 Act to reduce the nominal value of each New Melrose Ordinary Share from 120 pence to 0.1 penny
Official List	the official list maintained by the UKLA for the purposes of Part V of FSMA
Old Melrose	Melrose PLC, a public limited company incorporated in England and Wales with registered number 4763064, to be renamed and to be re-registered as a private company shortly after the Scheme becomes effective
Old Melrose Ordinary Shareholders	holders of Old Melrose Ordinary Shares
Old Melrose Ordinary Shares	the ordinary shares of $\frac{14}{55}$ pence nominal value each in the capital of Old Melrose
Overseas Shareholder	a Scheme Shareholder who is a citizen, resident or national of any jurisdiction outside the United Kingdom
penny, pence, p, £ or pounds sterling	the lawful currency of the United Kingdom
Redeemable Preference Shares	the redeemable non-voting preference shares of £1 each in the capital of New Melrose which will be redeemed by New Melrose shortly after the Effective Date
Register	Old Melrose's statutory register of members
Registrar of Companies	the Registrar of Companies in England and Wales
Scheme	this scheme of arrangement in its present form or with or subject to any modification, addition or condition approved or imposed by the Court
Scheme Record Date	the Business Day immediately preceding the Effective Date
Scheme Record Time	6:00 p.m. on the Scheme Record Date
Scheme Shareholder	a holder of Scheme Shares as appearing in the Register at the Scheme Record Time
Scheme Shares	(A) all Old Melrose Ordinary Shares in issue at the date of the Circular; and (B) all (if any) additional Old Melrose Ordinary Shares in issue after the date of the Circular (but prior to the Scheme Voting Record Time) and remaining in issue at the Scheme Record Time
Scheme Voting Record Time	6:00 p.m. on 1 November 2012 or, if either the Court Meeting or the Old Melrose General Meeting is adjourned, 6:00 p.m. on the second day before the date of such adjourned meeting (excluding any part of a day that is not a working day)
Subscriber Shares	the two shares of £1 each in the capital of New Melrose whose rights will be deferred upon the Scheme becoming effective and which will be cancelled pursuant to the New Melrose Reduction of Capital

UK or United Kingdom

the United Kingdom of Great Britain and Northern Ireland

UKLA

the FSA acting in its capacity as the competent authority for listing under Part V of FSMA and in the exercise of its functions in respect of admission to the Official List; and

uncertificated or in uncertificated form

a share or other security title to which is recorded on the relevant register of the share or security concerned as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST.

All times referred to in this Scheme are references to London time unless otherwise specified.

- (B) The issued share capital of Old Melrose at the date of this Scheme is £3,224,141.55 divided into 1,266,627,036 Old Melrose Ordinary Shares, all of which are credited as fully paid.
- (C) New Melrose was incorporated and registered in England and Wales as a public limited company on 8 October 2012, with registered number 8243706.
- (D) The issued share capital of New Melrose at the date of this document is £50,002 divided into two Subscriber Shares and 50,000 Redeemable Preference Shares.
- (E) No Scheme Shares are or will be beneficially owned by New Melrose. It is intended that, in the period after the Old Melrose General Meeting and before the Court Hearing, the Board of Old Melrose will exercise its authority under the general authorities of the Directors of Old Melrose existing at the time of such allotment and under the Old Melrose Articles to issue to New Melrose the Deferred A Share for £1 credited as fully paid.
- (F) New Melrose has agreed to appear by Counsel at the Court Hearing, to consent to the Scheme and to undertake to be bound thereby and to execute and do or procure to be executed and done all such documents, acts and things as may be necessary or desirable to be executed or done by it or them for the purpose of giving effect to this Scheme.

THE SCHEME

1. Cancellation of Scheme Shares

- (A) The share capital of Old Melrose shall be reduced by cancelling and extinguishing all of the Scheme Shares.
- (B) Forthwith and contingent upon the reduction of capital referred to in sub-clause (A) of this clause 1 taking effect, the credit arising in the books of account of Old Melrose as a result of such reduction of capital shall be capitalised and applied in paying up, in full at par, such number of Capitalisation Shares as shall be equal to the aggregate nominal value of the Scheme Shares cancelled in accordance with sub-clause (A) of this clause 1, which shall be allotted and issued, credited as fully paid, to New Melrose.

2. Consideration for the cancellation of the Scheme Shares and issue of Capitalisation Shares

In consideration of the cancellation of the Scheme Shares and the issue of the Capitalisation Shares to New Melrose pursuant to clause 1, New Melrose shall (subject to the remaining provisions of this Scheme) allot and issue (credited as fully paid) New Melrose Ordinary Shares, each with a nominal of 120 pence to the holders of Scheme Shares on the basis of 1 New Melrose Ordinary Share for every 1 Old Melrose Ordinary Share held at the Scheme Record Time (as appearing in the Register).

3. Allotment and issue of New Melrose Ordinary Shares

- (A) The New Melrose Ordinary Shares to be issued pursuant to clause 2 shall rank in full for all dividends or distributions declared, made or paid after the Effective Date on the ordinary share capital of New Melrose.
- (B) The provisions of clause 2 shall be subject to any prohibition or condition imposed by law. Without prejudice to the generality of the foregoing, if, in respect of any Overseas Shareholder, New Melrose is advised that the allotment and issue of New Melrose Ordinary Shares pursuant to clause 2 would or might infringe the laws of any jurisdiction outside the United Kingdom or would or might require New Melrose to obtain any governmental or other consent or effect any registration, filing or other

formality with which, in the opinion of New Melrose, it would be unable to comply or which it regards as unduly onerous, then New Melrose may in its sole discretion determine that:

- (i) in the case of the allotment and issue of New Melrose Ordinary Shares, such shares shall be allotted and issued to such person as New Melrose may procure, as nominee for such Overseas Shareholder, on terms that they shall, as soon as practicable following the Effective Date, be sold on behalf of such Overseas Shareholder at the best price which can reasonably be obtained at the time of sale and the net proceeds of such sale (after the deduction of all expenses and commissions) shall be paid to such Overseas Shareholder in accordance with the provisions of clause 4. None of Old Melrose, New Melrose or any nominee so appointed or any broker or agent of any of them shall have any liability (save in the case of fraud) for any loss or damage arising as a result of the timing or terms of any such sale; or
- (ii) where such New Melrose Ordinary Shares have already been allotted and issued (in circumstances where sub-clause (B)(i) of this clause 3 does not apply), such New Melrose Ordinary Shares shall be sold, and New Melrose shall appoint a person to act pursuant to this sub-clause (B)(ii) and such person shall be authorised on behalf of such Overseas Shareholder to procure that any shares in respect of which New Melrose has made such determination shall, as soon as practicable following the Effective Date, be sold at the best price which can reasonably be obtained at the time of sale and the net proceeds of such sale (after the deduction of all expenses and commissions) shall be paid to such Overseas Shareholder in accordance with the provisions of clause 4. To give effect to any such sale, the person so appointed shall be authorised on behalf of such Overseas Shareholder to execute and deliver a form of transfer and to give such instructions and to do all such things which he may consider necessary or expedient in connection with such sale. None of Old Melrose, New Melrose or the person so appointed or any broker or agent or any of them shall have any liability (save in the case of fraud) for any loss or damage arising as a result of the timing or terms of any such sale.

4. Certificates and payments

- (A) Not later than five Business Days after the Effective Date, New Melrose shall allot and issue all New Melrose Ordinary Shares which it is required to allot and issue to give effect to this Scheme and, not later than fifteen Business Days after the Effective Date, New Melrose shall send by first class post to the allottees of the New Melrose Ordinary Shares certificates in respect of due entitlement to such shares save that where Old Melrose Ordinary Shares are held in uncertificated form, New Melrose will procure that Euroclear is instructed to cancel the entitlement to Old Melrose Ordinary Shares of each of the Scheme Shareholders concerned and to credit to the appropriate stock account in CREST of each such Scheme Shareholder the due entitlement to New Melrose Ordinary Shares.
- (B) Not later than five Business Days following the sale of any relevant New Melrose Ordinary Shares pursuant to sub-clause (B) of clause 3, New Melrose shall procure that the nominee or appointee, as the case may be, shall account for the cash payable by either despatching to the persons respectively entitled thereto cheques and/or warrants by post or where Old Melrose Ordinary Shares are held in uncertificated form, crediting the relevant amount to the appropriate account in CREST of each such Scheme Shareholder.
- (C) All certificates required to be sent by New Melrose pursuant to sub-clause (A) of this clause 4 and all cheques or warrants required to be sent pursuant to sub-clause (B) of this clause 4 shall be sent by first class post in envelopes addressed to and at the risk of the persons respectively entitled thereto at their respective addresses appearing in the Register at the Scheme Record Time (or, in the case of joint holders, to the address of that one of the joint holders whose name stands first in the Register in respect of the joint holding) or in accordance with any special instructions regarding communications received at the registered office of Old Melrose prior to the Scheme Record Time.
- (D) If New Melrose Ordinary Shares are consolidated or subdivided or if the nominal value of New Melrose Ordinary Shares is reduced prior to the despatch of any relevant certificates or the giving of any instructions in accordance with this clause 4, the relevant certificates or instructions shall relate to such New Melrose Ordinary Shares as so consolidated, subdivided and/or reduced.
- (E) None of Old Melrose, New Melrose, any nominee referred to in sub-clauses (B)(i) or (B)(ii) of clause 3, such person appointed to act under sub-clause (B)(ii) of clause 3 or any agent of any of them shall be responsible for any loss or delay in transmission of certificates, cheques or warrants sent in accordance with this clause 4.

- (F) All cheques and warrants shall be made payable to the holder(s) and the encashment of any such cheque or warrant shall be a complete discharge of New Melrose for the monies represented thereby.
- (G) This clause 4 shall be subject to any prohibition or condition imposed by law.

5. Certificates representing Scheme Shares

With effect from and including the Effective Date, all certificates representing holdings of Scheme Shares shall cease to be valid in respect of such holdings. The holders of such shares shall be bound at the request of Old Melrose or New Melrose to deliver such certificates for cancellation to Old Melrose, New Melrose or to any person appointed by Old Melrose to receive the same, unless such certificates have been destroyed on receipt of the share certificates in respect of the New Melrose Ordinary Shares to which they are entitled.

6. Mandated payments and other instructions

Each mandate in force at the Scheme Record Time relating to the payment of dividends on Scheme Shares and each instruction then in force as to notices and other communications from Old Melrose shall, unless and until varied or revoked, be deemed as from the Effective Date to be a valid and effective mandate or instruction to New Melrose in relation to the corresponding New Melrose Ordinary Shares to be allotted and issued to Scheme Shareholders pursuant to this Scheme.

7. Effective Date

- (A) This Scheme shall become effective as soon as an office copy of the order of the Court sanctioning this Scheme under section 899 of the 2006 Act and confirming the reduction of capital provided for by this Scheme under section 648 of the 2006 Act shall have been duly delivered to the Registrar of Companies for registration.
- (B) Unless this Scheme shall have become effective on or before 31 December 2012 or such later date, if any, as Old Melrose and New Melrose may agree and the Court may allow, it shall lapse.

8. Modification

Old Melrose and New Melrose may jointly consent on behalf of all persons concerned to any modification of or addition to this Scheme or to any condition which the Court may think fit to approve or impose.

Dated 12 October 2012

PART V
UNITED KINGDOM TAXATION

1. General

The following summary is intended as a general guide only and relates only to certain UK tax consequences of receiving the New Melrose Ordinary Shares under the Scheme. It is based on current UK tax law and the current practice of HM Revenue & Customs, both of which are subject to change, possibly with retrospective effect. The summary is intended to apply only to Shareholders who are resident in the UK for UK tax purposes, who hold the New Melrose Ordinary Shares as investments and not on trading account and who are the beneficial owners of the New Melrose Ordinary Shares. The summary is not intended to apply to certain classes of shareholders such as dealers in securities, insurance companies, those holding shares by reason of their employment or collective investment schemes.

Any Shareholders or prospective shareholders who are in any doubt as to their tax position regarding the acquisition, ownership and/or disposal of the New Melrose Ordinary Shares and/or who are subject to tax in a jurisdiction other than the UK should consult their tax advisers.

2. The Scheme and the New Melrose Reduction of Capital

For the purposes of the UK taxation of chargeable gains, the cancellation of the Old Melrose Ordinary Shares and the issue of New Melrose Ordinary Shares should be treated as a reorganisation of share capital. Accordingly, Shareholders will not be treated as making a disposal in respect of the cancellation of Old Melrose Ordinary Shares or an acquisition in respect of the issue to them of the New Melrose Ordinary Shares. The New Melrose Ordinary Shares will be treated as having been acquired at the same time and for the same consideration as the Old Melrose Ordinary Shares for the purposes of UK taxation of chargeable gains. Shareholders who alone, or together with connected persons, hold more than five per cent. of the Old Melrose Ordinary Shares are advised that Old Melrose has obtained a clearance under section 138 of the Taxation of Chargeable Gains Act 1992 that the Board of HM Revenue & Customs are satisfied that the scheme of reconstruction will be effected for bona fide commercial reasons and does not form part of a scheme or arrangements of which the main purpose, or one of the main purposes, is avoidance of a liability to capital gains tax or corporation tax.

A Shareholder's original base cost in his Old Melrose Ordinary Shares will be attributed to the New Melrose Ordinary Shares.

For the purposes of the UK taxation of chargeable gains, the New Melrose Reduction of Capital, which will be effected by decreasing the nominal value of each New Melrose Ordinary Share should be treated as another reorganisation of share capital. Accordingly, Shareholders should not be treated as making a disposal of the New Melrose Ordinary Shares for the purposes of the UK taxation of chargeable gains as a result of that reduction of capital.

3. Dividends

Under current tax law, New Melrose will not be required to withhold tax at source from dividend payments it makes.

3.1 Individuals

An individual who receives a dividend from New Melrose will generally be entitled to a tax credit which may be set against that individual's total income tax liability on the dividend. Such a liability to income tax is calculated on the aggregate of the net dividend and the related tax credit (the "**gross dividend**"). The tax credit will be equal to one-ninth of the cash dividend paid, or ten per cent. of the gross dividend.

An individual who is liable to income tax at the basic rate will be subject to income tax on dividends paid by New Melrose at the rate of ten per cent. of the gross dividend. As such, the tax credit will satisfy in full the individual's liability to income tax on the dividend.

An individual who is liable to income tax at the higher rate will be subject to income tax on the gross dividend at 32.5 per cent. After taking into account the tax credit, the individual will have to account for tax at an effective rate of 25 per cent. of the net cash dividend received.

An individual who is liable to income tax at the additional rate of tax of 50 per cent., reducing to 45 per cent. from 6 April 2013 (i.e. those with taxable income in excess of £150,000) will be subject to income tax

on the gross dividend at 42.5 per cent. (37.5 per cent. from 6 April 2013). After taking into account the tax credit, the individual will have to account for tax at an effective rate of 36.1 per cent. (30.6 per cent. from 6 April 2013) of the net cash dividend received.

An individual who is not liable to income tax in respect of the gross dividend will not be entitled to any payment in respect of any part of the tax credit associated with the dividend.

In all circumstances, the dividend tax credit is notional only and non-refundable.

3.2 Companies

Subject to certain exceptions for traders in securities and insurance companies, a corporate shareholder resident in the UK for tax purposes will normally be exempt from corporation tax on any dividend received from New Melrose (unless certain conditions are not met) and will not be able to claim a tax credit in respect of any such dividend. If the conditions for exemption are not or cease to be satisfied, or if a shareholder elects for an otherwise exempt dividend to be taxable, the shareholder will be subject to UK corporation tax on dividends received from New Melrose. UK corporation tax would be charged on such dividends at the rate applicable to that corporate shareholder.

4. Stamp Duty and Stamp Duty Reserve Tax

Except in relation to arrangements for depositary receipts or clearance services to which special rules apply:

- (i) No stamp duty or stamp duty reserve tax (“SDRT”) should be payable on the issue of the New Melrose Ordinary Shares.
- (ii) An unconditional agreement to sell New Melrose Ordinary Shares would normally give rise to liability on the purchaser to SDRT at the rate of 0.5 per cent. of the amount or actual value of the actual consideration paid or provided. If an instrument of transfer of the New Melrose Ordinary Shares were subsequently produced it would generally be subject to stamp duty at the rate of 0.5 per cent. of the amount or actual value of the actual consideration paid or provided (rounded up to the nearest £5), subject to an exemption for low-value transactions (£1,000 or less). When such stamp duty is paid, provided it is paid within six years of the agreement the SDRT charge will be cancelled and any SDRT already paid will be refunded. Stamp duty and SDRT are generally the liability of the purchaser.

The above statements are intended as a general guide to the current position. Certain categories of person, including market makers, brokers, dealers and persons connected with depositary arrangements and clearance services are not liable to stamp duty or SDRT and others may be liable at a higher rate or may, although not primarily liable for tax, be required to notify and account for it.

5. ISAs

If existing Shareholders of Old Melrose currently hold their Old Melrose Ordinary Shares in the stocks and shares component of an ISA, the New Melrose Ordinary Shares should qualify for inclusion in the same way.

PART VI
ADDITIONAL INFORMATION

1. New Melrose Articles of Association

The rights attaching to the New Melrose Ordinary Shares will be substantially the same as those attaching to the Old Melrose Ordinary Shares. The rights relating to the New Melrose 2012 Incentive Shares have been amended to ensure that such shares are on the same economic basis as the Old Melrose 2012 Incentive Shares and therefore apply to Old Melrose up to the Effective Date. The New Melrose Articles have also been amended to: (a) require that every Director retire from office at each annual general meeting and shall be eligible for re-appointment at that meeting; (b) clarify that the issue of a separate class of shares is not a variation of class rights unless stated in the class rights; and (c) provide that notices sent to a shareholder with a registered address not in the United Kingdom and who has not provided an address for service in the United Kingdom shall be deemed to have been sent for information purposes only.

2. Directors of Old Melrose

The following table sets out information relating to the Directors of Old Melrose, each of whom is also currently a Director of New Melrose:

Christopher Miller	<i>Executive Chairman</i>
David Roper	<i>Executive Vice-Chairman</i>
Simon Peckham	<i>Chief Executive</i>
Geoffrey Martin	<i>Group Finance Director</i>
Miles Templeman	<i>Senior Non-Executive Director</i>
Perry Crosthwaite	<i>Non-Executive Director</i>
John Grant	<i>Non-Executive Director</i>
Justin Dowley	<i>Non-Executive Director</i>

The business address of each of the Directors is Leconfield House, Curzon Street, London, W1J 5JA, United Kingdom.

3. Deferred A Share issue to New Melrose

As at the Latest Practicable Date, New Melrose did not own or control any Old Melrose Ordinary Shares. It is intended that, in the period after the Old Melrose General Meeting and before the Court Hearing, the Board of Old Melrose will exercise its authority under the general authorities of the Directors of Old Melrose existing at the time of such allotment and under the Old Melrose Articles to issue to New Melrose one share in the capital of Old Melrose as a non-voting deferred A share with a nominal value of £1 (the “**Deferred A Share**”).

The Deferred A Share will confer no rights on the holder to vote at any general meetings of Old Melrose, no right to receive any share in the profits of Old Melrose and the right to receive on a return of assets in a winding-up only up to the nominal amount of the Deferred A Share after payment of £1,000,000 per ordinary share but no other right to participate in any amount paid or distributed by Old Melrose whatsoever. As the Deferred A Share will have no voting rights or dividend rights and very limited rights on any return of assets in a winding-up, it will be of effectively no economic value. The Deferred A Share will be a separate class of shares from the Old Melrose Ordinary Shares and will be eligible to receive bonus shares issued by Old Melrose, including the Capitalisation Shares. The Deferred A Share will not be subject to the Scheme.

It is intended that the Deferred A Share will be subscribed for by New Melrose for a subscription price of £1 payable in cash. By acquiring the Deferred A Share, New Melrose will be a shareholder of Old Melrose on the Effective Date and accordingly, there will be no requirement under section 593 of the 2006 Act for an independent valuation of the Capitalisation Shares to be allotted to New Melrose pursuant to the Scheme. The Deferred A Share will be allotted under the general authorities of the Directors of Old Melrose existing at the time of such allotment and the Old Melrose Articles.

It is intended that the Deferred A Share will be bought back by Old Melrose shortly after the Effective Date.

4. General

4.1 *Consent*

Rothschild has given and has not withdrawn its written consent to the issue of this document with the references to its name in the form and context in which they appear.

Investec has given and has not withdrawn its consent to the issue of this document with the references to its name in the form and context in which they appear.

4.2 *Costs and Expenses*

All costs and expenses relating to the issue of this document and the Prospectus and the negotiation, preparation and implementation of the Proposals will be borne by the Melrose Group.

4.3 *Shares held in treasury*

As at the date of this document, the Company holds no shares in treasury.

5. Documents Available for Inspection

Copies of the following documents may be inspected at (i) the registered office of Old Melrose and New Melrose (being Precision House, Arden Road, Alcester, Warwickshire, B49 6HN) and (ii) the offices of Simpson Thacher & Bartlett LLP (being CityPoint, One Ropemaker Street, London, EC2Y 9HU) during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this document up to and including the date of the Old Melrose General Meeting and will also be available for inspection for at least 15 minutes before and during the Old Melrose General Meeting:

- (a) the Old Melrose Articles;
- (b) the New Melrose Articles;
- (c) the consent letters referred to in paragraph 4.1 above;
- (d) the Prospectus; and
- (e) this document.

This document and the Prospectus may also be viewed via the National Storage Mechanism.

Dated: 12 October 2012

PART VII
DEFINITIONS

In this document, the following expressions have the following meanings, unless the context requires otherwise:

2006 Act	the Companies Act 2006, as amended and for the time being in force
2012 AGM	the annual general meeting of Old Melrose held on 9 May 2012
Admission	admission of the New Melrose Ordinary Shares by the FSA (in its capacity as the UKLA) to listing on the premium segment of the Official List and by the London Stock Exchange to trading on the main market of the London Stock Exchange becoming effective in accordance with the Listing Rules and the rules of the London Stock Exchange
Board(s)	the board of Directors of Old Melrose and/or the board of Directors of New Melrose (as the context shall indicate)
Business Day	a day (other than a Saturday or Sunday or public holiday) on which banks are open for business in London, other than solely for trading and settlement in Euro
Capitalisation Shares	the ordinary shares of $\frac{14}{55}$ pence nominal value each in the capital of Old Melrose to be allotted and issued to New Melrose following the cancellation of the Old Melrose Ordinary Shares pursuant to the operation of the Scheme
certificated or in certificated form	in relation to a share or other security, a share or other security title to which is recorded in the relevant register of the share or other security as being held in certificated form (that is, not in CREST)
Circular or this document	this document (of which the Scheme forms a part)
Court	the High Court of Justice of England and Wales
Court Hearing	the hearing of the claim form to sanction the Scheme and confirm the reduction of capital of Old Melrose involved in the Scheme
Court Meeting	the meeting, notice of which is set out in Part VIII (<i>Notice of Court Meeting</i>) of this document, of the holders of Old Melrose Ordinary Shares convened for 9:00 a.m. on 5 November 2012 at the Serpentine Suite of the London Hilton, 22 Park Lane, London, W1K 1BE by order of the Court pursuant to section 896 of the 2006 Act to consider and, if thought fit, approve the Scheme, and any adjournment of that meeting
CREST	the relevant system (as defined in the CREST Regulations) in respect of which Euroclear is the operator (as defined in the CREST Regulations)
CREST Manual	the rules governing the operation of CREST, consisting of the CREST Reference Manual, CREST International Manual, CREST Central Counterparty Service Manual, CREST rules, Registrars Service Standards, Settlement Discipline Rules, CCSS Operations Manual, Daily Timetable, CREST Application Procedure and CREST Glossary of Terms (all as defined in the CREST Glossary of Terms promulgated by Euroclear on 15 July 1996, as amended)

CREST Regulations	the Uncertificated Securities Regulations 2001 (SI 2001 No. 01/378), as amended
Deferred A Share	the deferred share intended to be issued by Old Melrose to New Melrose in the period after the Old Melrose General Meeting and before the Court Hearing (being a separate class from the Old Melrose Ordinary Shares and, therefore, not forming part of the shares in the capital of Old Melrose that are subject to the effects of the Scheme)
Director(s)	the directors of Old Melrose, or the directors of New Melrose, as the context may require
Effective Date	the date on which the Scheme becomes effective in accordance with its terms, expected to be 27 November 2012
Elster	Elster Group SE, a German <i>Societas Europaea</i> registered in the commercial register of the local court of Essen, Germany, under HRB number 22030
Elster Business	Elster, its subsidiaries and subsidiary undertakings
Euroclear	Euroclear UK & Ireland Limited, the operator of CREST
Form(s) of Proxy	the blue form of proxy for use at the Court Meeting and the white form of proxy for use at the Old Melrose General Meeting, each of which accompanies this document
FSA	the United Kingdom Financial Services Authority
FSMA	the Financial Services and Markets Act 2000, as amended from time to time
Investec	Investec Investment Banking, a division of Investec Bank plc, broker to Old Melrose and New Melrose
Latest Practicable Date	10 October 2012 (being the latest practicable date prior to publication of this document)
Listing Rules	the listing rules made by the FSA under Section 73A of FSMA
London Stock Exchange	London Stock Exchange plc or its successor
Melrose Group	before the Effective Date, Old Melrose, its subsidiaries and subsidiary undertakings including the Elster Business (which for the avoidance of doubt, does not include New Melrose) and, from the Effective Date, New Melrose, its subsidiaries and subsidiary undertakings including the Elster Business (which will include Old Melrose, its subsidiaries and subsidiary undertakings)
Name Changes	together (i) the re-registration of New Melrose's name as Melrose PLC and (ii) the re-registration of Old Melrose's name
National Storage Mechanism	the document publication facility made available by the FSA at www.Morningstar.co.uk/uk/nsm
New Melrose	New Melrose PLC, a public limited company incorporated in England and Wales with registered number 8243706, to be renamed Melrose PLC shortly after the Scheme becomes effective
New Melrose 2012 Incentive Shares	2012 Incentive Shares of £1 of New Melrose
New Melrose Ordinary Shareholders	holders of New Melrose Ordinary Shares

New Melrose Ordinary Shares	(A) prior to the New Melrose Reduction of Capital, the ordinary shares in the capital of New Melrose to be allotted and issued pursuant to the Scheme, with a nominal value of 120 pence; and (B) subsequent to the New Melrose Reduction of Capital, the ordinary shares with a nominal value of 0.1 penny each in the capital of New Melrose
New Melrose Reduction of Capital	the proposed reduction of capital of New Melrose under Part 17 Chapter 10 of the 2006 Act to reduce the nominal value of each New Melrose Ordinary Share from 120 pence to 0.1 penny
Official List	the official list maintained by the UKLA for the purposes of Part V of FSMA
Old Melrose or the Company	Melrose PLC, a public limited company incorporated in England and Wales with registered number 4763064, to be renamed and re-registered as a private company shortly after the Scheme becomes effective
Old Melrose 2012 Incentive Optionholders	holders of options over Old Melrose 2012 Incentive Shares
Old Melrose 2012 Incentive Shares	the 2012 Incentive Shares of £1 each of Old Melrose
Old Melrose Articles	the articles of association of Old Melrose as adopted or amended from time to time
Old Melrose General Meeting	the general meeting of Old Melrose to be held at 9:15 a.m. on 5 November 2012 at the Serpentine Suite of the London Hilton, 22 Park Lane, London, W1K 1BE, to vote on the resolutions set out in the Notice of General Meeting contained in Part IX (<i>Notice of General Meeting</i>) of this Circular
Old Melrose Ordinary Shareholder(s)	holders of Old Melrose Ordinary Shares
Old Melrose Ordinary Shares	ordinary shares with a nominal value of $\frac{14}{55}$ pence each in the capital of Old Melrose
Overseas Shareholders	Shareholders who are resident in, ordinarily resident in, or citizens of, jurisdictions outside the United Kingdom
Proposals	the proposed reorganisation of the Melrose Group involving the Scheme and the subsequent New Melrose Reduction of Capital, more specifically described in Part III (<i>Explanatory Statement</i>) of this document
Prospectus	the document published on or around the date of this Circular, comprising a prospectus relating to New Melrose and the listing of the New Melrose Ordinary Shares on the Official List (together with any supplements or amendments thereto)
Receiving Agent or Equiniti	Equiniti Limited or any other receiving agent/registrars appointed by the Company from time to time
Register	Old Melrose's statutory register of members
Registrar of Companies	the Registrar of Companies in England and Wales
Rothschild	N M Rothschild & Sons Limited, sponsor and financial adviser to New Melrose and financial adviser to Old Melrose
Scheme	the proposed scheme of arrangement under section 899 of the 2006 Act between Old Melrose, New Melrose and Old Melrose Ordinary Shareholders including any modification, addition or condition approved or imposed by the Court, details of which are set out in Part IV (<i>Scheme of Arrangement</i>) of this document

Scheme Record Date	the Business Day immediately preceding the Effective Date
Scheme Record Time	the time and date specified as such in the Scheme Document, expected to be 6:00 p.m. on the Scheme Record Date
Scheme Shareholder	a holder of Scheme Shares as appearing in the Register at the Scheme Record Time
Scheme Shares	(A) all Old Melrose Ordinary Shares in issue at the date of the Circular; and (B) all (if any) additional Old Melrose Ordinary Shares in issue after the date of the Circular (but prior to the Scheme Voting Record Time) and remaining in issue at the Scheme Record Time
Scheme Voting Record Time	6:00 p.m. on 1 November 2012 or, if either the Court Meeting or the Old Melrose General Meeting is adjourned, 6:00 p.m. on the second day before the date of such adjourned meeting (excluding any part of a day that is not a working day)
SEC	the US Securities and Exchange Commission
Shareholder(s)	registered holder(s) of Old Melrose Ordinary Shares or of New Melrose Ordinary Shares, as the context may require
Subscriber Shares	the two shares of £1 each in the capital of New Melrose whose rights will be deferred upon the Scheme becoming effective and which will be cancelled pursuant to the New Melrose Reduction of Capital
subsidiary and subsidiary undertaking	have the meanings given to them in sections 1159 and 1162 of the 2006 Act respectively
UK or United Kingdom	the United Kingdom of Great Britain and Northern Ireland
UKLA	the FSA acting in its capacity as the competent authority for the purposes of Part VI of FSMA and in the exercise of its functions in respect of admission to the Official List
uncertificated or in uncertificated form	a share or other security title to which is recorded in the relevant register of the share or security as being held in uncertificated form, in CREST, and title to which, by virtue of the CREST Regulations may be transferred by means of CREST
US or United States or United States of America	the United States of America (including the states of the United States and the District of Columbia), its possessions and territories and all areas subject to its jurisdiction
US Securities Act	the US Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
US Shareholders	(i) Old Melrose Ordinary Shareholders or New Melrose Ordinary Shareholders who have an address in the United States on (as the case may be) Old Melrose's or New Melrose's register of members and (ii) any person resident in the United States who holds shares in Old Melrose or New Melrose, including directly or indirectly or through or as a nominee, and (iii) persons who appear, at any time, to the Directors to fall within paragraph (ii) of this definition of US Shareholders

All times referred to are London times unless otherwise stated.

PART VIII

NOTICE OF COURT MEETING

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT

No. 7747 of 2012

Registrar Barber

IN THE MATTER OF MELROSE PLC

AND

IN THE MATTER OF THE COMPANIES ACT 2006

Notice is hereby given that by an order dated 10 October 2012 made in the above matters the Court has directed a meeting (the “**Court Meeting**”) to be convened of the holders (the “**Shareholders**”) of ordinary shares of $\frac{14}{55}$ pence each in the capital of Melrose PLC (the “**Company**”) for the purpose of considering and, if thought fit, approving (with or without modification) a scheme of arrangement (the “**Scheme**”) proposed to be made between the Company and the Scheme Shareholders (as defined in the Scheme) and that such meeting will be held at the Serpentine Suite of the London Hilton, 22 Park Lane, London, W1K 1BE at 9:00 a.m. on 5 November 2012 at which place and time all Shareholders are requested to attend.

A copy of the Scheme and the explanatory statement required to be furnished pursuant to section 897 of the Companies Act 2006 are incorporated in the document of which this notice forms a part.

Shareholders are entitled to attend and vote at the Court Meeting in person or they may appoint another person, whether a member of the Company or not, as their proxy to attend and vote in their stead. A blue form of proxy for use at the Court Meeting is enclosed herewith.

Shareholders are entitled to appoint a proxy in respect of some or all of their shares. Shareholders are also entitled to appoint more than one proxy provided each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A space has been included in the blue form of proxy to allow Shareholders to specify the number of shares in respect of which that proxy is appointed. Shareholders who return the blue form of proxy duly executed but leave this space blank will be deemed to have appointed the proxy in respect of all their shares. To appoint more than one proxy, please photocopy the court meeting proxy form. Such Shareholders should also read the notes to the Notice of General Meeting circulated by the Company on or about the date of this notice of Court Meeting and note the principles that will be applied in relation to multiple proxies.

It is requested that the blue form of proxy be lodged (together with any power of attorney or other authority under which it is signed or a duly certified copy of such power or authority) with the Company’s Receiving Agent, Equiniti Limited either by post to Aspect House, Lancing, West Sussex BN99 6DA or, by hand during normal business hours only, to Corporate Actions, Aspect House, Lancing, West Sussex BN99 6DA, no later than 9:00 a.m. on 1 November 2012 or, in the event that the Court Meeting is adjourned, 48 hours (excluding any part of a day that is not a working day) before the time fixed for any adjourned meeting but, if forms are not so lodged, they may be handed to the Company’s Receiving Agent or the Chairman at the Court Meeting prior to the vote being taken. For the blue form of proxy to be valid, it must be clearly signed in the relevant space provided indicating the Shareholder’s instruction to vote either in favour or against the Scheme. Completion and return of the blue form of proxy will not preclude a Shareholder from attending and voting in person at the Court Meeting, or any adjournment thereof.

A proxy may be appointed electronically by visiting www.sharevote.co.uk. Shareholders will need to enter their voting reference numbers (the three numbers quoted on the enclosed blue form of proxy) and follow the online instructions. The deadline for receipt of electronic proxies is 9:00 a.m. on 1 November 2012 or, if the Court Meeting is adjourned, 48 hours (excluding any part of a day that is not a working day) before the time fixed for any adjourned meeting. Any electronic communications found to contain a virus will not be accepted.

If shares are held in uncertificated form, a proxy may also be appointed by completing and transmitting a CREST Proxy Instruction in accordance with the procedures set out in the CREST Manual and ensuring that it is received by the Company’s Receiving Agent, Equiniti Limited (under CREST participant

ID RA19), by no later than 9:00 a.m. on 1 November 2012 or, if the Court Meeting is adjourned, 48 hours (excluding any part of a day that is not a working day) before the time of any adjourned meeting. For the CREST Proxy Instruction to be valid, the Shareholder's instruction to vote either in favour or against the Scheme must be clearly entered in the relevant box provided.

Where the appointer is a corporation, for the blue form of proxy to be valid, it must be executed either under its common seal or under the hand of an officer or attorney duly authorised in writing.

In the case of joint holders the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holder(s) and for this purpose seniority will be determined by the order in which the names appear in the register of members of the Company in respect of the joint holding.

The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those Shareholders registered in the register of members of the Company as at 6:00 p.m. on 1 November 2012 or, if the Court Meeting is adjourned, in the register of members as at 6:00 p.m. two days (excluding any part of a day that is not a working day) before the time of any adjourned meeting, shall be entitled to attend or vote in respect of the number of shares registered in their name at the relevant time. Changes to entries in the register of members after 6:00 p.m. on 1 November 2012 or, if the Court Meeting is adjourned, after 6:00 p.m. two days before the time of any adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at the Court Meeting.

By the said order, the Court has appointed Christopher Miller or, failing him, Simon Peckham or, failing him, Geoffrey Martin to act as chairman of the Court Meeting and has directed the chairman to report the result thereof to the Court.

The said Scheme will be subject to the subsequent sanction of the Court.

Dated 12 October 2012

Simpson Thacher & Bartlett LLP
CityPoint
One Ropemaker Street
London
EC2Y 9HU
Legal Advisers to the Company

NOTES

Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a “**Nominated Person**”) may, under an agreement between him/her and the Shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Court Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the Shareholder as to the exercise of voting rights.

The statement of the rights of shareholders in relation to the appointment of proxies above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by Shareholders of the Company.

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Court Meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual (available at www.euroclear.com/CREST). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a “CREST Proxy Instruction”) must be properly authenticated in accordance with Euroclear UK & Ireland Limited’s specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer’s agent (ID RA19) by the latest time for receipt of proxy appointments specified in this notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the issuer’s agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.

Any member holding Ordinary Shares attending the meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

A copy of this notice, and other information required by section 311A of the 2006 Act, can be found at www.melroseplc.net.

You may not use an electronic address provided in either this Notice of General Meeting or any related documents (including the blue form of proxy) to communicate with the Company for any purposes other than those expressly stated.

You may register your vote online by visiting Equiniti’s website at www.sharevote.co.uk. In order to register your vote online, you will need to enter the Voting ID, Task ID and your Shareholder Reference Number which are set out on the enclosed blue form of proxy. The return of the blue form of proxy by post or registering your vote online will not prevent you from attending the General Meeting and voting in person, should you so wish. Alternatively, shareholders who have already registered with Equiniti’s online portfolio service, Shareview, can appoint their proxy electronically by logging on to their portfolio at www.shareview.co.uk and then clicking on the link to vote under their Melrose PLC holding details. The on-screen instructions give details on how to complete the appointment process. A proxy appointment made electronically will not be valid if sent to any address other than those provided or if received after 9:00 a.m. on 1 November 2012.

PART IX
NOTICE OF GENERAL MEETING

Melrose PLC

(Incorporated in England and Wales with registered number 4763064)

NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that a General Meeting of Melrose PLC (the “**Company**”) will be held at the Serpentine Suite of the London Hilton, 22 Park Lane, London, W1K 1BE on 5 November 2012 at 9:15 a.m. (or as soon thereafter as the meeting of holders of the ordinary shares in the Company convened by direction of the Court for the same place and date shall have been concluded or adjourned), for the purpose of considering and, if thought fit, passing the following Resolutions, each of which will be proposed as a special resolution:

Resolution 1

THAT:

- (A) the directors of the Company be and are authorised to take all such action as they may consider necessary or appropriate for carrying into effect the scheme of arrangement dated 12 October 2012 (the “**Scheme**”) proposed to be made between the Company, New Melrose PLC (registered in England and Wales with registered number 8243706) (“**New Melrose**”) and the Scheme Shareholders (as defined in the Scheme) in its original form or with or subject to any modification, addition or condition approved or imposed by the Court; and
- (B) for the purpose of giving effect to the Scheme:
- (i) the issued share capital of the Company be reduced by cancelling and extinguishing the Scheme Shares (as defined in the Scheme); and
 - (ii) subject to and conditional upon such reduction of capital taking effect and notwithstanding anything to the contrary in the articles of association of the Company:
 - (a) the Company shall apply the credit arising in its books of account as a result of the reduction of capital referred to at (B)(i) above, in paying up, in full at par, such number of ordinary shares in the capital of the Company (the “**Capitalisation Shares**”) such that the aggregate nominal value of the Capitalisation Shares shall be approximately equal to (but no greater than) the aggregate nominal value of the Scheme Shares cancelled in accordance with (B)(i) above, which shall be allotted and issued, credited as fully paid, to New Melrose; and
 - (b) conditional on the Scheme becoming effective, the directors of the Company be and are generally and unconditionally authorised, for the purposes of section 551 of the Companies Act 2006 (the “**2006 Act**”), to exercise all the powers of the Company to allot the Capitalisation Shares provided that (1) the maximum aggregate nominal amount of relevant securities that may be allotted under this authority shall be £3,224,141.55; (2) this authority shall expire (unless previously revoked, varied or renewed) on 31 December 2012; and; (3) this authority shall be in addition to, and without prejudice to, any other subsisting authority under section 551 of the 2006 Act previously granted and in force on the date on which this resolution is passed.

Resolution 2

THAT subject to and conditional upon: (i) resolution 1 having been passed; (ii) the ordinary shares with a nominal value of 120 pence each in the capital of New Melrose (the “**New Melrose Ordinary Shares**”) required to be allotted and issued by New Melrose pursuant to the Scheme having been allotted and issued and registered in the names of the persons entitled to such New Melrose Ordinary Shares in New Melrose’s register of members; and (iii) the Scheme becoming effective:

- (a) the reduction of the capital paid up on each New Melrose Ordinary Share from 120 pence to 0.1 penny and the reduction of the nominal value thereof to 0.1 penny; and
- (b) the cancellation and extinguishing of each subscriber share of the Company
be approved.

Registered office:
Precision House
Arden Road
Alcester
Warwickshire
B49 6HN

By order of the Board

Garry Barnes
Company Secretary
12 October 2012

Notes:

1. The holders of Ordinary Shares are entitled to attend and vote at the General Meeting. A member entitled to attend and vote may appoint a proxy to exercise all or any of its rights to attend, speak and vote at a general meeting of the Company. Such a member may appoint more than one proxy, provided that each proxy is appointed to exercise the rights attached to different shares. A proxy need not be a member of the Company.
2. A white form of proxy is enclosed with this notice. To be effective, a white form of proxy must be completed and returned, together with any power of attorney or authority under which it is completed or a certified copy of such power or authority, so that it is received by the Company's registrars at the address specified on the white form of proxy not less than 48 hours (excluding any part of a day that is not a working day) before the time for holding the meeting. Returning a completed white form of proxy will not preclude a member from attending the meeting and voting in person.
3. Any person to whom this notice is sent who is a person nominated under section 146 of the 2006 Act to enjoy information rights (a "**Nominated Person**") may, under an agreement between him and the shareholder by whom he was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights. The statement of the rights of shareholders in relation to the appointment of proxies in paragraphs 1 and 2 above does not apply to Nominated Persons. The rights described in paragraphs 1 and 2 can only be exercised by shareholders of the Company.
4. To be entitled to attend and vote at the General Meeting (and for the purposes of the determination by the Company of the number of votes they may cast), members must be entered on the Company's register of members by 6.00 p.m. on 1 November 2012 (or, in the event of an adjournment, on the date which is two days, excluding any part of a day that is not a working day, before the time of the adjourned meeting). Changes to entries on the register of members after this time shall be disregarded in determining the rights of any person to attend or vote at the meeting.
5. As at 11 October 2012 (being the last business day prior to the publication of this notice) the Company's issued share capital consists of 1,266,627,036 Ordinary Shares, carrying one vote each.
6. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual (available at www.euroclear.com/CREST). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
7. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "**CREST Proxy Instruction**") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA19) by 9:15 a.m. on 1 November 2012. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
8. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

9. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5) (a) of the Uncertificated Securities Regulations 2001.
10. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
11. Any member holding Ordinary Shares attending the meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
12. A copy of this notice, and other information required by section 311A of the 2006 Act, can be found at (www.melroseplc.net).
13. You may not use an electronic address provided in either this Notice of General Meeting or any related documents (including the white form of proxy) to communicate with the Company for any purposes other than those expressly stated.
14. You may register your vote online by visiting Equiniti's website at (www.sharevote.co.uk). In order to register your vote online, you will need to enter the Voting ID, Task ID and your Shareholder Reference Number which are set out on the enclosed white form of proxy. The return of the white form of proxy by post or registering your vote online will not prevent you from attending the General Meeting and voting in person, should you so wish. Alternatively, shareholders who have already registered with Equiniti's online portfolio service, Shareview, can appoint their proxy electronically by logging on to their portfolio at www.shareview.co.uk and then clicking on the link to vote under their Melrose PLC holding details. The on-screen instructions give details on how to complete the appointment process. A proxy appointment made electronically will not be valid if sent to any address other than those provided or if received after 9:15 a.m. on 1 November 2012.

