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Årsredovisning
Annual Accounts

för
for

GKN Engines Holdings AB
(f.d./fka GKN Sweden Holdings AB)

556855-8943

Räkenskapsåret
The financial year

2024

Fastställelseintyg/Certificate of Adoption

Undertecknad, styrelseledamot i GKN Engines Holdings AB intygar att resultaträkningen och balansräkningen fastställts på årsstämma den 30 juni 2025. Årsstämman beslutade att godkänna styrelsens och den verkställande direktörens förslag beträffande det uppkomna resultatet.

Jag intygar också att innehållet i årsredovisningen och revisionsberättelsen stämmer överens med originalen.

The undersigned, Board member of GKN Engines Holdings AB certifies that the Income Statement and Balance Sheet have been adopted by the Annual General Meeting held on 30 June 2025. The General Meeting decided to adopt the Board of Directors' and the Managing Director's proposal regarding the allocation of the result.

The undersigned certifies that the contents of the annual report and auditor's report is a true copy of the original document.

Trollhättan, 30 juni 2025

Joakim Andersson

GKN Engines Holdings AB
Org nr 556855-8943

Årsredovisning för räkenskapsåret 2024-01-01 - 2024-12-31

Styrelsen avger följande årsredovisning.

Innehåll

	Sida
- förvaltningsberättelse	2
- resultaträkning	4
- balansräkning	5
- förändringar i eget kapital	7
- noter	8

Om inte annat särskilt anges, redovisas alla belopp i tusental kronor. Uppgifter inom parentes avser föregående år.

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Förvaltningsberättelse

Information om verksamheten

GKN Engines Holdings AB, org.nr 556855-8943, med säte i Stockholm, skall äga lös och fast egendom och därmed förenlig verksamhet.

Bolaget är ett helägt dotterföretag till GKN Aerospace Holdings Limited, England & Wales No. 12039718, med säte i Birmingham, Storbritannien.

Moderföretaget i den största koncernen som GKN Engines Holdings AB är dotterföretag till är Melrose Industries PLC, England & Wales No. 9800044, med säte i Birmingham, Storbritannien.

Bolaget har inga anställda.

Flerårsjämförelse

Bolagets ekonomiska utveckling i sammandrag.

		2024	2023	2022	2021	2020
Nettoomsättning	tkr	-	-	-	-	-
Resultat efter finansiella poster	tkr	2 353 395	808 336	-206 757	1 294 821	-208 247
Justerat eget kapital	tkr	2 739 784	1 216 204	450 008	2 607 524	1 313 430
Balansomslutning	tkr	8 060 003	8 063 935	7 551 159	7 930 093	6 713 114
Soliditet	%	33,9	15,1	6,0	32,9	19,2

Nyckeltalsdefinitioner framgår av not 1

Viktiga förhållanden och väsentliga händelser

GKN Engines Holdings AB gjorde i år en vinst om 2 353 507 tkr (vinst om 776 197 tkr).

Inga väsentliga händelser har inträffat under räkenskapsåret.

Efter räkenskapsåret har företaget bytt namn från GKN Sweden Holdings AB till GKN Engines Holdings AB. Det är enbart företagets namn som har ändrats, organisationsnummer och juridisk struktur är oförändrade.

Förslag till vinstdisposition

Till årsstämmans förfogande står följande vinstmedel:

Balanserade vinstmedel		386 226 500
Årets resultat		2 353 506 844
	kronor	2 739 733 344

Styrelsen föreslår att vinstmedlen disponeras så att		
till aktieägarna utdelas		2 240 000 000
i ny räkning överförs		499 733 344
	kronor	2 739 733 344

Styrelsen föreslår en utdelning om 44 800 kr per aktie, motsvarande 2 240 000 000 kronor till GKN Aerospace Holdings Ltd. Detta reducerar bolagets soliditet till 8,59 %. Styrelsens uppfattning är att den föreslagna utdelningen ej hindrar bolaget från att fullgöra sina förpliktelser på kort och lång sikt, ej heller att fullgöra erforderliga investeringar. Den föreslagna utdelningen kan därmed försvaras med hänsyn till vad som anförs i ABL 17 kap 3 § 2-3 st (försiktighetsregeln).

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Resultaträkning	**Not**	**2024**	**2023**
Rörelsens kostnader			
Övriga externa kostnader		-96	-154
Summa rörelsens kostnader		-96	-154
Rörelseresultat		-96	-154
Resultat från finansiella poster			
Resultat från andelar i koncernföretag	3	2 611 000	1 120 000
Övriga ränteintäkter och liknande resultatposter	4	37 191	80 631
Räntekostnader och liknande resultatposter	5	-294 700	-392 141
Summa resultat från finansiella poster		2 353 491	808 490
Resultat efter finansiella poster		2 353 395	808 336
Skatt på årets resultat	6	112	-42 139
Årets vinst		2 353 507	766 197

Balansräkning	**Not**	**2024-12-31**	**2023-12-31**
Tillgångar			
Anläggningstillgångar			
Immateriella anläggningstillgångar			
Licenser	7	-	-
		0	0
Finansiella anläggningstillgångar			
Andelar i koncernföretag	8	5 672 282	5 672 282
Uppskjuten skattefordran	9	77 721	77 609
		5 750 003	5 749 891
Summa anläggningstillgångar		5 750 003	5 749 891
Omsättningstillgångar			
Kortfristiga fordringar			
Fordringar hos koncernföretag		2 310 000	2 314 044
		2 310 000	2 314 044
Summa omsättningstillgångar		2 310 000	2 314 044
Summa tillgångar		8 060 003	8 063 935

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Balansräkning	**Not**	**2024-12-31**	**2023-12-31**
Eget kapital och skulder			
Eget kapital			
Bundet eget kapital			
Aktiekapital		50	50
		50	50
Fritt eget kapital			
Balanserad vinst		386 227	449 958
Årets vinst		2 353 507	766 197
		2 739 734	1 216 155
Summa eget kapital		2 739 784	1 216 205
Långfristiga skulder	10		
Skulder till koncernföretag		2 140 499	4 004 399
Summa långfristiga skulder		2 140 499	4 004 399
Kortfristiga skulder	11		
Skulder till koncernföretag		415 883	-
Skulder till moderföretag		2 763 392	2 763 392
Övriga kortfristiga skulder		53	65
Upplupna kostnader och förutbetalda intäkter		392	79 874
Summa kortfristiga skulder		3 179 720	2 843 331
Summa eget kapital och skulder		8 060 003	8 063 935

Förändringar i eget kapital

	Aktie-kapital	Fritt eget kapital	Summa eget kapital
	-	-	-
Ingående balans 2023-01-01	**50**	**449 958**	**450 008**
Årets resultat		766 197	766 197
Utdelning	-	-	-
Eget kapital 2023-12-31	**50**	**1 216 155**	**1 216 205**
Ingående balans 2024-01-01	**50**	**1 216 155**	**1 216 205**
Årets resultat		2 353 507	2 353 507
Utdelning	-	-829 929	-829 929
Eget kapital 2024-12-31	**50**	**2 739 733**	**2 739 783**

Aktiekapitalet består av 50 000 aktier á kvotvärde 1 kr.

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Noter

Not 1 Redovisnings- och värderingsprinciper

GKN Engines Holdings ABs årsredovisning har upprättats enligt årsredovisningslagen och Bokföringsnämndens allmänna råd BFNAR 2012:1 Års- och koncernredovisning (K3).
Redovisningsprinciperna är oförändrade i jämförelse med föregående år.

Koncernförhållanden
Företaget är moderföretag men med hänvisning till undantagsreglerna i Årsredovisningslagen 7 kap 2§ upprättas ingen egen koncernredovisning. Det överordnande koncernföretaget Melrose Industries PLC i Birmingham, Storbritannien upprättar koncernredovisning. Moderföretaget i den minsta koncernen som bolaget är dotterföretag till och där koncernredovisning inte är upprättad är GKN Industries Limited.

Inkomstskatter
Aktuella skatter värderas utifrån de skattesatser och skatteregler som gäller på balansdagen. Uppskjutna skatter värderas utifrån de skattesatser och skatteregler som är beslutade före balansdagen. Uppskjuten skattefordran avseende underskottsavdrag eller andra framtida skattemässiga avdrag redovisas i den utsträckning det är sannolikt att avdraget kan avräknas mot överskott vid framtida beskattning.
Fordringar och skulder nettoredovisas endast när det finns en legal rätt till kvittning.
Aktuell skatt, liksom förändring i uppskjuten skatt, redovisas i resultaträkningen om inte skatten är hänförlig till en händelse eller transaktion som redovisas direkt i eget kapital. Skatteeffekter av poster som redovisas direkt mot eget kapital, redovisas mot eget kapital.

Immateriella tillgångar
Immateriella anläggningstillgångar redovisas till anskaffningsvärde minskat med ackumulerade avskrivningar och nedskrivningar.
Avskrivningar görs linjärt över den bedömda nyttjandetiden. Avskrivningstiden för immateriella anläggningstillgångar uppgår till fem år.

Finansiella instrument
Finansiella instrument som redovisas i balansräkningen inkluderar övriga fordringar och låneskulder. Instrumenten redovisas i balansräkningen när GKN Engines Holdings AB blir part i instrumentets avtalsmässiga villkor.
Finansiella tillgångar tas bort från balansräkningen när rätten att erhålla kassaflöden från instrumentet har löpt ut eller överförts och företaget har överfört i stort sett alla risker och förmåner som är förknippade med äganderätten.

Finansiella skulder tas bort från balansräkningen när förpliktelsen har reglerats eller på annat sätt upphört.

Övriga fordringar
Fordringar redovisas som omsättningstillgångar med undantag för poster med förfallodag mer än 12 månader efter balansdagen, vilka klassificeras som anläggningstillgångar. Fordringar tas upp till det belopp som förväntas blir inbetalt efter avdrag för individuellt bedömda osäkra fordringar. Fordringar som är räntefria eller som löper med ränta som avviker från marknadsränta och har en löptid överstigande 12 månader redovisas till ett diskonterat nuvärde och tidsvärdeförändringen redovisas som ränteintäkt i resultaträkningen.

Låneskulder
Låneskulder redovisas initial till anskaffningsvärde efter avdrag för transaktionskostnader. Skiljer sig det redovisade beloppet från det belopp som ska återbetalas vid förfallotidpunkten periodiseras mellanskillnaden som räntekostnad över lånets löptid med hjälp av instrumentets effektivränta. Härigenom överensstämmer vid förfallotidpunkten det redovisade beloppet med det belopp som ska återbetalas.

Nedskrivningsprövning av finansiella anläggningstillgångar
Vid varje balansdag bedömer GKN Engines Holdings AB om det finns någon indikation på nedskrivningsbehov i någon utav de finansiella anläggningstillgångarna. Nedskrivning sker om värdenedgång bedöms vara bestående.

Aktier och andelar i dotterföretag
Aktier och andelar i dotterföretag redovisas till anskaffningsvärde efter avdrag för eventuella nedskrivningar. I anskaffningsvärdet ingår köpeskillingen som erlagts för aktierna samt förvärvskostnader. Eventuella kapitaltillskott och koncernbidrag läggs till anskaffningsvärdet när de uppkommer. Utdelning från dotterföretag redovisas som intäkt.

Fordringar och skulder i utländsk valuta
Monetära tillgångs- och skuldposter i utländsk valuta omräknas till balansdagens kurs i enlighet med ÅRL. Omräkningsdifferenser på operationella tillgångar och skulder hänförs till rörelseresultatet, medan omräkningsdifferenser på finansiella tillgångar och skulder hänförs till övriga finansiella intäkter och kostnader.

Bokslutsdispositioner
Förändringar av obeskattade reserver redovisas som bokslutsdispositioner i resultaträkningen. Koncernbidrag redovisas som bokslutsdispositioner.

Nyckeltalsdefinitioner
Soliditet
Eget kapital och obeskattade reserver (med avdrag för uppskjuten skatt) i förhållande till balansomslutningen.

Not 2 Transaktioner med närstående

Uppgifter om moderföretaget
Moderföretag i den största koncern där GKN Engines Holdings AB är dotterföretag och koncernredovisning upprättas av Melrose Industries PLC i Birmingham, Storbritannien.
Moderföretaget i den minsta koncernen som bolaget är dotterföretag till och där koncernredovisning inte är upprättad är GKN Industries Limited.

Inköp och försäljning mellan koncernföretag
Inga inköp eller försäljningar har gjorts mellan koncernföretag.

Not 3 Resultat från andelar i koncernföretag

	2024	2023
Utdelningar	2 611 000	1 120 000
Summa	2 611 000	1 120 000

Not 4 Övriga ränteintäkter och liknande resultatposter

	2024	2023
Ränteintäkter	37 191	80 631
Summa	37 191	80 631
Varav avseende koncernföretag	37 191	80 631

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Not 5 Räntekostnader och liknande resultatposter

	2024	2023
Övriga räntekostnader och liknande resultatposter	-294 700	-392 141
Summa	-294 700	-392 141
Varav avser koncernföretag:	-294 695	-392 137

Not 6 Skatt på årets resultat

	2024	2023
Uppskjuten skatt	112	-42 139
Skatt på årets resultat	112	-42 139
Redovisat resultat före skatt	2 353 395	808 336
Skatt beräknad enligt gällande skattesats (20,6 %)	-484 799	-166 517
Skatteeffekt av ej avdragsgilla kostnader	-9	-
Skatteeffekt av ej skattepliktig utdelning	537 866	230 720
Skatt hänförlig till tidigare års redovisade resultat	101	42 139
Skatteeffekt av utnyttjat ränteunderskott	-53 047	-64 203
Redovisad skattekostnad	112	42 139

Not 7 Licenser

	2024-12-31	2023-12-31
Ingående anskaffningsvärden	160 501	160 501
Utgående ackumulerade anskaffningsvärden	160 501	160 501
Ingående avskrivningar	-160 501	-160 501
Utgående ackumulerade avskrivningar	-160 501	-160 501
Utgående restvärde enligt plan	0	0

Not 8 Andelar i koncernföretag

	2024-12-31	2023-12-31
Ingående ackumulerade anskaffningsvärden	5 750 900	5 750 900
Utgående ackumulerade anskaffningsvärden	5 750 900	5 750 900
Ingående ackumulerade nedskrivningar	-78 618	-78 618
Utgående ackumulerade nedskrivningar	-78 618	-78 618
Utgående redovisat värde	5 672 282	5 672 282

	Säte	Reg no	Kapital-andel %	Rösträtts - andel %	Antal aktier	Bokfört värde 24-12-31	Bokfört värde 23-12-31
GKN Aerospace Sweden AB	Trollhättan	556029-0347	100	100	1 400 000	5 672 282	5 672 282
Summa						5 672 282	5 672 282

Not 9 Uppskjuten skattefordran

	2024-12-31	2023-12-31
Uppskjuten skatt på negativt ränteunderskott	76 039	76 039
Uppskjuten skatt på tidigare års skattemässiga resultat	1 682	1 570
	77 721	77 609

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Not 10 Långfristiga skulder

	2024-12-31	2023-12-31
Räntebärande skulder		
Långfristiga skulder		
Skulder till koncernföretag	2 140 499	4 004 399
Summa	2 140 499	4 004 399

Förfallotider

Den del av långfristiga skulder som förfaller till betalning senare än ett men inom fem år efter balansdagen:		
Skulder till koncernföretag	2 140 499	4 004 399
	2 140 499	4 004 399
Summa	2 140 499	4 004 399

Not 11 Kortfristiga skulder

	2024	2023
Räntebärande skulder		
Kortfristiga skulder		
Skulder till koncernföretag	415 883	-
Skulder till moderföretag	2 763 392	2 763 392
	3 179 275	2 763 392
Övriga kortfristiga skulder	53	65
Upplupna kostnader och förutbetalda intäkter	392	79 874
	445	79 939
	3 179 720	2 843 331

Not 12 Förslag till disposition av resultatet

	2024-12-31
Till årsstämmans förfogande står följande vinstmedel:	
Balanserade vinstmedel	386 226
Årets resultat	2 353 507
	2 739 733
Styrelsen föreslår att vinstmedlen disponeras så att	
Till aktieägarna utdelas 44 800 kr per aktie	2 240 000
I ny räkning överförs	499 733
	2 739 733

Not 13 Väsentliga händelser efter räkenskapsårets slut

Bolaget förvärvade GKN Aerospace Investment Casting AB (TPC Components AB) i januari 2025.

Bolaget genomförde ett namnbyte i mars 2025 till GKN Engines Holdings AB (GKN Sweden Holdings AB).

Trollhättan, 2025-06-17

Joakim Andersson
Ordförande

Alexander Andersson
Styrelseledamot

Vår revisionsberättelse har lämnats 2025-06-30

PricewaterhouseCoopers AB

Johan Malmqvist
Auktoriserad revisor

Daniel Körner Rask
Auktoriserad revisor

ank=20250709-20250710044097

Revisionsberättelse

Till bolagsstämman i GKN Engines Holdings AB, org.nr 556855-8943

Rapport om årsredovisningen

Uttalanden

Vi har utfört en revision av årsredovisningen för GKN Engines Holdings AB för år 2024.

Enligt vår uppfattning har årsredovisningen upprättats i enlighet med årsredovisningslagen och ger en i alla väsentliga avseenden rättvisande bild av GKN Engines Holdings ABs finansiella ställning per den 31 december 2024 och av dess finansiella resultat för året enligt årsredovisningslagen. Förvaltningsberättelsen är förenlig med årsredovisningens övriga delar.

Vi tillstyrker därför att bolagsstämman fastställer resultaträkningen och balansräkningen för GKN Engines Holdings AB.

Grund för uttalanden

Vi har utfört revisionen enligt International Standards on Auditing (ISA) och god revisionssed i Sverige. Vårt ansvar enligt dessa standarder beskrivs närmare i avsnittet Revisorns ansvar. Vi är oberoende i förhållande till GKN Engines Holdings AB enligt god revisorssed i Sverige och har i övrigt fullgjort vårt yrkesetiska ansvar enligt dessa krav.

Vi anser att de revisionsbevis vi har inhämtat är tillräckliga och ändamålsenliga som grund för våra uttalanden.

Övrig upplysning

Revisionen av årsredovisningen för räkenskapsåret 2023 har utförts av en annan revisor som lämnat en revisionsberättelse daterad 28 juni 2024 med omodifierade uttalanden i Rapport om årsredovisningen.

Styrelsens ansvar

Det är styrelsen som har ansvaret för att årsredovisningen upprättas och att den ger en rättvisande bild enligt årsredovisningslagen. Styrelsen ansvarar även för den interna kontroll som de bedömer är nödvändig för att upprätta en årsredovisning som inte innehåller några väsentliga felaktigheter, vare sig dessa beror på oegentligheter eller misstag.

Vid upprättandet av årsredovisningen ansvarar styrelsen för bedömningen av bolagets förmåga att fortsätta verksamheten. De upplyser, när så är tillämpligt, om förhållanden som kan påverka förmågan att fortsätta verksamheten och att använda antagandet om fortsatt drift. Antagandet om fortsatt drift tillämpas dock inte om styrelsen avser att likvidera bolaget, upphöra med verksamheten eller inte har något realistiskt alternativ till att göra något av detta.

Revisorns ansvar

Våra mål är att uppnå en rimlig grad av säkerhet om huruvida årsredovisningen som helhet inte innehåller några väsentliga felaktigheter, vare sig dessa beror på oegentligheter eller misstag, och att lämna en revisionsberättelse som innehåller våra uttalanden. Rimlig säkerhet är en hög grad av säkerhet, men är ingen garanti för att en revision som utförs enligt ISA och god revisionssed i Sverige alltid kommer att upptäcka en väsentlig felaktighet om en sådan finns. Felaktigheter kan uppstå på grund av oegentligheter eller misstag och anses vara väsentliga om de enskilt eller tillsammans rimligen kan förväntas påverka de ekonomiska beslut som användare fattar med grund i årsredovisningen.

En ytterligare beskrivning av vårt ansvar för revisionen av årsredovisningen finns på Revisorsinspektionens webbplats: www.revisorsinspektionen.se/revisornsansvar. Denna beskrivning är en del av revisionsberättelsen.

Rapport om andra krav enligt lagar och andra författningar

Uttalanden

Utöver vår revision av årsredovisningen har vi även utfört en revision av styrelsens förvaltning för GKN Engines Holdings AB för år 2024 samt av förslaget till dispositioner beträffande bolagets vinst eller förlust.

Vi tillstyrker att bolagsstämman disponerar vinsten enligt förslaget i förvaltningsberättelsen och beviljar styrelsens ledamöter ansvarsfrihet för räkenskapsåret.

Grund för uttalanden

Vi har utfört revisionen enligt god revisionssed i Sverige. Vårt ansvar enligt denna beskrivs närmare i avsnittet Revisorns ansvar. Vi är oberoende i förhållande till GKN Engines Holdings AB enligt god revisorssed i Sverige och har i övrigt fullgjort vårt yrkesetiska ansvar enligt dessa krav.

Vi anser att de revisionsbevis vi har inhämtat är tillräckliga och ändamålsenliga som grund för våra uttalanden.

Styrelsens ansvar

Det är styrelsen som har ansvaret för förslaget till dispositioner beträffande bolagets vinst eller förlust. Vid förslag till utdelning innefattar detta bland annat en bedömning av om utdelningen är försvarlig med hänsyn till de krav som bolagets verksamhetsart, omfattning och risker ställer på storleken av bolagets egna kapital, konsolideringsbehov, likviditet och ställning i övrigt.

Styrelsen ansvarar för bolagets organisation och förvaltningen av bolagets angelägenheter. Detta innefattar bland annat att fortlöpande bedöma bolagets ekonomiska situation, och att tillse att bolagets organisation är utformad så att bokföringen, medelsförvaltningen och bolagets ekonomiska angelägenheter i övrigt kontrolleras på ett betryggande sätt.

Revisorns ansvar

Vårt mål beträffande revisionen av förvaltningen, och därmed vårt uttalande om ansvarsfrihet, är att inhämta revisionsbevis för att med en rimlig grad av säkerhet kunna bedöma om någon styrelseledamot i något väsentligt avseende:

- företagit någon åtgärd eller gjort sig skyldig till någon försummelse som kan föranleda ersättningsskyldighet mot bolaget, eller
- på något annat sätt handlat i strid med aktiebolagslagen, årsredovisningslagen eller bolagsordningen.

Vårt mål beträffande revisionen av förslaget till dispositioner av bolagets vinst eller förlust, och därmed vårt uttalande om detta, är att med rimlig grad av säkerhet bedöma om förslaget är förenligt med aktiebolagslagen.

Rimlig säkerhet är en hög grad av säkerhet, men ingen garanti för att en revision som utförs enligt god revisionssed i Sverige alltid kommer att upptäcka åtgärder eller försummelser som kan föranleda ersättningsskyldighet mot bolaget, eller att ett förslag till dispositioner av bolagets vinst eller förlust inte är förenligt med aktiebolagslagen.

En ytterligare beskrivning av vårt ansvar för revisionen av förvaltningen finns på Revisorsinspektionens webbplats: www.revisorsinspektionen.se/revisornsansvar. Denna beskrivning är en del av revisionsberättelsen.

Göteborg den 30 juni 2025

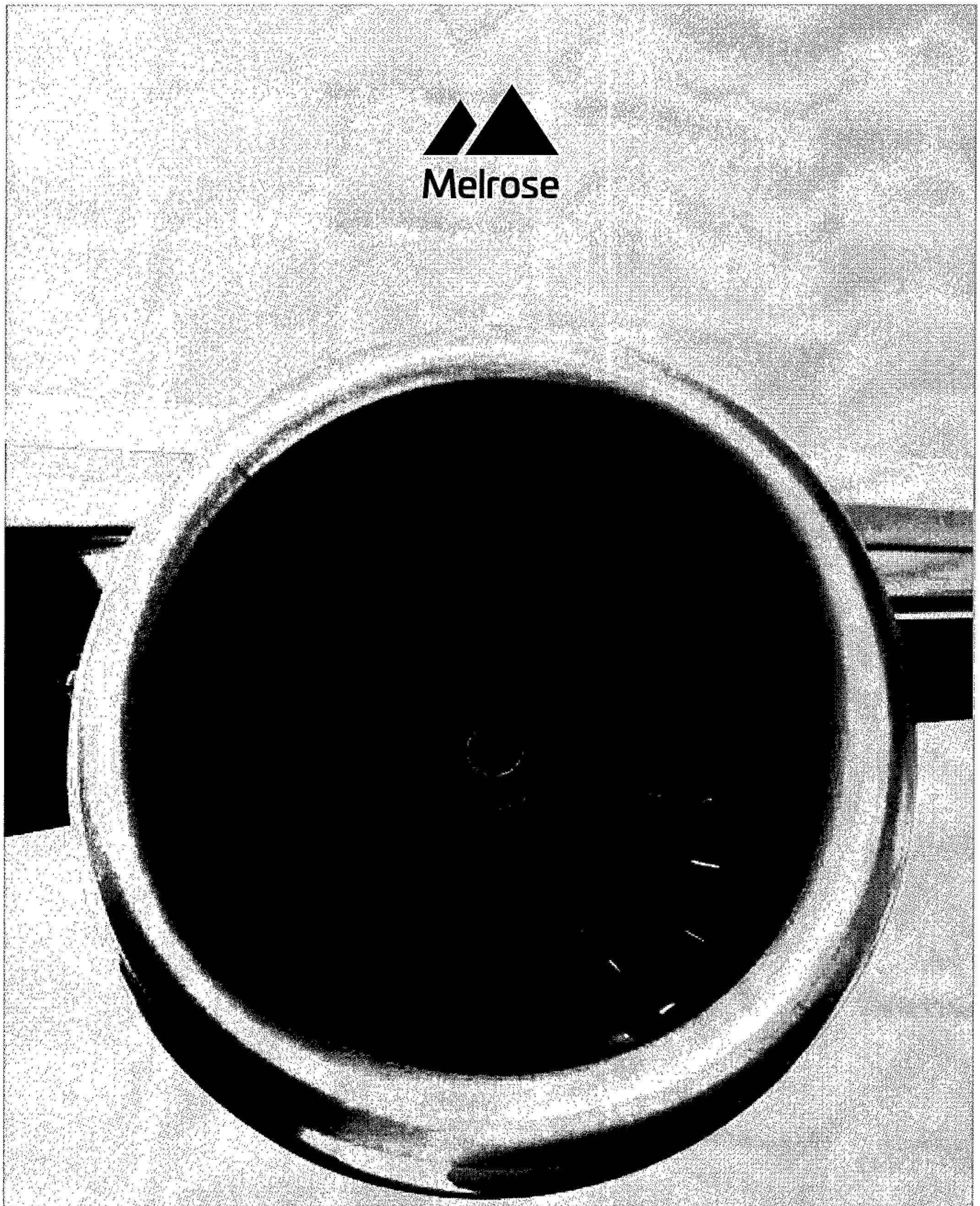
PricewaterhouseCoopers AB

Johan Malmqvist
Auktoriserad revisor
Huvudansvarig revisor

Daniel Körner Rask
Auktoriserad revisor

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Melrose



AEROSPACE EXPERTISE

MELROSE INDUSTRIES PLC – ANNUAL REPORT 2024

Melrose

Melrose Industries PLC

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London Stock Exchange
Code: MRO
SEDOL: BNGDN82
LEI: 213800RGNXXZY2M7TR85

Melrose

A world-leading aerospace business, with established positions on all the world's major aircraft and engines

Melrose continues to build on its strong track record of generating outstanding returns for shareholders



Find out more on our website
www.melroseplc.net

CAUTIONARY STATEMENT

The Strategic Report and certain other sections of this Annual Report and financial statements contain statements that are, or may be deemed to be "forward-looking statements". These forward-looking statements may be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "plans", "projects", "anticipates", "potential", "predicts", "expects", "intends", "may", "will", "can", "likely" or "should" or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. Forward-looking statements may and often do differ materially from actual results. Any forward-looking statements reflect the Company's current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the business, results of operations, financial position, liquidity, prospects, growth and strategies of the Group. Forward-looking statements speak only as of the date they are made.

In light of these risks, uncertainties and assumptions, the events in the forward-looking statements may not occur or the Company's or the Group's actual results, performance or achievements of the Company might be materially different from the expected results, performance or achievements expressed or implied by such forward-looking statements. Forward-looking statements contained in this Annual Report speak only as at the date of this Annual Report. The Company expressly disclaims any obligation or undertaking to update these forward-looking statements contained in this Annual Report to reflect any change in their expectations or any change in events, conditions, or circumstances on which such statements are based unless required to do so by applicable law, the UK Listing Rules and the Disclosure Guidance and Transparency Rules of the FCA or Regulation (EU) 596/2014 as it forms part of the domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018. Some financial and other numerical data in this Annual Report and financial statements has been rounded and, as a result, the numerical figures shown as totals may vary slightly from the exact arithmetic aggregation of the figures that precede them.

Contents

STRATEGIC REPORT

2 At a glance
4 Investment case
6 Chairman's statement
8 Chief Executive Officer's review
12 Market trends
14 Our business model and strategy
16 Divisional review – Engines
20 Divisional review – Structures
24 Key performance indicators
26 Chief Financial Officer's review
33 Longer-term viability statement
34 Risk management
37 Risks and uncertainties
45 Section 172 statement
51 Sustainability review
100 Non-financial and sustainability information statement

GOVERNANCE

103 Governance overview
108 Board of Directors
110 Directors' report
115 Corporate governance report
124 Audit Committee report
132 Nomination Committee report
136 Directors' Remuneration report
156 Statement of Directors' responsibilities

FINANCIAL STATEMENTS

158 Independent auditors' report to the members of Melrose Industries PLC
168 Consolidated Income Statement
169 Consolidated Statement of Comprehensive Income
170 Consolidated Statement of Cash Flows
171 Consolidated Balance Sheet
172 Consolidated Statement of Changes in Equity
173 Notes to the Financial Statements
226 Company Balance Sheet for Melrose Industries PLC
227 Company Statement of Changes in Equity
228 Notes to the Company Balance Sheet
237 Glossary

ADDITIONAL INFORMATION

245 Notice of Annual General Meeting
253 Company and shareholder information

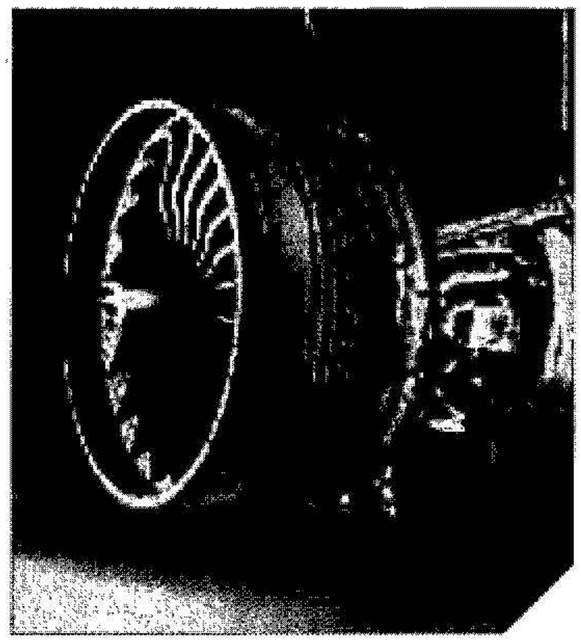
Note: Throughout this Annual Report like-for-like growth versus 2023 is calculated at constant currency and, for revenue, excludes businesses exited during 2024.



CHIEF EXECUTIVE OFFICER'S REVIEW

Read about our 2024 results and our strategic priorities for 2025 and beyond.

→ **Chief Executive Officer's review** page 8



OUR BUSINESS MODEL

Read about our growth strategy as an aerospace technology business, creating long-term value for our shareholders, employees and customers.

→ **Our business model** page 14



SUSTAINABILITY REVIEW

Investing in sustainable technology to shape the future of flight

→ **Sustainability review** page 51

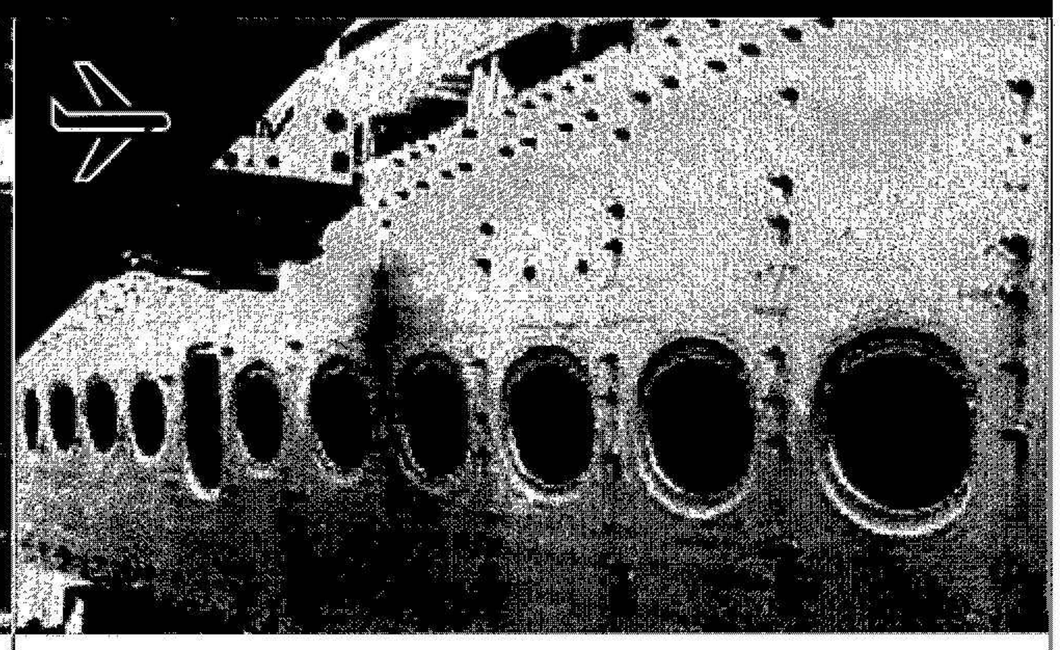
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AT A GLANCE

Melrose is an industry-leading global aerospace technology business

TWO INDUSTRY-LEADING DIVISIONS





ENGINES

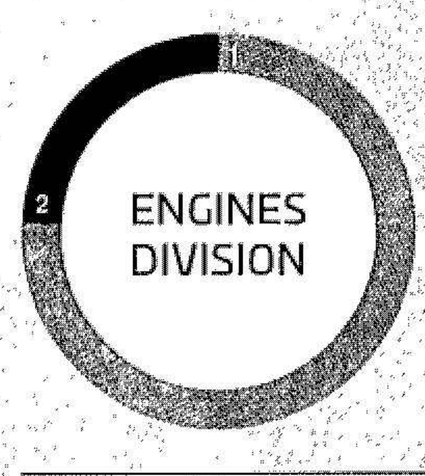
We are a trusted technology partner to all global engine manufacturers. Our structural engine components feature on 90% of major civil aircraft today, with long-term partnerships built on differentiated products, processes and intellectual property. We also hold an OEM position on the RM12 engine.

Customers
GE Aerospace, Pratt & Whitney, Safran, Rolls-Royce and other engine OEMs

Product solutions
Engine mount structures; fan cases and turbine cases; shafts and rotating components; parts repair and aftermarket services

Technology
Engineered metallic structure design and manufacture; advanced welding capability; industry-leading additive fabrication

2024 REVENUE BY MARKET



1	Civil	**76%**
2	Defence	**24%**

→ **Read more about our Engines division**
page 16

STRUCTURES

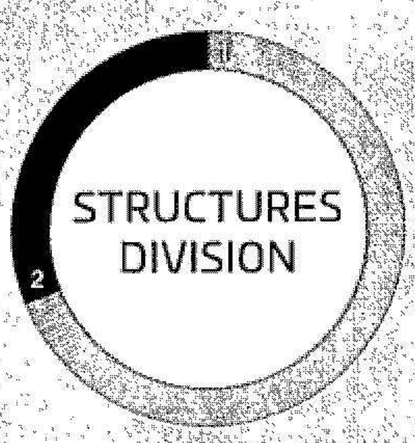
We deliver cutting-edge airframe technology and electrical distribution systems from a global industrial footprint. We have embedded customer positions on all today's major aircraft, and our design-led solutions are well placed for the next generation of aircraft, across both the civil and defence markets.

Customers
Airbus, Boeing, COMAC and other airframe OEMs

Product solutions
Wing structures, empennage, fuselage, electrical wiring interconnection systems ("EWIS") and advanced aircraft transparencies

Technology
Lightweight composite and metallic structure design and manufacture; EWIS design and components; proprietary coating solutions

2024 REVENUE BY MARKET



1	Civil	**69%**
2	Defence	**31%**

→ **Read more about our Structures division**
page 20

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OUR 2024 RESULTS

Revenue
£3,468m



Statutory operating profit/(loss)
£(4)m



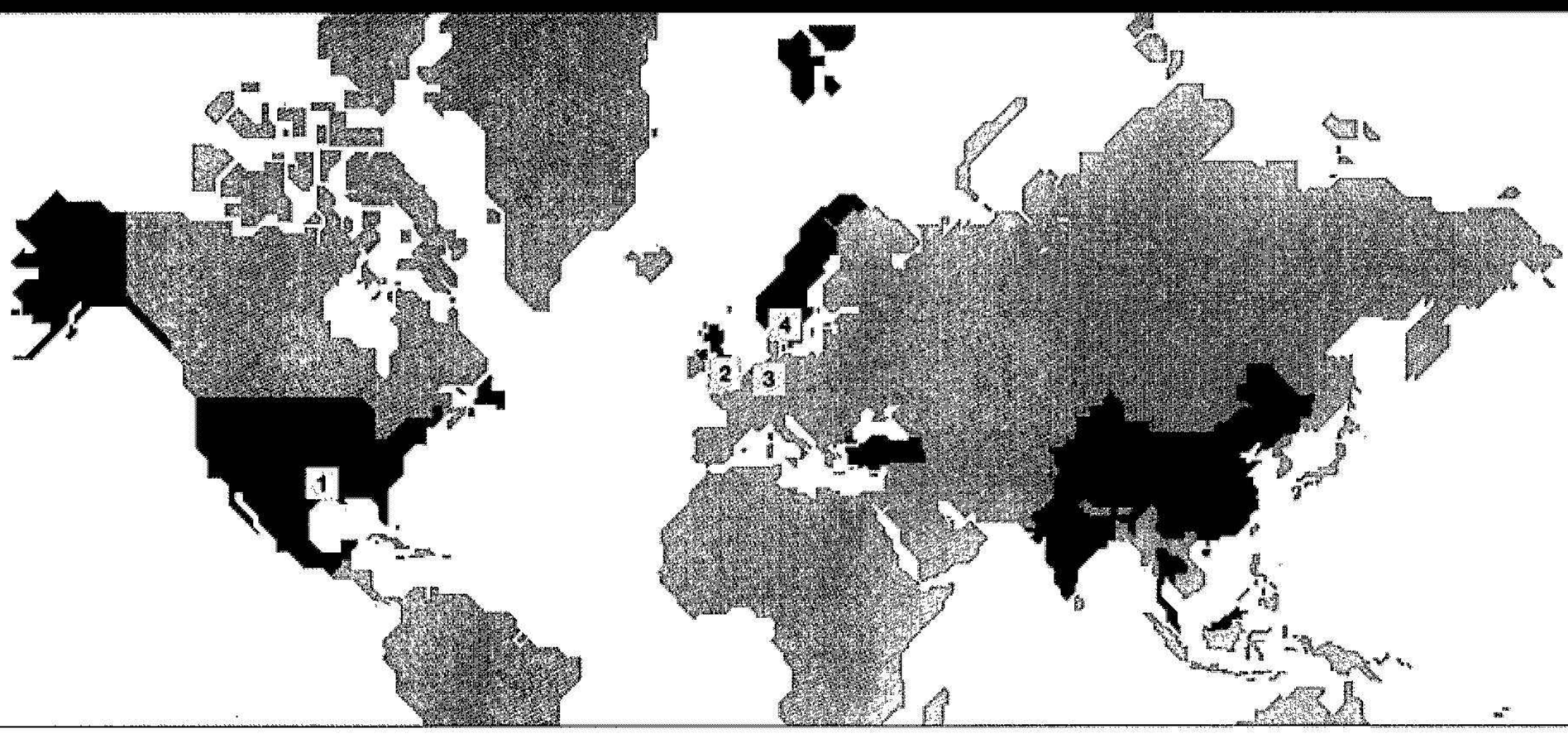
Adjusted operating profit
£540m



Full year dividend
6.0p



OUR GLOBAL PRESENCE



1 Fort Worth, US
2 Bristol, UK
3 Hoogeveen, Netherlands
4 Trollhättan, Sweden

Key
Global technology & Innovation centres (4)
Countries with manufacturing locations (12)

32	12	4	3
Manufacturing sites	Countries of operation	Technology & Innovation centres	Engine repair centres of excellence

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INVESTMENT CASE

Melrose is a UK-listed global aerospace technology business with a record of delivering significant value to shareholders

We are focused on continuous operational and financial improvement over the longer term. Our positive trajectory is underpinned by the strong organic growth prospects within the aerospace sector, our embedded positions on major aircraft and engines, and our exceptional technology portfolio.

BUSINESS ATTRIBUTES

01 Well positioned in structurally growing civil and defence aerospace markets

02 Established presence on all of the world's leading aircraft and engines

03 Unique portfolio of 19 engine RRSPs giving entitlement to long-term aftermarket growth and cash

04 Proven track record of continuous business improvement

05 New growth opportunities from proprietary technology such as Engines' additive fabrication

06 Key partner for next generation aircraft; only player on both next generation engines

SHAREHOLDER RETURNS

5-YEAR TARGETS

Group revenue of
c.£5bn

Adjusted operating profit of
£1.2bn+

Free cash flow[1] of
£600m
(after tax and interest)

Margin of
24%+

Earnings per share annual growth[2] of
>20%

LONG-TERM

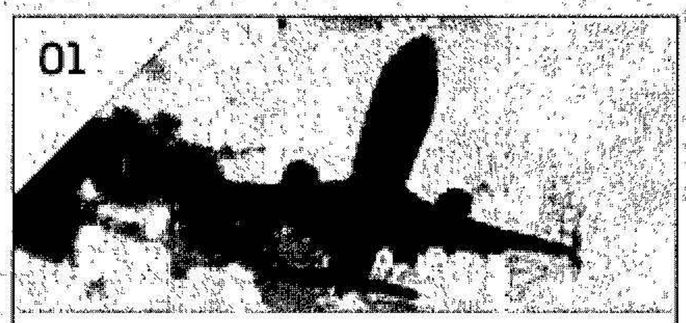
Ongoing sales and EPS growth with sustained increase in cash generation

Cash returns for shareholders

(1) In 2029.
(2) 2024-2029 CAGR.

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01



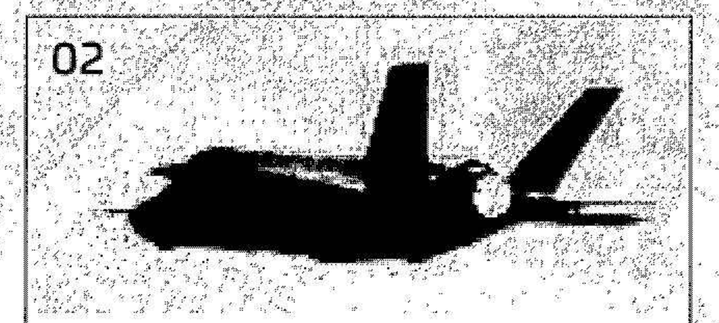
Well positioned in structurally growing civil and defence aerospace markets

The aerospace market is characterised by long-term structural growth, including record aircraft order books, increasing engine flight hours and rising defence spend. Melrose continues to benefit both from the production ramp-up of new aircraft, as well as the strongly growing engine aftermarket.

>14,000

aircraft order backlog across Airbus and Boeing

02



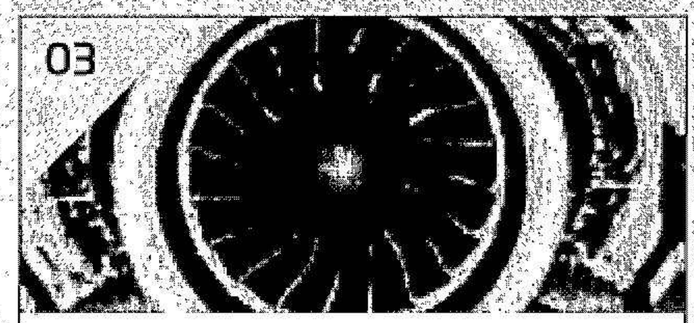
Established presence on all of the world's leading aircraft and engines

Melrose has embedded positions on today's leading commercial narrowbody and widebody aircraft, business jets, as well as the world's major defence platforms. We have technology on-board around 100,000 flights a day. We are well balanced across the major OEMs within the engines and structures civil and defence markets, fulfilling original equipment and aftermarket activity.

>70%

revenue generated from sole source positions

03



Unique portfolio of 19 engine RRSPs giving entitlement to long-term aftermarket growth and cash

We have a uniquely wide portfolio of engine risk and revenue sharing partnerships ("RRSPs"). All 19 of these programmes are set to be cash positive in 2028, delivering substantial free cash inflow in the years ahead.

£22bn

of cash to be generated by our RRSP portfolio

04



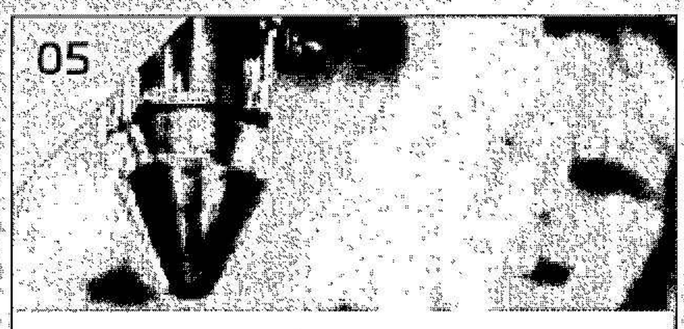
Proven track record of continuous business improvement

We drive continuous business improvement to ensure Melrose remains a vibrant and trusted business for all stakeholders. We are focused on operational excellence and delivery for our global customers, and achieving progressive financial results.

£100m+

cash generation forecast in 2025, which is forecast to more than quadruple by 2029

05



New growth opportunities from proprietary technology such as Engines' additive fabrication

Melrose is a trusted design partner to our customers, delivering breakthrough technologies and creating high-quality, precision-engineered components. Our differentiated technology, including world-leading additive fabrication capability, enables us to strengthen our existing positions and take advantage of new opportunities.

Proprietary

additive fabrication technology in demand from all engine OEMs

06



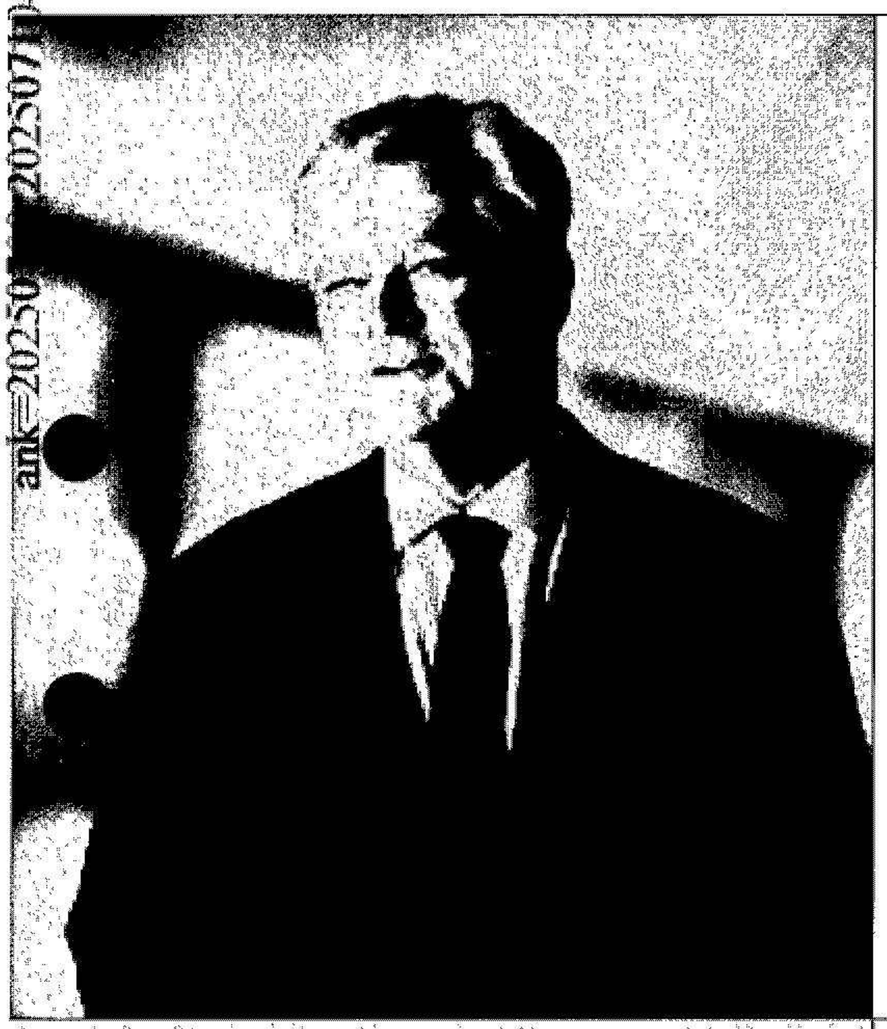
Key partner for next generation aircraft; only player on both next generation engines

Melrose is the only partner on both future single-aisle engine technology programmes: the CFMI RISE and Pratt & Whitney's next generation GTF. We have also been a wing partner with Airbus for 25 years. Our design-led partnerships mean we are well placed to participate in the next generation of aircraft and engines.

Partner

on both next generation engine technology development programmes

Strong performance in 2024



> "Our positive trajectory is built upon leading positions on all the world's major aircraft platforms"

Justin Dowley
Non-executive Chairman

I am pleased to report our second set of annual results since Melrose's transformation into a world-leading aerospace technology business.

CALENDAR YEAR 2024

The Group enjoyed another strong year in 2024, delivering profits at the top end of expectations. We achieved revenue for the Group of £3,468 million (2023: £3,350 million), with an adjusted operating profit of £540 million, up 42% versus 2023.

With our strategy now established as a long-term global aerospace technology business, our extensive restructuring set to complete in 2025, and a strong, experienced senior management team in place, your Board is confident that Melrose is on track to realise its full potential. This includes the continued commercialisation of our leading technology and capitalising on the aerospace sector's strong structural and market fundamentals, including through our Engines aftermarket business, and leading platform positions in Structures.

These results demonstrate the Group's trajectory to achieving its 2025 financial targets, and today we are pleased to publish our new five-year targets. Further details are contained in the Chief Executive Officer's review and Chief Financial Officer's review. I would like to thank all employees for their efforts this year.

PURPOSE, STRATEGY AND SUSTAINABILITY

Our strategy remains underpinned by the principles on which Melrose was founded, namely a sharp focus on value creation, driven by operational and financial improvement over the longer term. Our positive trajectory is built upon leading positions on all of the world's major aircraft platforms, strong organic growth prospects, and attractive opportunities to differentiate our business further through cutting-edge proprietary technology that is already shaping the future of flight.

The long-term decarbonisation of the aerospace sector remains a priority, and we continue to deploy our innovation and technology leadership to deliver commercial solutions that ultimately contribute to cleaner air travel and generate superior financial returns for our shareholders. Further information about the commercial and technological opportunities being generated by our market-leading additive fabrication capabilities can be found in our Chief Executive Officer's review and Engines divisional review. Our sustainability performance continues to be recognised by several key benchmarking agencies, including: MSCI which upgraded our ESG rating to 'AA' making us a leader among our aerospace and defence industry peers; CDP which ranks us 'B' for Climate Change and Water Security; and Sustainalytics, ISS and EcoVadis which each rank Melrose among the top decile of aerospace businesses.

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OUR SUSTAINABILITY PERFORMANCE

RECOGNITION

Our 2024 ESG scores

AA
MSCI ESG Rating of AA
(2023: A)

B
CDP Climate Change score
(2023: B)

B
CDP Water Security score
(2023: C)

DIVIDEND AND SHARE BUYBACKS

In line with our policy to grow dividends, the Board proposes to pay a final dividend of 4.0 pence per share for 2024, making a total dividend for the year of 6.0 pence per share. The final dividend will be paid on 9 May 2025 to those shareholders on the register at 28 March 2025.

During the year, the Company completed its £500 million share buyback programme, and commenced a further £250 million share buyback programme that is due to complete in March 2026.

BOARD MATTERS

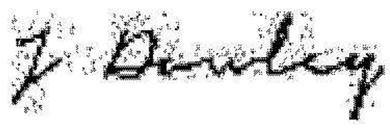
Having served your Board as a Non-executive Director since 2011, this is my final statement as Non-executive Chairman before I step down from the Board on 31 March 2025 as previously announced. I am pleased to have worked closely alongside my successor, Chris Grigg, since his appointment as Non-executive Director and Chair designate on 1 October 2024, to ensure an orderly transition to his appointment as Non-executive Chairman of the Board on 30 March 2025.

I am confident that under Chris's oversight the Company and its management team will continue to thrive, and that the business will benefit from his seasoned FTSE 100 executive and non-executive experience, including his aerospace sector experience as Non-executive Director and Senior Independent Director of BAE Systems. Chris also has a strong track record in promoting diversity and inclusion at Board and senior management level, and serves as a member of the FTSE Women Leaders Review's independent steering body. Under Chris's leadership, your Board will continue to bolster, support and challenge management in delivering on stakeholders' expectations, and in pursuing the business's ambition to be its customers' most trusted and sustainable partner.

To facilitate completion of the Non-executive Chairman succession process, continued succession planning and the development of a diverse Board, the Nomination Committee and the Board have approved a short extension to David Lis's tenure as Senior Independent Director up to the end of 2025.

In addition to Chris Grigg, Ian Barkshire joined the Board as Non-executive Director on 1 October 2024. Ian brings a strong science and technology background and a track record of value creation and executive leadership having previously served as Chief Executive Officer of Oxford Instruments plc.

I would like to thank my fellow Directors, both past and present, and the senior management teams with whom I have had the privilege of working. Melrose has created significant value for shareholders and successfully transformed its strategy to enable the Group's current and future success as a world-leading aerospace business.



Justin Dowley
Non-executive Chairman

6 March 2025

Strong growth trajectory as a focused aerospace business

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"We are well placed to deliver further profitable growth and a step change in cash generation in the years ahead."

Peter Dilnot
Chief Executive Officer

OVERVIEW

Melrose delivered a strong performance in 2024. During the year, we continued our growth trajectory as a focused aerospace technology business while building the foundations for future value creation.

Our full year profits for 2024 were at the top end of expectations, despite industry supply chain issues that constrained aircraft production. The Engines division outperformed with continued strong aftermarket growth, and the Structures division made good progress with its extensive improvement actions reading through. Across the Group, our relentless focus on safety and quality delivered an 80% reduction in lost time accidents. We also progressed with our proprietary technology developments, most notably with additive fabrication which is now in demand from all engine OEMs.

We have good momentum going into 2025 and are confirming our guidance to deliver the £700 million adjusted operating profit target we set in May 2023, notwithstanding the ongoing industry supply chain challenges. We expect margins to continue to increase above the target range driven by positive aftermarket mix and the full year benefits of business improvements completed in 2024. In the year ahead we will complete our transformational multi-year restructuring programme and expect to reach an important inflection point in cash generation, with our guidance for substantial free cash flow after interest and tax.

Looking forward, we are pleased to announce new five-year targets. These targets are built on our strategy to deliver organic growth, primarily from well established positions on the world's leading aircraft and engines. Our transformation programme has focused Melrose where we have proprietary technology and high quality of earnings, and we are also now serving our global customers from a leaner operating base. This position, coupled with structural aftermarket growth and record order backlogs for new aircraft, gives us confidence to target high single digit annual top line growth leading to c.£5 billion of revenue in 2029 with expanding margins delivering £1.2 billion+ of adjusted operating profit. Our cash generation is set to increase dramatically over the period, to £600 million (after interest and tax) in 2029, due to profit growth, increasing aftermarket cash flows and current one-time costs falling away.

Overall, we are well placed with a unique position in a structurally growing market and with a clear strategy to deliver significant value. Our focus is therefore on executing our plan while navigating what are likely to remain turbulent times in our industry and more widely.

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OUR STRATEGY

IN 2024 WE SET OUT OUR CLEAR GROWTH STRATEGY:

- Deliver growth from existing platforms
- Expand in targeted new opportunities
- Participate in next generation aircraft

→ **Business model and strategy**
page 14

Our new five-year targets:

c.£5bn
revenue

£1.2bn+
adjusted operating profit

£600m
free cash flow

24%+
operating margin

RESULTS

Overall Group revenue rose 6% in 2024 to £3,468 million, with like-for-like sales up 11% taking into account exited businesses. This was principally driven by strong Engines growth of 26%, especially across parts repair, defence aftermarket and our RRSP portfolio. Structures revenue growth of 3%, on a like-for-like basis, was achieved against a backdrop of industry-wide supply constraints and the previously announced customer destocking. Group revenue would have been £66 million higher if foreign exchange rates had been at our guided US $1.25 in 2024.

Group adjusted operating profit rose 42% to £540 million, with margins up 4.0ppts to 15.6%, driven by revenue growth, business improvements and aftermarket mix. At a divisional level, Engines delivered margins of 28.9%, exceeding its original 2025 margin target of 28% a year ahead of plan, with Structures on track at 7.2% despite lower than expected OEM build rates. Group adjusted operating profit would have been £12 million higher if foreign exchange rates had been at our guided US $1.25 in 2024.

The Group achieved positive free cash flow in the second half of 2024 with full year cash flow and net debt in line with expectations. Net debt stood at £1,321 million at 31 December 2024. This reflected leverage of 1.9x after funding growth, restructuring, dividends and share buybacks. The share buybacks in 2024 included completing the £500 million programme announced in September 2023 and starting the £250 million programme announced in August 2024.

HIGHLIGHTS

Melrose is a 'Super-Tier 1' partner with design-led solutions deeply embedded in our customers' aircraft and engines, often for the life of the programme. We have an excellent track record of value creation and in 2024 we set out a clear strategy to continue this by delivering growth from existing platforms, expanding in new targeted opportunities, and contributing to next-generation aircraft. We made encouraging progress in all these areas.

Our Engines business continued to deliver profitable growth from both the civil and defence aftermarket as flight hours for in-flight engines increased. In the civil engine repair business, we expanded both our LEAP fan blade and our Geared Turbofan ("GTF") repair capabilities, and opened our new San Diego repair facility to increase capacity for the growing demand. Engines also signed a decade-long OE production contract with Safran to supply LEAP-1A shafts from Norway and support the ongoing global ramp-up. In Structures, new commercial agreements were secured with Lockheed Martin to double our F-35 canopy production capacity by 2027, largely funded by the customer, as well as a multi-year contract renewal with Airbus to deliver the full A220 electrical wiring package. In parallel, long-running commercial negotiations with Boeing were successfully concluded with the sale of both our Orangeburg and St. Louis operations, and we also divested our non-core Fuel Systems business at the beginning of the year. With our defence repricing work well advanced, Structures is now a stronger, design-led business with a promising growth trajectory.

Our future technology development is focused primarily on our world-leading additive fabrication solutions, which is in demand from all major engine OEMs. We have commenced our investment of up to £300 million over five years to industrialise this breakthrough technology and our first dedicated factory is already building out its early production capacity. This is a highly differentiated capability, providing our customers with an alternative manufacturing solution for large-scale, flight-critical components offering much lower lead times, higher quality and less waste. We reached a landmark in 2024 by delivering the first demonstrator case produced wholly by additive fabrication for testing within the next-generation CFMI RISE technology programme. Elsewhere, long-term production contracts have been secured with Pratt & Whitney, with FAA approval secured and flight-critical additive fabrication component deliveries now well underway, and with GE Aerospace, where development work is progressing well. Our Global Technology Centres continue to explore the potential for additive fabrication across large-scale aerostructures in the future.

Continued

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In parallel we worked closely with our customers to ensure our participation on aircraft platforms of the future. In Engines, we signed an agreement with the Swedish Defence Materiel Administration ("FMV") to explore future fighter propulsion systems, while also progressing work on the next-generation GTF technology development programme with Pratt & Whitney. In Structures, we continued our partnership with Airbus on future wing development with Sustainable Wings ("SusWingS"), the successor to the Wing of Tomorrow programme.

We also delivered further operational gains in 2024. Safety and quality performance both improved, with 80% fewer lost time accidents and 14% reduction in cost of poor quality versus 2023. Our customer deliveries also stayed largely on track, despite the industry-wide supply chain issues. We improved productivity through the year, but progress was hampered by industry supplier shortages. Inventory levels were also higher due to our businesses holding more safety stock and work-in-progress to protect customer deliveries.

MARKET UPDATE

Melrose has embedded positions on all leading commercial narrowbody and widebody aircraft, as well as on many of the world's leading defence platforms. Our Engines portfolio covers all major OEMs and in Structures we have significantly more content with Airbus than Boeing. Group revenues are split 72% civil to 28% defence work.

Our Engines business leads the industry in the fabrication of advanced engine structures, cases and frames. We are a risk and revenue sharing partner on 19 engine programmes, covering around 70% of major civil aircraft flight hours globally. We also operate at an OEM level, holding the military type certificate for the RM12 engine, powering the Gripen fighter jet. In Structures, we have design-to-build expertise in metallic and lightweight composite components, as well as electrical wiring interconnection systems ("EWIS") and transparencies for both civil and defence aircraft.

Market demand remained strong in 2024, with the commercial aircraft order backlog and global flight hours continuing to rise. Domestic and international passenger air traffic sales were also up, while passenger load factors climbed towards 85%, with several record months in the year. Total flight hours finished the year 8% above 2023 levels, while flight hours across our RRSP portfolio increased by 5% versus the same period.

Industry-wide operational challenges persisted in 2024. Production capacity and raw material shortages continued to restrict new aircraft deliveries, with Airbus lowering build rates during the year and Boeing also facing quality and industrial relations challenges. The continued constraints on new aircraft production fuelled record order backlogs, which now stand at around a decade for narrowbody aircraft and six years for widebody. These dynamics, while challenging on the original equipment side, will continue to boost our Engines aftermarket performance, as existing aircraft fly for longer, requiring additional engine shop visits and more spares. In the longer term, an expected continuation of flying hour increases coupled with order backlogs stretching into the 2030s underpins Melrose's growth for many years to come.

During 2024, we continued to work closely with Pratt & Whitney and other partners to manage the powder metal issue impacting some GTF engines. Solid progress has been made, with off-wing inspections and Block D upgrades delivered in line with Pratt & Whitney's global fleet management plan. The GTF remains fundamentally an excellent engine and its fuel consumption and durability will be enhanced further by the Advantage upgrade, planned for launch in 2025.

Within defence, global tensions and conflict have continued to drive up military spending. In the US, the National Defence Industry Strategy has set out its path to increase security through a more resilient supply chain. Across Europe many countries have pledged to increase defence spending to 2.5% of GDP, with some countries calling for this to be pushed to as much as 5%. We are well-placed to support this trend with our established footprint both in the US and across Europe, in the UK, Sweden, the Netherlands and Germany.

CAPITAL ALLOCATION

At our half year results announcement in August 2024, we set out Melrose's capital allocation approach in support of our long-term growth strategy. This policy is focused on two key principles: delivering sustained profitable and cash generative organic growth, while rewarding shareholders through capital returns.

During the year we accelerated our investment to increase operational capacity and automation, especially within our high-margin Engines business. This will enable us to deliver the OEM ramp-up and capture the strong growth in our current markets. We will also direct capital into new business opportunities where our proprietary technologies can deliver an internal rate of return above 20%. We have already begun investing up to £300 million over five years specifically into our industry-leading additive fabrication capabilities, with the associated revenue building progressively and a target of more than £50 million incremental annual profit by the end of the decade. We will also continue to grow our business in other targeted areas where we have technology leadership and strong demand. Often these opportunities can be pursued with a 'capital light' approach through customer funding, with recent examples including the F-35 canopy ramp up, eVTOL development and civil expansion in China. A leverage target ratio between 1.5 to two times will provide flexibility for future opportunities.

Alongside our organic investments, the £500 million share buyback programme announced in September 2023 concluded in September 2024 and was extended by a further £250 million programme through to March 2026, thereby aligning programme timing with full year results announcements. These programmes highlight the Board's confidence in the future growth and cash generation prospects of the Group.

Our technology-led growth strategy, combined with our disciplined approach to capital allocation, offer attractive returns for many years to come.

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SUSTAINABILITY

During the year we announced a new set of 2025 sustainability targets for the Group, after achieving the majority of our original goals ahead of schedule. The ambitious new targets focus on three key areas: reducing emissions from our business; conserving the planet's natural resources; and supporting aviation's route to Net Zero by 2050. Detailed updates on our performance can be found in our Group Sustainability Report.

Melrose's progress was recognised externally in 2024, with our MSCI ESG rating upgraded from A to AA. Our 2025 Group sustainability targets and our Net Zero 2050 targets have been validated by the Science-Based Targets initiative ("SBTi"). In addition EcoVadis, a global leader in sustainability assessments rated us among the top 10% of businesses in 2024.

As a Super-Tier 1 partner, we recognise that the greatest impact we can have on aviation's path to reduce emissions is by developing breakthrough technologies for more sustainable flight. This work continued across all our businesses in 2024. For example, in Engines our optimised intermediate compressor case was successfully ground-tested as part of Rolls-Royce's full power UltraFan™ trial, which ran on 100% sustainable aviation fuel. In Structures, we also reached milestones in the electrically powered advanced air mobility sector, delivering the first complete composite wings and booms for Supernal's SA-2 eVTOL, while strengthening our partnership with Joby on thermoplastic structures. Our lightweight composite expertise was also recognised with an Aerospace Technology Institute award for the collaborative ASCEND project, to develop high-rate and sustainable aerostructures for civil aircraft. Finally, our ground-breaking work on hydrogen aircraft propulsion continued at pace, with the world's first cryogenically cooled hydrogen electric motor demonstrator delivered for testing and plans for a 2MW propulsion system.

OUTLOOK

As a result of our transformational multi-year restructuring programme, Melrose is increasingly focused on design-led technology where we have established proprietary or market-leading positions on the world's leading aircraft. With structural demand from record order backlogs and increasing aftermarket requirements set to continue, we are well placed to deliver further profitable growth and a step change in cash generation in the years ahead.

For 2025 we are confirming our guidance of £700 million adjusted operating profit (pre-PLC costs), consistent with our May 2023 targets. Our adjusted operating margin is expected to exceed 19%, driven by positive aftermarket mix in Engines, ongoing operational improvements, and the full year impact of low margin disposals in 2024. The Group free cash flow is set to increase to >£100 million (after interest and tax) driven by higher profits, lower restructuring costs and improvements in trade working capital efficiency. As usual we expect cash generation will be second half weighted. Our 2025 guidance does not factor in the impact from trade restrictions or tariffs.

Given our momentum and the strong demand outlook, we are pleased to announce new five-year targets. These are underpinned by our clear growth strategy which centres on delivering the ramp up in volumes expected on our existing platforms. Our targets include sustained high single digit top-line growth to c.£5 billion of revenue in 2029, delivering £1.2 billion+ of adjusted operating profit. The corresponding 5ppts uplift in operating margins to 24%+ is driven by operational leverage from higher volumes, positive portfolio mix (especially in Engines) and continued business improvements through the period. We expect cash generation from the Group to be transformed with £600 million of free cash flow (after interest and tax) in 2029. The building blocks for this increased cash flow are growing profits, the end of substantial restructuring costs in 2025, the GTF powder metal inspection programme completing in 2027 and the GTF programmes turning cash positive in 2028. The free cash flow generation will also be driven by working capital efficiencies, tightly managed capital expenditure and ongoing reductions in other cash flow items.

We have a clear path to delivering these targets based on the expected ramp up in production rates to publicised levels and our positive improvement trajectory. Overall, we are excited about the future prospects for Melrose and focused on delivering value for the benefit of all stakeholders in the years ahead.



Peter Dilnot
Chief Executive Officer

6 March 2025

> "As a result of our transformational multi-year restructuring programme, Melrose is increasingly focused on design-led technology where we have established proprietary or market-leading positions on the world's leading aircraft."

Strong market demand provides basis for future growth

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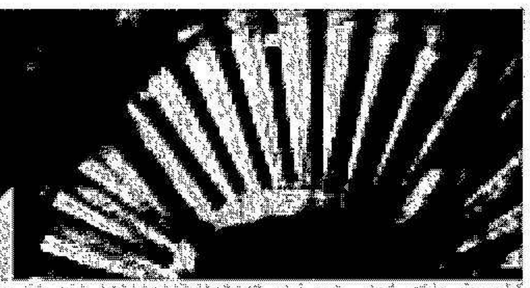
01 CIVIL RAMP-UP SLOWED, STRONG DEMAND



Global aircraft backlogs hit record levels in 2024, with demand for widebody aircraft now reaching the end of the decade and the single-aisle backlog now into the 2030s. On the supply side, aircraft deliveries were lower than prior year for the first time since 2020. Airbus deliveries were lower than expected due to the persistent supply chain constraints, while Boeing was restricted by supply challenges and a series of quality and labour issues in the year. This hindered the civil ramp-up and, with orders exceeding deliveries in 2024, further extended the global order backlog.

2024 progress
Melrose launched a clear strategy (see pages 14 and 15) to capture the structural growth within our markets and position our business for new opportunities ahead. This strategy is built upon differentiated technology leadership, reliable delivery to our customers, and ongoing improvement in all areas. In 2024 Melrose deployed £50 million in capital expenditure as part of a commitment of up to £300 million of future investment to grow our world-leading additive fabrication business. We also delivered significant improvements in safety and quality across our sites.

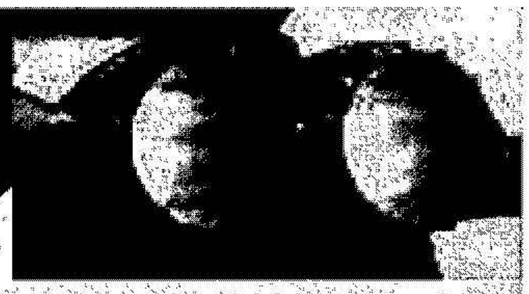
02 STRONG AFTERMARKET



Global flight hours in 2024 were above pre-COVID levels, as global demand for air travel continued to grow. With new aircraft deliveries constrained by supply chain issues, 2024 saw airlines delay aircraft retirements in order to maintain fleet capacity, which increased demand for engine maintenance. This trend was accentuated by the powder metal issue impacting some GTF engines, which required additional off-wing inspections, maintenance and upgrades. Strong aftermarket demand is expected to continue.

2024 progress
Our unique portfolio of 19 risk and revenue sharing partnerships continued to mature in 2024, moving further into the cash generative aftermarket phase. Melrose continued to invest in its industry-leading repair business, with its largest and most advanced centre of excellence opened in San Diego, California. With cutting edge facilities in the US, Asia and Europe, the repair business is now globally positioned to support the world's leading engines, such as the LEAP and Geared Turbofan.

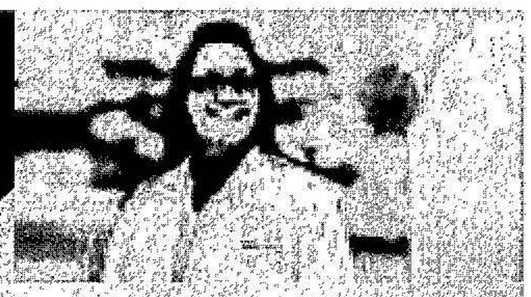
03 DEFENCE GROWTH



Geopolitical instability continued to drive up demand for key military platforms, with allied defence spending increasing substantially in the year. European budgets, in particular, rose in 2024 as EU countries stepped up to meet their defence commitments, most notably in response to the ongoing conflict in Ukraine. The F-35 ramp-up continued, with plans for future sixth-generation fighters in the US and Europe progressing. Planning for a new generation of unmanned collaborative combat aircraft increased, focused on low cost, high volume solutions.

2024 progress
Significant improvement actions continued to strengthen our defence business and position it to take advantage of future growth. Commercially, we refocused on higher quality 'design-to-build' contracts and repricing activities. By the end of 2024, 61% of core defence work was sustainably priced, on track for our 2025 commitment. We also progressed our portfolio restructuring programme, divesting non-core, build-to-print businesses to create a more focused, technology-driven business.

04 SUSTAINABILITY FOCUS



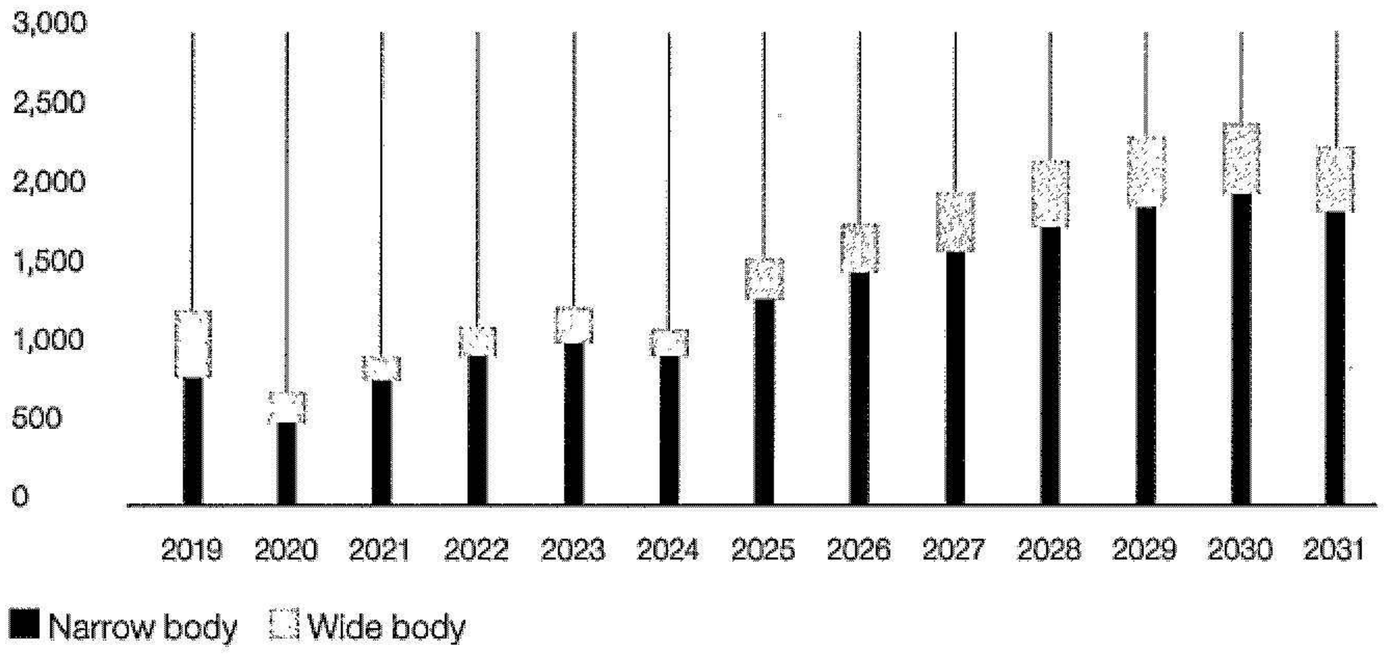
Tackling climate change continued as a priority for policy makers, investors and the aerospace industry. This trend gathered pace in 2024 with more than 50%[1] more aerospace companies committed to science-based sustainability targets compared to 2023. Investment in more sustainable technology also increased, with a focus on sustainable aviation fuel, lightweight structures and all-new propulsion systems among those solutions focusing on achieving net zero in-flight emissions by 2050.

2024 progress
Melrose announced a new set of Group sustainability targets in 2024. Our ESG rating was upgraded to AA by MSCI and our 2025 goals and 2050 net-zero targets were validated by the Science-Based Targets initiative. Melrose was also awarded a silver medal for its progress by EcoVadis. The Group continued to focus its technology leadership towards delivering more sustainable solutions to our customers.

(1) Science-Based Targets initiative target dashboard.

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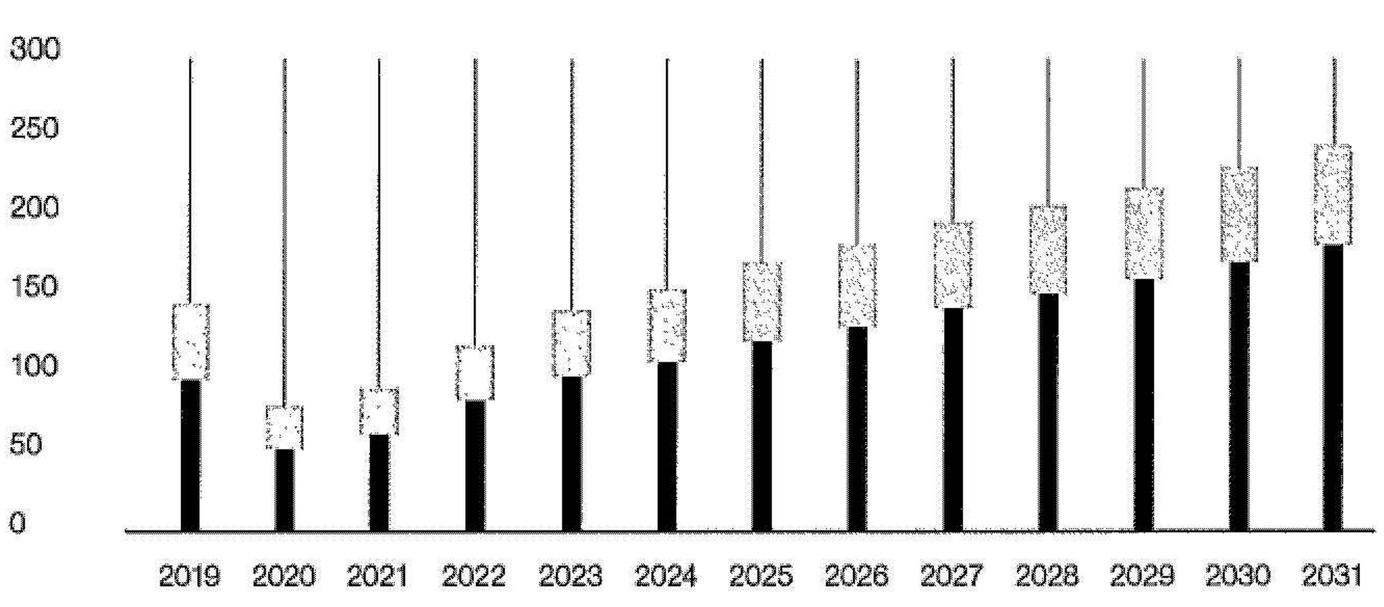
OEM deliveries



Source: Teal

- Airbus deliveries increased by 4% in 2024 versus 2023, with 766 new aircraft billed against 735 a year earlier.
- Boeing deliveries significantly hampered by supply chain, quality and labour issues.
- Across the industry, total new aircraft deliveries below prior year for first time since 2020.
- Airbus and Boeing's total aircraft backlog remains at record levels >14,000.

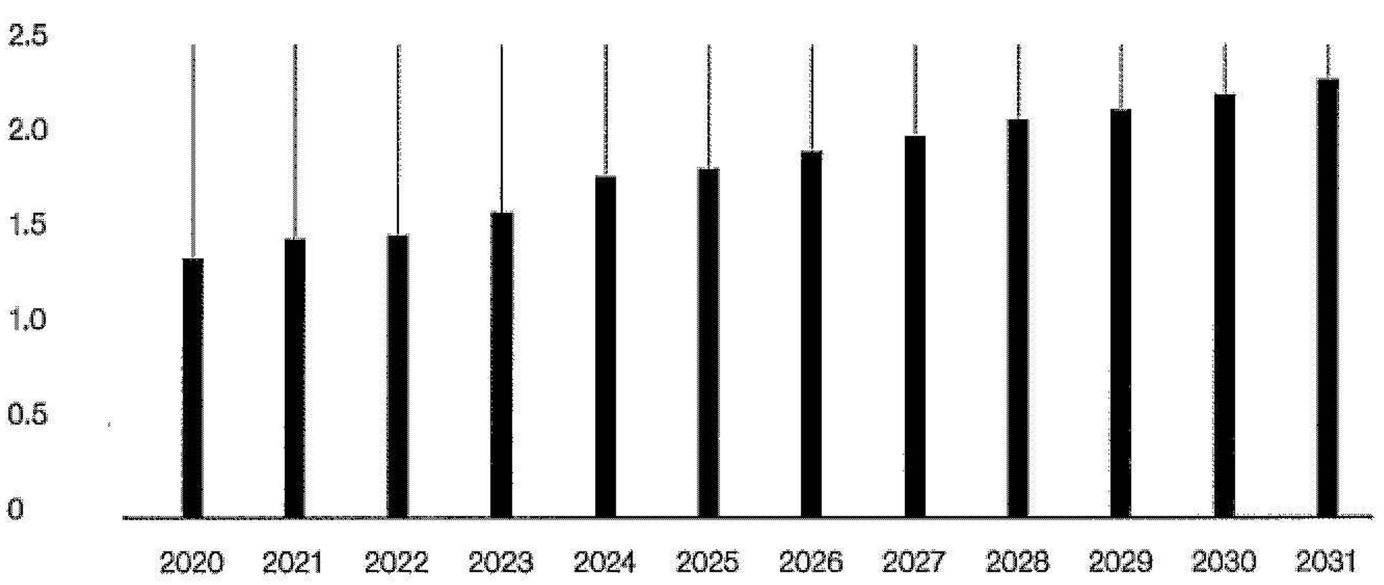
Engine flight hours (millions)



Source: Aviation Week Intelligence Network (AWIN)

- Passenger demand continued to rise with flight hours 8% above pre-COVID levels.
- International traffic in Europe reached record highs in the year, with strong performance maintained in North America and Asia Pacific.
- Increasing flights helped drive global engine shop visits up ~15% in 2024 versus prior year.
- Global air cargo traffic rose every month throughout 2024, finishing the year up 11.3% versus 2023.

NATO defence spend ($ trillions)



Source: NATO and Global Data
Chart relates to spending from NATO, Australia, India, Israel, Japan, Saudi Arabia & South Korea

- NATO and allies' defence spending increased 11% in the year in continued response to ongoing conflicts.
- Significant rise in European budgets, with countries acting to meet commitment of 2.5% of GDP on defence spending.
- US spends more on defence than the next nine largest countries combined.
- F-35 continues to dominate military aircraft market, making up more than half of US delivery revenue into the 2030s.
- Uncrewed platforms and collaborative combat aircraft expected to increase in years ahead.

Melrose is committed to delivering long-term, sustainable value for our stakeholders

14414

WHAT WE DO

We design and deliver advanced aerospace components for the world's leading aircraft, and push to continuously improve our business. These pillars form the basis of our business model.

MAXIMISING VALUE FOR OUR STAKEHOLDERS

We design	We deliver	We improve
Industry-leading solutions >785 global patents granted	**Essential products for OEMs** c.90% technology on board almost all major aircraft today	**Health and safety** >80% fewer lost time accidents in 2024 versus 2023
Route to Net Zero World first all-additive engine case designed and delivered within CFMI RISE project	**Strong financial performance** 16.3% adjusted operating profit margin in 2024	**Quality** 14% reduction in cost of poor quality in 2024 versus 2023



HOW WE WIN

Underpinning this model is a clear growth strategy. This sets out how we win in the competitive global aerospace market.

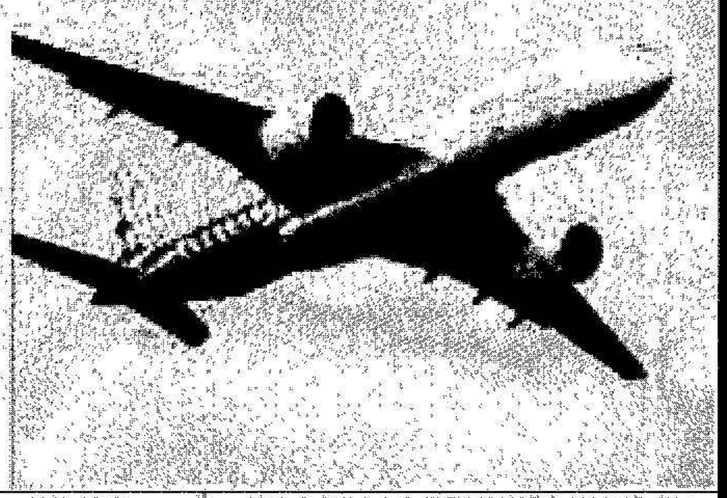
See our market trends
pages 12 and 13

5 YEAR PLAN TO 2029

Ongoing returns ~90%(1)

Deliver growth from existing platforms

- Production ramp-up
- Increasing returns from RRSPs
- Engines repair expansion
- Operational and commercial excellence



Record aircraft order backlogs

>10yrs

single-aisle aircraft backlog

Maturing RRSP portfolio

17

out of our 19 RRSPs are cash generative today

Strong repair growth

>400

Repair Solutions customers globally after strategic expansion

Near-term returns ~10%(1)

Expand in targeted new opportunities

- Engines additive fabrication
- Advanced Air Mobility
- Military uncrewed
- China growth



Industrialising additive fabrication

Up to

£300m

capex committed to grow production capability

Additive fabrication progress

9

customer programmes ongoing today

Design collaboration with COMAC

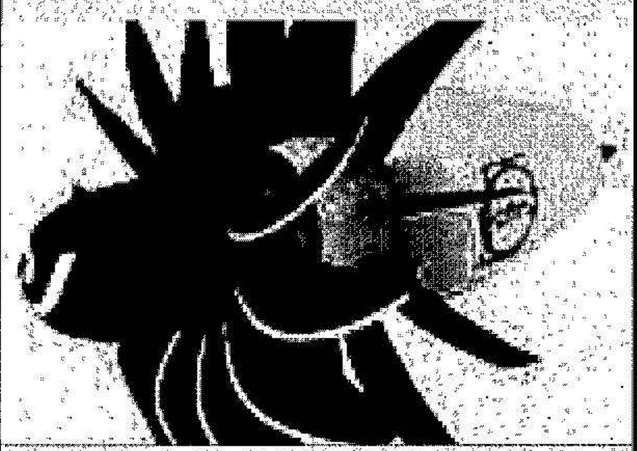
C929

MoU signed for widebody wings in China

2030+

Long-term returns

Participate in next generation aircraft



- Next generation engines
- Future single aisle
- Sixth generation fighters
- Hydrogen flight

Technology design partner

Only

partner on both RISE and next generation GTF programmes

Embedded positions

25 years

wing partnership with Airbus continues on SusWingS

Hydrogen research

World first

cryogenically cooled hydrogen electric motor demonstrator

(1) 2029 revenue

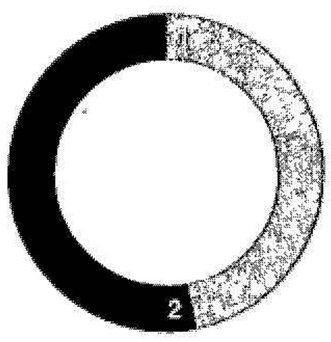
Well placed for continued strong growth

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ENGINES

Our industry-leading Engines division is a trusted technology partner to all global engine manufacturers, with differentiated products helping power around 90% of the world's major aircraft. It has significant diversification, across both civil and defence and original equipment and aftermarket. Its technology leadership, especially in additive fabrication, has earned it a unique position on both next generation engine development programmes. Engines' revenue is well balanced across four core markets: long-term risk and revenue sharing partnerships ("RRSPs"); non-RRSP commercial contracts; repair; and government partnerships.

2024 revenue



1	Original equipment	47%
2	Aftermarket	53%



£1,459m
Revenue (2023: £1,193m)

£422m
Adjusted operating profit (2023: £310m)

28.9%
Adjusted operating profit margin (2023: 26.0%)

The Engines division delivered excellent results in 2024. Revenue was up 26% to £1,459 million supported by favourable end market dynamics, with aftermarket rising by 32% versus the prior year. Increasing shop visits and spare parts demand fuelled our engine repair performance, with a strong defence aftermarket also driving growth. Our unique portfolio of 19 RRSPs continued to mature, delivering profit growth and increased cash generation. During the year, the GTF inspection programme related to powder metal production issues gained traction and the programme partners, led by Pratt & Whitney, have retained previous guidance on the associated costs. There was also growth on the OE side, despite the industry's supply chain issues, with revenues up 19% versus 2023.

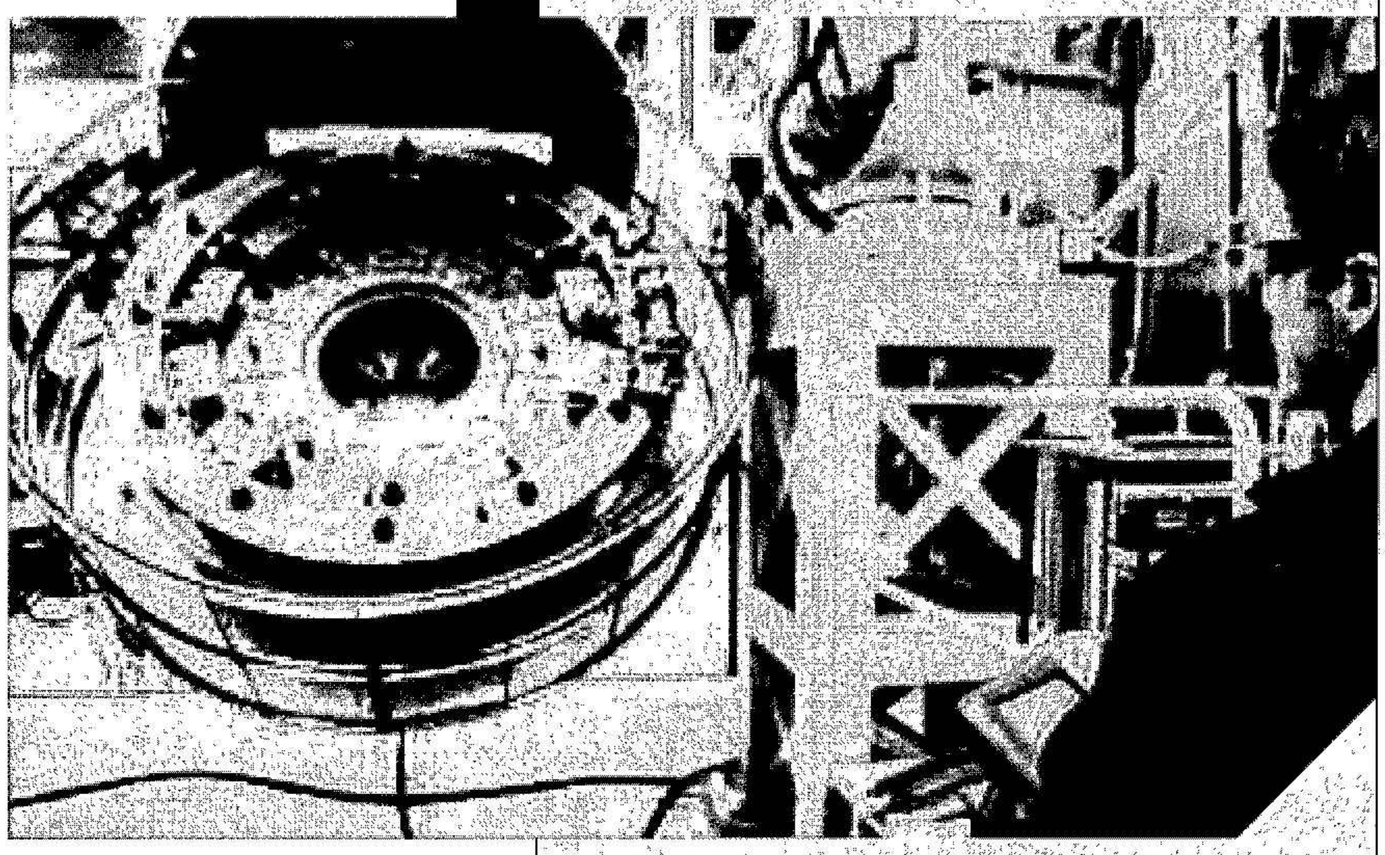
Adjusted operating profit was £422 million in the year, up from £310 million in the prior year. This resulted in an adjusted operating margin of 28.9% in 2024, ahead of our 2025 margin target of 28% and therefore delivered a year ahead of plan. Encouragingly, second half profitability replicated the record first half performance and was ahead of our guidance at the interim results in August 2024.

The division made significant commercial progress in 2024, most notably agreeing a decade-long agreement with Safran to supply both new shafts and spare parts for the LEAP 1A engine variant, which powers the industry-leading Airbus A320 family. The first components were successfully delivered from our centre of excellence in Norway in Q4 2024. The commercial agreement is expected to be extended in 2025 to cover the LEAP 1B engine, in support of CFMI's total future order book of 10,000 LEAP engines. On the governmental side, we signed a multi-year contract with Sweden's FMV to explore the propulsion requirements for future fighter systems, while continuing to develop the product support capability for both Gripen C/D (RM12 engine) – where we hold the military type certificate – and Gripen E (RM16 engine). This key part of the division performed very strongly in 2024. Our advanced technology also helped propel the Ariane 6 rocket during its inaugural launch in July.

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CASE STUDY /

TRANSFORMATIVE ADDITIVE FABRICATION CAPABILITY



Engine fan case mount ring, Trollhättan

Our engine parts repair business grew strongly again in 2024, as demand for maintenance, repair and overhaul ("MRO") services increased. We achieved a series of milestones in the year as we brought additional capacity online to support this growing market. In the US we opened a flagship 15,000m² production site in San Diego, California, to repair both civil and military engine components for more than 400 customers. The facility features state-of-the-art automation and robotics for reduced turnaround time and increased reliability, including for the industry-leading CFMI LEAP and Pratt & Whitney Geared Turbofan ("GTF") engines. In Johor, Malaysia, we added LEAP 1A and 1B fan blade repair certifications to our portfolio, as well as broadening our GTF capabilities with Pratt & Whitney. The facility, which supports the growing market in Asia, also halved its turnaround time in 2024, increasing customer demand and market share while supporting the global need for increased capacity.

Engines is a technology-driven business, with differentiated design-and-build capability and proprietary additive fabrication technology for large-scale engine structures. In 2024 we continued to invest to strengthen this position, commencing up to £300 million of investment over five years to accelerate the growth of our ground-breaking additive fabrication solutions. The first wave of this expansion is underway with a £50 million project to extend our capacity in Trollhättan, supported by £12 million from the Swedish Energy Agency. This investment initially supports the ramp up of flight-critical additive components for Pratt & Whitney, with key insertion activities for GE Aerospace now also underway. Future tranches of capital expenditure will further increase production rates, as well as enabling expansion as new commercial partnerships reach serial production. Additive fabrication is already helping to reduce lead times, material waste and emissions in manufacture, and importantly, helping to strengthen supply chains that are strained and struggling to meet demand. We see this as an area of significant growth and huge potential in the years ahead.

40%

reduction in material waste and CO_2 emission per component today

FULLY CERTIFIED, LOAD-BEARING ADDITIVE COMPONENTS FLYING TODAY

Melrose's additive fabrication leadership is underpinned by decades of complex welding and additive manufacturing experience. Today, our combination of product and manufacturing process knowledge, and additive system design, is unique and truly differentiates the business. Now in serial production, we are currently seeing material waste reduction of 40% per component versus traditional manufacturing methods. In future we expect to achieve between 70% and 95% material waste reduction and anticipate cutting end-to-end lead times from nine months to just four weeks.

In 2024 we achieved several landmarks, including FAA approval for our first additively manufactured critical structural component as well as delivering our largest ever all-additive component for the CFMI RISE technology demonstrator programme. The case was created using fully automated deposition of titanium and demonstrated the design and build possibilities of large scale engine cases. The structure was our largest direct energy deposition component and was delivered at casting quality equivalency.

Engines continued

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Operationally, 2024 was another year of good progress for Engines. Our Lean implementation continued to embed a strong safety and quality culture, with lost time accidents reducing by 90% and cost of poor quality 20% better than in 2023. This progress was underpinned by our commitment to continuous improvement, including the ongoing rollout of our in-house developed digitalisation programme to enhance the use of data and increase machine uptime in our sites. We also invested in additional operational capacity and the latest digital factory processes to maximise efficiency at our facility in Trollhättan, Sweden.

OUTLOOK

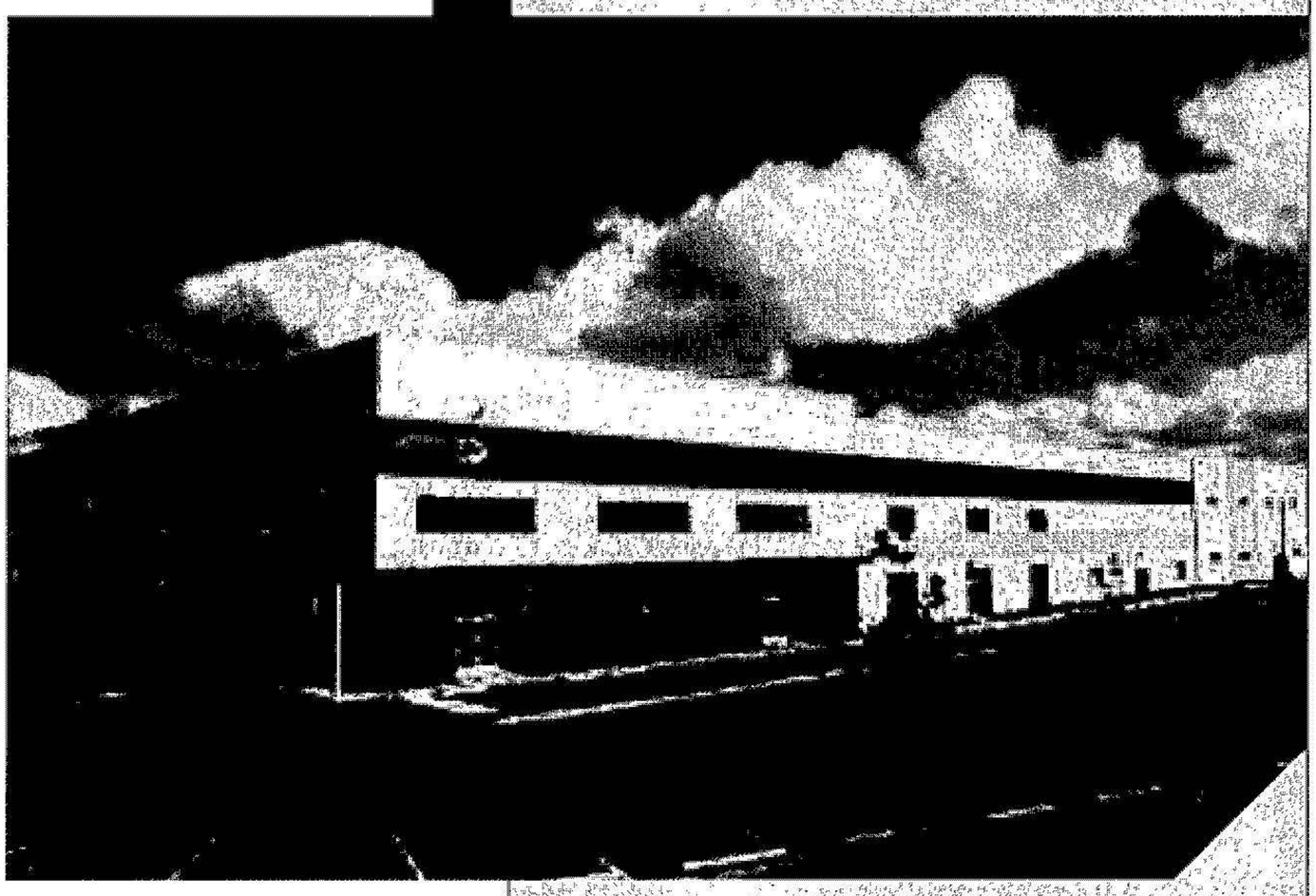
Our Engines division is well placed for continued strong growth, margin expansion and increasing cash flow. The division has an enviable combination of OEM-level capability, proprietary technology positions, strategic partnerships with all major engine OEMs, and the most diverse RRSP portfolio in the industry. This provides the foundation for significant value creation in the years ahead.

In 2025, Engines is expected to deliver further profitable growth through increasing RRSP portfolio contributions, growing demand in repairs and defence, and through ongoing business improvement activities. We expect the buoyant aftermarket dynamics to continue and are confident that Engines will deliver >32% margins and increased free cash flow in 2025.

For the longer term we are announcing five-year targets for the division of annual revenue growth of high single digits CAGR with an adjusted operating margin in the mid-to-high 30s percent.

CASE STUDY /

EXPANDING REPAIR SOLUTIONS BUSINESS



Newly opened fan blade repair site, San Diego

Market growth

68%

engine MRO market growth over next decade[1]

Growing business

54,000

fan blades overhauled per year

Global partner

400+

customers a year across the Americas, Europe and Asia

A RECOGNISED WORLD LEADER IN FAN BLADE REPAIR

The MRO market is forecast to grow by 68%[1] over the coming decade and Melrose's industry-leading repair business is well-positioned to take advantage of this trend. The business operates globally, with centres of excellence in San Diego, USA, Trollhättan, Sweden, and Johor, Malaysia, supporting more than 400 customers a year across the Americas, Europe and the key growth market in Asia. Melrose is a recognised world-leader in fan blade repair, overhauling around 54,000 blades each year, with additional repair expertise in fan disks, blisks, outer guide vanes, engine cases and large structures. The business repairs components for the world's most used single-aisle engines, including the V2500, CFM56, GTF and LEAP, as well as supporting widebody and military engine programmes.

2024 was a breakthrough year for the business, opening its new and largest repair facility in California, adding new customers and certifications in Malaysia, and generating record sales and margin globally.

(1) Aviation Week.

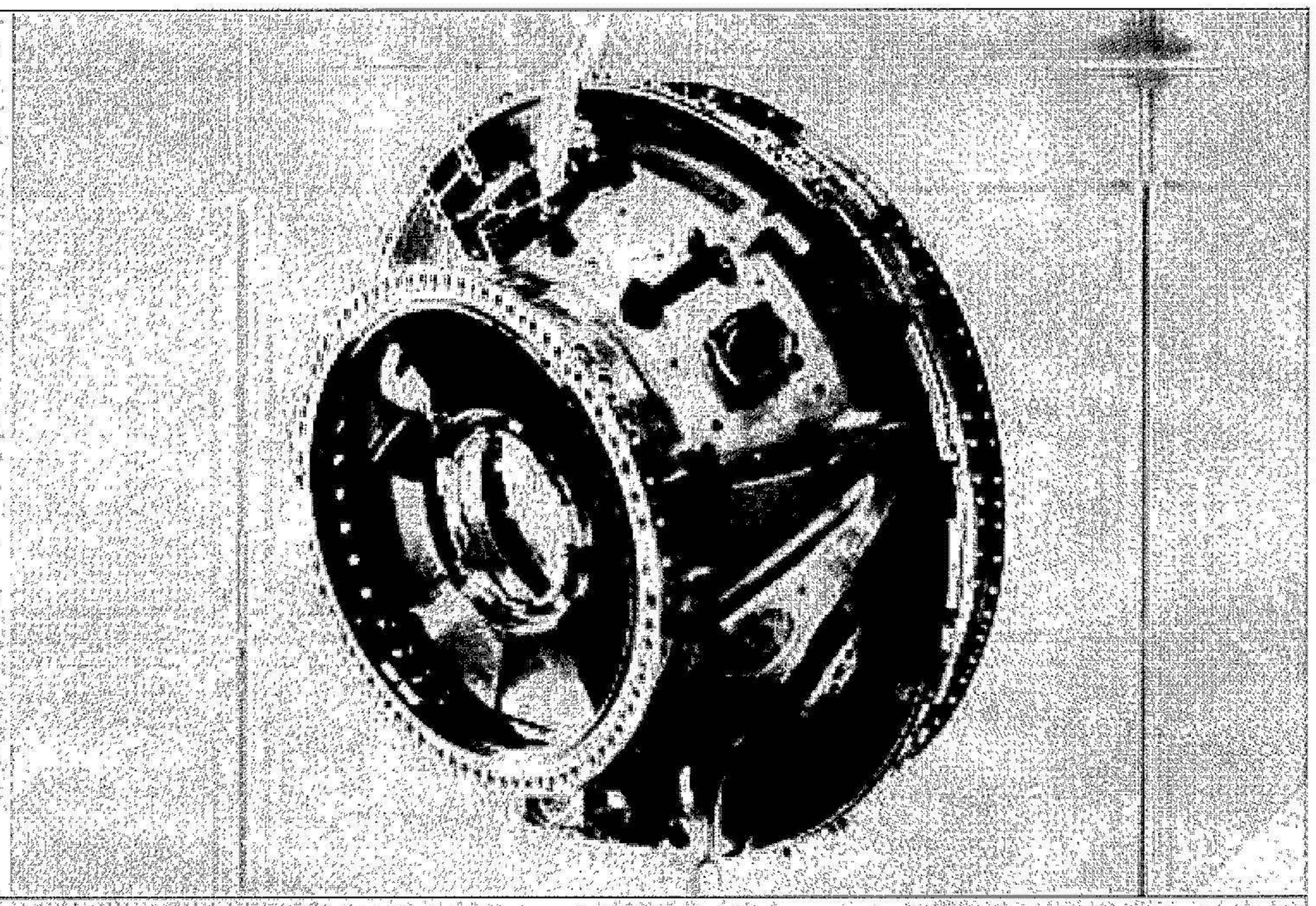
Unique risk and revenue sharing partnerships

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19
RRSPs built up over many decades

17
RRSPs are in the cash generation phase

c.70%
of current global flight hours covered by Melrose's RRSPs



Risk and revenue sharing partnerships, or RRSPs, are life-of-programme agreements between engine manufacturers and a handful of strategic partners to develop, manufacture and maintain an aero-engine. Melrose is among just half-a-dozen or so companies in the world who have the technology, manufacturing capability, customer relationships and strong financial base to partner with OEMs over the 50-year lifespan of an engine programme.

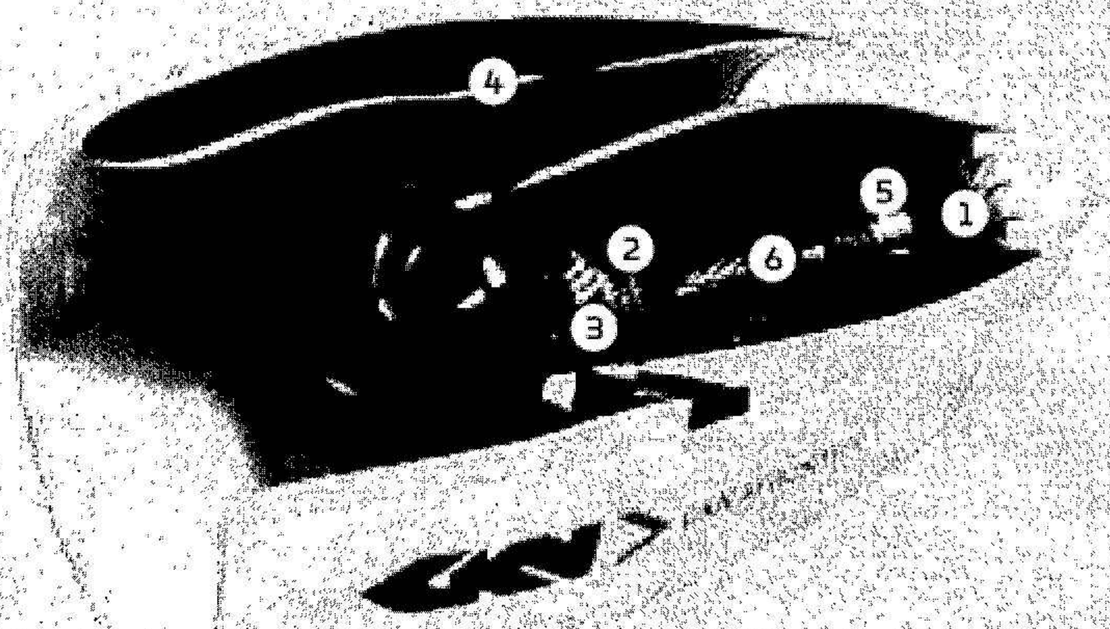
Melrose has an enviable portfolio of 19 civil-led RRSPs of varying maturities, covering all major engine OEMs. These partnerships provide aftermarket exposure across c.70% of global narrowbody/regional flight hours and c.70% of global widebody flight hours.

As a result, the aftermarket is expected to represent c.55% of Engines' revenue in 2025 and generate more than 85% of divisional operating profit.

In total, Melrose's RRSP portfolio provides contractual entitlement to cash generation estimated at £22 billion over the next 40 years and beyond.

Within each RRSP we provide a range of product solutions, with our primary focus on the design, manufacture and support of engine mount structures and turbine cases. These components typically last the life of the engine with limited future work required after the engine is delivered. We also make rotating components for a number of programmes.

SPECIALIST MANUFACTURER OF CRITICAL COMPONENTS



1. Rear engine mount structures
2. Forward engine mount structures
3. Rotating components
4. Fan cases
5. Turbine cases
6. Shafts

→ **RRSP brochure**
www.melroseplc.net/media/p23g1rby/melrose-rrsp-booklet-digital.pdf

Good progress with encouraging growth trajectory

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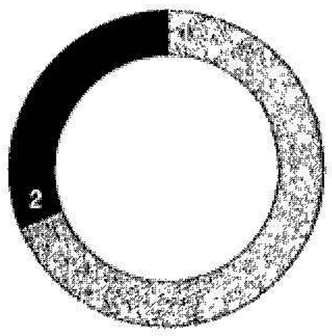
STRUCTURES

Structures delivered a robust performance in 2024 amid a challenging operating environment. Divisional progress was underpinned by the positive impact of our extensive business improvement actions, which are reading through largely as expected. The multi-year transformational restructuring programme will conclude on plan during 2025. From here, increasing profit will be driven by the civil production ramp-up and strong defence market, compounded by our improved portfolio and commercial position.

Market dynamics remained complex in the year. On the civil side, flight hours continued to rise above pre-pandemic levels, fuelling airlines' demand for newer, more efficient aircraft. This helped drive record order backlogs higher, now well into the 2030s, and underpins planned production ramp ups in the years ahead. Against this backdrop, ongoing industry-wide supply chain challenges persisted, constraining in-year aircraft deliveries. On the defence side, global spending commitments continued to rise due to geopolitical tensions and increasing uncertainty, reinforcing strong demand. Current market dynamics will be an area of close management focus in 2025, and we are well placed to adapt with our global footprint providing regional and national supply, including in the USA, Europe, UK, Mexico and Asia.

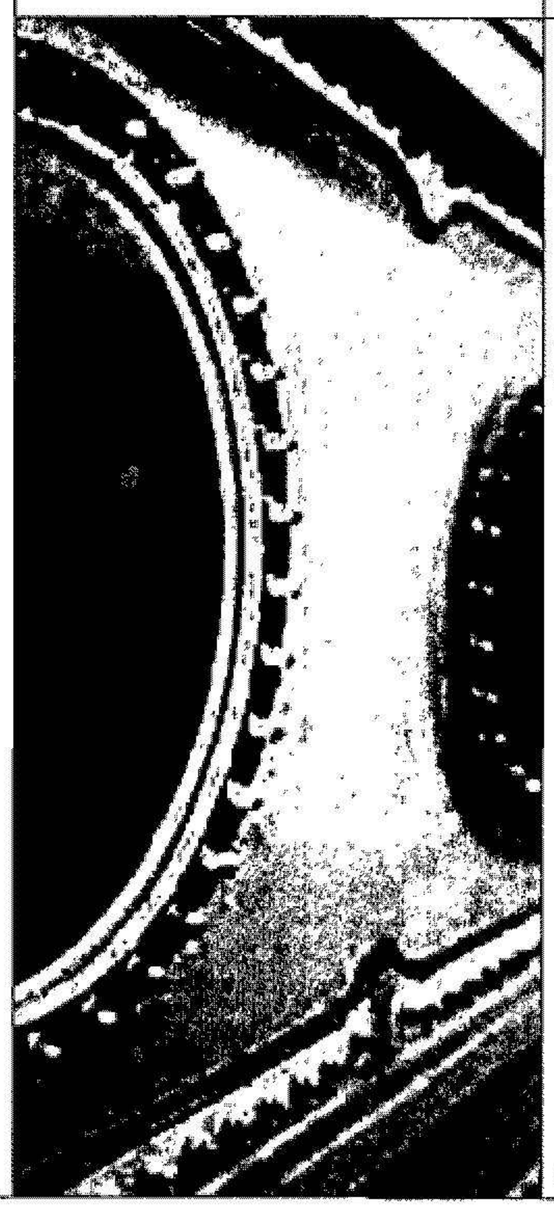
During 2024, Structures' revenue was up 3% on a like-for-like basis at £2,009 million. Reported civil revenue was tempered by a softer in-year ramp up in OE volumes than initially expected and strategic site disposals, while defence revenue was up 7% reflecting stronger demand and improved commercial terms. Adjusted operating profit was up 32% to £144 million, driven by progress across our business improvement actions, including commercial renegotiations, operational gains and portfolio transition. This performance lifted adjusted operating margins by 2.1ppts to 7.2%.

2024 revenue



1 Civil	69%
2 Defence	31%

Our design-led Structures division is a leading independent Tier 1 supplier to all aircraft OEMs, with embedded positions on all today's major aircraft. It delivers flight critical structures, such as wing spars and empennages; electrical distribution systems; and aircraft windows and canopies from a global industrial footprint. Its differentiated technology means it is well placed for the next generation of aircraft across the civil and defence markets.



£2,009m

Revenue (2023: £2,157m)

£144m

Adjusted operating profit (2023: £110m)

7.2%

Adjusted operating profit margin (2023: 5.1%)

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The Structures division made commercial progress in 2024, improving current terms with customers and securing new business. Significant negotiations were concluded with key customers covering a range of programmes, including new commercial terms, work package transfers and non-core exits. Our defence business has repriced 61% of its core contracts and remains on track to reach its 85% sustainable pricing target by the end of 2025. New agreements were reached, including securing over £100 million of customer investment to double our F-35 canopy production capacity in Garden Grove, California, extending our participation into the 2030s. We secured a contract renewal with Airbus for the full wiring package for the A220 and production is now well underway at our newly certified EWIS centre of excellence in Chihuahua, Mexico. In the advanced air mobility ("AAM") sector, our wing design and EWIS expertise also led to customer-funded contracts with both Supernal and Archer, while on the defence side we signed further customer agreements to explore technologies for the UK's future combat air capability, most notably the sixth generation Tempest demonstrator.

Further progress was made in China, an important market that is set to represent more than 20% of global civil aerospace demand by the 2040s. Our strategy remains to supply this market from a dedicated domestic local China presence, which includes three factories manufacturing wings, EWIS and transparencies. During 2024 we signed a design collaboration Memorandum of Understanding ("MoU") with joint venture partner COMAC for the composite rear wing spar and fixed trailing edge for the C929 widebody aircraft. The team also secured a contract to supply Airbus' final assembly line in China with EWIS from our in-country centre of excellence, in Langfang.

Operational gains were delivered in 2024. We delivered another year with zero lost time accidents in our civil business reflecting the continued focus on safety as our top priority. Production quality also improved, with escapes (issues reaching the customer) in our core sites down 18% across the division, and the cost of poor quality improved by 11%. This was achieved in parallel to our strategic footprint repositioning work, which was substantially completed in 2024. In the first half of the year we successfully concluded negotiations with Boeing over the sale of our St. Louis and Orangeburg operations, and we separately divested our non-core Fuel Systems business.

CASE STUDY /

ADVANCED CANOPY PRODUCTION EXPANSION



Lockheed Martin F-35A Lightning II in flight

>£100m

customer investment in tools and equipment

CUSTOMER-FUNDED GROWTH

Melrose secured a landmark commercial agreement with Lockheed Martin in 2024 to double F-35 canopy production at its cutting-edge facility in Garden Grove, California. An additional production line will be built thanks to more than £100 million of customer investment in tools and equipment, helping meet demand for the F-35 Lightning II over the next decade. The expansion will be complete by the end of 2026, with the additional capacity supporting both original equipment production and aftermarket.

Since the start of the programme, Melrose has provided the F-35 with cockpit canopies, critical engine components, electrical wiring interconnection systems and advanced composite aerostructures. We also hold contracts to deliver the in-flight opening doors, flaperons and the arresting gear for the flagship fifth generation fighter jet.

Structures continued

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In December, we also ended production at our Amityville facility in New York, to further focus Structures on differentiated proprietary technologies where we have the design responsibility. As part of our restructuring programme, we completed a series of internal work package movements to refocus our electrical wiring business into cost-efficient, regional hubs in Asia, Europe and the Americas. These centres of excellence will accelerate the longer-term profitable growth of this industry-leading business.

Like our Engines business, Structures also made good progress enhancing proprietary technology positions during 2024. The US global technology centre secured several development contracts with defence primes to explore laser wire deposition additive manufacturing for large-scale titanium aerostructures. In the UK, we followed-up our Wing of Tomorrow development work by joining Airbus' next generation technology programme SusWingS (Sustainable Wings). In the AAM sector, the first composite wings were delivered for Supernal's SA-2 electric demonstrator aircraft, while a technology agreement was also signed with Joby to develop innovative lightweight thermoplastic structures. The EWIS team delivered all-new wiring harnesses for Pratt & Whitney Canada's hybrid-electric flight demonstrator, which is targeting 30% improvement in fuel efficiency, while continuing to push the boundaries of high voltage EWIS technology for the future. Finally, our hydrogen team completed a world first in 2024, successfully testing an electric motor at cryogenic temperatures in order to explore the potential for more efficient, zero-emission flight. These developments in proprietary technology are targeted where we have competitive advantage and they will underpin our long-term growth.

OUTLOOK

Structures is a design-to-build partner on the world's highest volume platforms today and is a partner of choice for emerging and next generation aircraft. It is well-positioned to take advantage of the ongoing civil ramp up and defence market growth, as well as the shift to more sustainable aviation over time.

With strong underlying dynamics in both markets, and our business improvement actions now substantially complete, we expect to deliver further profitable growth as production rates increase through the next five years.

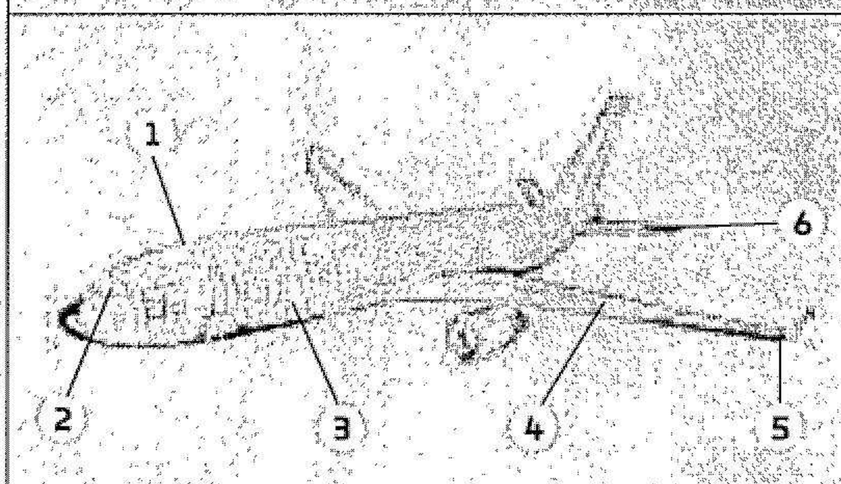
In 2025, we expect Structures to achieve low-to-mid single digit reported revenue growth. This is driven by production ramp-ups, offset by the ongoing industry supply chain issues and OEM destocking, alongside the full year impact of our business exits in 2024. We remain on track to deliver our 2025 commitment of a 9% operating margin despite lower revenue than originally assumed due to constrained OEM production rates.

Beyond this, our five-year target for the Structures division is to deliver revenue growth of mid single digit CAGR and expand operating margins to the low-teens level. This encouraging long-term growth trajectory is based on our repositioned and design-led business ramping up to deliver the industry's expected increase in production rates.

STRUCTURES TECHNOLOGY

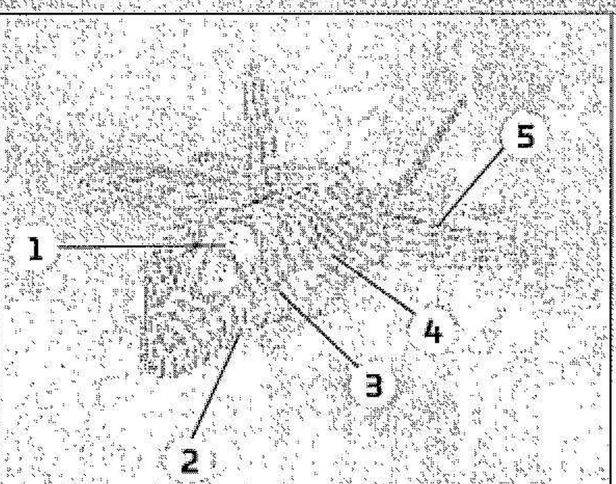
Structures is a Super-Tier One partner to aircraft OEMs, with embedded positions on all the world's high volume aircraft. It is a global technology leader, specialising in major airframe components, including wing structures, empennages, electrical wiring systems, windows and landing gear.

CIVIL AIRCRAFT



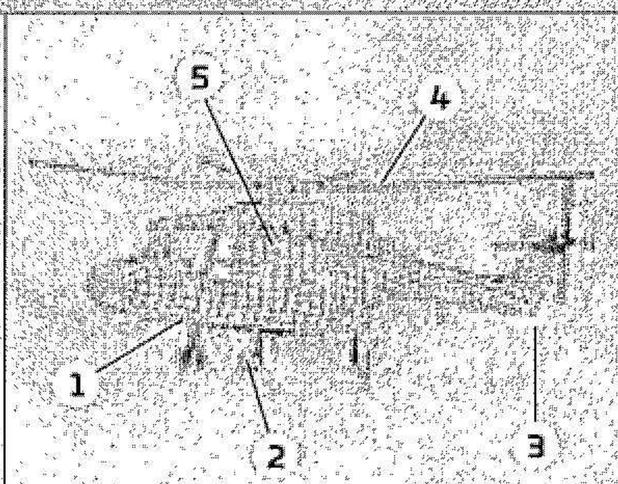
1. Electrical distribution
2. Cockpit and cabin windows
3. Fuselage
4. Primary wing structures
5. Winglets
6. Empennage

FIGHTER JET



1. Transparency
2. Landing gear
3. Electrical distribution
4. Skins and doors
5. Flaperons

ROTORCRAFT

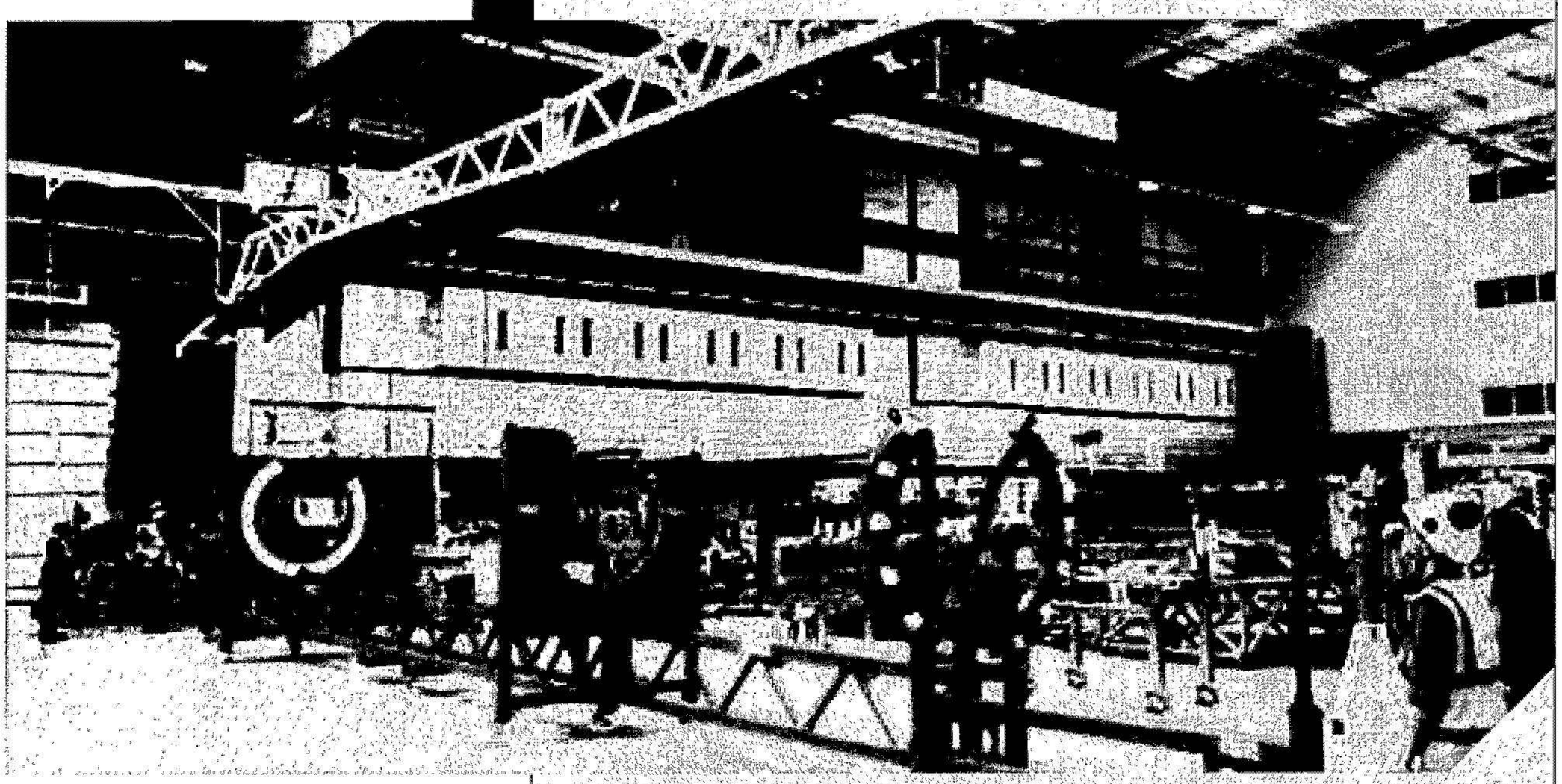


1. Electrical distribution
2. Landing gear
3. Empennage
4. Anti-icing systems
5. Doors and other major structures

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CASE STUDY /

NEXT GENERATION WING DEVELOPMENT



SusWingS development at GKN Aerospace's UK global technology centre, Bristol

25 years

wing partnership with Airbus

SUSTAINABLE WINGS

Melrose's Structures division has been a wing partner with Airbus since 1999, working across multiple programmes and platforms, from the A330, A380 and A400M to today's industry-leading A320 and A220 aircraft. This 25-year partnership was strengthened in 2024 when Melrose joined the £15 million Sustainable Wings ("SusWingS") development programme.

SusWingS is the successor to Wing of Tomorrow ("WoT") and is focused on the next generation of advanced wing technologies. During WoT, Melrose manufactured three composite fixed trailing edges using resin transfer moulding techniques on a ground-breaking scale. SusWingS is aiming to take both the product and process technology a step further for more sustainable, high-rate wing manufacturing. Specific priorities include simplifying wing assembly by replacing two-piece fasteners with a single-sided solution, advancing carbon fibre composite materials, and using state-of-the-art numerical analysis models for predicting structural behaviour.

By integrating this novel technology into future wing components, SusWingS will also help monitor and address key environmental metrics, including CO_2 emissions, material waste, water and energy use in production.

By collaborating in the UK eco-system with Airbus, Cranfield University and the University of Manchester, we are jointly pushing the boundaries of aerodynamics, structures and materials to shape a sustainable future of flight.

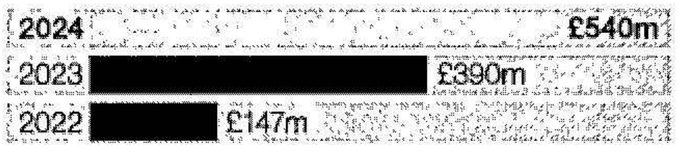
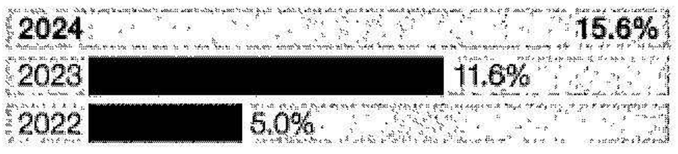
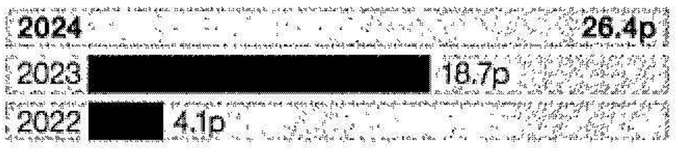
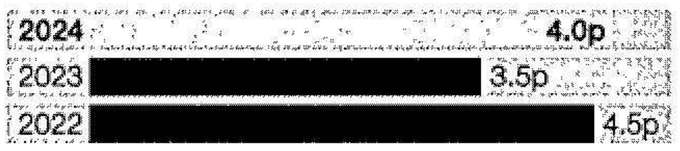
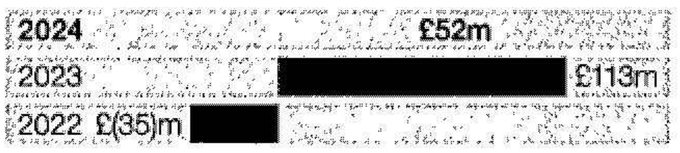
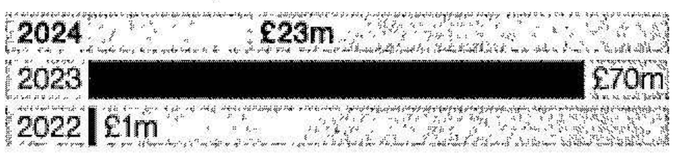
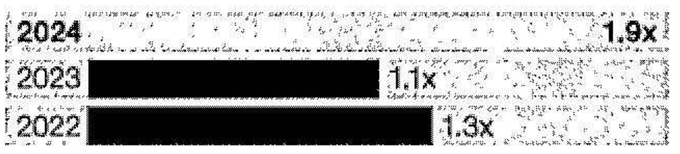
Measuring our performance

In order to support the Group's strategy and to monitor performance, the Board uses a number of financial and non-financial key performance indicators ("KPIs").

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Additional business-level KPIs are also used, which are relevant to their particular circumstances. Further detail on these KPIs is disclosed in the glossary to the financial statements and further information regarding the performance of the Group against its financial KPIs is included in the Chief Financial Officer's review.

FINANCIAL KPIs

		Method of calculation	Strategic objective
Adjusted operating profit[1] 	£540m	Adjusted operating profit[1] for continuing operations for the year ended 31 December 2024.	To improve profitability of Group operations.
Adjusted operating profit margin[1] 	15.6%	Adjusted operating profit[1] as a percentage of revenue, for continuing operations for the year ended 31 December 2024.	To improve profitability of Group operations.
Adjusted diluted earnings per share[1] 	26.4p	Group adjusted profit after tax[1] of continuing operations, attributable to owners of the parent, for the year ended 31 December 2024, divided by the weighted average number of diluted ordinary shares in issue.	To create consistent and long-term value for shareholders.
Final dividend per share[2][3] 	4.0p	Amount declared as payable by way of dividends in terms of pence per share.	To operate a growing dividend policy whenever the financial position of the Company, in the opinion of the Board, justifies the payment. For discussions on the dividend, please refer to the Chairman's statement on pages 6 and 7.
Adjusted free cash flow[1] 	£52m	Total cash generated from trading after all costs, excluding restructuring and one-off payments to defined benefit pension schemes.	To ensure our businesses are suitably cash-generative in order to have adequate cash reserves for the effective running of the Group and for significant capital investment where required.
Free cash flow pre-interest and tax[1] 	£23m	Free cash flow pre-interest and tax[1] represents free cash flow[1] adjusted for interest and tax and excluding finance costs on demerger settled net debt.	To ensure our businesses are suitably cash-generative in order to have adequate cash reserves for the effective running of the Group and for significant capital investment where required.
Leverage[1] 	1.9x	Net debt[1] to adjusted EBITDA[4], being net debt at average exchange rates, divided by adjusted EBITDA for continuing operations in existence at each balance sheet date. This updated measure of balance sheet strength reflects the approach taken by stakeholders.	To ensure the Group has suitable amounts of debt.

(1) Described in the glossary to the financial statements on pages 237 to 244.
(2) A final dividend for 2024 of 4.0 pence per share will be paid on 9 May 2025. For 2022, a second interim dividend of 4.5 pence per share[3] was paid on 11 April 2023 in place of the final dividend.
(3) Dividends per share have been adjusted for 2022 to include the effects of the one for three share consolidation that took place on 19 April 2023.
(4) Operating profit before depreciation of property, plant and equipment and amortisation of computer software and development costs.

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NON-FINANCIAL KPIs

HEALTH AND SAFETY

Each business line within the Group is responsible for implementing and maintaining health and safety excellence across their respective operations. To provide visibility and oversight for the Board, information is collated and presented on a quarterly basis on three KPIs – Major Accident Frequency Rate, Lost Time Accident Frequency Rate, and Accident Severity Rate (each as defined below) – for the entire Group and covering all sites[1][2]. This is supplemented with qualitative analysis of any key incidents or drivers behind performance, and any material improvement programmes that are taking place. A variety of additional health and safety KPIs are used by the Group from time to time, which are specific to the exact nature of operations and associated risks. Although responsibility for health and safety rests with the business lines, in the unfortunate circumstance of a very serious incident, the Group's senior management team will engage directly with the executive leadership of the relevant business line and report the actions taken to the Board.

Strategic objective

The Group is committed to the goal of eliminating all preventable accidents.

Performance metrics[1][2]

Major Accident Frequency Rate[1][2]

This indicator tracks the average number of major lost time accidents, defined as those resulting in more than three days off work, per 200,000 hours worked.



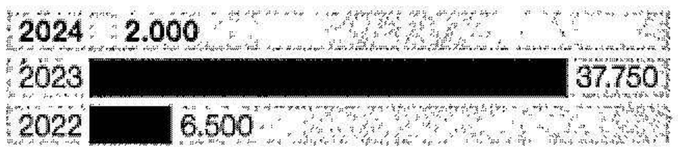
Lost Time Accident Frequency Rate[1][2]

This indicator records the total number of lost time accidents, both major and minor, per 200,000 hours worked.



Accident Severity Rate[1][2]

This indicator measures the average number of days an employee is absent from work following a workplace accident.



The Group's Safety and Corporate Compliance function continues to elevate health and safety awareness and accelerate improvement actions across operations. This is approached from the top-down in addition to bottom-up reporting, including via proactive in-person senior management and subject matter expert safety tours of sites. Those attending engage directly with people at the site level while validating compliance to the Health and Safety Executive ("HSE") rules and behaviours as well as ensuring local management maintain awareness and accountability for health and safety risks. In 2024, particular focus was placed on strengthening the risk assessments and risk controls in line with the Group's Golden Safety Rules.

In 2024, the Group's Major Accident Frequency Rate was 0.000[1][2], and its Lost Time Accident Frequency Rate was 0.006[1][2]. The Group has increased each business line's focus on compliance with the Group's Golden Safety Rules and safety governance in order to drive physical safety improvements on the shop floor, and redoubled communications around safety measures and risk assessments. This resulted in a proactive, targeted drive to enhance risk management education throughout the organisation.

Each incident is promptly and fully investigated using, and responded to through, robust measures to increase health and safety awareness within specific and similar areas relevant to those incidents. These measures are also used to reinforce the correct policies and procedures, and to review the relevant working environments to identify continuous improvement actions where necessary.

The Group's focus on minimising preventable accidents continues, and our business lines continue to uphold and further develop high standards of health and safety performance. As the Group embarks upon 2025, the Group and each business line continues to drive for safety excellence.

ENVIRONMENT

Method of calculation

Data is provided for relevant environmental indicators, including energy consumption, CO_2 emissions, water withdrawal, waste disposal, solid waste generation, and recycling. The Group has used the UK Government Environmental Reporting Guidelines, including the UK's Streamlined Energy and Carbon Reporting guidance dated March 2019 and the GHG Protocol Corporate Accounting and Reporting Standard (revised edition 2004). For more information on our environmental KPIs, please see the Sustainability review section on pages 51 to 99.

Strategic objective

GKN Aerospace's long-standing mission is to become the most trusted and sustainable partner in the sky. In practice, this includes driving significant progress to support the Net Zero agenda through decarbonising our own operations and driving impact throughout the value chain. We are fully committed to making efficiency improvements where possible and to run our operations with minimum possible adverse effect on the environment.

Performance

Information in relation to the various environmental initiatives undertaken by the Group during 2024 can be found within the Sustainability review on pages 51 to 99. The Group is required to disclose its Greenhouse gas emissions and certain energy use data for the year ended 31 December 2024. Such data can be found within the Sustainability review on page 83.

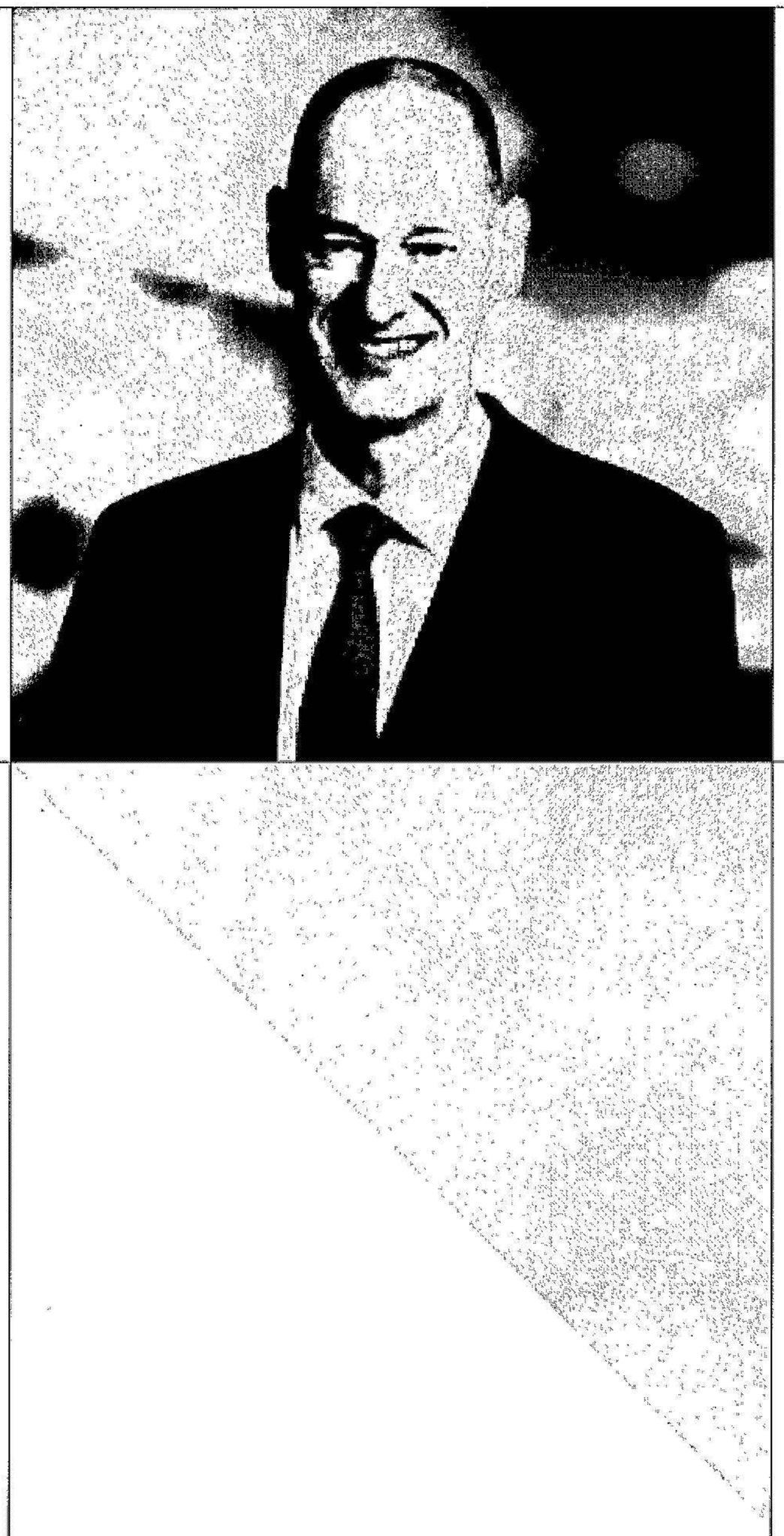
OTHER NON-FINANCIAL KPIs

Operational management KPIs are instrumental in driving business performance and managing risk, covering key areas such as operations, quality, commercial performance, and human resource measures. Further information regarding some of the Group's recent initiatives in these areas can be found within the Sustainability review on pages 51 to 99.

(1) All health and safety ("H&S") metrics exclude data relating to contractors, and for the purposes of this report the definition of employees includes the following categories of employment: "Regular", "Temporary", "Apprentice", and "Intern/Co-op", and excludes "Agency" workers.

(2) All data across the above KPIs, including H&S KPIs, has been restated to only include Melrose and GKN Aerospace performance and excludes data relating to sites that have been sold. The 2022 and 2023 metrics have been restated to exclude data relating to sites sold during the year, in order to enable like-for-like comparison with the 2024 data.

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"The year ended 31 December 2024 has been a strong year for the Group. Additionally, the Group is setting out its 2025 guidance and is launching its new five-year targets for which the key assumptions are set out later in this review."

Matthew Gregory
Chief Financial Officer

MELROSE GROUP RESULTS

Statutory results:

The statutory IFRS results for continuing operations show revenue of £3,468 million (2023: £3,350 million), an operating loss of £4 million (2023: profit of £57 million) and a loss before tax of £106 million (2023: £8 million). The diluted earnings per share ("EPS"), calculated using the diluted weighted average number of shares during the year of 1,324 million (2023: 1,405 million), were a loss of 3.7 pence (2023: earnings of 0.1 pence).

Adjusted results:

The adjusted results exclude certain items which are significant in size or volatility or by nature are non-trading or non-recurring, or any net change in fair value items booked on an acquisition. It is the Group's accounting policy to exclude these items from the adjusted results, which are used as an Alternative Performance Measure ("APM") as described by the European Securities and Markets Authority ("ESMA"). APMs used by the Group are defined in the glossary to the Consolidated Financial Statements.

The Melrose Board considers the adjusted results to be an important measure used to monitor how the business is performing as they achieve consistency and comparability between reporting periods when all businesses are held for the complete reporting period.

The adjusted results for the year ended 31 December 2024 show revenue of £3,468 million (2023: £3,350 million), an operating profit of £540 million (2023: £390 million) and a profit before tax of £438 million (2023: £331 million). Adjusted diluted EPS, calculated using the diluted weighted average number of shares in the year of 1,324 million (2023: 1,405 million), were 26.4 pence (2023: 18.7 pence).

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The following table shows the adjusted results for the year ended 31 December 2024 split by reporting segment:

	Engines £m	Structures £m	Aerospace £m	Corporate £m	Total £m
Revenue	1,459	2,009	**3,468**	–	**3,468**
Operating profit/(loss)	422	144	**566**	(26)	**540**
Operating margin	28.9%	7.2%	**16.3%**	n/a	**15.6%**

Revenue for Engines of £1,459 million (2023: £1,193 million) shows constant currency growth of 26% over 2023, with adjusted operating profit of £422 million (2023: £310 million) giving an operating margin of 28.9% (2023: 26.0%), an increase of 2.9 percentage points.

Revenue for Structures of £2,009 million (2023: £2,157 million) shows like-for-like constant currency growth of 3% over 2023, with adjusted operating profit of £144 million (2023: £110 million) giving an operating margin of 7.2% (2023: 5.1%), an increase of 2.1 percentage points.

Corporate costs of £26 million (2023: £30 million) included £25 million (2023: £30 million) of operating costs and £1 million (2023: £nil) of costs in respect of a new Performance Share Plan for certain senior managers in the Group.

The performance of each reporting segment is discussed in the Chief Executive Officer's review.

RECONCILIATION OF STATUTORY RESULTS TO ADJUSTED RESULTS

The following table reconciles the Group statutory operating (loss)/profit to adjusted operating profit:

Continuing operations:	2024 £m	2023 £m
Statutory operating (loss)/profit	(4)	57
Adjusting items:		
Amortisation of intangible assets acquired in business combinations	255	260
Currency movements in derivatives and movements in associated financial assets and liabilities	112	(114)
Restructuring costs	111	149
Acquisition and disposal related gains and losses	44	3
Melrose equity-settled compensation scheme charges	14	38
Net changes in fair value items	8	(3)
Adjustments to statutory operating (loss)/profit	**544**	**333**
Adjusted operating profit	**540**	**390**

Adjusting items to statutory operating (loss)/profit are consistent with prior years and include:

- The amortisation charge on intangible assets acquired in business combinations of £255 million (2023: £260 million), which is excluded from adjusted results due to its non-trading nature and to enable comparison with companies that grow organically. However, where intangible assets are trading in nature, such as computer software and development costs, the amortisation is not excluded from adjusted results.
- Movements in the fair value of derivative financial instruments (primarily forward foreign currency exchange contracts), where hedge accounting is not applied, along with foreign exchange movements on the associated financial assets and liabilities, entered into within the businesses to mitigate the potential volatility of future cash flows on long-term foreign currency customer and supplier contracts. This totalled a charge of £112 million (2023: credit of £114 million) in the year, and is shown as an adjusting item because of its volatility and size.
- Restructuring and other associated costs in the year which totalled £111 million (2023: £149 million), including £1 million (2023: £59 million) of losses incurred in closing businesses within the Group. These are shown as adjusting items due to their size and non-trading nature and during the year ended 31 December 2024 these included:
  - A charge of £90 million (2023: £137 million) primarily relating to the continuation, and finalisation in many cases, of significant restructuring projects across sites in the Engines and Structures divisions comprising three significant ongoing multi-year restructuring programmes, covering European footprint consolidations which commenced in 2021, and a significant restructuring programme in North America which commenced in 2020. These programmes incurred a combined charge of £64 million in the year (2023: £62 million). Since commencement, the cumulative charge on these three restructuring programmes to 31 December 2024 has been £281 million (31 December 2023: £217 million). As at 31 December 2024, £12 million is included in restructuring provisions in relation to the multi-year programmes which will be substantially settled in cash during 2025.
    The North American multi-site restructuring was accelerated by the disposal of two businesses during the first half of the year and is substantially complete, with costs expected to continue at a much reduced level into 2025. The European programmes have continued to progress with one of the two programmes now complete. The other European multi-site restructuring programme completed the closure of all intended sites by the end of 2023, with integration expected to conclude in 2025.
  - A charge of £21 million (2023: £12 million) within the Corporate cost centre in relation to actions taken to merge the Melrose corporate function with the previously separate Aerospace division head office team. These restructuring actions reshape the Corporate cost centre to support an ongoing pureplay aerospace business.

Continued

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- Acquisition and disposal related net losses of £44 million (2023: £3 million) which are inclusive of a loss of £43 million on the disposal of three non-core businesses in the Structures segment. The loss of £43 million includes a net liability of £25 million that crystallised on disposal relating to the withdrawal from a multi-employer post-retirement pension scheme. Consideration is £25 million which is net of a deferred payable of £39 million and costs of £1 million. The net loss is recorded as an adjusting item due to its non-trading nature. One of the three businesses divested was loss-making and was purchased by a customer. The resulting amount payable for the sale reflects the fair value of assets and programmes transferred including the resolution of all contractual matters.
- A charge for the Melrose equity-settled compensation schemes of £14 million (2023: £38 million), which includes a charge to the accrual for employer's tax payable of £14 million (2023: £28 million). This is excluded from adjusted results due to its size and volatility. During the year, the Group recognised a charge of £1 million (2023: £nil) in adjusted operating profit in respect of the new Group Performance Share Plan.
- The net changes in fair value items in the year which totalled a charge of £8 million (2023: credit of £3 million) and are shown as an adjusting item, due to their size and volatility.

The following table shows the allocation of adjusting items, described above, by reporting segment:

	Engines £m	Structures £m	Corporate £m	Total £m
Statutory operating profit/(loss)	283	(106)	(181)	**(4)**
Adjusting items	139	250	155	**544**
Adjusted operating profit/(loss)	422	144	(26)	**540**

FINANCE COSTS AND INCOME

Statutory results:

Net finance costs for the year ended 31 December 2024 were £102 million (2023: £65 million).

Adjusted results:

Net finance costs in the adjusted results in the year ended 31 December 2024 were £102 million (2023: £59 million), which included net interest on external bank loans, bonds, overdrafts, factoring facilities and cash balances of £88 million (2023: £48 million).

Net finance costs in adjusted results also included: a £4 million (2023: £4 million) amortisation charge relating to the arrangement costs of raising the Group's current bank facility; an interest charge on net pension liabilities of £4 million (2023: £1 million); a charge on lease liabilities of £6 million (2023: £5 million); and a charge for the unwind of discounting on long-term provisions of £nil (2023: £1 million).

Adjusting items:

There are no adjusting items within finance costs and income in the year (2023: net charge of £6 million).

In the previous year these included a £13 million gain following the settlement of a portion of the 2032 bond, acquired with GKN, a £17 million charge in respect of the proportion of the Group's net debt strategically allocated to Dowlais at the start of the year and a £2 million charge in respect of the write off of unamortised bank fees when the existing bank facilities at the time of the demerger were repaid.

TAX

The statutory results show a tax credit of £57 million (2023: £9 million) which arises on a statutory loss before tax of £106 million (2023: £8 million), resulting in a statutory tax rate of 54% (2023: 113%). The effective tax rate on adjusted profit before tax for the year ended 31 December 2024 was 20.1% (2023: 20.5%).

The statutory tax rate is higher than the adjusted tax rate because the intangible asset amortisation and certain other adjusting items generate adjusting tax credits at rates higher than 20%.

The Group has £868 million (31 December 2023: £747 million) of deferred tax assets on tax losses, retirement benefit obligations and other temporary differences. These are offset by deferred tax liabilities on intangible assets of £423 million (31 December 2023: £479 million) and £311 million (31 December 2023: £223 million) of other deferred tax liabilities. In certain cases (typically where they arise in the same territory or tax group), deferred tax assets and liabilities must be offset, resulting in deferred tax assets of £651 million (31 December 2023: £527 million) and deferred tax liabilities of £517 million (31 December 2023: £482 million) being shown on the Balance Sheet at 31 December 2024. Most of the tax losses and other deferred tax assets will generate future cash tax savings. The deferred tax liabilities on intangible assets are not expected to give rise to cash tax payments.

Net cash tax paid in the year ended 31 December 2024 was £10 million (2023: £17 million), 2.3% (2023: 5.1%) of adjusted profit before tax.

SHARE BUYBACK PROGRAMMES AND NUMBER OF SHARES IN ISSUE

The Group commenced a £500 million share buyback programme on 2 October 2023 and a further £250 million share buyback programme on 1 October 2024 making market purchases of existing ordinary shares in the Company. During the year ended 31 December 2024, 75,141,072 ordinary shares were purchased at an average price per share of 566 pence. These ordinary shares are being held in treasury. Additionally, 28,848,071 shares were transferred from treasury shares to participants of the Melrose equity-settled share plan. The number of ordinary shares in issue, excluding treasury shares, has reduced by 4% from 1,333 million at 31 December 2023 to 1,286 million at 31 December 2024.

The weighted average number of shares used for basic earnings per share calculations in the year ended 31 December 2024 was 1,307 million (2023: 1,349 million), and when including the number of shares expected to be issued from the Melrose equity-settled share plans, the weighted average number of shares used for diluted earnings per share was 1,324 million (2023: 1,405 million).

During the year, the Group made tax related payments directly to the relevant tax authorities of £198 million on behalf of both current and former directors and senior management of the Group connected with the Melrose equity-settled share plan. This included £157 million in lieu of 25,498,465 shares which would otherwise have been issued, and subsequently sold, to fulfil consequential tax liabilities of the scheme participants.

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CASH GENERATION AND MANAGEMENT

Adjusted free cash flow in the year ended 31 December 2024 was an inflow of £52 million (2023: £113 million), after net interest and tax spend of £97 million (2023: £82 million), but before restructuring spend of £126 million (2023: £125 million).

Free cash flow was an outflow of £74 million (2023: £12 million). An analysis of free cash flow is shown in the table below:

	2024 £m	2023 £m
Continuing operations:		
Adjusted operating profit	540	390
Depreciation and amortisation	142	142
Lease obligation payments	(32)	(32)
Positive non-cash impact from loss-making contracts	(23)	(23)
Working capital movements:		
Inventory	(71)	(10)
Receivables and payables	51	37
Unbilled work done	(309)	(173)
Adjusted operating cash flow (pre-capex)	**298**	**331**
Net capital expenditure	(123)	(102)
Defined benefit pension contributions	(20)	(22)
Restructuring	(126)	(125)
Net other	(6)	(12)
Free cash flow pre-interest and tax	**23**	**70**
Net interest and net tax paid	(97)	(82)
Free cash flow	**(74)**	**(12)**
Adjusted free cash flow	**52**	**113**

Working capital movements excluding unbilled work done totalled an outflow of £20 million (2023: inflow of £27 million) for the year ended 31 December 2024 being an outflow of £71 million (2023: £10 million) in inventory partially offset by a £51 million inflow (2023: £37 million) from receivables and payables. Inventory increased during the year due to a combination of supply chain issues and to support customer build rates.

As anticipated, working capital inflows from receivables and payables were strong in the second half of the year reflecting the typical seasonality of the Group.

Unbilled work done, excluding exchange adjustments, has increased in the year ended 31 December 2024 by £309 million in accordance with the development anticipated in our Risk and Revenue Sharing Partnership booklet and includes £35 million of obligations settled in connection with powder metal issues on certain Pratt & Whitney engines and other Risk and Revenue Sharing Partnership ("RRSP") matters.

Net capital expenditure in the year ended 31 December 2024 was £123 million (2023: £102 million). Net capital expenditure represented 1.1x (2023: 0.9x) depreciation of owned assets.

Restructuring spend in the year was £126 million (2023: £125 million).

Net interest paid in the year was £87 million (2023: £65 million), net tax payments were £10 million (2023: £17 million) and ongoing contributions to defined benefit pension schemes were £20 million (2023: £22 million).

The movement in net debt is summarised as follows:

	£m
Opening net debt	**(572)**
Free cash flow	(74)
Amounts paid to shareholders including associated costs	(503)
Melrose equity settled compensation scheme related payments	(198)
Disposal of businesses, net of cash disposed	55
FX and other non-cash movements	(22)
Other	(7)
Net debt at 31 December 2024 at closing exchange rates	**(1,321)**

Group net debt at 31 December 2024, translated at closing exchange rates (being US$1.25 and €1.21), was £1,321 million (31 December 2023: £572 million), after a free cash outflow from the Group of £74 million, described above. Movements in Group net debt also included dividends paid to shareholders of £72 million, £431 million spent buying back shares in the market, £198 million in respect of the settlement of tax on the Melrose equity-settled compensation scheme, £55 million inflow from disposal of businesses net of cash disposed and net unfavourable foreign exchange and other non-cash movements of £22 million.

Group leverage at 31 December 2024 was 1.9x EBITDA (2023: 1.1x EBITDA).

ASSETS AND LIABILITIES AND IMPAIRMENT REVIEW

The summarised Melrose Group assets and liabilities are shown below:

	2024 £m	2023 £m
Goodwill and intangible assets acquired with business combinations	2,878	3,106
Tangible fixed assets, computer software and development costs	1,037	1,022
Net working capital	699	475
Retirement benefit obligations	(59)	(99)
Provisions	(184)	(286)
Deferred tax and current tax	119	31
Lease obligations	(237)	(192)
Net other	(88)	82
Total	**4,165**	**4,139**

The Group's goodwill has been tested for impairment in accordance with IAS 36 Impairment of assets and the Board is comfortable that no impairment is required as at 31 December 2024.

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During the year, the Group changed its presentation of inventories, trade and other receivables and trade and other payables within the Balance Sheet. The change related to contract balances for certain programmes. The Group was previously netting certain amounts under these arrangements, however, it was determined that the appropriate current and prior year presentation should be on a gross basis in line with the requirements of IFRS 15: Revenue from Contracts with Customers. Prior year comparatives have been restated accordingly. The impact of this change on the Balance Sheet at 31 December 2023 was to increase inventories by £3 million, non-current other receivables by £70 million, current trade and other receivables by £102 million, current trade and other payables by £107 million and non-current other payables £68 million. The impact of this change on the Balance Sheet at 31 December 2022 was to increase inventories by £3 million, non-current other receivables by £75 million, current trade and other receivables by £114 million, current trade and other payables by £116 million and non-current other payables by £76 million.

The assets and liabilities shown above are funded by:

	2024 £m	2023 £m
Net debt	(1,321)	(572)
Equity	(2,844)	(3,567)
Total	**(4,165)**	**(4,139)**

Net debt shown in the table above is defined in the glossary to the Consolidated Financial Statements.

PROVISIONS

Total provisions at 31 December 2024 were £184 million (31 December 2023: £286 million).

The following table details the movement in provisions in the year:

	Total £m
Provisions at 1 January 2024	**286**
Net charge in the year	116
Spend against provisions	(143)
Utilisation of loss-making contract provision	(23)
Disposal of businesses	(20)
Transfers	(31)
Exchange adjustments	(1)
Provisions at 31 December 2024	**184**

The net charge to the Income Statement in the year was £116 million, and included £85 million relating to restructuring activities and a £12 million loss-making contract provision charge.

During the year, £23 million was utilised against loss-making contract provisions and £143 million of cash was spent against provisions with £118 million relating to restructuring activities.

Net provision movements relating to property, environmental and litigation and warranty were not material in the year.

Transfers of £31 million relate to employer tax on equity-settled compensation schemes following certainty surrounding the timing and value of payments.

PENSIONS AND POST-EMPLOYMENT OBLIGATIONS

Melrose operates a number of defined benefit pension schemes and retiree medical plans across the Group, accounted for using IAS 19 Revised: Employee Benefits.

The values of the Group plans were updated at 31 December 2024 by independent actuaries to reflect the latest key assumptions and are summarised as follows:

	Assets £m	Liabilities £m	Accounting deficit £m
GKN UK Group pension scheme – Number 1	577	(599)	**(22)**
GKN UK Group pension scheme – Number 4	378	(378)	**–**
Other Group pension schemes	31	(68)	**(37)**
Total Group pension schemes	986	(1,045)	**(59)**

At 31 December 2024, the total plan assets of Melrose Group's defined benefit pension plans was £986 million (31 December 2023: £1,118 million) and total plan liabilities were £1,045 million (31 December 2023: £1,217 million), a deficit of £59 million (31 December 2023: £99 million).

The GKN UK Group Pension Schemes (Numbers 1 and 4) are the most significant pension plans in the Group, and are closed to new members and to the accrual of future benefits for current members.

At 31 December 2024, the GKN UK Group Pension Scheme Number 1 had gross assets of £577 million (31 December 2023: £632 million), gross liabilities of £599 million (31 December 2023: £692 million) and a net deficit of £22 million (31 December 2023: £60 million).

During the year ended 31 December 2023, the Group commenced a process to buy-out the GKN UK Group Pension Scheme Number 4, which is expected to complete in 2025, when the scheme assets and liabilities will leave the Group and cease being shown on the Group's Balance Sheet.

Other pension schemes in the Group include US pension plans which are generally funded and closed to new members. At 31 December 2024, these US pension plans had a net deficit of £23 million (31 December 2023: £25 million).

In total, contributions to the Group defined benefit pension plans and post-employment medical plans in the year ended 31 December 2024 were £20 million and are expected to be approximately £27 million in 2025.

A summary of the assumptions used is shown in note 24 to the Consolidated Financial Statements.

FINANCIAL RISK MANAGEMENT

The Group continuously assesses its financial risks and implements policies to manage them effectively. The most significant financial risks are considered to relate to liquidity, finance costs, foreign exchange rates, contract and warranties and commodities, each of which is discussed below.

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Liquidity risk management

The Group's net debt position at 31 December 2024 was £1,321 million (31 December 2023: £572 million). The Group increased and amended certain terms of its committed bank facilities during the year resulting in facilities consisting of US$1,639 million, €400 million and £300 million at 31 December 2024. These facilities all mature in April 2026, but with the potential to be extended for two additional one-year periods at the Group's option. Details of the facilities and amounts borrowed as at 31 December 2024 are shown below:

	Local currency			£m
	Size	Drawn	Headroom	Headroom
Term loan:				
USD	549	549	–	–
EUR	100	100	–	–
Revolving credit facility:				
USD	1,090	867	223	177
GBP	300	16	284	284
EUR	300	216	84	70
Total (GBP)	**1,940**	**1,409**		**531**

In addition to the headroom of £531 million on committed facilities, there are a number of uncommitted overdraft, guarantee and borrowing facilities made available to the Group. As at 31 December 2024 there were cash and cash equivalents, net of overdrafts, totalling £80 million (31 December 2023: £57 million).

At the start of the year the Group held capital market borrowings with an outstanding nominal value of £10 million from an original £300 million bond issued in May 2017 and due to mature in May 2032. During the year, an agreement was reached with remaining bondholders that resulted in the outstanding nominal value being bought back and cancelled for a total cost of £10 million.

The committed bank funding has two financial covenants, being a net debt to adjusted EBITDA covenant ('banking covenant leverage') and an interest cover covenant, both of which are tested half-yearly in June and December.

Both covenants have comfortable headroom with the banking covenant leverage test level set at 3.5x and as at 31 December 2024 it was 2.1x. The interest cover test is set at 4.0x, and as at 31 December 2024, the Group interest cover was 7.4x.

A limited number of Group trade receivables are subject to non-recourse factoring and customer supply chain finance arrangements. As at 31 December 2024, these amounted to £338 million (31 December 2023: £268 million). No new schemes were added during the year and the increase in the amount factored represents year-over-year revenue growth and the reversion of terms to pre-COVID levels for one key customer.

Finance cost risk management

The Group uses financial derivatives to fix a portion of the interest cost on its committed bank facilities.

The maximum weighted average rates, excluding the bank margin, the Group will pay on the fixed portions of its US dollar and Euro bank debt are 3.8% and 2.7% respectively.

The margins on the bank facilities depend on the banking covenant leverage and were as follows:

	31 Dec 2024		31 Dec 2023	
Facility:	Margin	Range	Margin	Range
Term Loan	1.40%	1.0%-2.3%	1.30%	0.9%-2.2%
Revolving Credit Facilities	1.40%-1.55%	1.0%-2.4%	1.30%-1.55%	0.9%-2.4%

The Group's cost of drawn debt for the next 12 months is currently expected to be approximately 5.4%.

Exchange rate risk management

The Group trades in various countries around the world and is exposed to movements in a number of foreign currencies.

The Group carries exchange rate risk that can be categorised into two types: transaction and translation risk, as described in the paragraphs below. The Group's policy is designed to protect against the majority of the cash risks but not the non-cash risks.

The most common exchange rate risk is the transaction risk the Group takes when it invoices a customer or purchases from suppliers in a different currency to the underlying functional currency of the relevant business. The Group's policy is to review transactional foreign exchange exposures and place necessary hedging contracts on a rolling quarterly basis. To the extent the cash flows associated with a transactional foreign exchange risk are committed, the Group will hedge 100% at the time the cash flow becomes committed. For forecast and variable cash flows, the Group hedges a proportion of the expected cash flows, with the percentage being hedged lowering as the time horizon lengthens. The Group hedges on a sliding scale, typically hedging around 90% of foreign exchange exposures expected over the next 12 months, with the percentage decreasing by approximately 10 percentage points for each subsequent year. This policy does not eliminate the cash risk but does bring some certainty to it.

The translation rate risk is the effect on the Group results in the period due to the movement of exchange rates used to translate foreign results into Sterling from one period to the next. No specific exchange instruments are used to protect against the translation risk because it is a non-cash risk to the Group, until foreign currency is subsequently converted to Sterling. However, the Group utilises its multi-currency banking facilities, where relevant, to maintain an appropriate mix of debt in each currency. The hedge of having debt drawn in these currencies funding the trading units with US dollars or Euro functional currencies protects against some of the Balance Sheet and banking covenant translation risk.

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Exchange rates for currencies most relevant to the Group in the year were:

	Average rate	Closing rate
US dollar		
2024	1.28	1.25
2023	1.24	1.28
Euro		
2024	1.18	1.21
2023	1.15	1.15

A 10 percent strengthening of the major currencies within the Group, if this were to happen in isolation against all other currencies, would have the following impact on the re-translation of adjusted operating profit into Sterling:

	USD	EUR
Increase in adjusted operating profit – £ million	47	1
% impact on adjusted operating profit	9%	-%

The impact from transactional foreign exchange exposures is not material in the short term due to hedge coverage being approximately 90%.

A 10 percent strengthening in either the US dollar or Euro would have the following impact on debt as at 31 December 2024:

	USD	EUR
Increase in gross debt – £ million	113	25
Increase in gross debt – %	8%	2%

Contract and warranty risk management

A suitable bid and contract management process exists in the businesses, which includes thorough reviews of contract terms and conditions, contract-specific risk assessments and clear delegation of authority for approvals. These processes aim to ensure effective management of risks associated with complex contracts. The financial risks connected with contracts and warranties include the consideration of commercial, legal and warranty terms and their duration, which are all considered carefully by the businesses and Group management before being entered into.

Commodity cost risk management

The cumulative expenditure on commodities is important to the Group and the risk of base commodity costs increasing is mitigated, wherever possible, by passing on the cost increases to customers, by the use of customer directed suppliers under common agreements, or by having suitable purchase agreements with suppliers which fix the price over a certain period. These risks are also managed through sourcing policies, including the use of multiple suppliers, where possible, and procurement contracts where prices are agreed in advance to limit exposure to price volatility. The Group selectively uses financial derivatives where changes in commodity costs cannot be passed on to customers or fixed with suppliers.

GOING CONCERN

As part of their consideration of going concern, the Directors have reviewed the Group's future cash forecasts and projections, which are based on both market and internal data and recent past experience.

The Directors recognise the challenges in the current economic environment, including challenges in supply chains and geopolitical risks. The Group is actively managing the associated impacts on trading through a sharp focus on pricing, productivity and costs. In addition, the Group's cash flow forecasts consider any impacts from further economic factors such as high interest rates.

The Group has modelled a severe but plausible downside case against these future cash forecasts and throughout this scenario the Group would not breach any financial covenants and would not require any additional sources of financing.

The macroeconomic environment remains uncertain and volatile and the impacts of the economic factors such as inflation, high interest rates, geopolitical conflict and challenges in supply chains could be more prolonged or severe than that which the Directors have considered in the Group's severe but plausible downside case.

Considering the Group's current committed bank facility headroom, its access to liquidity, and the level of bank covenants in place with lending banks, the Directors consider it appropriate that the Group can manage its business risks successfully and adopt a going concern basis in preparing these Consolidated Financial Statements.

2025 GUIDANCE

We set out below our 2025 guidance:

	£m
Revenue	3,550 – 3,700
Aerospace operating profit (pre-PLC costs)	680 – 720
Aerospace operating margin	>19%
Divisional adjusted operating profit	
Engines	515 – 545
Structures	165 –175
Free cash flow (after interest and tax)	100+

Our guidance includes expected variable consideration of £320 million to £360 million. PLC costs are expected to be £30 million.

The Group's free cash flow is underpinned by continued operational improvements, reduced restructuring cash spend as our multi-year programmes near completion, continued investment in capital expenditure and cash outflows connected with the Pratt & Whitney GTF powder metal issue. Specifically, the Group's 2025 guidance assumes:

- Trade working capital as a percentage of sales of 13%;
- Restructuring cash outflows of £40 million to £50 million;
- Capital expenditure of 1.0x – 1.1x depreciation including investment in additive manufacturing; and
- £70 million of cash impact connected with the Pratt & Whitney GTF powder metal issue.

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FIVE-YEAR TARGETS

The Group's new five-year targets for 2029 are revenue of c.£5 billion, adjusted operating profit of £1.2 billion+ and free cash flow after interest and tax of £600 million. These targets are translated assuming USD:GBP of 1.25:1. The key assumptions that underpin the revenue target are:

- 90% of revenue comes from existing programmes;
- OEM target build rates are met by 2029;
- Flying hours grow in line with current industry forecasts; and
- Continuation of a favourable revenue mix, with strong aftermarket.

It is assumed that these revenue drivers will drop through into adjusted operating profit and coupled with ongoing operational efficiency and commercial excellence deliver an expanded adjusted operating profit margin of 24%+. Adjusted operating profit assumes variable consideration of c.£500 million for the year ended 31 December 2029 growing in accordance with the accounting described in our RRSP booklet. At a divisional level this translates to targets of:

- Engines: Revenue growth of high single digits and adjusted operating profit margin of mid-to-high 30s percent; and
- Structures: Revenue growth of mid single digits and adjusted operating profit margin in the low teens.

Free cash flow (after interest and tax) of £600 million is driven by the increase in cash profits and benefits from all RRSPs having become cash positive, the resolution of the GTF powder metal issue, the completion of the Group's restructuring and ongoing business improvements.

Compound annual growth in earnings per share is targeted to exceed 20% in the five year period. No further share buybacks are assumed beyond those already announced.

Matthew Gregory
Chief Financial Officer

6 March 2025

LONGER-TERM VIABILITY STATEMENT

In accordance with the UK Corporate Governance Code, the Directors have assessed the prospects of the Company over a longer period than the 12 months required by the 'Going Concern' provision.

A period of three years is believed to continue to be appropriate for this assessment since this is consistent with the Group's financing cycle, whereby on average the Group has refinanced debt in line with this timescale. The Group's debt facilities consist of a multi-currency denominated term loan and multi-currency denominated revolving credit facilities that mature in April 2026, with options for the Group to extend for up to two one-year periods. This provides the Group with good visibility for when it is appropriate to refinance. The Group uses a period of five years for impairment testing of its two groups of cash generating units due to the long-term nature of cash flows within the aerospace industry, but this is not necessarily reflective of financing arrangements offered by lenders.

The Directors confirm that they have a reasonable expectation that the Group will continue in operation and meet its liabilities, as they fall due, up to December 2027.

The Directors' assessment has been made by reference to the Group's financial position as at 31 December 2024, its prospects, the Group's strategy, the Board's risk appetite and the Group's principal risks and their management, all of which are described in the Strategic Report.

The Directors' assessment of the Group's viability is underpinned by a paper prepared by management. The paper is supported by comprehensive and detailed analysis and modelling. The model underpinning this statement is stress-tested, proven and is frequently used by management when determining working capital requirements for contractual obligations, transactions and corporate restructuring. The main assumptions included in the model relate to forecast revenue, operating margin and cash generation taking into account the Group's share buyback programme. The model includes forecast data from the Group's business assets and incorporates agreed sensitivities for economic and operational risk (impacting revenue, by 10% in the first year and 5% for each subsequent year, and margins to reduce the rate of growth currently being forecast), foreign exchange risk (impacting net debt and assuming adverse movements in foreign exchange rates) and liquidity risk (impacting net debt and assuming a deterioration in working capital of 2% in the first year with no subsequent recovery), each of which have been considered both individually and in combination by the Board, together with expected achievable mitigating actions from working capital to create severe, but plausible, downside scenarios. These scenarios sensitise the main assumptions noted above, considering a medium-term impact of continued supply chain disruptions.

In preparing this statement, the following qualifications and assumptions are made:

(i) the viability model is based on the Group as at the date of this statement, 6 March 2025, with no consideration of any further acquisitions or future disposals of continuing businesses. We note future acquisitions would be based on the same proven business model applied previously, with related bank debt and equity raised to support the acquisition with sufficient headroom to cover business risks; and

(ii) financing arrangements, including those which became effective during 2024 and 2025, and bank covenant testing, are committed for much of the period under review and have sufficient headroom for liquidity and covenant compliance to continue in operation.

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RISK MANAGEMENT

The Board recognises that operating in a dynamic and rapidly evolving commercial environment requires a pragmatic, robust and responsive risk management framework comprising policies, visibility and controls that evolve with the business and provide management with a comprehensive view of the Group's risk profile at any given time, enabling risk to be identified, assessed and managed.

RISK MANAGEMENT RESPONSIBILITIES

The Board, having overall responsibility for risk management, has approved a formalised but pragmatic Group risk management framework.

BOARD Overall responsibility for risk management	• Agrees the Group's risk management strategy and defines its risk appetite • Reviews reports and recommendations from the senior management team and the Audit Committee on risk governance and risk processes and controls • Determines the nature and extent of the Group's principal risks and regularly discusses and assesses them throughout the year with the senior management team to determine the likelihood of those risks materialising and how they should be managed or mitigated • Maintains oversight of principal risks, emerging risks and mitigation plans including cyber security and fraud risk
AUDIT COMMITTEE Monitors the Group's internal financial control processes	• Monitors the Group's internal financial control processes • Monitors, oversees and reviews the effectiveness of the Group's internal controls and risk management systems and processes • Supports the Board in monitoring risk exposure against risk appetite
SENIOR MANAGEMENT	• Sets the risk management processes and controls • Agrees how the principal risks should be managed or mitigated to reduce the likelihood of their incidence or impact • Considers actual and emerging risks • Oversees and challenges risk mitigation plans and supports the legal and compliance teams within the business • Promotes an appropriate risk management culture within the Group in order to maintain sound risk management and internal control systems
OPERATIONAL MANAGERS AND SITE CONTROLLERS	• Risk identification, assessment and monitoring at a local level • Implementing, reviewing and continually monitoring compliance with risk mitigation plans and controls • Embedding risk awareness and culture throughout the business

TOP-DOWN
At the Group level, risk oversight and assessment

BOTTOM-UP
Risk exposure identification and assessment at the business line and functional level

→ **The Board's view of the Group's principal risks and uncertainties** is detailed in the table on page 37.

RISK MANAGEMENT STRATEGY AND FRAMEWORK

The objectives of the Board and senior management include safeguarding and increasing the value of the business and assets of the Group for stakeholders as a whole. Achievement of these objectives requires the development of policies and appropriate internal control frameworks to ensure the Group's resources are managed properly, and for key risks to be identified and mitigated where possible.

The Board recognises that it is ultimately responsible for determining the nature and extent of the principal risks it is willing to take in the pursuit of its strategic objectives. It also recognises the need to define a risk appetite for the Group, to maintain sound risk management and internal control systems, and to monitor its risk exposures and mitigation measures to ensure that the nature and extent of risks taken by the Group are aligned with, and proportionate to, its strategic objectives.

The Board has established an organisational structure with clear reporting procedures, lines of responsibility and delegated authority, with risk management responsibilities as depicted in the diagram above. Consistent with this, the Group operates a top-down, bottom-up approach to risk management, comprising Board and senior management oversight coupled with bottom-up risk management embedded in the day-to-day activities of the business.

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RISK MANAGEMENT FRAMEWORK

IDENTIFICATION
Financial and non-financial risks recorded in controlled risk registers

EVALUATION
Risk exposure reviewed and risks prioritised

MITIGATION
Risk owners identified and action plans implemented

ANALYSIS
Risks analysed for impact and probability to determine net exposure after factoring in controls and mitigation

REVIEW AND MONITORING
Robust mitigation strategy subject to regular and rigorous review

The Board confirms that there is an ongoing process for identifying, evaluating, tracking and managing the principal risks faced by the Group and that these systems, which are subject to regular monitoring and review, have been in place for the year under review up to the date of approval of this Annual Report and financial statements.

The Audit Committee monitors, oversees and reviews the effectiveness of the risk management and internal control processes implemented across the Group, through regular updates and discussions with senior management and a review of the key findings presented by the external and internal auditors. The Board is responsible for considering the Audit Committee's recommendations and ensuring implementation by senior management of those recommendations it deems appropriate for the business. A description of the Audit Committee's activities during the year on risk management can be found on page 129.

The executive committee comprising functional and business line leaders, as informed by their operational, functional and site-level senior managers, is responsible for monitoring business-level risk and implementing and maintaining an effective risk and control environment as part of day-to-day operations, in line with the Group risk management framework and internal control systems. Risks are reported into senior management and are reviewed and assessed by the executive committee, with support from the legal team, the financial compliance and assurance team and other members of senior management. In turn, they are reported to the Audit Committee biannually through interim and annual risk management reports that follow the executive committee's risk management reviews. The Audit Committee also receives regular updates from the executive committee and other members of the senior management team on material items that arise relating to principal Group risks.

Following the Company's change in strategy during 2023 to operating as a long-term aerospace technology business, Ernst & Young supported the risk management process by analysing the Group's principal risk profile against other aerospace and defence companies based on public disclosures. Senior management conducted a similar analysis during 2024.

With 2024 being the first full calendar year of a combined Melrose/GKN Aerospace executive committee, the legal team and financial compliance and assurance team spent additional time reviewing the business's material risks directly with risk owners to duly challenge and ensure continued alignment with the Company's principal risks.

The Audit Committee reviewed and challenged the Group's risk management process and also reviewed and challenged the interim and annual risk management reports prepared by senior management relating to the Group's principal risks profile. These reports guided the Board and Audit Committee on relevant updates relating to the development of the Group's principal risks (including in respect of risk trends and mitigation activities) as reported in the Risks and uncertainties section on pages 37 to 44. They also aided the Audit Committee's discussions with the Board on risk appetite, as detailed further below. During the year under review, in accordance with provisions 28 and 29 of the 2018 UK Corporate Governance Code (the "Code"), the Board continued to assess the Group's principal and emerging risks and to monitor and review the effectiveness of the Group's risk management and internal control systems. The Board concluded that the Group's risk management and internal control systems and processes were effective.

RISK APPETITE

In conjunction with the annual risk management review process in 2024, the Board undertook an exercise to consider its risk appetite across a number of key business risk areas by assessing its current and optimal level of risk appetite for each of the Group's principal risks. The results of this review indicated the relative appetite of the Board across the Group's principal risk areas at that point in time.

The results of the risk appetite review demonstrated that the Board has an open risk appetite regarding commercial risk, a balanced appetite regarding operational and loss of key management and capabilities risks, with a cautious appetite regarding economic and political, climate change and treasury risks. The Board seeks to minimise health and safety, legal and regulatory, and information security and cyber threats risks.

The results of the risk appetite review will support the Board's decision-making processes during 2025. The Board reviews its risk appetite at least annually.

Continued

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RISK MANAGEMENT ACTIONS

During 2024, the Board continued to drive management to deliver on the key management priorities identified during the previous year, and iterate its assessment of the Group's risk profile in light of changing internal and external factors. Risk owners continued to take steps to mitigate the risk exposures across the Group, supported by specific actions undertaken to improve enterprise risk management across the Group during the year, as follows:

- reviewing the composition of the Group's principal risks in light of the Company's strategy and business model, including monitoring the Group's defined risk profile as compared to other aerospace and defence companies;
- reviewing and re-setting the Board's risk appetite based on the optimal and current risk appetite of the Board for each principal Group risk;
- monitoring the implementation of risk governance within the business, including the identification, evaluation, prioritisation, recording, review and reporting of risks and their management or mitigation throughout the Group;
- enhancing the effectiveness of the Group's top-down, bottom-up risk management process following changes to senior management structures and the composition of the Group's executive committee; and
- continuing to review and improve the Group's processes for the identification and consolidation of, and trend analysis around, the Group's principal risks and the ongoing monitoring and reporting of the Group's risk management performance.

ASSESSMENT OF PRINCIPAL RISKS

During the year, as informed by the executive committee and other members of senior management, the Board reviewed and updated its assessment of the emerging and principal risks facing the Group and specifically those that might threaten the delivery of its strategic business model, its future performance, solvency or liquidity. As part of the assessment, the Board reviewed the Group's principal risk categories and was satisfied that they remained appropriate.

A summary of the principal risks and uncertainties that could impact the Group's performance is shown on pages 37 to 44. Further information detailing the internal control and risk management policies and procedures operated within the Group is shown on pages 121 and 122 of the Corporate Governance report.

RISK MANAGEMENT PRIORITIES FOR 2025

While improvements were made to the Group's risk management processes during 2024, the Board recognises that risk management is a continual process and that Melrose cannot be complacent. In 2025, senior management will continue to review the risk management and internal control framework to ensure that this remains aligned with the Group's business strategy.

The Board notes the changes introduced by Provision 29 of the 2024 UK Corporate Governance Code (the "2024 Code") for financial years commencing on or after 1 January 2026 in relation to the monitoring and review of the effectiveness of companies' risk management and internal controls frameworks and the disclosures that will be required to be made in relation to the same. Preparations are underway to ensure the Company is well-positioned to make the first disclosure under the 2024 Code's revised Provision 29 in the 2026 Annual Report. Steering and working committees have been established and are operating during the year. A roadmap has been developed with work in progress to assess current financial, operational, reporting and compliance controls and to identify and implement appropriate enhancements to existing control processes.

Additional resources will be devoted to supporting the identification and, where necessary, implementation of improvements to Melrose's material financial, operational, reporting and compliance controls and the review of their effectiveness.

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STRATEGIC RISK PROFILE

A risk management and internal controls framework is in place within the Group, which is continually reviewed and adapted where necessary to reflect the risk profile of the Group and to continue to ensure that such risks and uncertainties can be identified and appropriately managed.

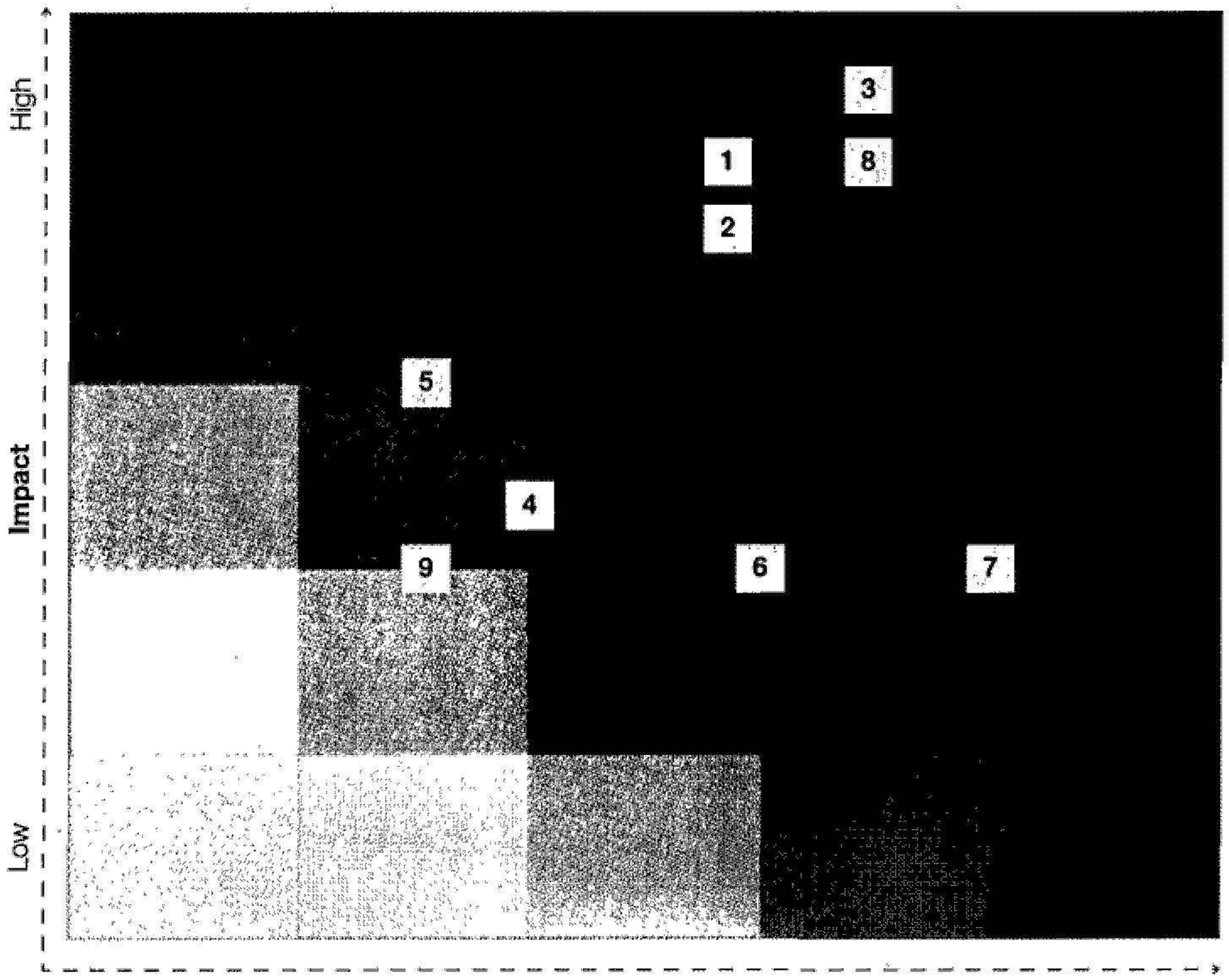
Each business line and each central function maintains a risk register which is aggregated into a Group-wide risk register to facilitate review by the executive committee, the Audit Committee, and the Board.

Strategic risk profile
Our updated view of the Group's strategic risk profile is shown opposite.

The residual risk scores have been calculated on a post-mitigation basis.

Risk trend

↑	Increase
–	No change
↓	Decrease
+	Realigned risk



No.	Risk title	Risk trend since last Annual Report	2020	2021	2022	2023	2024
1	Operations	No change	n/a	+	↑	↑	–
2	Commercial	No change	↑	↑	↑	–	–
3	Economic and political	Increase	↑	↑	↑	↑	↑
4	Loss of key management and capabilities	No change	–	↓	–	–	–
5	Health and safety	Decrease	n/a	n/a	n/a	+	↓
6	Legal and regulatory	No change	–	–	↑	–	–
7	Climate change	No change	n/a	+	–	–	–
8	Information security and cyber threats	Increase	↑	–	↑	↑	↑
9	Treasury	Decrease	n/a	n/a	n/a	+	↓

Continued

Risk trend

- Increase
- No change
- Decrease
- Realigned risk

Strategic priorities

- Design
- Deliver
- Improve

Responsibility

The executive committee and senior management are responsible for our principal risks.

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OPERATIONAL RISKS

RISK 1 – OPERATIONS

Description and impact

Major disruption within the Group's operations may adversely affect the financial performance of the Group. As a global aerospace technology business, Melrose is susceptible to industry specific issues that may arise from interdependencies within and its reliance on complex global supply chains. In particular, disruption to its supply chains may put strain on our operations, and could result in the Group failing to meet customer commitments, which could result in contractual penalties, as well as impact the Group's competitiveness when seeking to win future orders from affected customers. The Group is dependent on the timely delivery of materials and components by its suppliers and subcontractors who may be impacted by their own economic and geographic environments (such as pricing pressures, tariffs, and availability issues). In addition, the Group is susceptible to sector specific demand dynamics, informed by a concentrated customer base and customer-determined adjustments to aircraft build rates. These factors, among others, can materially impact the Group's ability to forecast and manage efficient supplies, inventory and production capacity, and therefore its ability to manufacture and supply products, or to deliver them in a timely manner.

Mitigation

- The Group continues to invest in equipment and capacity within its existing facilities, as well as identifying dual source suppliers and alternative materials where available, including through investment in alternative production methods.
- Weekly and monthly management reviews of supply chain and demand issues are undertaken in order to assess the Group's OEM supplier order book as well as maintaining OEM aircraft build rates, and to confirm commitments over specified timeframes.
- Contingency plans are developed with respect to potential shortages of key materials or production inputs which may arise as a result of geopolitical events.
- Strategic reviews of business line supply chains are ongoing to assess opportunities for supplier development and support and alternative sourcing and to identify opportunities for vertical integration and for OEM support in terms of exercising their supply chain leverage where appropriate.
- The Group continues to engage with OEMs on a regular basis in respect of supply chain forecasting and stewardship, and build rates.
- The senior management team of each business line continues to actively engage with supply contracts to assess commercial terms to mitigate operational risk to the Group and ensure that strategic decisions are taken where possible. Those management teams have continued to implement and direct a series of operational change management programmes to mitigate identified risks, including enterprise-wide promotion and top-down deployment of leading lean operations management problem-solving tools to identify, assess and remedy production flow inhibitors across the business on a continuous basis.

Trend commentary

Operational risks remained high throughout 2024, with pressure on supply chains continuing to affect all of the Group's business lines and customers significantly. The key civil aerospace OEMs, Airbus and Boeing, both reduced their production rates during 2024, with customer supply chain issues expected to persist within the industry through 2025. The Group's ability to diversify its own sources of supply is limited where customers require the use of particular suppliers or where alternative supplier options are limited. Geopolitical events continued to impact on the Group as well as the aerospace industry as a whole, causing operational risks to remain high. The conflict in the Middle East continued, with attacks on key cities in the affected regions, and a threat of attacks on merchant ships in the Red Sea corridor which continued to disrupt global shipping routes. The war in Ukraine remained entrenched during the year, and with continuing tension between China and Taiwan, resulted in continued supply constraints of the raw materials and products needed in the Group's manufacturing processes and supply chains. Recent de-escalation of the conflict in the Middle East and the possibility of peace negotiations regarding the Ukraine conflict could reduce pressures on supply chains in 2025 should these eventuate.

Melrose seeks to actively identify and track strategic operational improvements together with operational risks which may impact on such improvements. Furthermore, Melrose seeks to identify, and take advantage of, benefits from supply chain interdependencies. In particular, supply chain issues may result in legacy engines flying for longer, which is beneficial to the Group's aftermarket business.

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RISK 2 – COMMERCIAL

Description and impact

The Group operates in competitive markets throughout the world and is diversified across a variety of production and sales geographies. This provides a degree of Group-level impact mitigation from the commercial challenges and market disruptions that face the sector. However, the widespread disruption caused by geopolitical events, including those identified at Risks 1 and 3, could heighten the Group's exposure to end-market commercial risk.

Product quality also drives certain commercial risks. Quality issues involving products manufactured or supplied by the Group could lead to product recalls, financial penalties, reputational damage and, in the worst case, could put consumer health and safety at risk.

Other commercial risk areas that may have an adverse impact on the Group include those related to customer concentration and uncertainties related to future customer demand, onerous customer and supplier contracts, the impact of increased competitive pressures on the maintenance or improvement of market share, technological innovation and market disruption, and the performance and management of programme partners.

Mitigation

- The senior management team keeps track of the Group's commercial risks through a number of mediums including by conducting reviews of the Group's risk register which aggregates and highlights the key commercial and other risks and relevant risk trends across the Group.
- The Group actively invests in research and development activities to augment its platforms for future product expansion, drive quality improvements, enhance customer alignment and achieve further operational efficiencies. These activities are subject to lifecycle technical reviews on an annual basis. These research and development activities are underpinned by a global technology strategy, while the technology team regularly review the technical landscape. Details about some of the Group's research and development activities are provided in the Sustainability review on pages 51 to 99.
- Management maintains a close focus on delivery management supported by their regular review of the Group's customer and supplier contracts in order to identify ways, including through contract renegotiations, to improve the Group's profitability.
- Management continues to focus on managing costs closely to protect and enhance margin.
- The Group has a diverse portfolio of risk and revenue sharing partnership ("RRSP") contracts across a number of leading global OEMs, retaining relatively small shares in any single programme. Melrose has mitigated against commercial risks associated with such arrangements by using conservative financial assumptions for all of its RRSP programmes.
- The Group operates robust quality assurance and management procedures led by an independent internal quality team including adherence to documented management systems and external auditing to internationally-recognised quality and airworthiness standards.

Trend commentary

The risk trend for commercial risk remained broadly the same during the year, with macroeconomic events continuing to cause fluctuations in commodity pricing, in addition to wider inflationary pressures. While aerospace sector-specific hyperinflation and the rising costs of skilled labour have continued to put pressure on the Group's supply chain and margins, the Group continues to drive operational efficiencies in its business lines, including through investing in alternative production methods, and to protect and improve margin through ongoing strategic review of pricing and supply chains.

As noted above, the key civil aerospace OEMs, Airbus and Boeing, each adjusted their build rates downwards during 2024. Further material downgrades to current and future production rates by key OEMs in 2025 would likely put increased pressure on the Group. While the Group remains confident of inherent supply and demand dynamics in the sector over the medium and long term, management continues to focus on commercial improvements and cost management to mitigate any potential near-term impact.

The Group continues to be exposed to commercial risks arising within the aerospace industry, including the shift to new technologies and markets, such as electric and hydrogen powered aircraft. While the introduction of new technologies in the aerospace sector does pose a commercial risk to the Group, the highly regulated nature of the sector and the long certification process that emerging technologies would be subjected to, would mean that an extended period of time would pass before new developments would be in a position to threaten the Group's current and emerging technological capabilities and impact on its earnings. Strategic plans have been put in place across the Group to ensure targeted development of current and future technological capabilities in order to position the Group to capitalise on technological advances in the sector.

The senior management team continues to actively and regularly track, monitor and support strategic planning activities and impact mitigation assessments in respect of ongoing commercial risks.

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RISK 3 – ECONOMIC AND POLITICAL

Description and impact

The Group operates through manufacturing and/or sales facilities in numerous countries and is affected by global economic and political conditions. Growing levels of globalisation, urbanisation, travel, and tourism create sectoral and market growth opportunities for the Group but, there is a risk that geopolitical events may offset those growth opportunities and adversely impact the Group's operations, particularly those that involve major trading partners or blocs. For example, geopolitical events may result in explicit trade protectionism, the potential for conflict or broader international political issues, as well as the introduction of new tariffs and/or taxes which could adversely affect the financial performance of the Group or the delivery of its global strategy. Moreover, global economic and political events may cause sudden and unanticipated disruption to the Group's operations and supply chains.

Fluctuation in commodity prices and high inflation may materially and adversely affect the Group's operational performance and financial condition. Further, these factors may materially affect customers, suppliers, and other parties with which the Group does business. High inflation levels may result in increased Group costs both in terms of the operation of plants and the manufacturing of products, which in turn may be passed on to customers. More generally, adverse economic and financial market conditions may cause customers to terminate existing orders, to reduce their purchases from the Group, or to be unable to meet their obligations to pay outstanding debts to the Group. These market conditions may also cause suppliers to be unable to meet their commitments to the Group or to change the credit terms they extend to the Group.

Mitigation

- The Group has a diversified global footprint mainly across Europe, the US and Asia, and its commercial split across both the civil and defence markets helps to mitigate against geopolitical shocks. Management continues to review opportunities to regionalise supply chains to improve resilience.
- Order books including OEM's aircraft build rates, cash performance, cost control and other leading indicators are regularly monitored to ensure that the Group and both of its divisions can respond quickly to adverse trading conditions. This includes the identification of cost reduction and efficiency measures.
- Bank financing is readily available to the Group from its supportive banking syndicate. This support has proven to be available to the Group even during periods of unprecedented turmoil, including during the global pandemic.
- The Group fosters strong customer relationships which are often long-term partnerships, built on technical excellence and quality, and often with plants in close proximity to customers where feasible and commercially necessary.
- The Group closely monitors global political, economic, and social trends through an annual strategic review process which supports the Group's plan to conduct horizon scanning in respect of any other potential conflicts which have not already been identified or are under review.
- The Group monitors its commercial terms and seeks to improve them where opportunities arise. This includes negotiating favourable International Commercial Terms to mitigate the potential impact of tariff increases where possible.

Trend commentary

Geopolitical and economic instability and associated risks worsened throughout 2024. The continuation of the entrenched war in Ukraine and the war in the Middle East, the continued threat of attacks on merchant ships in the Middle East, and rising tensions between China and Taiwan, remained key factors in such uncertainty exacerbated by the uncertainty associated with the change in the US Presidency, including potential tariffs. While Melrose promptly assessed the risks associated with these events by conducting an analysis of their impact on the Group's trading relationships and supply chains, a further rise in geopolitical tensions or the escalation of existing conflicts or outbreak of new conflicts could adversely affect the Group's business. Continued geopolitical tensions also contribute to an increased risk of cyber attack by state-sponsored actors. Recent de-escalation of the conflict in the Middle East and the possibility of peace negotiations regarding the Ukraine conflict may signal towards a less unstable global environment. However, the expected rise in US economic protectionism is expected to create further trade uncertainty through tariffs, although potential opportunities could arise from increased pressure on European allies to increase their defence spending and NATO contributions.

The Group's diversified global footprint, and its commercial split across the civil and defence markets, provide a degree of natural mitigation in the event of regionalised geopolitical shocks. Senior management closely monitors economic and political events alongside its dedicated export control team in order to best react to any associated risks as early as practicable. However, the susceptibility of aerospace supply chains to disruption and the difficulties in adapting to them are significant headwinds.

RISK 4 – LOSS OF KEY MANAGEMENT AND CAPABILITIES

Description and impact

The success of the Group is built upon a strong management team. The loss of key personnel, or an inability to identify, attract and retain key personnel, could impact the ability of the Group to deliver its business strategy. As a result, the loss of key personnel could have a significant impact on the Group's performance, at least for a time. The loss of key personnel or the failure to plan adequately for succession or develop new talent may impact the reputation of the Group or lead to a disruption in the leadership of the business. Competition for appropriately skilled, qualified and experienced personnel within the sector is intense and the Group may not be successful in attracting or retaining such personnel, particularly engineering professionals.

Mitigation

- Succession planning at Board level is coordinated via the Nomination Committee in conjunction with the Board. While the Chief Executive Officer is responsible for the appointment of executive committee members, the Nomination Committee is also engaged in reviewing talent management and succession planning for senior management.
- Recent non-executive appointments to the Board have been made to bolster its aerospace-specific and industrial capabilities, as well as seasoned FTSE 100 board experience.
- Succession planning for key roles is a core focus, with the Chief Executive Officer having undertaken a talent management and succession planning review of all business line and functional teams' succession plans with the relevant executive committee members.
- Regular employee engagement surveys are undertaken and action plans developed for lower scoring teams.
- Remuneration packages and incentive arrangements are regularly reviewed throughout the business to ensure competitiveness.
- Melrose recognises that, as with most businesses, particularly those operating within a technical field, appointments are dependent on Directors and employees with particular managerial, engineering or technical skills. Appropriate remuneration packages and long-term incentive arrangements are offered in an effort to attract and retain such individuals.

Trend commentary

In light of the change in Melrose's business strategy to operating as a long-term aerospace technology business, Board succession planning was a key focus for the Nomination Committee and the Board in 2024. Following the changes in executive leadership made in the first half of 2024, the Board, with the support of the Nomination Committee, approved the appointment of Mr Chris Grigg as a Non-executive Director and Chair designate on 1 October 2024. Mr Grigg succeeds Mr Justin Dowley as Chairman with effect from 30 March 2025 and brings considerable executive and non-executive FTSE 100 board experience to the Board in addition to sector-specific experience having previously served as the Senior Independent Director of BAE Systems plc. The Nomination Committee also approved the appointment of Dr Ian Barkshire as a Non-executive Director on 1 October 2024, bringing science and technology experience alongside his extensive FTSE executive experience as the former Chief Executive Officer of Oxford Instruments plc. For further details please refer to the Nomination Committee report on pages 132 to 135.

Competition for people, particularly engineers, with the specialised skills, qualifications and experience to work in the aerospace sector and other adjacent sectors continues to be intense.

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RISK 5 – HEALTH AND SAFETY

Description and impact

The Group employs approximately 13,750 people with many operations often involving risks related, but not limited, to heavy duty machinery, chemical use, movement of parts such as lifting or transportation, as well as energy, such as electricity and pressurised systems. A serious accident in the workplace could have a major impact on employees as well as their families, colleagues, and communities. Such an incident could also result in legal claims, reputational damage, and financial loss.

Mitigation

- The Group has dedicated corporate and site level Health and Safety ("H&S") teams, which have rolled out a comprehensive H&S programme across all sites. The corporate H&S team has led business-wide training on risk management for all operational leaders and an awareness campaign around GKN Aerospace's Golden Safety Rules. All sites are required to self-certify compliance with the Golden Safety Rules, which is validated through an internal audit programme throughout the year.
- Production tasks are risk assessed and the business has invested in providing the appropriate personal protective equipment and appropriate safety equipment. Risk assessments are communicated to employees, to provide them with the knowledge and skills necessary to perform their roles safely. All employees are required to use the safety equipment provided and adhere to any safety training and instructions given.
- As of 31 December 2024, 29 sites within the Group were certified to the ISO 45001 International standard, with additional relevant sites progressing towards accreditation. Third-party auditing on a three-year certification cycle is required to maintain ISO accreditation, with Health and Safety Executive internal annual surveillance audits taking place in between on a rotation or risk basis to ensure minimum standards are being maintained.
- Senior management take an active role through engaging in safety tours, in conjunction with H&S experts, validating the effectiveness of H&S controls on our sites. In 2024, particular focus was placed on strengthening risk assessments and risk controls.
- The Board is provided with visibility and oversight on H&S risks through the form of quarterly reports, which consolidate Group performance for all sites based on management's key performance indicators.

Trend commentary

Health and safety continues to be of fundamental importance to Melrose. The overall risk rating reduced during 2024, with significant continuous improvement measures having been implemented and a continued focus on ensuring compliance with the Golden Safety Rules resulting in an improved H&S performance. While there will always be an inherent H&S risk due to the nature of the Group's business, management is encouraged by the reduction in Lost Time Accidents ("LTA") with only one LTA having occurred during 2024 (2023: 11).

The senior management team continues to promote H&S as a key priority within the Group, focusing on compliance with the Golden Safety Rules, the creation of a proactive culture of adherence across the organisation and continued rigorous investigation and review of incidents and near-misses that occur. Furthermore, Melrose has a Group target to achieve and maintain an annual LTA frequency rate of below 0.1 per 200,000 hours worked. This underpins our overarching commitment to stop all accidents from occurring, through the promotion of safe behaviours across all locations, and an enhanced focus on hazard identification and awareness. During 2024, we continued to maintain an LTA Frequency Rate of below 0.1, and continued to prioritise continuous health and safety improvements in the push for the LTA Frequency Rate of zero. Please refer to pages 24 and 90 of the Strategic Report for further details.

COMPLIANCE AND ETHICAL RISKS

RISK 6 – LEGAL AND REGULATORY

Description and impact

The Group operates in a highly regulated environment across multiple jurisdictions. The Group's operations are subject to anti-bribery and corruption, anti-money laundering, competition, anti-trust and trade compliance laws and regulations. Failure to comply with certain regulations may result in significant financial penalties, debarment from government contracts and/or reputational damage, and may impact the Group's ability to pursue its business strategy.

Considering the breadth, scale and complexity of the Group, there is a risk that the Group may not always be in complete compliance with applicable laws, regulations or permits. The Group could be held responsible for liabilities and consequences arising from: (i) failure to comply with sanctions, export controls and customs requirements, which can result in fines, criminal penalties, adverse publicity, payment of back duties and suspension or revocation of the Group's import or export privileges; (ii) product liability claims, which can result in significant total liability or remedial costs, particularly for products supplied to large volume global production programmes spanning multiple years; and (iii) employee matters including liability for employee accidents in the workplace or consequences of environmental liabilities, which may be susceptible to class action law suits, particularly but not exclusively with respect to Group businesses operating in North America.

Mitigation

- Regular monitoring of legal and regulatory matters takes place across the Group. Consultation with external advisors is also undertaken where necessary.
- Group-wide standard and enhanced application to trade authorisation procedures are in place and regularly reviewed against the ever-changing global trade compliance landscape, supported by a dedicated internal export compliance team, access to external trade compliance, legal and regulatory specialists and electronic counterparty screening systems.
- A robust control framework is in place, underpinned by comprehensive corporate governance and compliance policies and procedures, including utilisation of third-party verification providers, training of applicable employees on policies and procedures, and regular reviews of relevant Group policies in light of legal and regulatory changes, as well as best practice.
- Melrose operates a Group-wide whistleblowing platform whereby all employees have access to a multi-lingual online portal, together with local hotline telephone numbers that are available 24/7, in order to allow employees to raise concerns on possible wrongdoing in any aspect of the business.

Trend commentary

As a result of the geopolitical tensions and the associated sanctions and restrictions noted above, the Group continued to proactively monitor the changing regulations surrounding export controls, sanctions and tariffs to ensure that the Group observes the relevant requirements and has the relevant licences needed in order to operate. The Group continued to have a fully developed legal function, supported by external advisors where necessary or helpful to ensure ongoing compliance in the jurisdictions in which the business operates across the globe.

The change of US President has resulted in increased uncertainty in respect of US trade policy, with the prospect of increased US protectionism potentially adversely impacting parts of the Group's business. Potential reduction in US support for its allies' national defence is likely to lead to an increase in defence spending in the UK, the EU and the rest of the world. The likelihood and level of impact of such potential risks remains unknown.

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RISK 7 – CLIMATE CHANGE

Description and impact

Increased frequency in extreme weather and climate-related natural disasters may lead to physical damage at the Group's sites in addition to disruption to the already pressured supply chains on which the Group relies. Additionally, new legislation, regulations and reporting requirements, may require additional investment from the Group, restrict commercial flexibility and business strategies, suppress aviation demand, and introduce additional costs and liabilities for the Group. Changing demand patterns influenced by climate change concerns create risks for the sustainability of the Group's products and solutions.

Climate change has been identified as a standalone Group principal risk since 2021 and is incorporated in the Group's risk management process comprising a combination of transition and physical risks. These risks relate to the Group's exposure to carbon pricing mechanisms, raw material availability, replacement of carbon intensive machinery, and successful entry of new technologies to the market. The physical risk assessment sought to identify current and potential future physical climate risks facing the Group's global facilities and key suppliers, with consideration of revenue and property value of each facility, to determine the materiality of identified risks. The most material of the identified risks were found to relate to flooding and storm events, together with potential disruptions to key suppliers caused by extreme weather events. Throughout 2024, GKN Aerospace continued to refine and review its climate-related risks and opportunities which were reported to the Group in order to inform the assessment of climate change as a principal risk.

Mitigation

- The Group has developed a coordinated approach to tackling climate change across the business which provides goals and monitors progress in three key areas: (i) reducing emissions as a business generally; (ii) reducing consumption of natural resources; and (iii) enabling the aviation sector's route to Net Zero.
- The Group seeks to integrate climate considerations, such as energy and climate management efforts in countries where we operate and sell our products, expectations of our value chains, and the various commitments to achieve the goals of the Paris Agreement, into strategic decisions and operational management.
- The framework developed for identifying, understanding, quantifying, where possible, and, ultimately, managing climate-related challenges and opportunities continues to be used which enables the Group to better understand and plan for the effects of climate change. This framework covers government and international policy, emissions regulations, energy costs, physical impacts, access to capital, risks relating to permits, product demand and litigation risks.
- The Group sustainability function, overseen by the Chief Technology Officer, continues to set out the responsibilities for delivering the Group's climate strategy and addressing progress against the Group's climate commitments.
- The Group's near- and long-term carbon emission targets have been validated by the Science Based Targets initiative and are used to manage operational and supply chain emissions, as well as track the Group's emissions, energy, and other climate-related sustainability targets. Performance is reported annually within Melrose's Annual and Sustainability Reports, Task Force on Climate-related Financial Disclosures ("TCFD") report, and through the Climate Disclosure Project ("CDP") Climate Change disclosures.
- In 2024, the Group received a silver medal in its first assessment by EcoVadis, one of the leading global CSR rating companies, evidencing a strong sustainability performance amongst industry peers and an ability for close collaboration with value chain partners.
- The Group's Transition Plan, developed in 2023, continues to help the Group deliver its ambition of Net Zero by 2050. The Transition Plan was prepared in line with the TCFD recommendations and the new UK Transition Plan Taskforce's guidance. It is available on Melrose's website at www.melroseplc.net/sustainability.
- As part of the assessment of climate transition risks, mitigation and adaptation opportunities have been identified related to the development of new technologies, such as hydrogen, battery electric and sustainable aviation fuels, as well as improving inflight efficiencies by lightweighting components and energy efficiency of engines to ensure continued motivation to be the most sustainable partner in the sky. Further details can be found in the Sustainability review on pages 51 to 84.
- Members of the senior management team actively participate in key government forums and seek to help shape policy and investment in a way which benefits sustainable growth in aviation.

Trend commentary

The overall risk presented to the Group by climate change remains multi-faceted. Recent years have shown the frequency and severity of climate-related events are increasing and the transition to low-carbon technology is a growing focus area for governments, investors, and the entire aerospace sector. As such, the Group continued to give climate change significant focus addressed through various strategic and tactical workstreams within the Group. It continues to be an important consideration across the Group's business strategy, including in terms of investment decisions and product development. Further, it continues to be a key strategic concern for the Group's stakeholders, who are keen to understand how Melrose is managing climate-related risk.

Going into 2025, the Group will continue to look to balance where possible the risks associated with climate change against potential opportunities for the Group. Furthermore, the Group continues to align its climate-related risk assessments to the new EU Corporate Sustainability Reporting Directive standards and principles to ensure consistent reporting of climate related risks and opportunities, and our progress in achieving the Group's Net Zero ambition.

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RISK 8 – INFORMATION SECURITY AND CYBER THREATS

Description and impact

The Group is exposed to information security and cyber threats due to the nature of its operations within the aerospace industry specifically, and generally due to the size and public facing nature of the Group. There is an inherent information security threat within the Group where data is held in relation to civil aerospace technology and controlled military contracts in airframe and engines. Given the nature of the industry in which the Group operates, the Group is also subject to compliance with more stringent security requirements in particular areas and failure to comply could result in reputational damage and lead to the loss of existing business or failure to secure future business.

The potential consequences for the Group associated with information security and cyber threats are far reaching. Failure to protect the availability and integrity of information technology systems and data from deliberate attempts to cause harm may result in disruption to our business operations and to our ability to service customers, as well as to loss of business and direct financial costs. The Group may also suffer business disruption as a result of such attacks within the Group's wider supply chain.

Mitigation

- The Group's cyber security team works with the Group's external security consultants, Ernst & Young, and other specialist security service providers to assess the Group's increased exposure to cyber security risk and to ensure appropriate mitigation measures are in place for the Group.
- During the year, management continued to monitor and enhance its information security strategy and risk-based governance framework within the Company. A multi-layered approach is taken to identify and address information security risks focusing on people, process and technology, including employee screening and training, supplier and vendor checks, advanced threat detection and response, security compliance monitoring, penetration testing, IT asset compliance reviews and threat intelligence.
- The framework follows both the UK Government's National Cyber Security Centre recommended steps on cyber security and US NIST Cyber Security Framework, as well as incorporating Dutch MIVD and Swedish ISM controls. This strategic management approach has delivered risk profiling capabilities for aerospace and defence, and enabled the development of mitigation plans to reduce the Group's exposure to cyber risk.
- The progress of the Group against our information security strategy is measured every quarter. Our review is supported by Ernst & Young who conduct separate cyber assurance reviews throughout the year at certain of our key strategic locations. We perform regular internal site assessments based on our mandatory controls framework. This comprehensive approach ensures we maintain robust information security across the Group.
- The Group has obtained appropriate insurance policies in respect of the threats posed by the increasing risk trend of information security and cyber threats.
- The Group has worked to establish comprehensive and tested response plans in the event of a material threat to information security and/or a cyber threat more generally.
- Education and awareness initiatives are considered vital to the management of information security and cyber threat risks. Initiatives are undertaken throughout the year to maintain employee vigilance, including phishing exercises, to help maintain high levels of awareness of and responsiveness to these risks.

Trend commentary

Information security and cyber threats against commercial businesses, particularly those which operate in key sectors such as aerospace, continue to increase generally as a result of the unstable geopolitical situation and pervasive cyber crime generally. Addressing such threats continues to be a high priority, and the Group remains on high alert. To counter these risks, the Group has worked, and continues to work, with external security companies to monitor, improve and refine its Group-wide strategy to support the prevention, identification, and mitigation of current and future threats.

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FINANCIAL RISKS

RISK 9 – TREASURY

Description and impact

The Group is exposed to a number of treasury-related risks, including those related to liquidity, foreign exchange, and pensions. The ability to raise debt or to refinance existing borrowings in the bank or capital markets is dependent on market conditions and the proper functioning of financial markets as well as on the Group's financial performance. As set out in more detail in the Chief Financial Officer's review on page 31, as at 31 December 2024 term loan facilities and multicurrency revolving credit facilities were in place; such facilities totalling, in aggregate, approximately £1,940 million with an initial maturity date of April 2026, with the ability to be extended for two additional one-year periods at the Company's option.

Due to the global nature of the Group's operations, it is susceptible to the volatility inherent in the foreign exchange market in addition to exchange rate fluctuations. The Group is primarily exposed to two types of currency risk: transaction risk and translation risk.

Furthermore, any shortfall in the Group's defined benefit pension schemes may require additional funding. As at 31 December 2024, the Group's pension schemes had an aggregate deficit, on an accounting basis, of £59 million (2023: £99 million). Changes in discount rates, inflation, asset values or mortality assumptions could lead to a materially higher deficit. Further, there is a risk that the plans' assets, such as investments in equity and debt securities, will not be sufficient to cover the value of the retirement benefits to be provided under the plans. The implications of a higher pension deficit include a direct impact on valuation, implied credit rating and potential additional funding requirements at subsequent triennial reviews.

Mitigation

- The Group operates a conservative level of headroom for liquidity purposes and across its financial covenants, conducting regular reviews of its cash forecast, which is designed to avoid the need for any unplanned refinancing.
- The Group operates cash management mechanisms, including cash pooling across the Group and maintenance of RCFs and certain uncommitted facilities to mitigate the risk of any liquidity issues.
- During 2024 the Group negotiated an increase in its existing US dollar debt facilities equal to approximately £320 million and secured the ability to extend the final maturity date of all committed bank facilities outstanding as at 31 December 2024 to April 2028.
- Subsequent to 31 December 2024, the Group has secured additional committed multi-currency bank facilities with a select number of its existing lenders totalling approximately £400 million to provide additional flexibility and headroom.
- The Group's policy is to mitigate transactional foreign exchange risk affecting cash by hedging such risks with financial instruments.
- The Group utilises its multi-currency banking facilities and cross-currency swaps, where relevant, to maintain an appropriate mix of debt in US dollars, Euros and Sterling. The hedge of having debt drawn in US dollars and Euros protects against some of the balance sheet and banking covenant foreign exchange risk.
- The Group is protected against being over-hedged due to short to medium-term reductions in forecasts, as the percentage of hedges compared to forecast foreign exchange exposures tapers over future periods.
- The GKN UK Group Pension Schemes (Numbers 1 and 4) are the most significant pension plans remaining in the Group and are closed to new members and to the accrual of future benefits for current members. The Group commenced a process to buy-out the GKN UK Group Pension Scheme Number 4 in 2023, this was ongoing throughout 2024 and is expected to complete during 2025.
- Melrose actively engages with the Trustees on pension plan asset allocations and strategies.

Trend commentary

The Group has maintained its strong cash controls and forecasting processes, and senior management has implemented measures to increase the accuracy of cash flow information and the robustness of cash controls. The increases in the Group's debt facilities secured during the year and the ability to extend the final maturity date for all committed bank facilities outstanding as at 31 December 2024 to April 2028 and the additional multi-currency bank facilities arranged following 31 December 2024 have ensured that the Group has adequate resources available to put the Group in a strong position for growth. The Group also utilised its usual controls to manage foreign exchange risk during the year and to provide protection for future years. For further details on the Group's bank facilities, cash management and financial risk management please refer to the Chief Financial Officer's review on pages 26 to 33.



SECTION 172 STATEMENT

Board stakeholder engagement and decision-making

The Board is responsible for the long-term success of the Company, for setting and overseeing its culture, and for the Company's purpose, strategy and values. The Board's understanding of the Company's stakeholders and their respective interests is central to these responsibilities and informs key aspects of its decision-making.

SECTION 172 STATEMENT

In accordance with the Companies Act 2006, the Directors provide this statement describing how they have had regard to the matters set out in section 172(1) of the Companies Act 2006 when performing their duty to promote the success of the Company under section 172.

MELROSE'S PURPOSE, STRATEGY AND VALUES

Our strategy remains focused on value creation driven by operational and financial improvement over the longer term. Our positive trajectory is underpinned by leading positions on the world's major aircraft platforms, strong organic growth prospects within the aerospace sector, and attractive opportunities to further differentiate our business through cutting-edge proprietary technology that is already shaping the future of flight.

The Company's purpose and strategy remain underpinned by the principles and values on which it was founded. We operate with integrity, honesty, transparency and decisiveness, and believe in a lean operating model, high productivity and sustainable business practices. We see the decarbonisation of the aerospace sector as a priority, and indeed a central tenet of GKN Aerospace's mission to be 'The Most Trusted and Sustainable Partner in the Sky'. Whilst the sector and our customers provide many opportunities for further progress towards cleaner air travel through our innovation and technology leadership, we see no reason why this priority cannot be achieved at the same time as generating superior financial returns for our shareholders.

The Board is ultimately accountable to the Company's shareholders for setting the Group's strategy, for overseeing the Group's financial and operational performance in line with Melrose's strategic objectives, and for taking into account the principal risks facing the Group. Implementation of the Group's strategic objectives, as determined and overseen by the Board, is delegated to the senior management team led by the executive committee, with operational strategy and management delegated to the divisional teams. The Board has established an organisational structure with clear reporting procedures, lines of responsibility and delegated authority, in line with the Group's governance framework, which the Board reviews regularly to ensure it continues to align with applicable legal requirements and corporate governance best practice.

The Board recognises that culture, values and standards are key contributors to how a company creates and sustains value over the long term. High standards of business conduct guide and assist the Board's decision-making, and in doing so, help promote the Company's success, recognising, amongst other things, the likely consequences of any decision in the long term and wider stakeholder considerations. The standards set by the Board mandate certain requirements and behaviours with regards to the activities of the Directors, our employees and others associated with the Group.

The Group has a number of compliance policies, including a Code of Ethics, which are implemented across the business. The Board continues to play an active role in overseeing how the business manages compliance, with adherence to the compliance framework being fed back to the Board, to guide and assist in its decision-making, and to ensure that the business practices of the Group remain aligned with Melrose's purpose. The Board considers it to be of the utmost importance that the business continues to uphold high standards of business conduct and strives for continuous improvement in this area. Further detail on the Group's compliance policies and framework, and reporting to the Board, can be found on pages 51 to 99 of the Sustainability review.

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KEY STAKEHOLDER ENGAGEMENT IN 2024

The Board cultivates strong relationships with the Group's key stakeholders so that it is well placed and sufficiently informed to take their considerations into account when making decisions, where appropriate, in order to discharge their duties under section 172 and to pursue the Company's strategic objectives. Stakeholder engagement is on the Board's agenda to enable the Board to assess whether the Company's principal stakeholders and their priorities have changed, and whether the Board has sufficient engagement with each key stakeholder group.

Set out below and on the following pages are details of our key stakeholders, how we engaged with them during the year, and the outcomes of these processes.

OUR KEY STAKEHOLDERS

OUR PEOPLE

Our approach

We recognise that a capable, engaged and passionate workforce is central to the Group's performance and ultimately its success. Our people are an important stakeholder group, and we foster a culture of effective engagement with employees in order to encourage open dialogue where employees feel confident that their views are taken into consideration.

Engagement activities and consideration

- The executive Directors conduct regular site tours throughout the year, engaging directly with employees across multiple sites on a regular basis. Quarterly interactive leadership update video conferences, and biennial in-person leadership conferences are hosted by the Chief Executive Officer to engage directly with operational and functional leaders across the Group.
- Melrose operates a Workforce Advisory Panel ("WAP") in order to promote effective engagement with, and encourage participation from, its workforce. The WAP met twice during 2024 and the outcomes, together with key workforce views, were fed back to the Board accordingly.
- Employees have an opportunity to raise concerns confidentially and anonymously through the Group-wide whistleblowing platform. The platform has a multi-lingual online portal, and local hotline numbers that are available 24/7. The Audit Committee receives regular reports on whistleblowing activity, and they report to the Board accordingly.
- An annual all-employee engagement survey is undertaken across the Group in order to collate the views of employees and identify areas of strength and those in need of development. The Board receives a summary of these results and is provided with feedback on how employees' views are taken into account in executive decision-making. An initiative was launched in 2024 to strengthen the focus on continuous improvement action planning with respect to the most material issues to each team.
- A large number of employees are covered by collective bargaining units, national collective agreements and union agreements. Engagement with employee representative bodies remains a focus, enabling discussion of ordinary course matters as well as specific events. We understand that some of the decisions we take to improve our businesses for the long-term benefit of all stakeholders, such as restructuring, can have a material impact on our people. We do not take these difficult decisions lightly, and where appropriate we seek to understand through event-driven consultation and engagement activities with relevant stakeholders to ensure that the decisions we take are based on a well-informed view of the potential impact that those decisions may have on those stakeholders. We always endeavour to achieve positive outcomes for the workforce in such circumstances.
- The Board conducts regular site visits at least annually; and holds a Board meeting and business review at an operating site at least annually.
- The Board receives regular health and safety reports and periodic updates on the Group's pension arrangements.
- The Nomination Committee, together with the Board, is focused on promoting diversity and inclusion within the Group[1]. The Group's diversity policies are reviewed on an annual basis to ensure that the importance of having a diverse and inclusive culture is understood and embraced throughout the Group. Our global Employee Resource Groups ("ERGs") are open to all employees and provide opportunities for collaboration and learning. Further detail in respect of the ERGs can be found in the Sustainability review.

→ **Sustainability review**
pages 51 to 99

(1) All Diversity, Inclusion, and Belonging initiatives and activities referenced throughout this report are applicable only within the scope of legally permitted jurisdictions.

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SHAREHOLDERS

Our approach

We provide a consistent and transparent flow of information and management insight to shareholders and to the wider investment community, taking a clear and open approach to investor relations and communications. We recognise that analysts require robust information in order to inform the research and analysis that they provide to investors, and investors benefit from disclosure in line with regulatory requirements, as well as enhanced disclosure on topics that are material to the Company, to inform their independent investment decisions.

Engagement activities and consideration

- Melrose has an annual programme of key information publications and engagement activities including presentations following annual and interim results announcements, regular trading updates, open agenda meetings for key shareholders attended by the Chairman and/or the Senior Independent Director with the Company Secretary, where requested, and a live Q&A forum for shareholders at Melrose's Annual General Meeting.
- Following the success of a similar event at Trollhättan, Sweden, in 2023, the Group hosted a technology day for investors and analysts who were invited to attend the Group's sites in Bristol, UK, focusing on the Structures division.
- The Company published a detailed booklet on its risk and revenue sharing partnerships ("RRSPs") accompanied by a short video presented by the Chief Financial Officer and the President of the Engines division, to provide further information in respect of the Group's RRSP programmes to investors, analysts and other stakeholders to assist their understanding of the financial and accounting dynamics of these complex partnerships. Further details relating to the RRSP programmes are set out at page 49.
- The Chief Executive Officer and Chief Financial Officer met with key investors in the US, attending in-person meetings on both the East and West Coast, as well as attending meetings in Canada, the UK and Germany.
- The Group Company Secretariat engaged with, and facilitated discussions involving members of the Board with, the responsible stewardship and sustainability representatives of key investors on a variety of topics including the proposed revision of the Directors' remuneration policy.
- The Chair designate wrote to the Company's largest investors to meet with them in January and February 2025 in advance of his appointment as Non-executive Chairman in March 2025.

→ **Explaining our RRSP model**
page 49

CUSTOMERS AND SUPPLIERS

Our approach

The relationships that we have with our customers and suppliers are key to our success, and we foster positive and open business relationships with them. We continue to work hard to build upon and strengthen these relationships where possible, and 2024 saw a significant amount of commercial and collaborative discussions with our network. The Board recognises the importance of these relationships and encourages regular and meaningful engagement throughout the business with these key stakeholder groups.

Engagement activities and consideration

- The Board holds regular business reviews with the Chief Executive Officer, Chief Financial Officer, Group General Counsel and the Presidents of each of our business lines. As part of these reviews, management shares feedback on key customer and supplier initiatives and views, as well as on supplier performance and supply chain challenges.
- Directors and management attend major aerospace industry events, including the Paris Air Show and the Farnborough International Airshow, which promote an open dialogue with customers, suppliers, and other industry players. In addition, business division leaders attend key shows specific to their strategic growth, including the Maintenance Repair and Overhaul Shows in Europe, America and Asia, and leading composite technology shows within Europe. The Chief Executive Officer provides consolidated feedback to the Board on material matters arising from these market interactions.
- The Group continues to focus on helping our customers deliver their sustainability agendas by working with them to find ways to make products more sustainable.
- Melrose developed a supplier engagement project to prepare GKN Aerospace's procurement teams to build and execute roadmaps to engage 70% of suppliers by 2028, enabling them to set science-based emission targets. This project focuses on internal training, supplier analysis and working with our business lines to develop long-term engagement roadmaps.
- Aligned with our Scope 3 Science Based Targets Initiative ("SBTi") supplier engagement target, we have expanded the coverage of our supplier monitoring and engagement tool, helping enable the business to better assess our suppliers' environmental footprint and allowing us to prioritise which suppliers to engage with. Our online supplier collaboration and compliance portal offers the opportunity to unify our approach to supply chain compliance monitoring and data capture across our key suppliers. Key regulations and ESG due diligence are covered in the portal providing the opportunity to run sophisticated, business-wide supply chain survey campaigns.

→ **Sustainability review**
pages 51 to 99

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ENVIRONMENT AND COMMUNITIES

Our approach

In 2024, contributing to the decarbonisation of the aviation sector remained one of our top priorities as we continued to focus on reducing our own emissions through energy efficiency initiatives and renewable energy installations as well as working towards increased supplier engagement. We also began preparing for the new EU Corporate Sustainability Reporting Directive ("CSRD") reporting standards and the underlying European Sustainability Reporting Standards ("ESRS") which involved significant work across the business. The Board as a whole takes responsibility for sustainability and climate change, and sustainability remains a Board meeting agenda item, providing a platform for the Chief Executive Officer to update the Board on progress and targets.

Engagement activities and consideration

- In 2024 we implemented a number of actions to align our sustainability reporting with the new CSRD standards. This included conducting a value chain mapping exercise, refining our Double Materiality Assessment to align with the ESRS Standards and the European Financial Reporting Advisory Group implementation guidance, and completing an externally facilitated sustainability data pre-assurance project.
- Our near- and long-term emissions targets were successfully validated by the SBTi in 2024. These targets form part of our overall Transition Plan to reach net zero across the value chain by 2050.
- An internal project has been launched to prepare GKN Aerospace procurement teams across our business lines for further engagement with suppliers. This forms part of our work towards our Scope 3 SBTi-approved engagement target of 70% of GKN Aerospace suppliers by spend having set SBTi targets by 2028.
- The Group has made progress in its engagement and performance with ESG benchmarking agencies. The Group's MSCI score was upgraded to 'AA' in June 2024, it received a 'B' and a 'B' in its CDP Climate Change and Water Security respectively, and scored 70 (industry average was 52) in its first EcoVadis evaluation.
- We recognise the importance of local communities to the effective operations of our business. Page 96 of our Sustainability review provides more detail in respect of the actions we took in 2024 to engage with local communities.

→ **Sustainability review**
pages 51 to 99

→ **Additive fabrication technology**
page 49

LENDERS

Our approach

In addition to ensuring the long-term funding requirements of the Group are provided for, we may need to move quickly to secure funding for the opportunities that we feel will be critical to Melrose's success. As part of this, we regularly engage with our supportive banking syndicate to discuss funding strategy, and maintaining strong banking relationships has proven to be vital at times where we have needed to act quickly and decisively.

Engagement activities and consideration

During the year, we actively engaged with our existing lenders to negotiate an increase to our debt facilities of approximately £320 million and options to extend the final maturity date to April 2028 for all committed bank facilities outstanding at 31 December 2024, ensuring the Company has the financial resources available to position it for growth. In addition, following the year-end date we successfully negotiated additional committed bank facilities totalling approximately £400 million with a select number of our existing lenders, reflecting our proactive approach to securing long-term financial support and the strong relationships maintained with our financial partners.

→ **Chief Financial Officer's review**
pages 26 to 33

GOVERNMENT BODIES, REGULATORS AND INDEPENDENT BODIES

Our approach

We interact with government bodies and regulators in a number of jurisdictions across the world, many of which are of strategic importance to the Group and our long-term success. It is important that we maintain open dialogue with such stakeholders to allow our businesses to operate effectively. Through these interactions, we focus on communicating our strategic priorities and ensuring our businesses can succeed in their respective markets. These interactions cover broad themes such as sustainable aviation, skills and workforce issues, the integration of advanced manufacturing into our operations and the adoption of both incremental and disruptive aerospace technologies, including hydrogen propulsion for zero emissions flight. We maintain a practical and focused approach to these relationships, engaging on matters that directly affect our operations and strategy. Furthermore, we invest significant time in speaking regularly to key corporate governance agencies and proxy advisors regarding certain aspects of corporate governance that we and our investors consider to be of long-term strategic importance.

Engagement activities and consideration

- We maintain regular dialogue with national governments, politicians, funding bodies, trade and industry associations, and other industrial organisations on a range of topics related to our business. These include the Department for Business and Trade, the Ministry of Defence and the Department for Energy Security and Net Zero in the UK, as well as the Department of Defense in the US. In the Netherlands we regularly interact with Government ministries including Economic Affairs, Defence and Infrastructure & Water Management, as well as the Netherlands' Armed Forces and Netherlands Enterprise Agency RVO, while in Sweden we maintain close dialogue with several of the Government Ministries as well as the Swedish Armed Forces, the Defence Materiel Administration FMV, the National Space Agency and the Innovation Agency, Vinnova. In a European context, GKN Aerospace is an active member of ASD Europe, the association focusing on Aerospace, Security & Defence, and GKN Aerospace works with partners to advocate on the topics mentioned previously.

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- GKN Aerospace is also an active participant in the Jet Zero Taskforce (previously the Jet Zero Council), bringing together industry, academia and government to provide strategic leadership and system approach to support innovation, economic growth and the decarbonisation of the UK aviation sector. More recently, our Chief Technology Officer became the new Chair of the Hydrogen in Aviation Alliance, championing the development of hydrogen propulsion technologies and the enabling infrastructure needed to make zero CO_2 emissions flight a reality in the UK.
- We continued to engage with independent reporting bodies supported by the UK Government where relevant, including the FTSE Women Leaders Review and the Parker Review.
- Significant time and effort was also placed on engaging with various stakeholders on sustainability-related topics, which has included sustainability analysts, reporting organisations and rating agencies such as MSCI, Sustainalytics, V.E., FTSE Russell, S&P CSA and CDP.

KEY BOARD DECISIONS AND STAKEHOLDER ENGAGEMENT

EXPLAINING OUR RISK AND REVENUE SHARING PARTNERSHIP MODEL

- Our people
- Shareholders
- Customers and suppliers

A key element of our investment case is our industry-leading Engines business and its portfolio of 19 risk and revenue sharing partnerships ("RRSPs").

In October 2024, we provided our most comprehensive and detailed RRSP communication to date in the form of a booklet. This document laid out in detail: what is an RRSP, how Melrose's portfolio looks today, what cash is forecast to be received and how the business accounts for these partnerships. It also contained a full list of all 19 engine partnerships, including the percentage share of each programme owned, to ensure complete transparency across the portfolio.

The booklet was accompanied by a video presented by our Chief Financial Officer and the President of our Engines division, which provided further detail of the financial and accounting dynamics of our RRSP portfolio. This communication was supported by regular investor relations engagements throughout the year, to ensure open dialogue with shareholders was maintained and any questions could be answered.

ADDITIVE FABRICATION TECHNOLOGY AND ENVIRONMENTAL IMPACTS

- Engagement with stakeholders
- Sustainability
- Technology

We have been at the forefront of additive fabrication ("AF") for nearly two decades, with research and technology centres in Sweden, the UK and the US actively integrating this technology into our operations. Our AF components are already in use today on multiple engine and aircraft platforms, including serial production on the Pratt & Whitney GTF engines on the Airbus A220 and Embraer E195 aircraft.

AF has significant environmental impacts for the aerospace and aviation sectors. AF allows complex parts to be directly produced from digital models, reducing waste, energy consumption, and material usage compared to traditional manufacturing methods. When combined with design leadership and overall engine capabilities, the use of AF enables more efficient solutions which help to reduce weight whilst improving functionality and performance, reducing in-flight emissions through overall engine and aircraft fuel efficiency and contributing to the aviation sector's route to Net Zero.

By using AF, which builds parts layer by layer through the use of technologies such as Directed Energy Deposition, we are able to consume only the material required for a component versus traditional manufacturing methods which can often generate a significant amount of scrap metal. This precision results in less material wastage, contributing to more efficient use of raw materials, reducing energy consumption in production and reducing the need for new resources. AF technology utilises minerals up to 10 times more effectively than conventional processes bringing potential buy-to-fly ratios down from 11:1 to 2:1.

With a 'design for the environment' approach, we assess the environmental impact of our existing products throughout their lifecycle, focusing on material usage, waste, energy consumption, and CO_2 emissions in production. By leveraging AF technologies, we aim to reduce negative environmental impacts across various stages of our product development and production.

We reaffirmed our commitment to sustainable manufacturing in 2024 with a £50 million investment in cutting-edge AF technology in Trollhättan, Sweden, of which £12 million was funded by the Swedish Energy Agency. This investment enabled the opening of a new AF production centre in October 2024, one of the world's first commercial facilities for manufacturing of aircraft engine components using AF.

Our technology is already being deployed on existing engines programmes, such as the Fan Case Mount Ring, an important component of both the PW1500 and PW1900 GTF engines, manufactured using Laser Metal Deposition. The use of AF in production was scaled up throughout 2024 and by November 2024 we reached the milestone of producing 100 Fabricated Fan Case Mount Rings.

AF technologies have helped us to mitigate the impact of traditional manufacturing processes, which use more material with associated energy and CO_2 emissions, and enabled us to focus on reducing our environmental footprint. The use of AF is expected to contribute towards a reduction in our emissions per unit product, supporting our targets to achieve net-zero greenhouse gas emissions by 2050.

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INSPIRING FUTURE ENGINEERS THROUGH STEM AND DIVERSITY INITIATIVES

- Engagement with young people
- Diversity and inclusion
- STEM

GKN Aerospace continues to inspire the next generation of future engineers and the broader Aerospace workforce through STEM and D&I initiatives, and outreach to schools and colleges. Through these initiatives, GKN Aerospace volunteers and STEM Ambassadors engaged with upwards of 7,000 young people during 2024. Our sponsorship of the national Primary Engineer 'if you were an engineer what would you do?' competition for school children of all ages was a particular highlight, with 80,000 entries in 2024 alone. As well as hosting several Primary Engineer activities at our UK Global Technology Centre ("UK GTC"), a team of our UK GTC-based young engineers, interns and apprentices brought one of the participant's designs (Clean Water Access BOT) to life through a prototyping, design and build project. Throughout this project, the enthusiasm of our young STEM volunteers was inspiring and the collaboration with the individuals and their schools was outstanding. As well as helping to inspire the next generation of engineers, this project also supported the development of our young engineers and was an excellent example of collaboration, teamwork and project execution. The tremendous work of all involved was recognised by the award of the Primary Engineer MacRobert Medal Gold Award to the project, winning against 23 other prototypes from industry and academia.

CREATIVE TUITION AND GKN AEROSPACE

Creating an inclusive workforce is of great importance to GKN Aerospace. Giving young people the opportunity to find out about and access careers in the aerospace industry without being limited by their own personal circumstances or socioeconomic background is something that we are proud to support. To help meet this aim, GKN Aerospace partners with Creative Tuition, a Bristol based organisation which specialises in providing career support, learning, and guidance to under-represented communities. With support from the UK GTC team, Creative Tuition run an annual work experience week at our UK GTC. Approximately 50 young people were invited to join this week-long work experience in April 2024, of whom 50% were female and 50% were of ethnic minority backgrounds. Various fun and engaging engineering and team-building challenges were set by the team which were worked on during the course of the week by the students. As well as giving the students new insights into aerospace engineering careers, this work experience week also had a positive impact on the development of important team working, communication, and collaboration skills. By the end of this week 60% of the students felt more confident in applying to universities or apprenticeship positions, 80% of students had a far greater appreciation of aerospace engineering careers and 90% would recommend the work experience week to a friend.

These initiatives at the UK GTC are just some of many examples of the impactful work being done across GKN Aerospace. Our commitment to inspiring the next generation of engineers and fostering a diverse and inclusive workforce extends throughout our organisation. From local outreach programmes to global partnerships, we are dedicated to making a positive difference in the communities we serve and the future of the aerospace industry.

SUSTAINABILITY REVIEW

IN THIS SECTION

52 Overview of 2024
54 Group sustainability targets and commitments
56 2024 Sustainability Highlights
58 Outlook for 2025
59 Sustainability framework at Melrose

61 Environmental Impact
62 Climate Change
85 Water
86 Biodiversity and ecosystems
87 Resource use and circular economy

88 Social Impact
90 Own workforce
95 Workers in the value chain
96 Affected Communities
96 Consumers and end users

97 Governance
97 Business Conduct

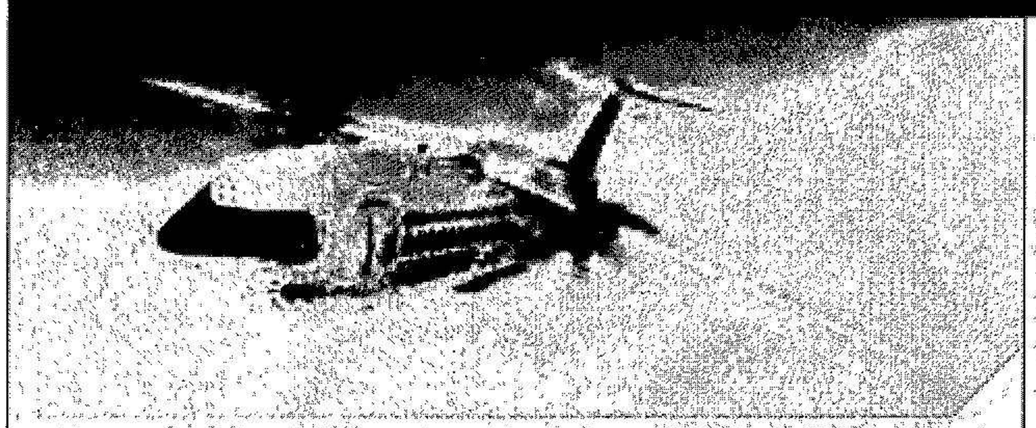
Overview of 2024

Purpose, strategy and sustainability in action

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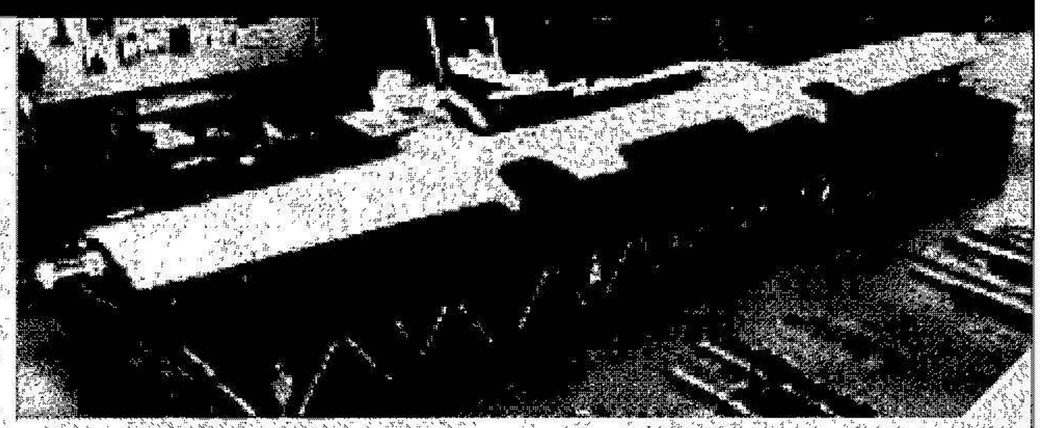
GKN Aerospace's mission is to become the most trusted and sustainable partner in the sky. Contributing to the decarbonisation of the aerospace sector remains one of our top priorities and presents great opportunities to deploy our innovation and technology leadership to create and commercialise world-leading solutions for cleaner air travel. This is achieved through strong collaboration with our customers, partners and key stakeholders, and includes efforts towards increasing efficiency on the next generation of SAF-enabled engines, developing aircraft structures that are more weight efficient, and developing ground-breaking solutions to enable the next generation of electric and hydrogen powered flight.

EXAMPLES OF OUR INNOVATION AND TECHNOLOGY LEADERSHIP



H2GEAR

Continuing our ground-breaking work on hydrogen aircraft propulsion, including the successful test of the world's first cryogenically cooled hydrogen electric motor demonstrator.



eVTOL

Delivery of the first complete composite wings and booms for Supernal's first electric vertical take-off and landing ("eVTOL") demonstrator aircraft, underscoring our role as a key partner in the project.

In 2024, GKN Aerospace's near- and long-term carbon emission targets were validated by the Science Based Targets initiative ("SBTi"). The decarbonisation of our own operations through energy efficiency initiatives and renewable energy installations remained a strategic priority, as we seek to reduce our own carbon footprint. A 1.2MW solar farm was completed at the GKN Aerospace Cowes site which is expected to generate 1,150,000 kWh of electricity annually, supplying 20% of the site's energy needs.

Beyond our own operations, we have made good progress on supplier engagement, both in relation to our Scope 3 SBTi-approved engagement target and supplier due diligence. An internal supplier engagement project was launched and included the implementation of a supplier collaboration and compliance portal at a number of GKN Aerospace sites, to assess suppliers for topics such as climate impact, human rights, and diversity.

Promoting diversity and inclusion, prioritising the safety and wellbeing of our people, and investing in their development is instrumental to the success of our business. Having completed our commitment in relation to the Melrose Skills Fund in 2023, investing £10 million across the Melrose portfolio over a period of five years to promote engineering skills across the UK, this fund was relaunched in 2024. The new Global Skills Fund covers all functions and locations in GKN Aerospace and provides our employees with funding support to learn new skills and to learn collaboratively across the business. The investment culminates into our commitment to invest at least £5 million annually on skills development. Diversity, Inclusion, and Belonging ("DIB") are core pillars of our success, and moving into 2025, we are refreshing our DIB Strategy and associated action plan.[1]

Our work on inclusion, development and wellbeing are all part of our drive to create a highly engaged workforce. In 2024 our engagement surveys were consolidated and completed in partnership with Gallup. The response rate was 84%, an increase from 2023, and showed meaningful improvement in topics such as Mission and Purpose, Recognition, and Materials and Equipment. In response to the feedback received, an organisation-wide initiative was launched to ensure continuous improvement actions are being undertaken with respect to the most material issues arising from the engagement survey for each team.

We are pleased that our sustainability performance continues to be recognised by several key benchmarking agencies, including MSCI which upgraded our Environmental, Social and Governance ("ESG") rating to 'AA' making us a leader among our aerospace and defence industry peers. Melrose was assessed to be within the top decile of Aerospace businesses through external ratings agencies Sustainalytics, ISS and EcoVadis. Our ISS Corporate score was upgraded to C+, Prime (2023: C, Non-Prime) and GKN Aerospace's first evaluation of operational sustainability practices was completed with EcoVadis, receiving a silver medal with a score of 70 out of 100 for the first disclosure year. CDP Ratings of B were achieved for Climate Change and Water Security.

(1) All Diversity, Inclusion, and Belonging initiatives and activities referenced throughout this report are applicable only within the scope of legally permitted jurisdictions.

Recognition

OUR CURRENT ESG SCORES

MSCI[1]

'AA'

ESG Rating: AA
(2023: A)



ecovadis

EcoVadis Sustainability Rating

70

Overall score: 70 (well above air and spacecraft manufacturing industry average of 52)

'Silver medal'

CDP Climate Change score

B

Climate Change 2024: B (2023: B)

CDP

CDP Water Security score

B

Water Security 2024: B (2023: C)

CDP



ISS Corporate Score

C+

Prime with a decile ranking of 1
(2023: C, Non Prime with
a decile ranking of 4)



Sustainalytics[2]
ESG risk rating improved to

26.1

(Medium) from 27.8

Ranked 11th out of 133 Industrial Conglomerates (2023: 12th out of 124 in Industrial Conglomerates Category)

ESG Risk Management score improved to 65.9 (Strong) from 62.5 in 2023

(1) As at June 2024. Melrose Industries plc received an MSCI ESG Rating of AA.

(2) As at October 2024. Melrose Industries plc received an ESG Risk Rating of 26.1 from Morningstar Sustainalytics and was assessed to be at Medium risk of experiencing material financial impacts from ESG factors. In no event shall the ESG Risk Rating be construed as investment advice or expert opinion as defined by the applicable legislation.

Group sustainability targets and commitments

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PERFORMANCE AGAINST MELROSE'S EXISTING SHORT- AND MEDIUM-TERM SUSTAINABILITY TARGETS AND COMMITMENTS

Our Group sustainability targets and commitments are designed to uphold our sustainability principles, and to directly address the most pertinent sustainability issues that our industry is facing. By keeping our targets and commitments aligned with the United Nations Sustainable Development Goals ("UN SDGs"), our sustainability principles remain connected with those of society at large.

In 2023 we expanded our 2025 targets, reflecting the progress we had already made, with a number of targets achieved early. The original set of 2025 targets were initially defined in 2020 based on what was known and deemed possible at that time. In the subsequent years, increasing focus on sustainability with our leadership team and our employees helped to identify additional opportunities to push beyond those targets, leading to a desire to extend those targets further.

In 2024, GKN Aerospace's near- and long-term carbon emission targets were validated by the SBTi. SBTi has determined that our Scope 1 and 2 near-term target ambition is in line with a 1.5°C trajectory, while the Scope 1, 2, and 3 long-term target ambition has been recognised to be aligned with the SBTi's 1.5°C mitigation pathways for reaching Net Zero by 2050 or sooner. GKN Aerospace has committed to reach net zero Greenhouse Gases ("GHG") emissions across the value chain by 2050.

Our reduction in absolute Scope 1 and 2 GHG emissions, as validated by the SBTi, is currently on track with our Net Zero Transition pathway. Emissions are tracked quarterly and assessed against a linear reduction trajectory, with the last three measurements all falling below (ahead) of the trajectory. This progress is driven through our optimisation of operations and sites, including equipment and machinery, energy reduction initiatives, and increasing our share of renewable energy.

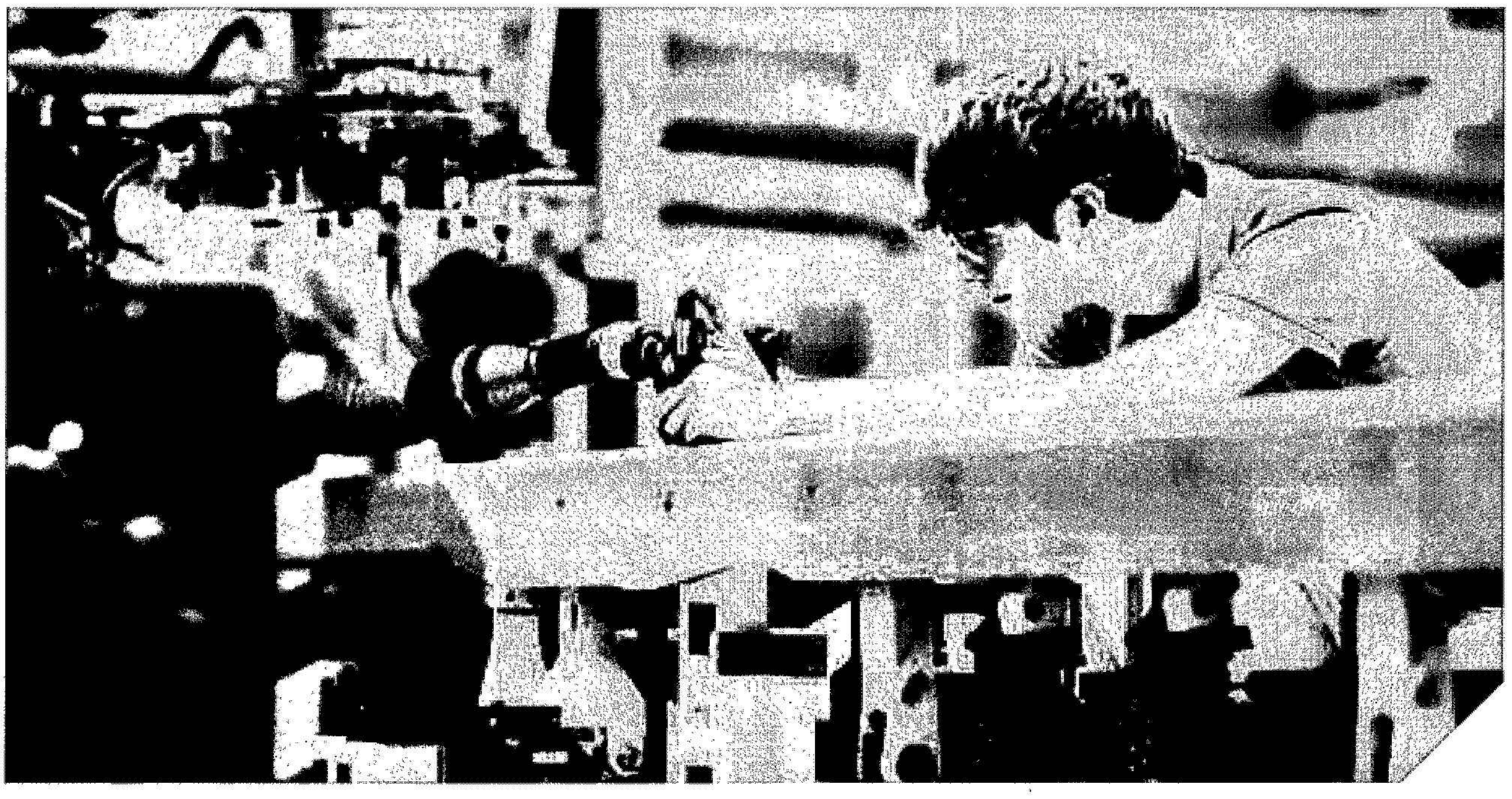
The SBTi validation includes an engagement target to ensure that 70% of suppliers by spend covering purchased goods and services, have science-based targets by 2028. Currently, 12% of GKN Aerospace suppliers (by spend) are known to have targets that have been validated by SBTi. The status represents responses from 24% of suppliers (by spend). During 2025, we intend to execute engagement roadmaps in order to increase our suppliers' response rate and our understanding of their sustainability targets and commitments.

Our Scope 3 target was validated by the SBTi last year, and we are still in the early stages of implementing our decarbonisation roadmap, with our 2030 target. After a re-statement of our target base year, we have achieved a 2.7% overall reduction relative to 2022, which we recognise is currently below target trajectory. However, we continue to implement the emissions reduction initiatives outlined in our Transition Plan and understand that the improved data we have used in our re-stated Scope 3 target will enable us to better see emission reduction initiatives year-on-year.

During 2024, the Group demonstrated strong progress on our 2025 targets and commitments. These include targeted reductions in Scope 1 and 2 emissions intensity, water withdrawal intensity, absolute Scope 1 and 2 emissions (as validated by the SBTi), reducing our waste as well as maintaining diversity across the business, and maintaining a Lost Time Accident frequency rate of less than 0.1.

Our medium- and long-term targets are progressively reviewed each year to reflect our double materiality assessments. We also ensure our targets fully align with regulatory changes as well as with our strategic priorities to tackle climate change and other environmental challenges, build stronger communities and a more diverse workforce, and to further embed sustainability across our governance systems. Where targets are met early, new targets are considered to drive continuous improvement.

Our performance against our existing sustainability targets is set out opposite.



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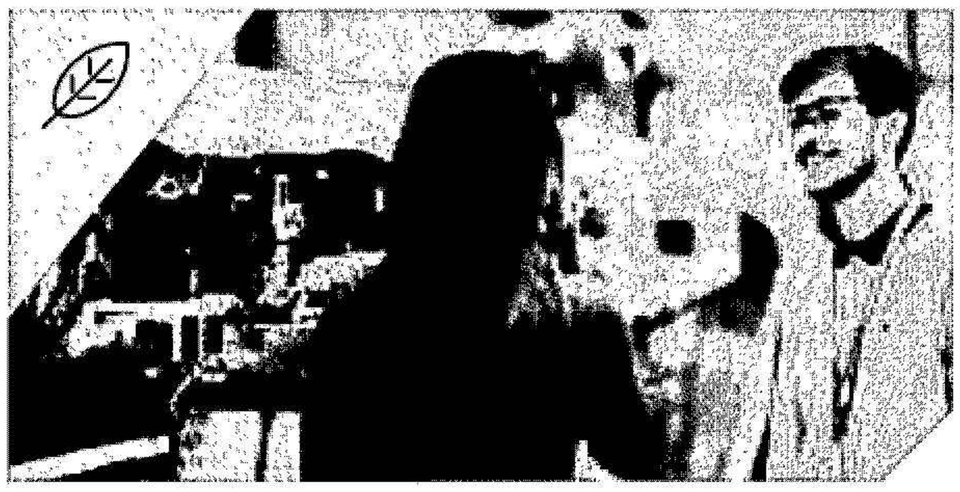
SDG and Sustainability principle	Measure	Target	Baseline year	2024 performance	Target maturity	Progress against target
Respect and protect the environment	Reduction in Scope 1 and 2 GHG emissions intensity[1]	50%	2020[2]	44%	2025	On Track
	% of global electricity sourced from renewable sources[3]	50%	2020	43%	2025	On Track
	% of our solid waste diverted from landfill[4]	95%	2020	90%	2025	On Track
	Reduction in water withdrawal intensity[1]	40%	2021[5]	30%	2025	On Track
	Reduction in absolute Scope 1 and 2 GHG emissions (SBTi Validated)	50%	2020[6]	19%	2030	On Track
	Reduction in absolute Scope 3 GHG emissions (SBTi Validated)[7]	25%	2022[8]	3%	2030	Below Target Trajectory
Continue to invest in and support development of products and services aligned with a net zero future	% of total R&D expenditure on climate-related R&D annually to contribute to the decarbonisation of aerospace	80%	2020	80%	2025	Achieved
	% of new products which contribute to the decarbonisation of aerospace	100%	–	100%	2025	Achieved
Prioritise health and safety, promote diversity and nurture the wellbeing and skills development of employees, and support the communities that they are part of	Protect our employees[9] from injury and maintain our lost time accidents ("LTA") frequency rate[10]	<0.1	2020	0.006	–	Achieved
	Invest £5 million on skills development per year	–	–	£5.7 million	–	On Track
	Ensure that all employees receive regular (annual) performance reviews[11]	–	–	75%	–	On Track
	% female Board membership	40%	–	33%	Maintain	See explanation on page 93
	At least one member of an ethnic minority background on the Board	1	–	Yes	Maintain	Achieved/On Track
	% of women in senior leadership[12] positions by 2025[13]	40%	–	35%	2025	See explanation on page 93
	% of ethnic minorities in the executive committee and its direct reports by 2027 (UK only)[14]	13%	2024	8%	2027	New Target
Exercise robust governance, risk management and compliance	Compliance of all employees, suppliers and contractors with our Code of Ethics, conducting business with integrity and in a responsible, ethical and sustainable manner	–	2020	–	–	On Track

(1) The Group's chosen intensity ratio is energy consumption, emissions and water withdrawal reported above normalised megawatts usage ("MWh"), tonnes of CO_2e, or m^3 per £1,000 of turnover. The data has been standardised from the source units in which it was initially collected. The turnover figures used to calculate the intensity ratio include continuing operations under operational control only.
(2) Base year emissions data has been restated to reflect divestments. Scope 1 and 2 emissions intensity in 2020 was 0.046.
(3) Where renewable electricity is commercially and reasonably available in the relevant jurisdiction.
(4) Excluding hazardous waste.
(5) Base year water withdrawal data has been restated to reflect divestments. Water withdrawal intensity in 2021 was 0.275 m^3 per £1,000 of turnover.
(6) Base year emissions data has been restated to reflect divestments. Absolute Scope 1 and 2 GHG emissions in 2020 was 108,411 tCO_2.
(7) Target includes Scope 3 emissions from Category 3: Fuel- and energy-related activities, Category 4: Upstream transportation and distribution, Category 5: Waste generated in operations, Category 6: Business travel and Category 7: Employee commuting.
(8) Base year emissions data has been restated to reflect divestments and improvements in methodology. Absolute Scope 3 GHG emissions in 2022 were 1,152,330 tCO_2e. Scope 3 GHG emissions covered by our absolute SBTi target in 2022 were 82,100 tCO_2e.
(9) Throughout this Sustainability review the definition of employees includes the following categories of employment: "Regular", "Temporary", "Apprentice", and "Intern/Co-op", but excludes "Agency" workers.
(10) The target does not include contractors.
(11) Where permitted by local laws and employee representative bodies.
(12) Senior Leadership roles defined as Executive Committee and Executive Committee -1.
(13) Applicable only within the scope of legally permitted jurisdictions.
(14) Applicable only within the scope of legally permitted jurisdictions.

2024 Sustainability Highlights

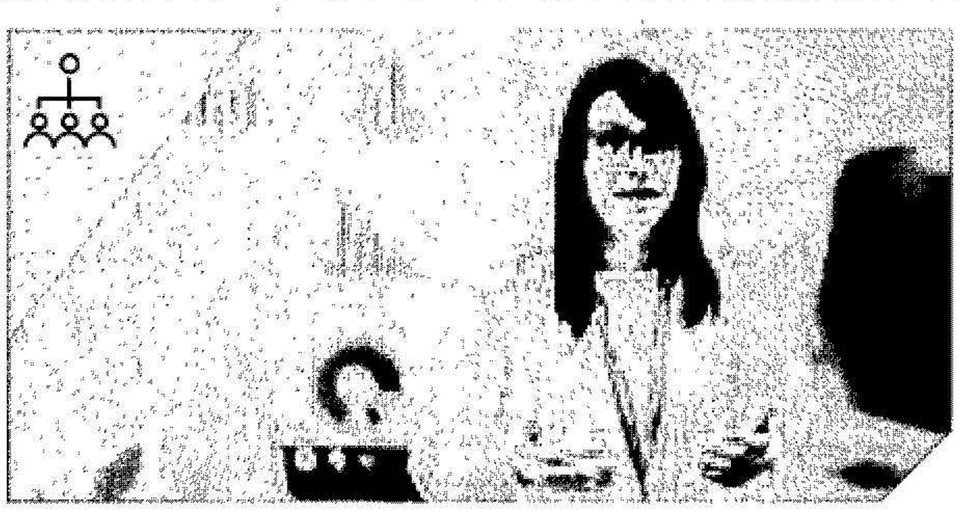
In 2024, we continued to focus on improving the key sustainability matters that impact our business and are of most concern to key stakeholders.

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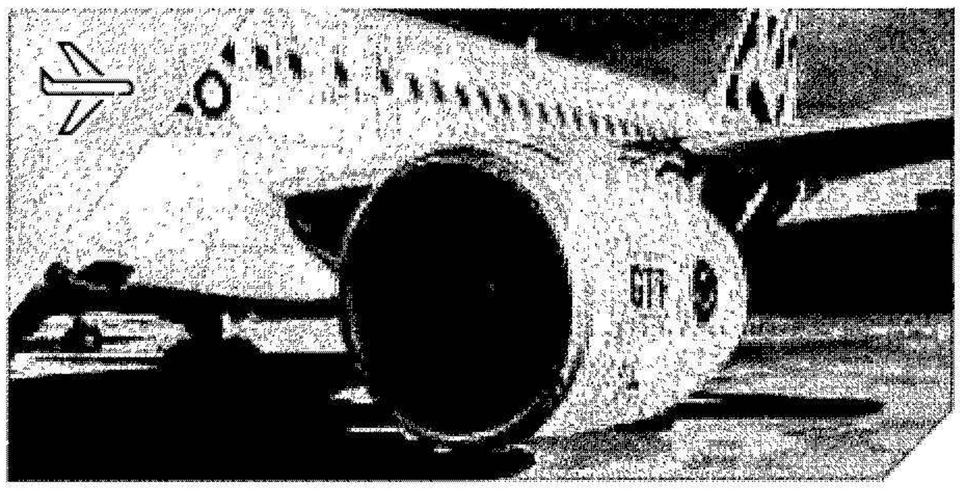
CLIMATE AND ENVIRONMENT

- In line with our commitment relating to the setting of science-based emissions targets, GKN Aerospace's near- and long-term targets were validated by the SBTi in 2024.
- GKN Aerospace was invited to join the new UK Government's refreshed 'Jet Zero' and 'Hydrogen Propulsion Manufacturing' task forces, to support the development of their industrial strategy and enable the UK to take a globally leading role in the future of sustainable flight.
- We continued to evolve the Group's assessment of biodiversity factors. Specifically, we completed a deeper assessment of our sites' exposure to water risks in their locations and analysed associated biodiversity risks.
- We continued to improve circularity in the aerospace industry by transforming one of our sites to focus on repair capabilities, reducing value chain emissions, material consumption and waste.



VALUE CHAIN ENGAGEMENT BEYOND OUR OPERATIONS

- We continued to collaborate with customers, governments, and other key stakeholders to actively influence and shape the future of sustainable flight.
- GKN Aerospace is collaborating with customers and other manufacturers to deliver sustainability-related improvements in the industry.
- A supplier engagement project was developed to prepare GKN Aerospace's procurement teams to build and execute roadmaps to engage 70% of suppliers (by spend) by 2028, encouraging them to set science-based emission targets. This, in turn, links to our own Scope 3 supplier engagement SBTi target.
- We have also expanded the coverage of our supplier monitoring, helping to assess our suppliers' footprint and allowing us to prioritise which suppliers to engage with.



DECARBONISATION OF THE AVIATION SECTOR

- This year, GKN Aerospace continued to make significant investment in world leading technologies to enable aviation's route to net zero carbon emissions by 2050.
- The most immediate focus for GKN Aerospace is to enable our customers to deliver the world's most efficient aircraft and engines, to replenish fleets around the world and reduce the environmental impact of flight. Our support extends to further improvements on existing platforms, such as our involvement in the Geared Turbofan ("GTF") Advantage performance improvement programme, which is expected to deliver improved fuel burn and reduced emissions, and has also been successfully testing for 100% Sustainable Aviation Fuel ("SAF"). Our role specifically has been to reduce weight on the Turbine Exit Case ("TEC") compared to the GTF base configuration.
- GKN Aerospace is collaborating with the world's leading aircraft and engine manufacturers, to apply our design leadership and technology innovation to enable our customers to launch the next generation of highly efficient aircraft, which will be designed from the outset to be ready for sustainable aviation fuels. Collaboration continued with the GE/Safran CFM RISE engine demonstrator, with Pratt & Whitney on the next generation GTF engine, and with Airbus in preparation for their next generation aircraft.
- Our ground-breaking work on hydrogen aircraft propulsion continued, with our 'H2GEAR' programme successfully testing the world's first cryogenically cooled hydrogen electric motor demonstrator and our 'H2FLYGHT' programme looking to scale capabilities to a 2MW scale, ready for flight test.

→ **Find out more** page 63

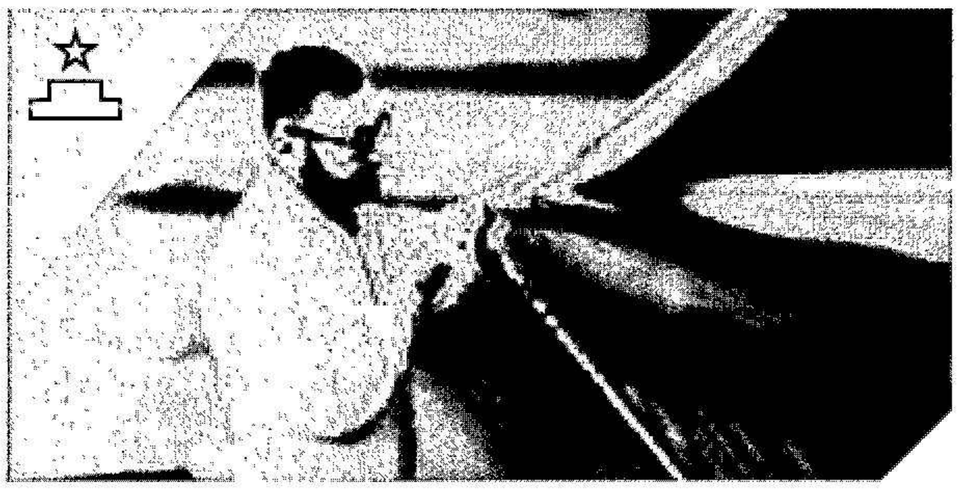
- Work also continued with our partners on the 'HyFIVE' technology collaboration programme, which aims to demonstrate liquid hydrogen fuel systems for zero-emission aviation.
- The Group reached milestones in the advanced air mobility sector, delivering the first complete composite wings and booms for Supernal's SA-2 eVTOL, while strengthening our partnerships on thermoplastic structures.

Over

£80m

invested in climate-related R&D programmes
(2023: £48m)

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EXTERNAL RECOGNITION

- MSCI ESG Rating was upgraded to 'AA' making us a leader among the aerospace and defence industry.
- The ISS Corporate Score was upgraded to C+, Prime with Melrose achieving the highest decile ranking among aerospace and defence peers.
- The 2024 CDP Climate Change submission achieved a 'B', maintaining the 2023 score of a 'B'. CDP Water Security achieved a 'B', improving on the 2023 score of a 'C'.
- GKN Aerospace received a silver medal and an overall score of 70/100 in its first assessment by EcoVadis.
- Led by GKN Aerospace, 'ASCEND' is a cross-sector programme, designed to enable the UK aerospace and automotive industries to meet future high-rate production demands, whilst reducing emissions and material consumption. ASCEND has been recognised by the UK Aerospace Technology Institute ("ATI") with the Team Award for Successful Collaboration and Partnership, honouring its groundbreaking progress in composite technology and supply chain development.

PREPARING FOR NEW SUSTAINABILITY REPORTING REQUIREMENTS

- The new EU Corporate Sustainability Reporting Directive ("CSRD") and the underlying European Sustainability Reporting Standards ("ESRS") aim to ensure more transparent and consistent reporting of sustainability information.
- We have chosen to follow a consolidated reporting approach regarding the incoming regulation, meaning all entities within our operational control, regardless of location, will be included in our future CSRD-aligned reports.
- In preparation, we have undertaken a number of actions to ensure our processes, material issues, data and disclosures will be compliant with the requirements of CSRD, including a value chain mapping exercise, refining our Double Materiality Assessment ("DMA") and completing an externally facilitated sustainability pre-assurance project.

For more information on our preparation for CSRD regulation page 59



OPERATIONAL IMPROVEMENTS

- GKN Aerospace boosted its commitment to sustainable manufacturing, investing in cutting-edge additive fabrication technology in Trollhättan, Sweden. This technology offers the potential to revolutionise production methods, and is expected to reduce energy consumption by up to 50% and raw material usage by up to 70%.
- We delivered a wide range of initiatives globally, aimed at reducing energy consumption in our facilities as well as increasing our on-site renewable energy generation through installations such as the solar farm at our Cowes site.
- In line with the recommendations of the Parker Review for FTSE 350 companies, we have set a new target to achieve 13% of senior management positions in the UK to be held by ethnic minorities by December 2027, which would reflect a 4% point rise from the baseline position as at end of June 2024.
- An improved response rate was achieved for the Melrose and GKN Aerospace engagement surveys of 84%. Meaningful improvement was seen in topics such as Missions and Purpose, Recognition, and Materials and Equipment.
- With the completion of the Melrose Skills Fund target in 2023, it was re-launched as the Global Skills Fund, expanding to cover all functions and locations in GKN Aerospace and setting the commitment to invest up to £1 million annually on new skills development aligned to GKN Aerospace's strategic objectives. The fund provides our employees and apprentices the opportunity for external training in spaces such as digital skills, robot programming, safety assessment of aircraft systems, model based systems engineering, and composites training.
- We improved our Safety Management System ("SMS") awareness to ensure that we meet the European Union Aviation Safety Agency ("EASA") Part 21 and Part 145 regulatory requirements with respect to business systems and personnel competencies.
- ESG remained integrated into executive remuneration as an element of the 2024 performance share plan.
- We further advanced our internal sustainability data management and reporting to improve data governance in how we track quarterly performance against our targets. This has helped to bolster regular engagement and focused action planning.

84%

response rate was achieved for the Melrose and GKN Aerospace engagement surveys

Outlook for 2025

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We are committed to remaining at the forefront of advancing aircraft efficiency and pioneering the development of sustainable aircraft for the future. This endeavour is underpinned by a steadfast commitment to technological innovation, design leadership, advanced processes, and the pursuit of engineering excellence.

We recognise that the global civil aviation commitments to net zero carbon emissions by 2050 will require improvements in aircraft and engine efficiency, improved flight management, the use of sustainable aviation fuels, and investment in innovative alternative energy solutions to minimise the need for market based measures or out of sector actions to address residual emissions. GKN Aerospace will continue to leverage its strong market position to harness the advantages of newly established partnerships with industry leaders in these dynamic and emerging markets, contributing towards the decarbonisation of the aviation industry.

We will continue to encourage our employees to support our corporate and operational sustainability efforts, as we work with our suppliers and customers globally to ensure responsible business practices. We also aim to uphold the highest standards of governance across all levels of our organisation, ensuring compliance with current and future regulations.

In 2025, we will continue to oversee and enhance our sustainability performance in the following key areas of focus:

- Actively manage and mitigate the risks, and pursue appropriate opportunities, identified in the latest climate scenario analysis and TCFD related considerations.
- Identify and drive improvements in line with agreed short- and medium-term targets and across our material topics as identified by our Double Materiality Assessment, which will be finalised in 2025.
- Continue to improve our reporting, aligning with CSRD requirements as well as driving improvements to commence our journey towards our 2030 targets.
- Further advance CSRD implementation in our FY25 disclosure cycle through improving sustainability data quality and reporting, ensuring preparedness for external assurance in line with the new regulatory requirements.
- Continue to drive down business emissions and further implement our decarbonisation roadmap in line with our Transition Plan (www.melroseplc.net/sustainability/reports-and-data-centre/) and the recently validated Science Based Targets, in our own operations and across our value chain, through our internal business and supplier engagement roadmaps.
- Continue to invest and collaborate in the research and development of low carbon technologies to support the decarbonisation of the aviation sector through programmes such as RISE, ASCEND and H2GEAR, with support of the UK Aerospace Technology Institute, Netherlands Luchtvaart in Transitie, and EU Clean Aviation.
- With a number of GKN Aerospace sites having implemented the 'Assent' supplier collaboration and compliance portal by the end of 2024, the remaining sites will do so in the first half of 2025 ensuring complete utilisation of the portal.
- Continue to invest in new skills opportunities through the Global Skills Fund.
- Continue to promote diversity and inclusion across all levels of the business as we refresh our Diversity, Inclusion and Belonging Strategy, and associated action plan and Steering Committee, in compliance with local laws.



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Sustainability framework at Melrose

SUSTAINABILITY GOVERNANCE

Our sustainability and climate change governance framework supports our ambitions by addressing material topics, assessing and managing risks and opportunities, and setting targets under Board oversight. In 2024, matters discussed by the Board included performance against targets, material topics, alignment with CSRD, and ESG ratings. Sustainability-related opportunities such as investment in significant projects are typically presented to and discussed by the Board for sign-off where appropriate.

The Audit Committee is responsible for risk management and reviewing the principal risks, including sustainability risks. The Nomination Committee ensures Board diversity and succession planning, while the Remuneration Committee is responsible for sustainability considerations in executive pay.

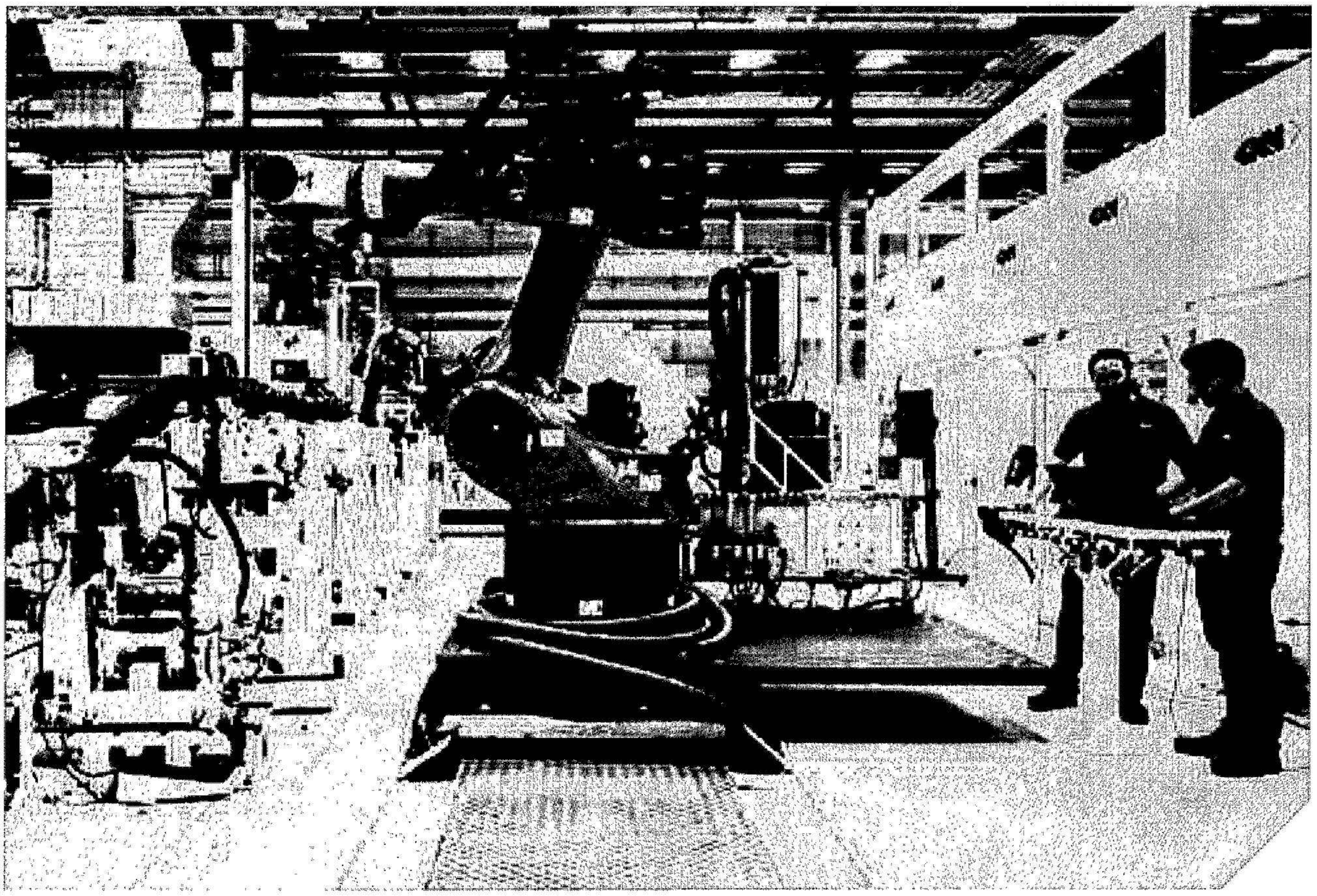
The Chief Technology Officer leads the Group Sustainability Function as part of the Melrose senior management team, ensuring sustainability and climate-related risks and opportunities are embedded in strategy and governance. This function manages priorities, tracks performance against targets on a quarterly basis, and oversees sustainability strategy implementation. It is also works in collaboration with divisional sustainability teams and has reporting protocols to ensure the business lines' management are accountable for achieving progress on sustainability related matters.

THE EU CORPORATE SUSTAINABILITY REPORTING DIRECTIVE

The new EU Corporate Sustainability Reporting Directive ("CSRD"), the underlying European Sustainability Reporting Standards ("ESRS") and the requirements of the Commission Delegated Regulation (EU) 2023/2772 of 31 July 2023 aim to ensure more transparent and consistent reporting of sustainability information. With a number of our European sites falling within the scope of CSRD, we have chosen a consolidated approach to CSRD reporting meaning we will report at the Group-level. The timing and requirements of the first year of reporting are subject to the adoption of the 'Omnibus' legislative proposals to the European Parliament and Council.

In preparation for this, we have undertaken a number of actions to ensure our processes, material issues, data and disclosures will be compliant with the requirements of CSRD and ready for external assurance. As such, in 2024, a value chain mapping exercise was commenced in order to gain a better understanding of the entire value chain and to enable the assessment and identification of material impacts, risks and opportunities ("IROs"). Internal governance structures and capacity building have also been introduced.

A key element of the CSRD requirements, is to perform a Double Materiality Assessment ("DMA") to identify the material sustainability IROs to the business. The ESRS requires that sustainability information related to the material IROs is reported through a sustainability statement, therefore a DMA must be conducted first to determine which topics are material for reporting.



Sustainability framework at Melrose continued

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MATERIAL SUSTAINABILITY TOPICS

In 2024, we refined our Double Materiality Assessment, which was conducted for the first time in 2023. The assessment identified our material sustainability topics, developing an understanding of their financial and impact materiality in line with CSRD. During the year, we sought to adopt the requirements of the CSRD framework and determine which ESRS topics are material to Melrose requiring reporting under the ESRS standards. This year's DMA was therefore updated with reference to the ESRS July 2023 standards and applied the European Financial Reporting Advisory Group ("EFRAG") implementation guidance: EFRAG IG 1 Materiality Assessment and EFRAG IG 2 Value Chain. The assessment outcomes are yet to be finalised, but this will be completed in 2025.

The key goal of the 2024 DMA process was to identify and assess both the risks and opportunities that could financially impact the Group and the implementation of the Group's strategy and identify and assess the Group's impacts on people and the environment. The identification and assessment of impacts, risks, and opportunities ("IROs"), encompassed both our own operations and the upstream and downstream value chain, including any other business relationships that our operations could affect or be affected by.

To ensure these assessments are comprehensive, key Melrose functions and internal experts were consulted to obtain their views. External stakeholders were also engaged in a series of consultations, either as an affected stakeholder themselves (investor, supplier, customer) or as a representative of affected stakeholders (academic, local council). The insights gained from stakeholder engagements were taken into account when assessing the IROs together with relevant industry research and documentation. If an IRO in relation to a sustainability topic was determined to be material from either a financial or impact perspective or both, the topic was deemed to be material.

The DMA prepares us for CSRD-aligned reporting and guides our sustainability strategy and investments to help tackle the most relevant risk exposures to society and the environment, and further integrates sustainability into our broader business strategy. We also tailor activities, policies, targets, and commitments based on our DMA. Our journey towards an integrated, holistic approach to sustainability management reflects our commitment to supporting GKN Aerospace in its ambition to become the most trusted and sustainable partner in the sky. Aligned with existing business reviews, our material topics will be reviewed annually in the preparation of the Annual and Sustainability Reports, with a full double materiality assessment carried out every three years.

→ **For 2023 DMA results see 2023 Annual Report** page 47



Environmental Impact

Our strategic sustainability priority is to respect and protect the environment. We do so by working to avoid harmful impact on the air, water and soil as far as possible.

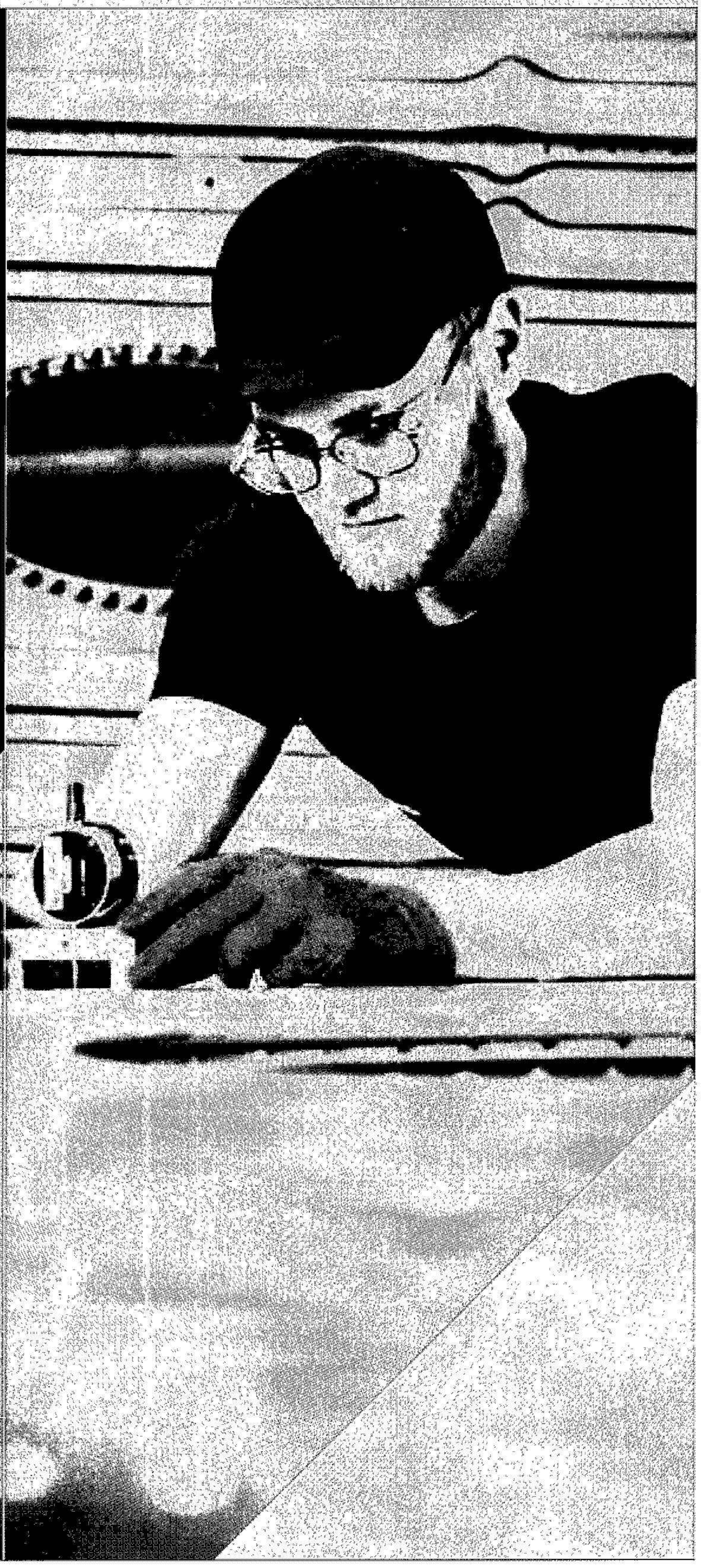
The purpose of our environmental strategy is twofold: we seek to address environmental impact from an operational perspective, backed by ambitious sustainability targets; and we seek to help our customers address their environmental impact and to contribute to the decarbonisation of the aviation sector. Our Group environmental policy, as approved by the Board, demonstrates our commitment towards driving sustainable production methods and infrastructure, and minimising the potentially negative impact we may have on the environment over the longer term. The policy, which applies to all individuals working across our business, can be found on our website. As of 31 December 2024, 30 sites (65%) across GKN Aerospace were certified to ISO 14001 standard (2023: 34 sites, 68%) and five sites (11%) had ISO 50001 certification (2023: five sites, 10%), which provides strong criteria for responsible management of environmental impact. GKN Aerospace's manufacturing sites (unless agreed with HSE Director) must achieve, or be working towards, the ISO 14001 certification.

Read more
www.melroseplc.net/governance/documents-and-policies/

Environmental Impact Highlight

30

sites certified to ISO 14001 in 2024



Environmental Impact continued

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CLIMATE CHANGE

ENABLING A SUSTAINABLE TRANSITION TO NET ZERO

Our Transition Plan outlines our objectives, priorities, detailed plans, and projects to reach our science-based emissions reduction targets[1], which have been validated by the SBTi in 2024. Progress against these targets is reported annually in our Annual and Sustainability Reports and within our CDP Climate Change responses as applicable (please see pages 54 and 55 in this report).



→ **Please refer to our group website to visit our Transition Plan**
www.melroseplc.net/media/wm3bc11s/melrose-transition-plan-2023.pdf

Opportunity for change

The major manufacturers in the aerospace sector need to collaborate with all parts of the supply chain to innovate and deliver solutions that accelerate the path to Net Zero. Manufacturers need to scale up production of the world's most efficient aircraft in a sustainable manner, while developing the future aircraft that will reduce and ultimately eliminate the climate impact of aviation. Central to tackling this challenge successfully, is industry-wide collaboration given the hugely complex aerospace supply chains, and cumulative support delivered through cross-sector partnerships, investment in renewable energy sources, and enabling the required infrastructure.

Strategic ambition

GKN Aerospace's long-standing mission is to become the most trusted and sustainable partner in the sky. In practice, this means driving significant progress to support the net zero agenda through decarbonising our own operations and driving impact throughout the value chain.

We engage regularly with national governments, funding bodies, trade and industry associations, and other industrial organisations on a range of topics related to sustainability. These engagement activities cover broad themes, such as sustainable aviation, skills and workforce issues, the integration of advanced manufacturing into our operations and the adoption of both incremental and disruptive aerospace technologies, including hydrogen propulsion for zero emissions flight. We perform key influencing roles in a number of UK, EU and US bodies to ensure that the plan for Net Zero can be met alongside the projected sectoral growth.

Within the UK, we work within the Jet Zero Taskforce, the Aerospace Technology Institute, the Hydrogen in Aviation Alliance, and the Aerospace Growth Partnership, where GKN Aerospace plays a key role in developing the policy to support aviation's transition to Net Zero and the development of hydrogen-fuelled aircraft. GKN Aerospace was among the first companies to sign up to the UK's new Defence Aviation Net Zero Strategy, which serves as a comprehensive pathway to achieve net zero in Defence aviation.

In a European context, GKN Aerospace is an active member of ASD Europe, the association focusing on Aerospace, Security and Defence, and works with partners to advocate on the topics mentioned previously. Moreover, GKN Aerospace is a signatory to the Joint Declaration of European Aviation stakeholders related to Clean Aviation in Horizon Europe, committing to a European Partnership towards achieving the goals of the Paris Agreement. We believe that industry and trade organisations are better positioned to influence policy law or regulations impacting climate change as they bring the depth and widest representation of industry views and best practices and therefore the contribution is more efficient.

With our market-leading positions driven by technological innovation, advanced processes and engineering excellence that help aircraft fly safely and more sustainably, GKN Aerospace's operational excellence, high-volume production and smart industry capabilities are contributing towards lower energy consumption, reduced material waste and higher performance, resulting in shorter production lead times and more affordability for its global customers. To read more about our targets and commitments, and the roadmap for achieving them, please see our 2024 Sustainability Report.

(1) Scope 1 and 2 targets are aligned with the ambition and emissions reduction trajectory required to curb global temperature rise to 1.5°C. Scope 3 target is aligned with the carbon emission reductions needed to curb global temperature rise to well below 2°C and is a significant step towards our net zero ambition by 2050.

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Industry leadership

Our investment in technologies and products contribute towards the decarbonisation of the aviation industry, from improving efficiency through to cutting edge transformational solutions. However, critical to our success and that of our partners will be ensuring that regulatory frameworks and economic policies enable the most environmentally sustainable solutions to also be economically viable. Participation in major aerospace sustainability think tanks, task forces, regulatory bodies and collaboration forums, aims to increase overall industry focus on climate friendly solutions for much greater impact.

GKN Aerospace is an active player in the leading industry and collaboration platforms, which places it at the forefront of the latest breakthrough aerospace trends in both technology, R&D and innovation, and sustainability. Set out below are some examples of the way we engage with the industry globally and across the countries where we operate.

Low carbon fuels and electrification (Structures)

- In the rapidly developing advanced air mobility sector, GKN Aerospace signed a series of design-and-build contracts with emerging companies in 2024; VÆRIDION and H55. These relationships combine with existing partnerships – for example Eviation, Vertical Aerospace, Supernal, and Joby – to accelerate the future of battery-electric-powered, zero emission flight.
- In the same sector, GKN Aerospace partnered with Pratt & Whitney Canada on its hybrid-electric flight demonstrator project, in which it will develop, construct and install the electrical wiring interconnection system for the demonstrator, targeting a 30% improvement in fuel efficiency and reduced CO_2 emissions compared to today's most advanced regional turboprop aircraft.
- Work continued under the H2GEAR programme to develop technology for zero emissions hydrogen-powered aircraft. Subsystem testing started in 2024 for power generation, cryogenic distribution and cryogenic motors, which will be integrated into 1MW system level testing in 2025 due for final completion in 2026. Towards the end of 2024, GKN Aerospace launched the H2FLYGHT programme which looks to scale the propulsion system to 2MW and mature the technologies towards flight testing.
- A new hydrogen fuel systems programme HyFIVE was launched in partnership with Marshalls and Parker Aerospace, which expands GKN Aerospace's hydrogen system capability to liquid hydrogen fuel systems for zero emission aircraft. Progress has already seen the delivery of a liquid hydrogen storage tank test capability, to support tank and system design and verification.

Next generation/ultra efficient engine development (Engines)

- GKN Aerospace's Engines division is a partner in both of today's sustainable future civil engine technology development programmes: the SWITCH consortium – alongside Pratt & Whitney, Airbus, MTU and Collins Aerospace – to develop the next-generation of GTF engine, and the CFM Revolutionary Innovation for Sustainable Engines ("RISE") programme.
- Project OFELIÁ, funded by Clean Aviation, is a project aimed at demonstrating the benefits of open fan architecture for small-medium range aircraft engines, aiming to support the achievement of the industry target of climate neutral aviation by 2050. GKN Aerospace plays a key role in the design and manufacture of load carrying structures in the engine, as well as using our expertise in lightweight multifunctional design of critical structures.

Next generation/ultra efficient aircraft development (Structures)

- Within the Structures division, development work continued as a key partner with Airbus on the Wing of Tomorrow project. The project, jointly funded by the UK Aerospace Technology Institute, aims to provide technologies for a composite single-aisle wing to improve aerodynamic performance, reduce weight and reduce CO_2 emissions. The technology deployed sees a move away from traditional, pre-impregnated resin material to dry composite fibres that are injected with thermoset resin co-cured within a highly controlled out of autoclave manufacturing process. This enables overall weight reduction, whilst reducing manufacturing process steps and significantly reducing energy consumption.
- The Wing of Tomorrow programme has also enabled the testing of more sustainable out-of-autoclave thermoplastic production processes. Initial tests have demonstrated significant environmental benefits, including an 80% lower production time compared to conventional autoclave technology, as well as an 80% decrease in energy use and therefore emissions.
- The GKN Aerospace led Clean Sky 2 STUNNING programme ended in 2024 and resulted in a successful manufacture of one of the world's largest thermoplastic components – an 8m x 4m half-fuselage made from novel thermoplastic manufacturing and joining technologies. The project demonstrated the benefits of thermoplastic composites by welding the majority of the structure, reducing weight and improving the potential for material recyclability. The project was part of the Multi-Functional Fuselage Demonstrator, led by Airbus. The aim to reduce fuselage weight by 1 tonne (10%), and as a result, substantially reduce in-flight emissions, was achieved.

Addressing manufacturing emissions (Engines)

- GKN Aerospace has boosted its commitment to sustainable manufacturing, with significant investment in its cutting-edge additive fabrication technology in Trollhättan, Sweden, supported by the Swedish Energy Agency's Industriklivet initiative, which will help to revolutionise production methods by reducing raw material usage by up to 70%.
- In Engines, GKN Aerospace's Material Solutions business continued to support business growth while transforming its supply chain by offering material solutions that reduce value chain emissions compared to current alternatives available on the market. It is expected to reduce supply chain and production emissions compared to conventional forged or cast solutions as well as reduce in-flight emissions through enabling improved product performance. Our first product using Additive Fabrication with Laser Wire Deposition material is the fabricated fan case mount ring for Pratt & Whitney's PW1000G GTF Engine, saving an estimated 24 tonnes of titanium already this year, translating to a saving of 395 tCO_2e in 2024.

Environmental Impact continued

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Addressing manufacturing emissions (Structures)

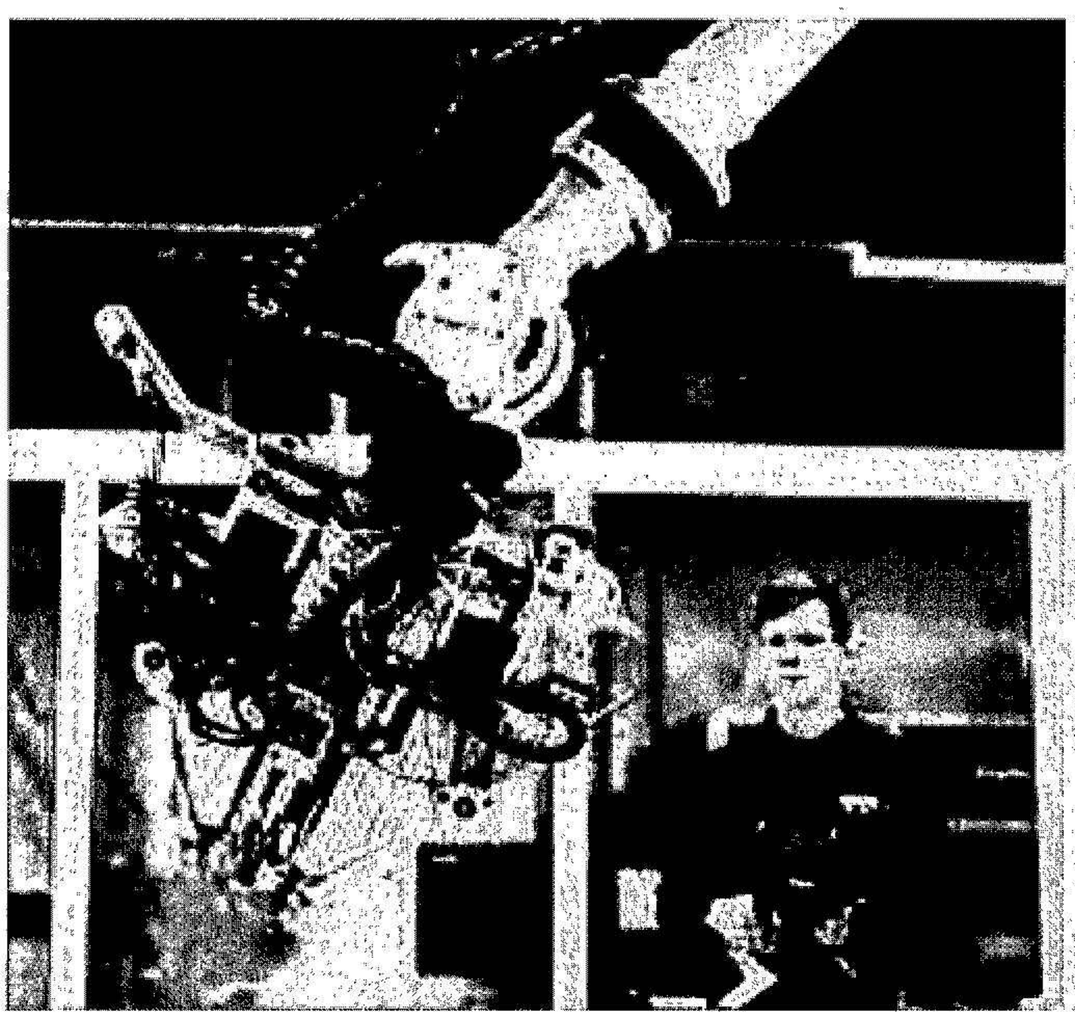
- Led by GKN Aerospace, ASCEND is a cross-sector programme, designed to enable the UK aerospace and automotive industries to meet future high-rate production demands. It focuses on automation, design for manufacture, and skills development. The programme is committed to delivering sustainable technologies that reduce manufacturing costs and carbon footprints while enhancing production capabilities. In 2024 the programme was recognised by the Aerospace Technology Institute ("ATI") with the Team Award for Successful Collaboration and Partnership, honouring its groundbreaking progress in composite technology and supply chain development.
- The ASCEND programme placed particular focus on process automation technologies with particular focus on the Resin Transfer Moulding ("RTM") process for composite structures. These technologies aim to reduce energy utilisation by up to 80%, for example, by using much more targeted heat application compared to conventional autoclave processes. Other benefits include reducing material utilisation both in the manufactured parts as well as the elimination of auxiliary materials such as bagging films. Within the RTM process we are currently looking at shape memory polymers ("SMPs") to act as mandrels, replacing the use of metallic mandrels. This should help in reducing cleaning chemicals as well as reducing the amount of energy used in crane operations, since one person can lift SMPs by hand.

Supply chain engagement

In 2024, Melrose continued to participate in the CDP Supply Chain engagement initiative, in order to provide an insight into our suppliers' environmental data and enable efficient tracking of their alignment with Net Zero. This third year of engagement has provided further insights on suppliers' environmental data, their energy consumption, emissions reduction initiatives and climate targets alongside other environmental data. The selected organisations were reflective of GKN Aerospace's largest suppliers by spend, and engagement with them was therefore important for pinpointing risks and identifying emissions reduction opportunities.

Our Supplier Engagement Project focused on internal training, supplier analysis and business line engagement roadmap development. The roadmaps include multiple engagement strategies from letters and notifications to dedicated sustainability reviews and the eventual structural integration of sustainability into the standard business review agenda. The roadmaps also include key milestones where expectations have been set for the GKN Aerospace supply chain, ultimately offering sufficient opportunity for suppliers to establish science-based emission targets before the end of 2028.

The 'Assent' collaboration and compliance portal offers the opportunity to unify the approach to supply chain compliance monitoring and data capture across key suppliers to GKN Aerospace. Key regulations and ESG due diligence are covered in the portal providing the opportunity to run sophisticated, business-wide supply chain survey campaigns. This increase in sophistication leads to the possibility of better analysis and insights into the GKN Aerospace supply chain. In alignment with our Scope 3 SBTi supplier engagement target, we are utilising the portal to monitor and assess our supplier footprint.



24%

of supplier spend monitored

During 2025, we intend to execute engagement roadmaps in order to increase our suppliers' response rate and our understanding of their sustainability targets and commitments.

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TCFD AND CFD CONSISTENCY

For clarity around consistency of the following information with the TCFD framework, the TCFD All Sector Guidance[1] and the requirements arising from UK Listing Rule 6.6.6(8), we consider our disclosure to be consistent with all TCFD recommendations and recommended disclosures and with the climate-related financial disclosure requirements under the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022, as shown in the TCFD cross-reference and disclosure consistency summary below. The information in the report below contains all relevant information that supports our consistency with the TCFD. Where references have been made to external reports and documents, this is only in a complementary nature.

Recommendation	Recommended disclosures	Page reference	CA 414CB[2]
Governance Disclose the organisation's governance around climate-related risks and opportunities.	a) Describe the Board's oversight of climate-related risks and opportunities	Page 66	(a)
	b) Describe management's role in assessing and managing climate-related risks and opportunities		(a)
Strategy Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.	a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term	Page 68	(d)
	b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning		(e)
	c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario		(f)
Risk Management Disclose how the organisation identifies, assesses, and manages climate-related risks.	a) Describe the organisation's processes for identifying and assessing climate-related risks	Page 67	(b)
	b) Describe the organisation's processes for managing climate-related risks		(b)
	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management		(c)
Metrics and Targets Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	Page 82	(h)
	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas ("GHG") emissions, and the related risks		(h)
	c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets		(g)

(1) assets.bbhub.io/company/sites/60/2021/07/2021-TCFD-Implementing_Guidance.pdf
(2) Reference to consistency with The Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022



Environmental Impact continued

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GOVERNANCE

Board oversight of climate change

The Melrose Board, supported by the Melrose senior management team as informed by the Chief Technology Officer ("CTO")-led Group Sustainability Function, has oversight of and ultimate responsibility for Melrose's sustainability strategy (including climate change), targets, disclosures, and reporting. The Board assesses climate-related risks and opportunities among other sustainability and environmental material topics and monitors performance against targets. Climate-related opportunities, such as investment in significant projects, are presented to the Board where appropriate. The Board also oversees our alignment with the TCFD recommendations, compliance with the Climate-related Financial Disclosure ("CFD"), and our sustainability and climate commitments and disclosures on the advice of the CTO.

The Board receives training and updates on key sustainability and climate-related matters that impact Melrose and GKN Aerospace, and on the specific measures that need to be implemented to improve performance. Where required, the Board considers climate-related matters when reviewing and guiding strategy and overseeing its implementation through oversight of divisional financial and operational performance and quarterly Board meetings.

Progress in addressing climate-related matters is monitored by the CTO-led Group Sustainability Function and reported to the Melrose senior management team, for the Board's onward review, challenge and discussion where required. This includes the tracking of company climate targets, such as reduction in emissions, increase in spend on R&D programmes focused on decarbonisation, the number of new products contributing to the decarbonisation of aerospace and other innovation initiatives, as well as other key metrics such as energy consumption.

The Audit Committee updates the Board on climate risk management by monitoring and reviewing the effectiveness of the risk management processes, including the review of our principal risks of which climate change risk is one. The Remuneration Committee implements the Directors' remuneration policy ("Directors' Remuneration Policy") and as part of the recent renewal of the Directors' Remuneration Policy, we have integrated an ESG metric into executive remuneration as an element of the 2024 performance share plan. Please see the Directors' Remuneration report on pages 136 to 155 for more details.

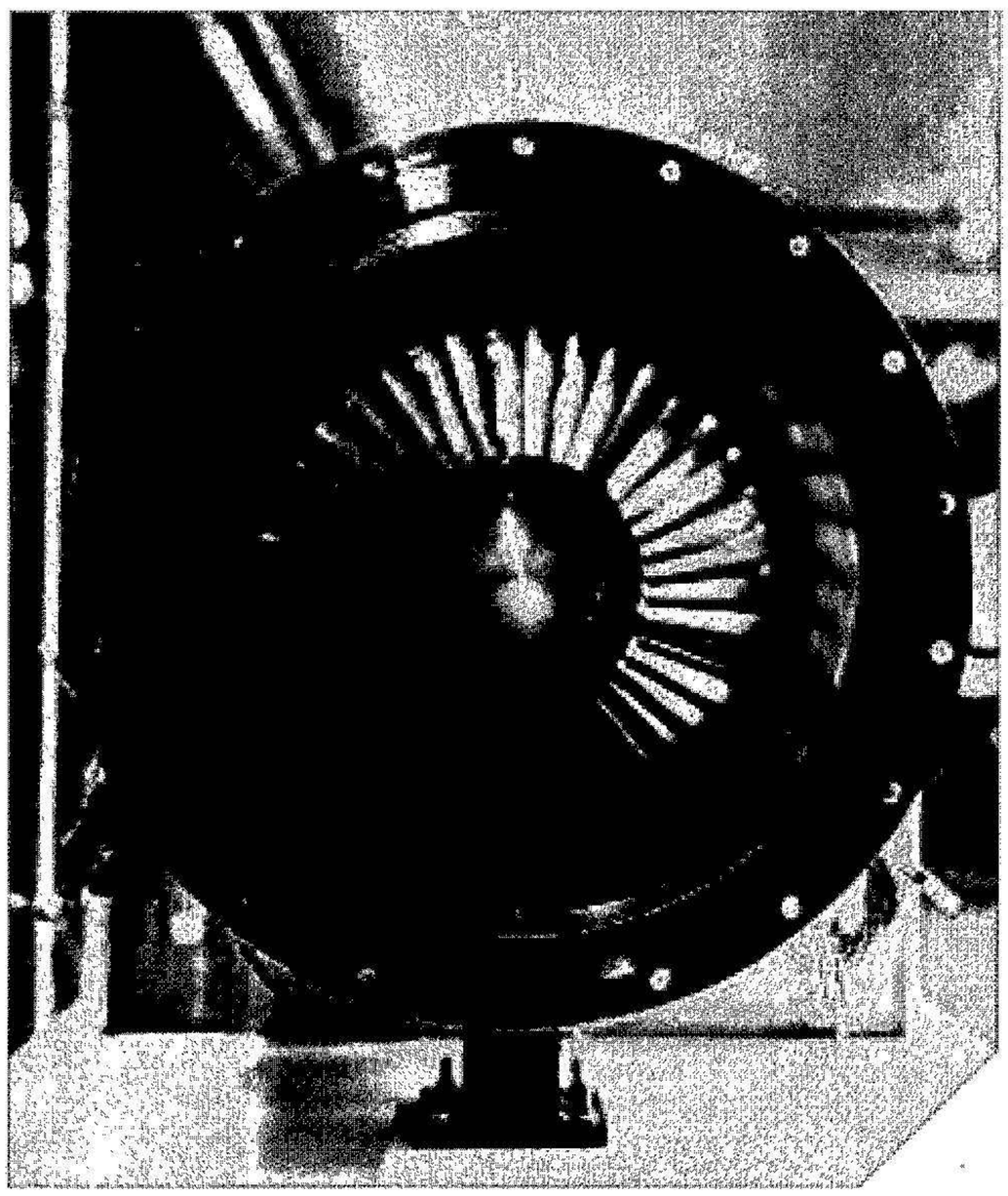
The Board assesses climate-related risks and opportunities among other sustainability and environmental material topics and monitors performance against targets

Management oversight of climate change

The CTO-led Group Sustainability Function plays a key role in managing material sustainability issues, including climate risks and opportunities, on behalf of the Melrose senior management team. The team ensures that the implications of these issues are considered within the Board's agenda, governance framework, business strategy, and, where relevant, financial plans to address climate-related risks and pursue opportunities. The sustainability function meets with relevant members of the executive team on a regular basis to track identified climate-related risks and opportunities. More information on how we determine the materiality of climate-related risks, and their financial impact can be found in the Strategy b) section on page 68.

The CTO-led Group Sustainability Function is responsible for the identification, design, implementation, monitoring and continuous evolution of improvement actions and performance towards achieving our climate targets, and incorporation of the TCFD and CFD recommendations to improve our disclosures.

Climate-related risks and opportunities are discussed regularly within GKN Aerospace and in decision-making that relates to setting strategy to mitigate identified risks or capitalise on opportunities. Where relevant, the Melrose senior management team engages with the business line senior management teams when reviewing and guiding strategy, which can include the approval of major capital expenditure. The CTO-led Group Sustainability Function is responsible for coordinating key stakeholders across the business to ensure that required controls are in place for appropriate risk mitigation and management, and that the assessment and management of sustainability and climate-related risks and opportunities are integrated across the business.



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RISK MANAGEMENT

Identifying and assessing risk

As a principal risk, climate change risk undergoes continuous assessment through the established Melrose risk management processes of identification, evaluation, mitigation, analysis, review and monitoring, as is the case with other principal risks. For further details on our approach to assessing principal risks, please see the Risk Management and Risks and Uncertainties section of the Strategic Report on pages 37 to 44. In 2024, we have reviewed and refined our climate-related risks and opportunities we identified as part of our previous climate scenario analysis in 2023. This has ensured we are aware of any new climate-related risks and opportunities that have become relevant to Melrose throughout the year. Specific climate-related risks and opportunities are identified within GKN Aerospace and are reported up to Melrose to inform the assessment of the climate change principal risk. Our climate scenario analysis will be renewed at least every three years to ensure up-to-date alignment with relevant information. To prepare for CSRD requirements we have also assessed our climate-related impacts, risks and opportunities as part of undertaking our double materiality process.

The Melrose senior management team oversees the identification of climate-related risks and opportunities as informed by the CTO-led Group Sustainability Function, who identify, monitor, and manage the specific risks relevant to the GKN Aerospace business lines' operating activities and ensure that required controls are in place for appropriate mitigation and management.

The identification and assessment of climate-related risks and opportunities also includes horizon scanning as part of our key positions in influential industry bodies, in order to monitor key developments and risks, and to engage with policy makers to mitigate their impact on the business. We also rely on the support of advisors where appropriate, who contribute to the awareness and analysis of climate-related risks and opportunities that are relevant to the Company. By engaging in this multifaceted approach, we gained valuable insights into the potential risks associated with climate change, as well as the opportunities that might appear in the context of emerging regulatory landscapes.

Climate-related risks were assessed alongside climate-related opportunities, based on the same criteria that was used to determine and rate the other company risks and their relative significance in comparison to other non-climate-related risks. This allowed for their integration into the overall risk management framework. Our risks and opportunities were ranked on a five-point scale for both likelihood (the probability of the risk occurring) and impact (the financial and reputational outcome of the risk occurring). Likelihood and impact scales were multiplied together, resulting in a combined risk or opportunity exposure score of low-, moderate- or high for each time horizon and scenario (listed on pages 68 and 69). The likelihood and impact criteria allow the materiality of risks to be determined as defined in the table below, meaning that we can prioritise the management of the most material risks. Material climate risks are defined as those that have a likelihood and impact score of 15 or above. These are defined as risks and opportunities with high exposure.

Risk and opportunity likelihood and impact scale

	1 Rare	2 Unlikely	3 [illegible]	4 Likely	5 Almost certain
Likelihood	Highly unlikely, but the risk event may occur in exceptional circumstances. The risk event could happen, but probably never will.	Not expected, but there's a slight possibility the risk event may occur at some time.	The risk event might occur at some time as there is a history of casual occurrence.	There is a strong possibility the risk event will occur as there is a history of frequent occurrence.	The risk event is expected to occur in most circumstances as there is a history of regular occurrence.
	1 Minimal <£1m	**2 Low £1m-£5m**	**3 [illegible]**	**4 High £10m-£50m**	**5 Very high >£50m**
Impact	Inconvenience, but not impact on ability to achieve objectives.	Disruption to activities but limited to the immediate term. No longer-term impact on ability to achieve objectives.	Considerable issue but short term. Only relatively minor concern about longer-term business prospects.	Significant impact. Casts significant doubt on the ability to meet objectives and places the future of the business in peril.	Failure of the business. Unable to achieve corporate objectives.
	Regulator is aware, but no impact. 'Slap on the wrist'. Not in the public domain.	Small fines or written warnings. Customers aware.	Large fines and written judgements. Public awareness but limited long-term impact on reputation.	Significant adverse regulatory judgement and/or fines. National press coverage and significantly tarnished reputation.	Loss of licence or ability to operate. Very significant fines or criminal proceedings.

Environmental Impact continued

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Management of risk

The CTO-led Group Sustainability Function is responsible for reviewing and considering climate-related risks on a regular basis, including their impact on business strategy and the effectiveness of management and mitigation controls. The decision to tolerate, transfer or treat a risk is partially determined by the risk impact and likelihood criteria outlined in the table above. Risks with higher scores will need to be managed appropriately to bring the risk exposure back in line with an appropriate risk appetite. Action plans are developed for higher scoring risks which detail existing controls and descriptions of response actions needed to mitigate the risk. Responsibility for specific risks is also assigned to relevant stakeholders to ensure appropriate implementation and management. For more information on how we manage each identified climate-related risk, please refer to pages 70 to 79.

Integrating climate into existing risk management

Due to the increased frequency of extreme weather and climate-related disasters, coupled with tightening legislation and regulations, climate change has been identified as a standalone principal risk since 2021 and is incorporated into Melrose's Group risk management processes. The climate change principal risk comprises a combination of transition and physical risks as identified in our climate scenario analysis on pages 70 to 79. These risks undergo annual review at corporate level and by the Executive Committee and are presented to the Audit Committee as a combined principal climate risk for consideration alongside the other principal risks on a biannual basis in the form of reports prepared by the Melrose senior management team. The Chair of the Audit Committee updates the Board to inform the Board's review, challenge and setting of Melrose's appetite for each principal risk including climate change. The Board's assessment of each of the principal risks and their management, are disclosed on pages 37 to 44 of the Strategic Report which shows the relative significance of climate-related risks compared to other principal risks. The output from the climate change risks assessment is considered in our strategic business planning as relevant.

STRATEGY

Melrose's commitment to net zero emissions by 2050, poses climate-related risks and opportunities. The roadmap for achieving our targets through operational decarbonisation, products and services and engagement with our value chain, and the approach for addressing our risks and opportunities, is detailed in our Transition Plan.

This year, we have reviewed and updated our risks and opportunities that we identified during our climate scenario analysis in 2023. This scenario analysis outlined the risk and opportunity exposure, the timeframe to which the impact of the risk and opportunities will manifest, and also which scenario is likely to have the greater likelihood of impact. Where possible, we have also undertaken high-level quantitative assessments for our risks and opportunities. The results are shown in the risks and opportunities tables below (pages 70 to 79). These assessments show the gross impact before any action which Melrose might take to respond. However, due to the nature of climate change and the uncertainties associated with some of the data and assumptions, it is not possible to quantify all risks and opportunities. These quantifications do not represent any type of financial forecast and thus are not directly incorporated into any projections of long-term cash flows. In addition, for each risk and opportunity a potential financial impact band has been disclosed which corresponds to our risk management framework. The potential financial impact is based on the potential short-term financial impact. Several risks and opportunities have minimal to low financial impact in the short term. In aggregate, informed by our scenario analysis, we conclude that our overall climate risk exposure is moderate, and our business is financially and operationally resilient and strategically robust to climate risks in the short to medium term within the bounds of our 'business as usual' operations, considering that many of the risks are already being addressed through existing or planned mitigation or adaptation activities and provisions. In addition, significant focus and investment, such as our R&D programmes, is ongoing to support realisation of a number of related climate focused business opportunities.

Transition risks and opportunities

The speed at which the economy decarbonises will determine the severity and impact of climate transition risks, as well as the ability to capitalise on the opportunities related to the transition to a low carbon economy. The TCFD framework defines transition risks in four categories, (Policy and Legal, Market, Technology, and Reputation) and transition opportunities in five categories (Resource Efficiency, Energy Source, Products and Services, Markets, and Resilience). As part of our transitional climate scenario analysis, we considered risks and opportunities within these nine categories and ranked them on their impact and likelihood to Melrose. Several other risks and opportunities were considered and analysed but only those with the greatest potential exposure have been disclosed. For the purpose of our transitional estimate scenario analysis, assessment of risks and opportunities was carried out at a gross level, meaning the impacts of the risks and opportunities assumed no mitigating actions are already in place.

To understand our business resilience to future climate scenarios, in line with the TCFD guidance, we used International Energy Agency's ("IEA")[1] Net Zero Emissions by 2050 Scenario ("NZE")[2] and Stated Policies ("STEPS")[3] climate scenarios to model transition risks and opportunities, and the Intergovernmental Panel on Climate Change ("IPCC") framework recommended scenarios. These scenarios have been used to help us guide our strategy and identify any potential new opportunities or risks climate may pose. The climate scenarios we use are kept under review to ensure they remain viable, plausible and stretching.

(1) IEA (2024), Global Energy and Climate Model, IEA, Paris www.iea.org/reports/world-energy-outlook-2024
(2) NZE outlies a pathway for the global energy sector to achieve net zero CO_2 emissions by 2050, which limits the global temperature rises to 1.5°C by 2100, with 50% probability. This scenario is included as it informs decarbonisation pathways used by the SBTi.
(3) STEPS outlines a combination of physical and transition risk impacts as temperatures rise by 2.5°C by 2100, with 50% probability. This scenario is included as it represents a midway path with the trajectory implied by today's policy settings.

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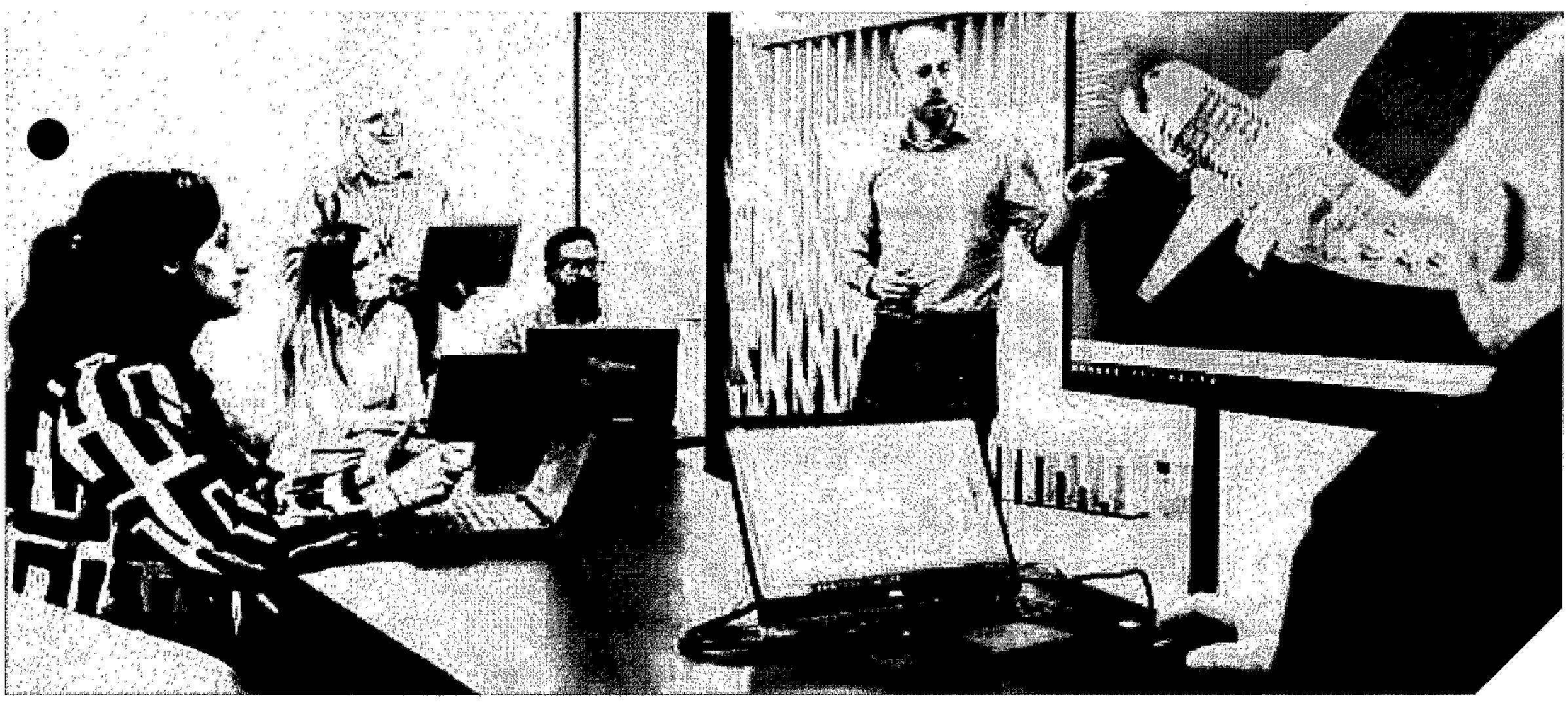
Climate-related impacts

In addition to climate-related risks and opportunities Melrose has also assessed the potential impacts that we could have in our value chain. The following climate-related impacts are those that have been identified:

Impact description	Positive or Negative Impact
Failure to contribute to the fight against climate change due to the increase in emissions deriving from lack of investment in reducing energy intensity in own operations, limited engagement with suppliers on their climate focused activities, as well as R&D contributing to decarbonisation and products contributing to a low carbon economy	Negative
Enabling society to benefit from air travel without a negative environmental impact, through the delivery of zero emission technologies.	Positive
Contribution to the achievement of international and national goals to achieve a zero-emission global economy and society and to limit the increase in the global average temperature (1.5°C–2°C)	Positive
Reduction of emissions from sites, strategic suppliers, products transportation and end products supplied for aircraft, as well as aftermarket service and GKN Aerospace's maintenance, repair and operation ("MRO") services.	Positive

In our assessment, we considered the short-, medium- and long-term impacts of climate change when examining the identified transition climate-related risks (and opportunities) and their actual and potential business impacts (including on strategy and financial planning). Three-time horizons were used to identify and assess specific transitional climate-related issues. These time horizons allowed us to consider the lifespan of our assets and infrastructure as well as any longer-term regulatory changes.

Time horizons		Rationale
Short	(2024-2026)	In line with short-term specific business planning
Medium	(2026-2030)	Encompasses Melrose's near-term emissions targets
Long	(2030-2050)	Encompasses Melrose and the UK Government's Net Zero by 2050 target and other long-term policy trends.



Environmental Impact continued

Key

——— Anticipated onset of risks and opportunities
▼ Estimated full impact of risks and opportunities
Low likelihood
Low-medium likelihood
Medium-high likelihood
High likelihood

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Transition Risks

Risk type	Description	Mitigation	KPI
EXPOSURE TO CARBON PRICING MECHANISMS			
Policy and Legal	**Market-based carbon pricing** Increased market-based exposure to carbon pricing mechanisms, such as the ReFuel EU, EU Emissions Trading System, and Carbon Offsetting and Reduction Scheme for International Aviation ("CORSIA"). The impact is likely to be felt through potential increases in airline ticketing prices. **Supply chain carbon pricing** Increased supply chain exposure to carbon pricing mechanisms such as the EU's upcoming UK Carbon Border Adjustment Mechanisms ("CBAM") applied through raw materials, such as aluminium, imported into our EU operations. The impact is likely to be felt through potential increased cost of raw materials from suppliers. The ultimate impact of both carbon pricing risks are increased prices is a dampening of growth in air traffic, leading to a reduction in future potential sales. Over time the adoption of carbon pricing instruments will increase, driving the price levels of all carbon pricing systems and therefore the overall risk exposure. NZE scenario predicts an increased number and ambition of carbon pricing mechanisms, meaning a higher exposure than in STEPS.	• GKN Aerospace's supplier engagement target which will reduce exposure to carbon pricing in our value chain. • GKN Aerospace's SBTi submission and the Melrose Net Zero Transition Plan sets out ways in which we will decarbonise our operations and supply chain, reducing our emissions and therefore reducing our exposure to carbon pricing mechanisms. • GKN Aerospace monitors exposure to potential future carbon price increases through the IEA World Energy Outlooks carbon prices. • GKN Aerospace is an active member of the IAEG and receives regular updates through a newsletter on global environmental and chemical regulations, policies, and standards that are shared with key stakeholders.	Scope 1, 2 and 3 emissions Carbon pricing market signals **Quantification:** Potential Financial Impact: Low Gross Percentage Operating Profit Impact: 2026: 0% 2030: -1% 2050: -1%

Potential impact	Risk exposure	Timeframe			Scenario sensitivity	
		Short	Medium	Long	NZE	STEPS
Higher costs	High			▼	●● ●●	●● ○○

Risk type	Description	Mitigation	KPI
REGULATORY CHANGES TO FLIGHT TIME AND ROUTES			
Policy and Legal	The risk of an increased number of regulations that prohibit short haul flights and airport growth generally could impact the number of conventional aircraft and components for conventional aircraft that are sold. This risk links closely to the increase in carbon pricing mechanisms discussed above. NZE scenario assumes more ambitious sustainable aviation regulations, that could reduce certain flight routes, are brought in indicating a higher risk exposure than under STEPS. The regulatory changes affect both domestic and international travel.	• R&D investment in low carbon technologies, such as battery electric and hydrogen, can provide us with avenues to offset potential losses from conventionally powered aircrafts e.g., H2FlyGHT programme, a collaborative initiative that will develop a 2-megawatt (MW) cryogenic hydrogen-electric propulsion system. • Melrose's targets for climate-related R&D and new products contributing to the low carbon economy drive continued investment and efforts to become the most sustainable partner in the sky. • Membership in industry bodies, such as the International Aerospace Environmental Group ("IAEG"), helps GKN Aerospace stay aware of any incoming regulatory changes. • Melrose also carried out specific policy advocacy to directly fund the development of net zero technologies.	Number of regulatory changes to flight times and routes **Quantification:** Potential Financial Impact: Minimal Gross Percentage Operating Profit Impact: 2026: n/a 2030: -1% 2050: -1%

Potential impact	Risk exposure	Timeframe			Scenario sensitivity	
		Short	Medium	Long	NZE	STEPS
Decreased revenue	Moderate		▼		●● ●○	●○ ○○

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Key

——— Anticipated onset of risks and opportunities

▼ Estimated full impact of risks and opportunities

Low likelihood

Low-medium likelihood

Medium-high likelihood

High likelihood

Transition Risks continued

Risk type	Description	Mitigation	KPI
DECLINING DEMAND IN AIR TRAVEL DUE TO CONCERNS ABOUT CLIMATE CHANGE			
Market	Changes to societal expectation and behaviour due to concerns about climate change may impact overall demand for air transportation and decrease demand for conventional products. If GKN Aerospace cannot improve alternative technologies, such as electric or hydrogen aviation at the required rate, there may be a demand curtailment of current products. NZE predicts a faster rollout of lower carbon technologies meaning a greater exposure of risk than under STEPS.	• To retain value in GKN Aerospace core products, investment in sustainable aviation fuels is a key priority. GKN Aerospace is actively engaged in key industry and government forums, such as the UK government Jet Zero Taskforce, in order to build a clear strategy to deliver SAF at the scale required to retain this market value. • A decrease in demand for conventionally powered aircraft will be offset by an increased demand in lower carbon technologies that Melrose is investing in through R&D and new product development. • Engagement to ensure low carbon aviation is at the forefront of regulators and governments minds to ensure sustainable growth in the aviation market.	Aviation market growth predictions **Quantification:** Potential Financial Impact: Minimal Gross Percentage Operating Profit Impact: 2026: n/a 2030: -1% 2050: -1%

Potential impact	Risk exposure	Timeframe			Scenario sensitivity	
		Short	Medium	Long	NZE	STEPS
Decreased revenue	Moderate		——— ▼		●● ●●	●● ○○

RAW MATERIAL AVAILABILITY		
Technology	An increased focus on developing lower carbon aviation (battery and hybrid electric propulsion systems) causes demand in materials needed in these technologies to increase (Rare Earth Materials ("REM"), composites and titanium). Increased global conflict in areas where these materials are geographically concentrated could impact availability. NZE sees a greater demand for REM and other materials associated with lower carbon aviation, indicating a greater exposure of risk compared to STEPS.	• Ensure reliable supply from alternative non-sanctioned markets. • Increased focus on resource efficiency by recycling raw materials and therefore reducing the amount of virgin materials. For example, there is an increased use of recycled metals like aluminium being used in manufactured aerostructures. • Increasing additive technologies being developed by GKN Aerospace with a capital investment plan in Sweden, as well as in the UK and the US. • Enhanced stock control oversight on key materials to ensure a reliable supply. • Increased investment in resource efficiency technologies such as nesting and additive manufacturing e.g., the Texas additive manufacturing centre of excellence for large-scale titanium aerostructures. • Investment in composite recycling.	Percentage of raw materials recycled **Quantification:** Potential Financial Impact: Minimal Gross Percentage Operating Profit Impact: 2026: n/a 2030: -6% 2050: -5%

Potential impact	Risk exposure	Timeframe			Scenario sensitivity	
		Short	Medium	Long	NZE	STEPS
Increased costs	High		▼ ———		●● ●●	●● ○○

Environmental Impact continued

Key

——— Anticipated onset of risks and opportunities
▼ Estimated full impact of risks and opportunities
Low likelihood
Low-medium likelihood
Medium-high likelihood
High likelihood

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Transition Risks continued

Risk type	Description	Mitigation	KPI
SUCCESSFUL ENTRY INTO SERVICE OF NEW TECHNOLOGIES			
Technology	A lack of certification of aircraft with new technologies, such as hydrogen and battery electric, could impact the rate to which production demand is met. Certifying organisations, including the CAA and EASA, amongst others, have historically wanted to make decisions based on significant amounts of data but with new technologies, data availability is lacking. The lack of successful entry of lower carbon aviation could impact our ability to benefit from the transition to a lower carbon economy and more sustainable aviation. Under NZE, the rate of new technology certification will need to be high and delays in certification could cause a bottle neck in production, causing a high risk exposure.	• Collaboration with certification bodies is a key mitigation factor to reduce the potential delay in certification of new technologies. Certifiers are regularly invited to new aircraft testing. • Extensive use of both ground and flight validation of technologies is a critical step both in educating airworthiness authorities as well as building clarity of what will be required to be proven in full scale development programmes. GKN Aerospace is planning a series of research tests with strong engagement with regulators in order to enable this.	Certification times of components used in low carbon aviation **Quantification:** Potential Financial Impact: Minimal Gross Percentage Operating Profit Impact: 2026: n/a 2030: -2% 2050: -2%

Potential impact	Risk exposure	Timeframe			Scenario sensitivity	
		Short	Medium	Long	NZE	STEPS
Reduced revenue	Moderate			▼	●● ●●	●● ○○

Risk type	Description	Mitigation	KPI
REPLACEMENT OF CARBON INTENSIVE MACHINERY			
Technology	Risks associated with decarbonising of manufacturing processes and machinery that are carbon intensive to electric and energy efficient machinery will increase investment of capital. Currently, existing technology to electrify carbon intensive processes either do not exist or are expensive. NZE expects a faster decarbonisation pathway, meaning carbon intensive assets will need to be replaced quicker.	• Electrification of carbon intensive manufacturing processes e.g., furnaces electrification. • Policies to replace older plant machinery with electric machinery and more efficient machinery. • Focus on additive manufacturing to reduce weight, lead times, tooling and inventory, and reduce CO_2 emissions by 70% compared with conventional manufacturing processes. • Out of autoclave composite technologies (such as RTM) have the potential to eliminate carbon intensive energy supply.	Spend on new electrified machinery **Quantification:** Potential Financial Impact: Minimal Gross Percentage Operating Profit Impact: 2026: n/a 2030: -5% 2050: -10%

Potential impact	Risk exposure	Timeframe			Scenario sensitivity	
		Short	Medium	Long	NZE	STEPS
Increased costs	Moderate			▼	●● ●○	●○ ○○

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Key

——— Anticipated onset of risks and opportunities

▼ Estimated full impact of risks and opportunities

Low likelihood

Low-medium likelihood

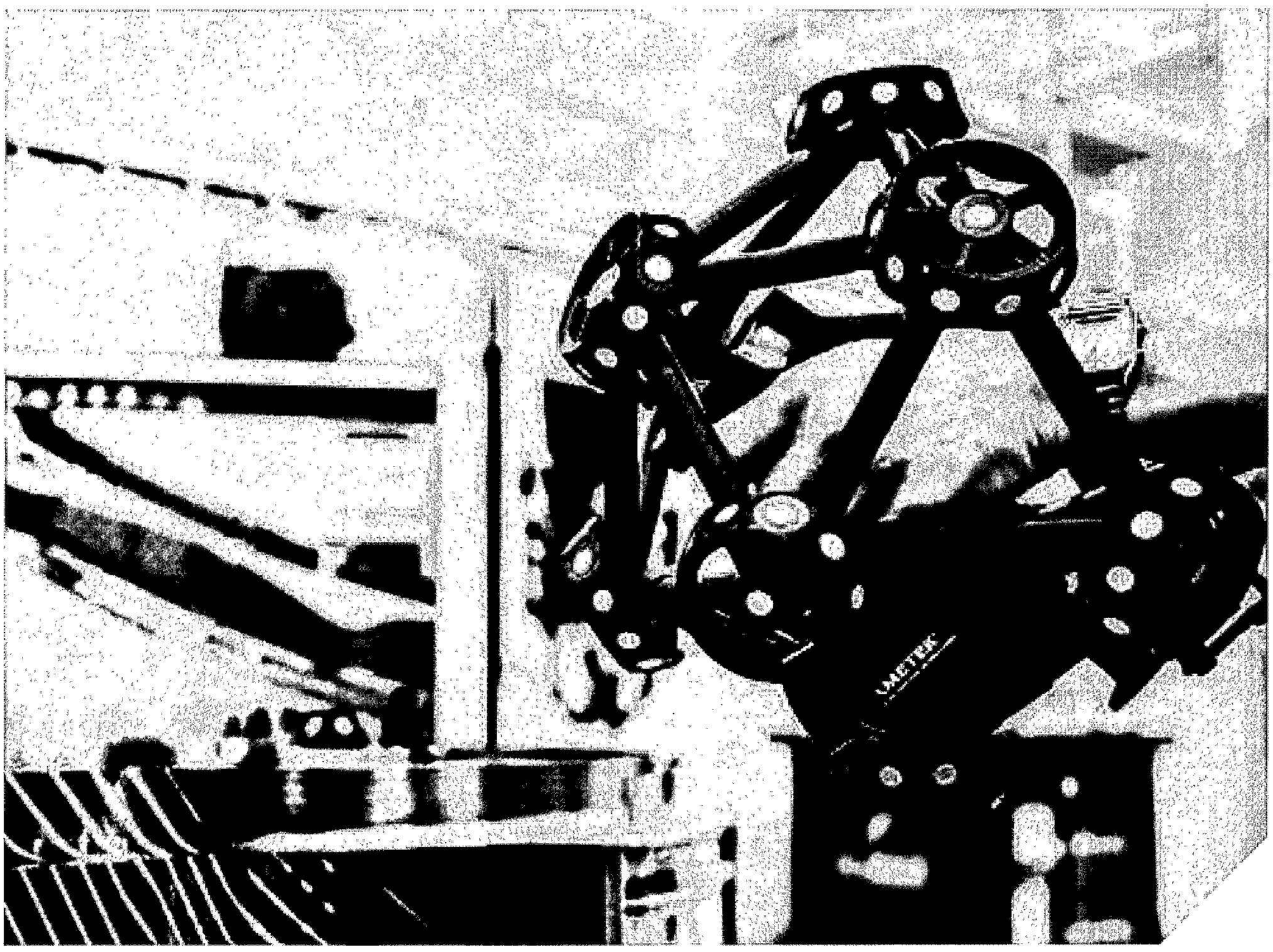
Medium-high likelihood

High likelihood

Transition Risks continued

Risk type	Description	Mitigation	KPI
RISKS OF NOT MEETING NET ZERO TARGETS			
Reputation	The ability to meet our net zero targets is partially reliant on third parties within our supply chain and technologies that are yet to be developed. Our Scope 1 and 2 targets are more certain due to the current availability of existing technologies, such as renewable energy. However, there may be uncertainties in the availability of, and/or cost of renewable energy contracts as global pressures to reach net zero increase the demand for renewable energy. Both our absolute and supplier engagement Scope 3 targets carry more risk due to the inherent lack of control of Scope 3 and complexity around engaging suppliers. Under STEPS a lower rate of technological development would hinder the achievements of our net zero targets.	• Carrying out training sessions with the procurement teams to upskill on climate-related information. • Developing a supplier engagement plan that targets our key and most impactful suppliers. • Carrying out supplier education and engagement days. • Implementing emissions reduction initiatives across our logistics emissions. • Improving emissions calculation methodologies.	Progress on our SBTi's **Quantification:** Potential Financial Impact: Minimal Gross Percentage Operating Profit Impact: 2026: n/a 2030: -5% 2050: -5%

Potential impact	Risk exposure	Timeframe			Scenario sensitivity	
		Short	Medium	Long	NZE	STEPS
Lower profit margins through increased costs and decreased revenue	High			▼	Low-medium likelihood	Medium-high likelihood



Environmental Impact continued

Key

——— Anticipated onset of risks and opportunities
▼ Estimated full impact of risks and opportunities
Low likelihood
Low-medium likelihood
Medium-high likelihood
High likelihood

ank=20250709-20250710044174

Transition Opportunities

Opportunity type	Description	Strategy to capitalise	KPI
OPERATIONAL EFFICIENCY IN WATER, WASTE AND ENERGY			
Resource efficiency	Actions to reduce waste, water and energy consumption and improve efficiency will provide incremental improvements to Melrose's emissions profile at limited cost to implement. Replacement of older and less efficient machinery with newer, more efficient, models as well as improved insulation in certain sites will provide opportunities to reduce emissions and costs.	Energy • Company-wide energy intensity reduction target. • Employee engagement to reduce energy consumption, such as the Project Orville scheme that encourages employees to make individual efforts to reduce energy consumption. • Energy efficiency measures, such as LED lighting installations, insulation of sites and booster systems to increase the energy efficiency of machines using compressed air. • Transition to additive manufacturing processes will electrify hard metal manufacturing as well as significantly reduce net energy consumption. • Transition of composite material manufacturing to out of autoclave will reduce energy consumption significantly e.g., ASCEND programme reduces energy consumption by 80% with out of autoclave technologies. Waste • Target to divert 95% of solid non-hazardous waste from landfill by 2025. • Reduction and recycling of packaging, such as the adoption of new cardboard shredders to reduce use of plastic at the Trollhättan site. Water • 40% reduction in water withdrawal intensity by 2025. • Water efficiency improvements at sites, such as irrigation system leak identification at El Cajon.	Energy, waste and water consumption **Quantification:** Potential Financial Impact: Low Gross Percentage Operating Profit Impact: 2026: 0% 2030: 0% 2050: 0%

Potential impact	Opportunity exposure	Timeframe			Scenario sensitivity	
		Short	Medium	Long	NZE	STEPS
Reduces costs	Low		▼		●○ ○○	●○ ○○

Opportunity type	Description	Strategy to capitalise	KPI
MATERIAL EFFICIENCY IMPROVEMENTS OF RAW MATERIALS			
Resource efficiency	Improved recycling of raw materials and investment in R&D relating to technologies, such as additive manufacturing and nesting, provides opportunities to reduce energy, emissions, waste and associated costs. Raw material costs will also be reduced. Improved efficiency of raw materials specifically provides us with the opportunity to reduce our Scope 3 emissions associated with our purchased goods as it means less raw materials are purchased. It also leads to shorter supply chains with a reduced reliance on certain sets of suppliers e.g., forging suppliers. NZE sees greater focus and investment in life cycle sustainability, meaning a greater exposure to technology that can improve material efficiency compared to STEPS.	• Nesting technology enables the reduction of scrap raw material produced during cutting and optimises production. • Additive manufacturing investments such as the Permanova acquisition, the additive manufacturing centre of excellence in Texas and collaboration with Northrop Grumman delivers additively manufactured alternatives to conventional forgings and castings, meaning reduced waste and consumables, and reduced impact of transportation through vertical integration. • Recycling of virgin metals, such as aluminium and titanium, means raw materials stay within the aerospace industry, significantly reducing the amount of embedded carbon in raw materials consumed. • R&D investment in composite recycling.	Percentage of raw materials recycled **Quantification:** Potential Financial Impact: Medium Gross Percentage Operating Profit Impact: 2026: 1% 2030: 3% 2050: 5%

Potential impact	Opportunity exposure	Timeframe			Scenario sensitivity	
		Short	Medium	Long	NZE	STEPS
Reduces costs	High			▼	●● ●●	●● ●○

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Key

——— Anticipated onset of risks and opportunities

▼ Estimated full impact of risks and opportunities

Low likelihood

Low-medium likelihood

Medium-high likelihood

High likelihood

Transition Opportunities continued

Opportunity type	Description	Strategy to capitalise	KPI
RENEWABLE ENERGY (PPAS AND INSTALLATION)			
Energy source	The purchase of renewable electricity contracts or PPAs will allow for the reduction of emissions without the capital spend associated with onsite renewable energy installation. Electricity purchase agreements deliver real world GHG emissions reductions by displacing fossil energy sources in the grid systems where we consume electricity. Our US and European sites have access to renewable electricity contracts and whilst the cost of electricity under PPAs is variable, contracts can provide fixed costs over several year and reduce Scope 2 emissions to potentially zero. The Group is exploring options to install solar self-generation where possible. Solar installations will reduce reliance on the local grid, reduce GKN Aerospace's emissions and may provide operating cost savings. NZE sees more rapid scaling of renewable energy and grid electrification compared to STEPS.	• Target to procure 50% of electricity from renewable sources by 2025. • In the shorter term Melrose will purchase Energy Attribute Certificates ("EACs") with the medium- and longer-term goal being the use of VPPAs, PPAs and self-generation of electricity. • Several sites have submitted requested for installation of solar arrays and additional sites are exploring options for self-generation. • A 1.2MW solar farm was completed at the GKN Aerospace Cowes site which will generate 1,150,000 kWh of electricity annually, supplying 20% of the site's energy needs.	Percentage of renewable electricity **Quantification:** Potential Financial Impact: Minimal Gross Percentage Operating Profit Impact: 2026: 0% 2030: 0% 2050: n/a

Potential impact	Opportunity exposure	Timeframe			Scenario sensitivity	
		Short	Medium	Long	NZE	STEPS
Reduces costs	Moderate		▼		●● ●●	●● ○○

IN FLIGHT EFFICIENCY			
Products and Services	The use of advanced materials and engineering methods provides an opportunity for components to provide the same, or enhanced, performance while using less or lighter material and improving flight fuel efficiency. This can be through the use of composite materials or bonding technologies. Improving the fuel efficiency of engines also provides an opportunity to reduce fuel burn and increase flight efficiency. Increased demand for these technologies and heightened expectations to reduce emissions associated with flying will increase the exposure of this opportunity under NZE compared to STEPS.	GKN Aerospace has an extensive portfolio of research programmes exploring new design concepts, materials and manufacturing processes aimed at increasing air travel efficiency and reducing fuel burn. These include additive fabrication, resin transfer moulding, metallic and composite bonding and electrification of systems. The majority of these programmes are performed collaboratively with our airframe and engine customers and within funded multi partner research programmes.	R&D Horizon 1 & 2 programmes **Quantification:** Potential Financial Impact: Minimal Grpss Percentage Operating Profit Impact: 2026: n/a 2030: 14% 2050: 36%

Potential impact	Opportunity exposure	Timeframe			Scenario sensitivity	
		Short	Medium	Long	NZE	STEPS
Reduces costs	High			▼	●● ●●	●● ○○

Environmental Impact continued

Key

——— Anticipated onset of risks and opportunities
▼ Estimated full impact of risks and opportunities
Low likelihood
Low-medium likelihood
Medium-high likelihood
High likelihood

Transition Opportunities continued

Opportunity type	Description	Strategy to capitalise	KPI
ACCESS TO NEW MARKETS THROUGH LOW CARBON AVIATION			
Markets	Both battery electric and hydrogen technologies provide potential new markets for GKN Aerospace. Electric technology opens up the potential of the commuter market (up to 400 nautical miles) as well as other regional routes. eVOTLs development also offers new markets in urban mobility that are low carbon, cheaper and quieter than current options. Hydrogen technologies can also offset the potential reduction in market share from conventionally powered engines as well as opening up the potential for a fragmentation of regional routes and an overall growth in regional aviation. NZE sees scaled investment in hydrogen and battery electric technologies resulting in a greater exposure compared to STEPS.	• Continued work as main partner in industry associations, such as the Jet Zero Taskforce, the Aerospace Technology Institute, Swedish Aerospace Industries, Swedish Air Transport Society, the Dutch National Sustainable Aerospace Funding Programme ("LIT"), and the Aerospace Growth Partnership, where GKN Aerospace plays a key role in developing policy to support aviation's transition to Net Zero and the development of hydrogen-powered aircraft, and leads on various policy topics such as the roadmap to fossil-free aviation. • Continued investment in hydrogen propulsion technologies and the development of routes to exploitation e.g., H2FlyGHT, a collaborative initiative that will develop a 2-megawatt (MW) cryogenic hydrogen-electric propulsion system. • Global partnerships with electric aircraft manufacturers such as Joby, Eviation, and Supernal to work on experimental eVTOL and electric aircraft development.	Revenue from products that contribute to low-carbon economy **Quantification:** Potential Financial Impact: Minimal Gross Percentage Operating Profit Impact: 2026: n/a 2030: 14% 2050: 36%

Potential impact	Opportunity exposure	Timeframe			Scenario sensitivity	
		Short	Medium	Long	NZE	STEPS
Increased revenue	High			▼	●● ●●	●● ○○

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Key

——— Anticipated onset of risks and opportunities

▼ Estimated full impact of risks and opportunities

Low likelihood

Low-medium likelihood

Medium-high likelihood

High likelihood

Transition Opportunities continued

Opportunity type	Description	Strategy to capitalise	KPI
TECHNOLOGICAL SOLUTIONS FOR CLIMATE CHANGE MITIGATION			
Products and Services	**Hydrogen technology** Hydrogen technology has potential to reduce the aviation industry's impact on climate through an increased demand for hydrogen powered aircraft in both hydrogen electric and hydrogen combustion technologies. Hydrogen electric is seen as the most likely candidate for an earlier entry into service while hydrogen combustion provides an opportunity as it enables us to offset potential revenue losses from a decrease in conventionally powered aircraft. NZE sees scaled investment in hydrogen technologies resulting in a greater exposure compared to STEPS. **Battery electric technology** Using batteries to power aircraft produces no in flight emissions at all and offers fully net zero travel if renewable electricity is used. Power density limits the payload and range potential of this technology. Battery electric flight is likely to have only a small role in reducing aviation's impact on global warming, however, this new market area will be born green and offers the ability to develop capabilities with wider exploitation such as in commuter markets. NZE sees greater progression in battery electric technology than STEPS. **Advanced Air Mobility ("AAM")** With our technology leadership in electrification, lightweight composites, hydrogen propulsion and smart engine systems, we are at the forefront of enabling eVTOL platforms to thrive in the Advanced Air Mobility market. NZE sees greater progression in AAM technology than STEPS. **Improved engine efficiency** By focusing on efficient engine technologies, such as advanced materials, lightweight components, and innovative propulsion systems, GKN Aerospace can help minimise fuel consumption and emissions, enhancing both operational sustainability and cost-effectiveness for customers.	• GKN Aerospace is involved in several R&D initiatives relating to liquid hydrogen fuel systems, fuel cell power generation and distribution and hydrogen combustion through the H2GEAR, HyFIVE and H2FLYGHT programmes. • GKN Aerospace also works within the Jet Zero Taskforce, the Aerospace Technology Institute and the Aerospace Growth Partnership to develop policy to support aviation's transition to Net Zero and the development of hydrogen fuelled aircraft. • Global partnerships with electric aircraft manufacturers such as Joby, Eviation and Supernal to work on experimental eVTOL and electric aircraft development. • GKN Aerospace is actively engaged with both customers and regulators to ensure low carbon aviation is at the forefront of regulators and governments. • Vertical Aero's VX4 and Supernal SA1 all utilise GKN Aerospace technology and contribute to a cleaner and more connected world. • Partnerships with companies such as Supernal on the design and build of major aerostructures and Electrical Wiring Interconnection System ("EWIS") for Supernal's electric vertical takeoff and landing (eVTOL) vehicle. • Contributing to programmes such as RISE that facilitates the development of open rotor engines which can reduce fuel consumption by 20% compared to conventional gas turbine engines. • Collaboration with other aerospace companies on water-enhanced turbofan technology ("WET") which has the potential to reduce aircraft CO_2 emissions by up to 25% compared to today's state-of-the-art propulsion systems for short- and medium-range aircraft.	R&D investment in hydrogen and battery electric technologies In-flight decarbonisation potential of products **Quantification:** Potential Financial Impact: Minimal Gross Percentage Operating Profit Impact: 2026: n/a 2030: 14% 2050: 36%

Potential Impact	Opportunity exposure		Timeframe			Scenario sensitivity	
			Short	Medium	Long	NZE	STEPS
Increased revenue	Hydrogen technology	High			▼	●● ●●	●● ●○
	Battery electric technology	Moderate			▼	●● ○○	●○ ○○
	AAM	High			▼	●● ●○	●● ○○
	Improved engine efficiency				▼	●● ●●	●● ●○

Environmental Impact continued

Key

- Anticipated onset of risks and opportunities
- ▼ Estimated full impact of risks and opportunities
- Low likelihood
- Low-medium likelihood
- Medium-high likelihood
- High likelihood

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Physical Risks

As global temperatures rise, the frequency and severity of extreme weather events are expected to increase, resulting in a higher likelihood of disruptions to our global operations and supply chain. Our physical risk assessment has been carried out by a third-party consultant using a location risk tool. It has been used to assess current and potential future physical climate-related risks facing GKN Aerospace's global facilities and key suppliers. We have assessed potential physical risks, both acute and chronic, at all GKN Aerospace sites including potential material risks such as drought stress, tornados, storms, sea-level rise and flooding events among other hazards, while heat stress and fire stress were considered but were not deemed material for our operations. The revenue and property value of each site was considered to determine the materiality of identified risks to specific sites. During the year we had no insurance claims that were climate-related.

For the risks assessed we have chosen to use the best-case and worst-case scenarios as described below:

- **RCP 2.6** (approximately 1.8°C warming by 2100). A scenario in line with the United Nations Climate Change Agreement of 2015. According to the IPCC, it requires that GHG emissions start declining immediately and go to zero by 2100. This relies on global implementation of stringent climate policies; and
- **RCP 8.5** (approximately 4.4°C warming by 2100). A 'business as usual' high-emissions scenario. This scenario is consistent with no major policy changes or industry moves to reduce emissions globally leading to high atmospheric GHG concentrations.

We have considered three time horizons: 2030 (short term), 2050 (medium term) and 2100 (long term). This differs from our time horizons used for our transitional risk assessment as there are limited predicted material physical climate risks up to 2030 due to the delayed nature of modelled climate impacts.

Risk type	Description	Mitigation	KPI
FLOODING (STORM SURGE, RIVERINE AND FLASH FLOOD)			
Acute	Risk associated with either coastal or riverine flooding can cause damage to site infrastructure, products and equipment stored at sites. Floods can also cause disruptions to manufacturing output and delay production times. Riverine flooding in particular poses a risk to five sites, which are currently located in a 50-year return period zone. One additional site is projected to also be in a 50-year return period zone by 2030 under RCP 8.5. Two sites have been identified as being at extreme risk of sea level rise under both scenarios by 2100.	• Collaboration with local environment agencies and councils on flooding defences and prior flooding events. • Alternative suppliers are in place to replace key infrastructure that might be damaged. • Flood management plans include the training of teams to deploy flood barriers and raise at risk machinery above where flood waters could reach. • Safety reports take into account the impact of flooding at our at risk sites. • Property damage and business interruption insurance specific to natural hazards.	Number of days operations are disrupted due to flooding events **Quantification:** Potential Financial Impact: Medium Gross Percentage Operating Profit Impact: 2026: -1% 2030: -2% 2050: -5%

Potential impact	Risk exposure	Timeframe			Scenario sensitivity	
		Short	Medium	Long	RCP 2.6	RCP 8.5
Increased costs and decreased revenue	Moderate			▼	●○ ○○	●● ●○

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Key

——— Anticipated onset of risks and opportunities

▼ Estimated full impact of risks and opportunities

Low likelihood

Low-medium likelihood

Medium-high likelihood

High likelihood

Physical Risks continued

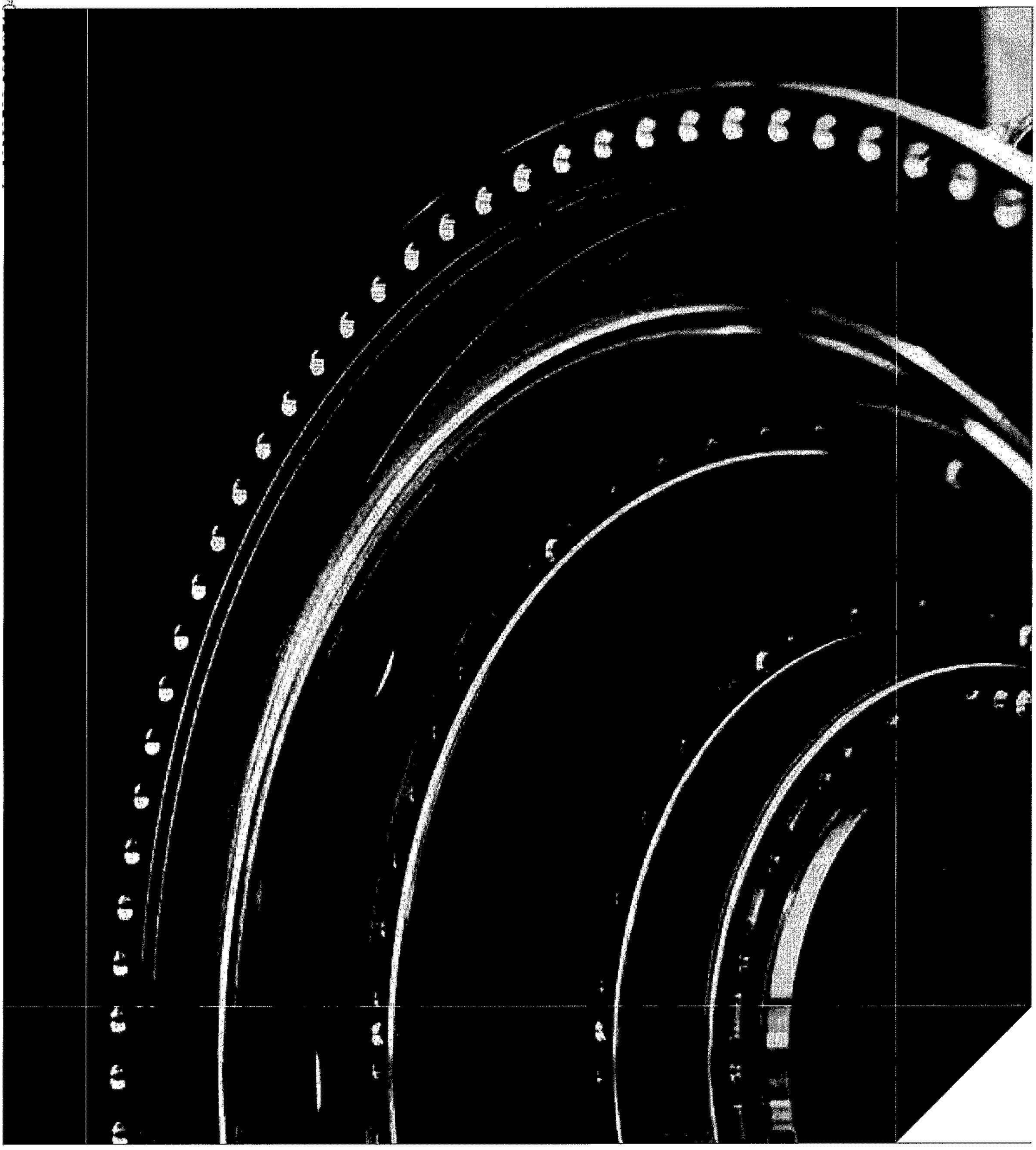
Risk type	Description	Mitigation	KPI
STORM			
Acute	Increased exposure to extreme weather events, such as tornados, hailstorms and extratropical storms, have the potential to impact the Company's operations and production processes through power outages as well as impacting access to sites through damage to local roads and infrastructure. 17% of sites have been identified as having a high exposure to storm risk. However, these sites collectively only account for 5% of revenue.	• Alternative suppliers in place to replace key infrastructure that might be damaged. • Incident Commander outlines approach to dealing with storm events such as internal emergency communication system for employees to be notified of hazards. • Tornado shelters are available for employee safety at impacted sites. • Use of semi generators for storms that are anticipated to cause power outages of more than 24 hours. • Subscribing to countrywide emergency alert systems and its standard operating procedure to shelter under desks during storms where relevant and available. • Property damage and business interruption insurance specific to natural hazards.	Number of days operations are disrupted due to storm events **Quantification:** Potential Financial Impact: High Gross Percentage Operating Profit Impact: 2026: -2% 2030: -3% 2050: -6%

Potential impact	Risk exposure	Timeframe			Scenario sensitivity	
		Short	Medium	Long	RCP 2.6	RCP 8.5
Increased costs and decreased revenue	Low			▼	●○ ○○	●● ●○

SUPPLIER DISRUPTION FROM EXTREME WEATHER						
Acute	Increased extreme weather events such as flooding and storms cause supply chain disruptions or site shutdowns. This can impact the ability of suppliers to provide us with appropriate raw materials and other services needed to manufacture our products. However, at this stage, impacts have typically been limited.	• Buffer stocks to protect manufacturing process from short interruptions. • Supplier business continuity plans that include specific climate-related plans. • Ability to switch to alternative suppliers in the event of an extreme weather event.			Number of days suppliers are disrupted due to extreme weather events **Quantification:** Potential Financial Impact: High Gross Percentage Operating Profit Impact: 2026: -2% 2030: -3% 2050: -7%	

Potential impact	Risk exposure	Timeframe			Scenario sensitivity	
		Short	Medium	Long	RCP 2.6	RCP 8.5
Loss in revenue	Moderate		▼		●○ ○○	●● ●○

Environmental Impact continued



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Impact on strategy and financial planning

Climate change has a direct impact on product strategy, development and financial planning across Melrose. Our ambition is to produce long-term sustainable growth for the coming years through continued innovation and product quality across our engines and structures solutions, with fully integrated emissions reduction activities. In the short-term horizon, we do not anticipate any material changes in resource allocation or operational and capital investment to achieve our plans and targets.

Our greatest impact on the value chain comes from reducing emissions through product design and manufacturing. We focus on lowering embodied carbon in materials, cutting emissions in operations, optimising energy use, minimising waste, and recycling materials. These efforts align with our business targets and are integrated into our operations and innovation pipelines.

In 2024, Melrose invested over £80 million on climate-related R&D programmes that primarily aim to develop technologies that help our customers improve energy efficiency and reduce GHG emissions compared with conventional technologies. This continued investment in climate-related R&D enables Melrose to adapt our business model and strategy to any potential new climate-related technologies and opportunities. For Scope 1 and 2 emissions reductions, our focus in the near term is on implementing our existing or developing new strategies to minimise emissions in operations that represent hard-to-abate, carbon-intensive, be it through the replacement of old equipment and machinery, energy efficiency programmes or certain upgrades to our existing procedures at plants. The impact of climate change on our supply chain has been considered as part of SBTi validated emissions targets. A supplier engagement action plan has been developed which outlines how climate change considerations should be incorporated into procurement policies and encourages suppliers to have science-based targets. We have commenced supplier engagement as part of our efforts towards climate-conscious procurement in mitigating climate change which reflects the growing recognition of the environmental impact of supply chains in the global business landscape.

In the short to medium term (present to 2030), resourcing for the implementation of our net zero commitment is incorporated into capex and spending plans where reasonably foreseeable. We believe that the actions we will directly take to reduce emissions in the short to medium term will result in costs or impacts on revenues that are in line with those already in our strategy and growth projections.

Resilience of the organisation's strategy to climate change

Melrose has invested in reducing its carbon footprint and embraced renewable energy sources, improving energy efficiency, and investing in low carbon products for its customers. While acknowledging the risks posed by climate change, our strategy is resilient to climate change with appropriate mitigating plans in play for identified risks and opportunities. We will continue to develop our analysis as new data becomes available, both internally and externally, and we will continue to monitor our climate exposures and action plans.

Our scenario analysis posed key questions on how different physical and transitional scenarios would impact future revenue, production costs and the life of current assets.

The limitations of the scenario analysis we carried out are:

- scenarios often only provide high-level global and regional forecasts;
- not all risks are easily subject to scenario analysis;
- scenario analysis requires analysis of specific factors and modelling them with fixed assumptions;
- impacts are to be considered in the context of the current financial performance and prices;
- gross impacts are assumed to occur without the Company responding with any mitigation actions, which would reduce the impact of risks;
- impacts are modelled to occur in a linear fashion, when in practice, dramatic climate-related impacts may occur suddenly after tipping points are breached;
- the analysis considers each risk and scenario in isolation, when in practice, climate-related risks may occur in parallel as part of wider set of potential global impacts; and
- carbon pricing is informed by the Global Energy Outlook 2024 report from the International Energy Agency ("IEA").

Environmental Impact continued

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METRICS AND TARGETS

Climate-related metrics

We disclose a wide range of metrics associated with climate change, including GHG emissions by type, energy consumption by type, as well as renewable electricity consumption, water withdrawal and waste generation. Specific metrics used to track each risk and opportunity are identified on pages 70 to 79 within the risk and opportunity tables. Our energy consumption and emissions data, the statement of alignment with the GHG Protocol and statement on The Streamlined Energy and Carbon Reporting Regulation ("SECR") disclosures can be found on page 83. We currently disclose Scopes 1 and 2 and applicable Scope 3 GHG emissions in line with the GHG Protocol methodology, representing a breakdown of the Group's emissions by type and intensity measurement. We review our GHG inventory on an annual basis and will restate our data and/or recalculate our science-based targets when required, to reflect significant changes to our company structure, methodology changes or errors.

Scope 1 emissions are emissions from sources that we own or control directly, and Scope 2 emissions are those that we cause indirectly as they come from where the energy is purchased and produced.

- Scope 1 emissions are primarily driven by our use of natural gas used in manufacturing processes and heating.
- Scope 2 emissions are tied to the electricity we use in our manufacturing processes, for example autoclaves.

Our Scope 3 emissions represent emissions outside of our direct operations and that occur in our value chains. In line with the Greenhouse Gas Protocol's 'Corporate Value Chain (Scope 3) Accounting and Reporting Standard', we evaluate GHG emissions from all 15 categories but report only on categories that are relevant and material to the Company. Aligned with the rest of the aerospace manufacturing sector, Category 11: Use of Sold Products is estimated to be our largest category of Scope 3 emissions from our initial calculations. Category 11 emissions associated with the use of Melrose products are currently being estimated so are not included in our emissions footprint. As part of our SBTi submission and validation it was deemed that Category 11 emissions did not need to be included in our target emissions inventory. We are currently evolving our calculation methodology and aspire to report on our updated Category 11 emissions next year. In line with SBTi requirements we will also update our validated targets if necessary. All other downstream categories have been screened and deemed either negligible or not applicable to Melrose's value chain emissions.

The GHG emissions for Melrose, broken down by Scope 1, Scope 2 and select Scope 3 emissions, for 2023 and 2024, are set out in the table on page 83. In 2024, operational energy consumption decreased 3% in absolute terms and 14% in associated intensity ratio terms compared to 2023. This is reflective of both revenue increasing and consumption decreasing, driven by one-off fuel consumption activities in 2023. This led to a 17% reduction in Scope 1 emissions also. The decrease in Scope 2 market-based emissions are due to more sites procuring renewable electricity, however the underlying electricity consumption increased slightly year-on-year by 2%. The Group's chosen intensity ratio is energy consumption and emissions reported above normalised megawatts usage ("MWh") and tonnes of CO_2e per £1,000 of revenue, which we believe remains the most appropriate intensity ratio for Melrose.

Total Scope 3 emissions decreased 5% versus 2023, largely due to a decrease in Capital Goods emissions as a result of less capex expenditure throughout the year. Fuel and Energy Related Activities emissions have also decreased year-on-year due to our increased procurement of renewable electricity. The Scope 3 categories covered by our SBTi[1] have decreased 1% versus 2023 and 13% relative to the 2022 base year, highlighting we are on track to meet this target by 2030. We do still expect Scope 3 emissions to fluctuate in future years as the quality of our reporting improves.

This section has been prepared for the reporting period of 1 January 2024 to 31 December 2024. We report on all of the material emission sources in line with an operational control approach method, as required in Part 7 under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013 and under the UK's SECR requirements. These emission sources fall within our Consolidated Financial Statements. We do not have responsibility for any emission sources that are not included in our Consolidated Financial Statements.

Our energy consumption and emissions data is reported in accordance with the reporting requirements of the Greenhouse Gas Protocol ("GHG Protocol"), Revised Edition 2004 and the Environmental Reporting Guidelines, including the SECR guidance dated March 2019. The GHG Protocol standard covers the accounting and reporting of seven Greenhouse gases covered by the Kyoto Protocol. We currently disclose Scopes 1 and 2 and select Scope 3 GHG emissions, representing a breakdown of the Group's emissions by type and intensity measurement. Emission factors from the UK Government's GHG Conversion Factors for Company Reporting 2024 (the Department for Energy Security and Net Zero ("DESNZ") factors) have been used to calculate Scope 1 emissions. Scope 2 emissions associated with the GHG Protocol "Location-Based" method have been calculated using International Energy Agency ("IEA") country-specific emission factors. Scope 2 emissions associated with the GHG Protocol "Market-Based" method have been calculated using residual mix emission factors from Association of Issuing Bodies 2023 where applicable. In the absence of residual mix emission factor availability, IEA country specific emissions factors have been used in line with the GHG Protocol guidance. If sites generate their own renewable electricity or purchase electricity backed by contractual instruments (such as Renewable Energy Guarantee Origin), this has been taken into consideration within the calculations. For Scope 3 emissions, we reported in accordance with the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard and the GHG Protocol Technical Guidance.

Emissions factors from DESNZ and the International Areospace Environmental Group ("IAEG") Industry Tool for Calculating Scope 3 GHG emissions have been used to calculate Scope 3 emissions. A Scope 3 inventory was carried out and the relevant categories were calculated using a combination of spend based and average data-based methodologies. Due to recognised inherent uncertainties in calculating Scope 3, we have adopted a continuous improvement approach. We will continue to review our processes and disclose in a timely and transparent manner.

(1) Target includes Scope 3 emissions from Category 3: Fuel- and energy-related activities, Category 4: Upstream transportation and distribution, Category 5: Waste generated in operations, Category 6: Business travel and Category 7: Employee commuting.

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Total energy consumption and GHG emissions for the period 1 January 2024 to 31 December 2024

Energy consumption (MWh)	UK 2024	Global (excl. UK) 2024	Total 2024	UK 2023	Global (excl. UK) 2023	Total 2023	Change (2024/23)
Total operational energy consumption	**78,504**	**375,744**	**454,248**	**83,922**	**386,224**	**470,146**	**-3%**
Total renewable energy consumption			**129,743**			**122,349**	**6%**
Share of renewable electricity in total electricity mix			**43%**			**41%**	**2p.p.**
Energy consumption intensity[1]			**0.131**			**0.152**	**-14%**
Fuels							
Total fuels consumption	**27,051**	**85,669**	**112,720**	**32,062**	**102,838**	**134,900**	**-16%**
Non-renewable fuels consumption	**27,051**	**85,669**	**112,720**	**32,062**	**102,838**	**134,900**	**-16%**
Renewable fuels consumption	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Electricity							
Total electricity consumption	**51,453**	**252,584**	**304,037**	**51,859**	**246,689**	**298,548**	**2%**
Renewable electricity consumption (self-generated, purchased or acquired)	171	129,572	129,743	8.7	122,340	122,349	**6%**
Non-renewable electricity consumption (purchased or acquired)	51,282	123,012	174,294	51,850	124,349	176,199	**-1%**
Steam							
Steam consumption (purchased or acquired)	0	37,490	37,490	0	36,697	36,697	**2%**
Operational emissions (tCO_2e)[1]							
Scope 1: Direct GHG emissions[2]	4,965	16,278	21,245	5,880	19,810	25,691	**-17%**
Scope 2: Indirect GHG emissions (Location-based)[3]	9,051	63,902	72,953	9,151	61,787	70,938	**3%**
– Total purchased electricity	9,051	57,167	66,218	9,151	55,195	64,346	**3%**
– Steam (purchased or acquired)	0	6,735	6,735	0	6,592	6,592	**2%**
Scope 2: Indirect GHG emissions (Market-based)	19,918	46,537	66,455	20,139	46,926	67,065	**-1%**
– Total purchased electricity	19,918	39,802	59,720	20,139	40,334	60,473	**-1%**
– Steam (purchased or acquired)	0	6,735	6,735	0	6,592	6,592	**2%**
Total Scope 1 and Scope 2 emissions (Location-based)			**94,198**			**96,629**	**-3%**
Total Scope 1 and Scope 2 emissions (Market-based)			**87,700**			**92,756**	**-5%**
Emissions intensity[4] (Market-based)			**0.025**			**0.029**	**-14%**
Scope 3 emissions (tCO_2e)							
Category 1: Purchased Goods & Services			1,122,941			1,109,438	**1%**
Category 2: Capital Goods			31,854			107,198	**-70%**
Category 3: Fuel and Energy Related Activities			21,151			27,125	**-22%**
Category 4: Upstream Transportation and Distribution			31,279			25,431	**23%**
Category 5: Waste Generated in Operations			1,364			1,477	**-8%**
Category 6: Business Travel			11,909			12,551	**-5%**
Category 7: Employee Commuting			14,166			14,032	**1%**
Total Scope 3 emissions[5]			**1,234,665**			**1,297,252**	**-5%**
Total emissions (tCO_2e)							
Total Scope 1, Scope 2 (Location-based) and Scope 3 emissions			**1,328,863**			**1,393,881**	**-5%**
Total Scope 1, Scope 2 (Market-based) and Scope 3 emissions			**1,322,365**			**1,390,008**	**-5%**

(1) CO_2e – carbon dioxide equivalent, this figure includes GHGs in addition to carbon dioxide.
(2) Scope 1 figures include emissions from fuel used on premises, transport emissions from owned or controlled vehicles, losses of refrigerant, and process and fugitive emission.
(3) Scope 2 figures include emissions from electricity and heat purchased.
(4) Company's chosen intensity measurement: emissions reported above normalised tonnes CO_2e per £1,000 revenue. The data has been standardised from the source units in which it was initially collected. The revenue figures used to calculate the intensity ratio include continuing operations under operational control only.
(5) Target base year (2022) emissions data has been restated to reflect divestments and improvements in methodology. Absolute Scope 3 GHG emissions in 2022 were 1,152,330 tCO_2e. Scope 3 GHG emissions covered by our absolute SBTi target in 2022 were 82,100 tCO_2e.

Environmental Impact continued

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CLIMATE-RELATED TARGETS

GKN Aerospace has set near- and long-term science-based emissions reduction targets which were validated by the SBTi in 2024.

These targets will help us manage our material climate-related impacts, risks and opportunities. The SBTi stipulates that targets shall be reviewed, and if necessary, recalculated and revalidated every five years at a minimum. Emissions data is reported quarterly as part of our internal system which enables us to monitor and assess performance against our targets. Revisions of targets will be conducted as and when necessary and updates on progress towards achieving them will be reported on at least an annual basis within our Annual and Sustainability Reports.

→ **Progress against targets is reported on** pages 54 and 55



Our Group climate-related targets are:

↓50%
reduce Scope 1 and 2 emissions intensity by 50% by 2025 from a 2020 base year

80%
maintain 80% of total R&D expenditure on climate-related R&D per year to contribute to aerospace decarbonisation by 2025 from a 2020 base year

95%
divert 95% of our solid non-hazardous waste from landfill by 2025 from a 2020 base year

50%
source at least 50% of our electricity from renewable sources by 2025 from a 2020 base year

100%
achieve 100% of new products which contribute to aerospace decarbonisation by 2025 from a 2020 base year

↓40%
reduce water withdrawal by 40% by 2025 from a 2021 base year

Additional SBTi validated targets are:



↓50%
reduce absolute Scope 1 and 2 GHG emissions by 50% by 2030 from a 2020 base year

70%
encourage 70% of suppliers by spend, covering purchased goods and services, to have science-based targets by 2028

Net Zero
reach net zero GHG emissions across the value chain by 2050

↓25%
reduce absolute Scope 3 GHG emissions by 25% by 2030 from a 2022 base year[1]

(1) Target includes Scope 3 emissions from Category 3: Fuel- and energy-related activities, Category 4: Upstream transportation and distribution, Category 5: Waste generated in operations, Category 6: Business travel and Category 7: Employee commuting.

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WATER

As a manufacturing business, water is used in certain production processes within GKN Aerospace. However, our reliance on clean and fresh water is minimal due to the industrial nature of our operations. It is acknowledged though that water scarcity is a global challenge and that water conservation is an increasingly important topic for our stakeholders. We therefore have a responsibility to ensure careful and conscientious use. Our Water policy is centred around the key principles of ensuring that we remain resilient to any risks associated with water; minimising potential impacts on water availability and quality and facilitating business contributions to improving water management practices.

→ **Group Water policy**
www.melroseplc.net/governance/documents-and-policies/

We seek to limit our water withdrawal through increased recycling and reuse. Our Group-level target is a 40% reduction in water withdrawal intensity by 2025 (reported above normalised m^3 per £1,000 of turnover).

Water withdrawal data is presented in the table below, showing a decrease in total water withdrawn by the business in 2024 compared to 2023. In 2024, the largest proportion of our water is withdrawn in North America (2023: North America). The decrease in the water intensity is reflective of an increase in overall revenue and due to several water withdrawal reduction strategies that are in place, especially in North America where particular success was noted during the reporting period.

Melrose Group water withdrawal[1] data for the period 1 January 2024 to 31 December 2024

Cubic metres	2024	2023	Change (2024/23)
Water withdrawal (m^3) in operations	647,192	664,831	-2.7%
North America	301,193	299,309	+0.6%
Rest of Europe	194,634	195,735	-0.6%
UK	118,395	137,205	-13.7%
Asia	32,970	32,582	+1.2%
Company's chosen intensity measurement:			
Water withdrawal (m^3) per £1,000 turnover[2]	0.188	0.214	-12.1%

Our operations use water in the production processes to dilute coolant used in machining as well as cleaning and chemical treatment processes. Water is also required for staff hydration and hygiene. To date, GKN Aerospace has not been subject to conditions where water scarcity had led to interruptions in operations, however we are aware of the possibility of operational interruption such as the potential of interrupted supply of products to our customers or the downstream supply of products to GKN Aerospace in the case of a severe localised water shortage.

In preparation for upcoming regulations, we continued the analysis of our operations in water-stressed areas to improve our understanding of associated risks and opportunities. Our manufacturing and office sites were reviewed to identify operations in areas of 'high' (40%-80%) or 'extremely high' (>80%) baseline water stress, according to the WRI Aqueduct Water Risk Atlas tool. Areas of 'high' and 'extremely high' water stress, according to the WRI definition, are areas where human demand for water exceeds 40% of resources. We identified that 9% (2023: 26%) of our current sites are located in areas of 'extremely high' water stress, and a further 22% (2023: 13%) are currently located in areas of 'high' water stress. GKN Aerospace sites have already started to explore initiatives using the results of the analysis. For example, in California the team is working on a wastewater and storm water reclamation project that will clean and re-use process water from the grind and polish machines.



(1) For these purposes, water withdrawal is defined as the sum of all water drawn into the boundaries of the organisation (or facility) from all sources or any use over the course of the reporting period.
(2) The Group's chosen intensity ratio is water withdrawal reported above normalised m^3 per £1,000 of turnover. The data has been standardised from the source units in which it was initially collected. The turnover figures used to calculate the intensity ratio include continuing operations under operational control only.
(3) riskfilter.org/

Environmental Impact continued

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BIODIVERSITY AND ECOSYSTEMS

We recognise the importance of biodiversity and how fundamental it is to our society and therefore aim to preserve biodiversity to ensure future generations can enjoy its benefits. Our Biodiversity policy sets out the foundational principles in promoting the growth of the natural world and enhancing ecosystems.

With upcoming regulations and new frameworks, such as the Taskforce for Nature Related Financial Disclosures ("TNFD"), and associated risk assessment recommendations for biodiversity, Melrose is working to further understand its impact on biodiversity. In 2024, we undertook a deeper assessment of our biodiversity-related risks using the WWF biodiversity risk filter[3] to identify and account for the physical risks associated with our operational sites, namely the ways in which our operations depend on and impact nature and surrounding ecosystems.

The analysis showed the operational sites, based on their location and industry specifics, with the highest risk of direct pressures on biodiversity. Of 29 industrial sites (2023: 30 sites), three have a high physical risk score (2023: five) and 18 have a medium physical risk score (2023: 25). The analysis also indicated that pollution, risk of natural disasters and protected areas are other relevant impact indicators to our operations.

GKN Aerospace's sites are mostly located in industrial zones and operate under general binding rules. The permits (or where permits are not required, general binding rules or equivalent) ensure that the sites have the necessary processes, monitoring and reporting balances in place for the effective treatment of production materials prior to reuse, recycling or disposal of materials. Permitting processes, which review the impact of our emissions on the environment and set limits to prevent harm, provide the necessary safeguards against extreme natural events. Through this, we ensure that our sites do not adversely affect the integrity of a geographic area or local communities, or change its ecological features and functions, meaning that the operation of our sites should not contribute to any net loss in biodiversity.

→ **Group Biodiversity policy**
www.melroseplc.net/governance/documents-and-policies/



- To support our commitment to biodiversity and ecosystems, GKN Aerospace celebrated World Animal Day. We engaged with colleagues to draw attention to animal rights and animal protection.
- Some of our sites have also been taking action within their own local area, with the introduction of bug boxes and wildflower areas on GKN Aerospace sites to promote biodiversity and ecosystem protection.

We recognise the importance of biodiversity and how fundamental it is to our society and therefore aim to preserve biodiversity to ensure future generations can enjoy its benefits.

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RESOURCE USE AND CIRCULAR ECONOMY

Product Lifecycle Management and Circular Economy

Business processes for technology selection, new product development and supplier selection are regularly reviewed and updated where relevant to incorporate sustainability requirements and ensure that the lifecycle implications are understood as part of any selection decision. We assess the impact of our products on the environment in terms of material type, source and usage, energy usage and CO_2 emissions and waste, throughout each product life cycle.

By increasingly incorporating circular economy principles into design and manufacturing processes, we are reducing our environmental impact and deliver products to end-markets with increased durability and longevity, reduced emissions and waste. For example, our additive manufacturing technologies enable a significant improvement in material utilisation, reducing the quantity of procured metal billets that are removed in the production process down to c.20% from traditional rates of over 80%, therefore significantly reducing the 'buy to fly' ratio. Additionally, in line with the circular economy principles, GKN Aerospace's maintenance, repair and operation services aim to turn waste into a resource by reintroducing it into the production cycle and thereby extending product lifetime. This approach will gradually lead us to a shift from quantitative-based concept of 'expansion of recycling industry' to the pursuit of optimum resource recovery quality through 'waste as resource'.

Operational Waste Management

In 2024, GKN Aerospace continued to make an active effort to reduce the amount of waste generated and to divert waste from landfill. To support this, we have a target to divert 95% of solid non-hazardous waste from landfill by 2025[1].

GKN Aerospace's waste generation data for 2024 shows an overall decrease in the solid waste generated compared to 2023. There have also been decreases in the total waste to landfill and the proportion of non-hazardous waste per revenue that is sent to landfill.

Significant operational improvements are being made to reduce the impact of our waste and associated emissions in transportation of waste contents. This includes among other programmes, various recycling initiatives and modifications to equipment such as diverting solid non-hazardous waste from landfill and converting it into energy. Waste reduction training is also provided across all divisions of the business.

Waste audits are performed regularly to identify opportunities for improving waste management that are actioned through our waste programmes. Specific waste management, recycling and chemical waste management programmes are implemented at site level and are complemented by waste management (hazardous material management) training provided to all site employees regularly.

90%

solid non-hazardous waste diverted from landfill in 2024 against the 95% target by 2025 (2023: 89%)

Melrose waste generation data for the period 1 January 2024 to 31 December 2024

Tonnes	2024	2023	Change (2024/23)
Total solid waste	17,146	17,580	-2.5%
thereof non-hazardous waste	15,308	13,887	+10.2%
thereof non-hazardous waste to landfill	1,559	1,597	-2.4%
thereof non-hazardous waste for recycling/reused	11,042	9,903	+11.5%
thereof non-hazardous waste incinerated	166	311	-46.6%
thereof non-hazardous waste incinerated with energy recovery	2,540	2,077	+22.3%
thereof hazardous waste	1,838	3,693	-50.2%
thereof hazardous waste to landfill	803	951	-15.6%
thereof hazardous waste for recycling/reused	456	1,112	-59.0%
thereof hazardous waste incinerated	162	210	-22.9%
thereof hazardous waste incinerated with energy recovery	417	1,421	-70.7%
Solid waste to landfill (hazardous and non-hazardous)	2,362	2,548	-7.3%
Solid waste diverted from landfill (hazardous and non-hazardous)	14,783	15,033	-1.7%
Solid non-hazardous waste diverted from landfill	13,748	12,290	+11.9%
Solid non-hazardous waste diverted from landfill rate	90%	89%	+1.1%
Company's chosen intensity measurement[2]:			
Tonnes of solid waste per £1,000 turnover	0,0044	0,0045	-2.2%

(1) Excluding hazardous waste.
(2) The turnover figures used to calculate the intensity ratio include continuing assets under operational control only.

Social Impact

PEOPLE

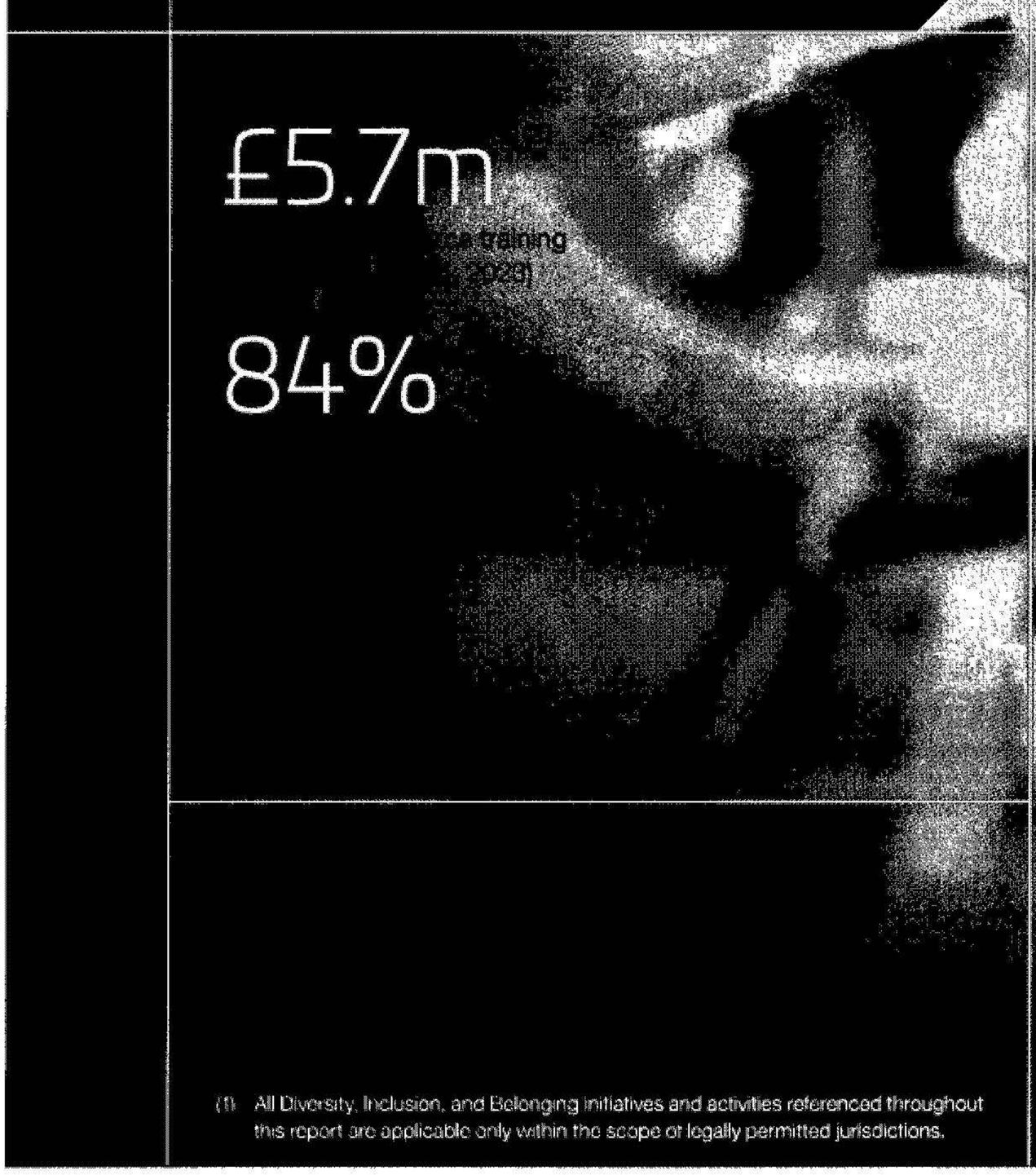
Promoting diversity, prioritising and nurturing the wellbeing and skills development of our employees, and contributing to the communities that we are part of, is instrumental to the success of our business and our impact in the regions where we operate.

The Melrose Code of Ethics reinforces our sustainability principles and provides clear guidance as to how the Board and the Melrose senior management team expect business to be conducted, and the consequences of non-compliance. The Code of Ethics summarises Melrose's policies and positions to drive best practice in health and safety, wellbeing and training, and to promote diversity and inclusion throughout our business. The Code was approved by the Board and last updated in December 2024.

Group Code of Ethics
www.melroseplc.net/governance/documents-and-policies/

To perform well and achieve our potential, it is important to nurture an engaged, capable and enthusiastic workforce. We want to create an environment that enables people to enjoy the work they do, where safety and wellbeing is a priority. We value and champion diversity in its broadest sense and encourage working environments that encourage employees to grow and act with integrity [1].





£5.7m

se training
2023)

84%

(1) All Diversity, Inclusion, and Belonging initiatives and activities referenced throughout this report are applicable only within the scope or legally permitted jurisdictions.

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EMPLOYEE ENGAGEMENT

Engaging with employees in a meaningful way includes supporting their development and ensuring that we provide a positive working environment. Consultations with staff are held regularly to ensure that concerns are addressed in a mutually beneficial way. In 2024, the Group engagement surveys were consolidated and completed in partnership with Gallup. The all-employee engagement survey conducted in March 2024 received a response rate of 84% (2023: 83%). Questions relating to materials and equipment, recognition, mission and purpose, progress, and learn and grow themes improved meaningfully but action planning was identified as an area to improve.

The results are shared with the executive management teams of GKN Aerospace's business lines, site directors, HR teams and other people leaders, and are then further analysed at a team level.

As in previous years, we have continued to monitor whether employees felt as though their feedback from engagement surveys had been listened to and acted upon. This has been measured on a regular basis through Pulse surveys. Positive efforts have been made by line managers to improve team engagement, as signalled by a meaningful improvement in the Accountability Index.

The Workforce Advisory Panel ("WAP") enables key views of the Group-wide workforce to be heard and considered by the Group's senior management team, ensuring that the views of the workforce are appropriately considered in decision-making. The WAP reports to the Board on an annual basis to provide visibility and oversight of key workforce views, which are then discussed and considered at Board meetings. The WAP is chaired by the Chief Human Resources Officer with other members being the Human Resources Director (or equivalent role) from each business line and the Group General Counsel and Company Secretary. Each member of the WAP is responsible for promoting workforce engagement, disseminating information, collating the voice of their workforce and communicating it to the WAP. They are also responsible for demonstrating how key workforce views are fed into senior management decisions within their respective business lines, as well as ensuring this is communicated to the workforce so they are aware of their impact on such decisions. Key workforce views in 2024 related to 'Recognition' and 'Progress'. Please refer to the Talent and career management section on pages 91 and 92 for examples of how this has been addressed.

We are committed to safeguarding the contractual and statutory employment rights of their employees through constructive relationships with employee representative bodies, including unions and works councils.

Group employees as at 31 December 2024

	2024	2023
Permanent employees of which:	13,032	12,990
Full-time employees	12,291	12,257
Part-time employees	741	733
Temporary employees	396	417
Apprentices	272	208
Intern/Co-op	37	59
Total	13,737	13,675

As of 31 December 2024 Melrose had 1,962 'Agency' workers (2023: 2,225).

The rights of workers to participate in collective bargaining and their freedom of association are respected across the business. Workers are entitled to join or form trade unions of their own choosing and to bargain collectively where legally permissible within their jurisdiction. Workers' representatives are not discriminated against and have access to carry out their representative functions in the workplace. Trade union membership fluctuates year-on-year depending on the Group composition.

Melrose and GKN Aerospace continue to pay all their respective UK employees at least the national living wage save for Apprentices, Interns and year-in industry students, who are paid in accordance with the national minimum wage rates for their age group. Additionally, all employees in the UK are offered the opportunity to work for at least 15 hours per week.

Social Impact continued

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OWN WORKFORCE

SAFETY

The health, safety, and wellbeing of all our employees, contractors, and visitors is paramount. We understand the challenges and responsibilities within our industry, and we are unwavering in our commitment to maintaining the highest safety standards across our business. In the past year, we have continued to make significant strides in ensuring the safety of our operations and the wellbeing of our workforce. We launched a new Safety Management System that covers both our business systems through our reporting framework as well as personal competencies through training.

Our culture of prioritising safety is ingrained in every aspect of our business. We have strong governance principles, robust policies and rigorous safety protocols, and invest in state-of-the-art safety equipment whilst ensuring employees are equipped with the knowledge and skills necessary to perform their roles safely. We adopt a comprehensive approach to employee wellness, safeguarding their physical and mental health, supporting their social wellbeing, and upholding their human rights. This extends to fostering a positive workplace culture that attracts and retains a talented and skilled workforce.

We have a Group target to achieve and maintain an annual LTA Frequency Rate of below 0.1. This underpins our overarching commitment to prevent all accidents from occurring, through the promotion of safe behaviours across all locations, and an enhanced focus on hazard identification and awareness. Health and safety management systems are supported by internal health and safety effectiveness audits, with regular oversight and challenge by the Melrose senior management team, quarterly reporting to the Board, and further regular oversight over any material incidents or issues that arise.

GKN Aerospace's manufacturing sites (unless agreed with HSE Directors) must achieve or be working towards the ISO 45001 certification. As at 31 December 2024, 29 sites (63%) within the Group were certified to the ISO 45001:2018 international standard (2023: 33 sites, 66%), with additional relevant sites progressing towards certification. Third-party auditing on a three-year cycle is required to maintain ISO certification, with annual surveillance audits taking place in between to ensure standards are being maintained.

Health and safety performance

We are focused on cultivating a strong safety culture within our business through emphasising the importance of preventing incidents and implementing near miss reporting, which requires an enhanced focus on hazard identification and awareness. Behaviour-based programmes and continuous training and awareness campaigns remain central to the approach in improving safety performance.

In 2024, we maintained an LTA Frequency Rate of below 0.1, and continued to prioritise continuous health and safety improvements in the push for the LTA Frequency Rate of zero. Please refer to the Health and Safety section of our Non-Financial KPIs on page 25 of the Annual Report.



<0.1

LTA Frequency Rate

29

sites within the Group were certified to the ISO 45001:2018 international standard

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TALENT AND CAREER MANAGEMENT

Skills development

Melrose is committed to fostering the professional growth and life-long learning of its employees. A proactive approach to anticipating both short- and long-term workforce requirements and skill prerequisites, is essential in ensuring our workforce remains at the forefront of innovation. Enhancing productivity lies at the core of Melrose's strategy for enhancing performance, with a strong emphasis on providing training opportunities that are accessible and actively promoted to employees at all career stages.

Leadership training is an integral part of ensuring the workforce remains engaged and innovative. Annual talent reviews help identify individuals who have the ability and aspiration to grow into more stretching roles and assist us to develop a diverse pipeline of successors for key leadership positions.

GKN Aerospace delivers a wide variety of flexible training programmes through a combination of online and in-person training. In 2024, 88% (2023: 89%) of employees received training during the year. Set out below is the average training time per GKN Aerospace's employee and the total number of hours spent on workforce training. Although the percentage of employees receiving training marginally decreased during the year, the average training time per employee increased between 2023 and 2024, with increased average spend per employee as well.



Training and Development

39

average training hours per employee in 2024 (2023: 36)

£418

average training spend per employee in 2024 (2023: £360)

531,624

total number of training hours in 2024 (2023: 500,838)

£5.72m

total annual spend on workforce training in 2024 (2023: £5.04m)

Social Impact continued

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Reward and recognition

Our policies and protocols for recruitment, talent development and succession planning are supported by robust training programmes and effective management to ensure that relevant opportunities are in place for employees to pursue career development. We also encourage internal applications for open positions, and in 2024, 17% of open positions were filled by internal candidates (2023: 14%).

Where permitted by local laws and employee representative bodies, performance evaluations are undertaken across the business, with 75% of employees receiving a performance appraisal in 2024 (2023: 72%). At the time of writing, performance evaluations for 2024 were ongoing.

Annual salary reviews are aligned with performance evaluations where applicable to ensure that employees are paid fairly and correctly for the position they hold.

Apprenticeships and graduate programmes

Apprenticeship and graduate programmes assist with training a new generation of employees and help to ensure that knowledge is retained within the business. In 2024, over 272 (2023: >200) apprenticeships were in place at GKN Aerospace, providing a mix of on-the-job and classroom training. In turn, in 2024 GKN Aerospace's Global Graduate Development Programme enrolled a further 25 (2023: 32) graduates onto the programme, bringing the total number of graduates in the programme to 67.

In addition to apprenticeships and graduate programmes, GKN Aerospace also runs a number of internship and cooperative education programmes, whereby students complement their studies with paid periods of work over the course of their degree. These programmes give students the opportunity to gain valuable industry experience that helps broaden their skillsets, whilst helping us develop a talented and diverse recruitment pool.

Global Skills Fund

Following on from the achievements of the Melrose Skills Fund, where £10 million was invested to promote engineering skills across the UK over five years, we have expanded our commitment to skills development. The Global Skills Fund was introduced to offer the same targeted skills development opportunities but now covers all functions and locations in GKN Aerospace.

In 2024, training has focused on the following topics: robot programming, additive manufacturing process development and simulation, safety assessment of aircraft systems, safety management systems regulatory requirements, model based systems engineering, and composites training.

More information relating to specific projects on skills development can be found in our 2024 Sustainability Report.

DIVERSITY, EQUITY AND INCLUSION[1]

At Melrose we believe that creating an inclusive culture is critical to our success. Driving and maintaining a diverse, inclusive and safe environment is a priority for us. We recognise the importance of diversity in building a high-calibre workforce and are committed to championing diversity in the broadest sense.

We recognise that some of our colleagues face different challenges and may need a little extra help and support in line with local laws, either to get their voices heard or to put their ideas into practice. Our ERGs are open to all employees to join and provide support and networking opportunities across the organisation in six areas:

- Connected Women;
- Future GKN;
- LGBTQIA+;
- African Black Caribbean Professionals;
- Mastering Neurodiverse Strengths; and
- Veterans and Reservists.

Our ERGs have brought together our employees providing them with opportunities to collaborate, educate others about the challenges they face, or ways they can help the organisation and help to drive a real sense of belonging.

We have a strong Diversity, Inclusion and Belonging learning curriculum, bringing together learning, storytelling and communication to build the foundation for sustainable change. Our e-learning library is also constantly evolving, with new content added regularly to disrupt bias and discrimination, improving the employee experience for all. Throughout 2024, we have run events such as 'Menopause Awareness', 'World Mental Health Day', 'Neurodiversity Celebration Week', 'Mental Health in the African, Black and Caribbean Community' and many more.

Our Code of Ethics highlights the importance of diversity and inclusion and is supported by our Board of Directors' Diversity policy and our Melrose Diversity, Equity and Inclusion policy, both of which are reviewed, updated where relevant, and approved each year by our Nomination Committee.

Our diversity and inclusion targets keep us focused on building a positive workplace and we have initiatives throughout our people processes from candidate sourcing to recruitment, career progression and succession in line with local laws. We strive to ensure that everyone has the opportunity to fulfil their potential and realise their aspirations.

(1) All Diversity, Inclusion, and Belonging initiatives and activities referenced throughout this report are applicable only within the scope of legally permitted jurisdictions.

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Promoting diversity at all levels

A key focus for us is increasing the number of women and those of ethnic minorities in senior leadership roles[1]. We are aiming to achieve 40% women in senior leadership positions by December 2025 and have set a target of 13% ethnic minority diversity in UK senior leadership positions by December 2027.

At the end of 2024, our position was 35% women and 8% ethnic diversity (UK only) in senior leadership.

Since the 2023 FTSE Women Leaders Review submission, our transition to a long-term aerospace business has resulted in consequential movement in our senior leadership population; combining the relevant Melrose and GKN Aerospace senior management teams increased the relevant number of people from 27 to 75. The effect of this includes a significant accumulation of operational roles.

As a signatory of the Women in Aerospace and Aviation Charter, our efforts to improve the number of women we have in leadership roles are focused on driving towards a robust pipeline of female talent. We have meaningfully increased our representation of women in senior leadership since our transition and strive to continue this progress.

Board diversity

The FCA Listing Rules, FTSE Women Leaders Review and the Parker Review sets out a number of requirements for Board diversity:

- at least 40% of the board are women (including those self-identifying as a woman);
- at least one senior board position, being that of Chair of the Board, Senior Independent Director (SID), Chief Executive Officer (CEO), or Chief Financial Officer (CFO) to be held by a woman; and
- at least one director from an ethnic minority background.

The Nomination Committee recognises that Melrose does not currently meet all of these requirements and whilst the last five out of seven Non-executive Director appointments have been women, and both the Chair of the Audit Committee and the Chair of the Nomination Committee, are held by women, as noted in the Nomination Committee report on pages 132 to 135 this is being kept under review for future improvement. The Nomination Committee is committed to furthering diversity and is responsible for ensuring the membership of the Board and the pipeline for succession planning purposes reflects diversity as well as including experience and knowledge needed to perform the role and ensure a well-rounded overall Board composition.

Gender diversity as at 31 December 2024

	Number of Board members	Percentage of Board members	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
Men	6	67%	4	7	78%
Women	3	33%	0	2	22%
Not specified/prefer not to say	0	0%	0	0	0%

UK Ethnic diversity as at 31 December 2024

	Number of Board members	Percentage of Board members	Number in executive management	Percentage of executive management
White British or White (including minority white groups)	8	89%	7	78%
Ethnic Minority	1	11%	2	22%
Not specified/prefer not to say	0	0%	0	0%

The above tables provide a breakdown of gender and ethnic diversity at a Board and executive management level as at 31 December 2024. This information was collected by asking both the Board and executive management team to complete the same voluntary questionnaire. This questionnaire sets out questions related to gender and ethnic diversity, as extracted from ACAS's equality and diversity monitoring form template. In advance of circulating the questionnaire, Melrose engaged external legal advisors to ensure that the processes and procedures related to such data collection were compliant with applicable data protection laws and best practice.

(1) Applicable only within the scope of legally permitted jurisdictions.

Social Impact continued

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HUMAN RIGHTS, MODERN SLAVERY AND HUMAN TRAFFICKING

Modern slavery and human trafficking

The Group has a zero-tolerance approach to any form of modern slavery, as set out in the Melrose Anti-Slavery and Human Trafficking policy.

Group Anti-Slavery and Human Trafficking policy
www.melroseplc.net/governance/documents-and-policies/

In accordance with the Modern Slavery Act 2015, Melrose publishes its own Modern Slavery Statement, which is approved by the Board annually and the latest statement can be found on our website. GKN Aerospace also is responsible for publishing its own Modern Slavery Statement in accordance with the requirements under the Modern Slavery Act 2015.

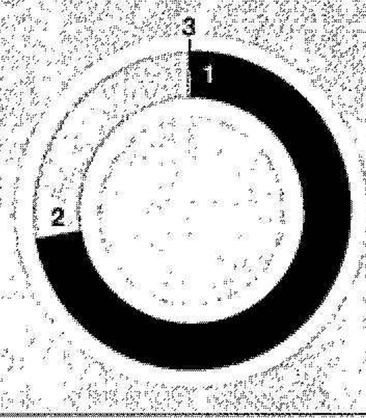
Modern Slavery Statement
www.melroseplc.net/media/nmzfy0g2/melrose-modern-slavery-statement-fy2023-final-signed.pdf

This approach ensures that those senior managers closest to the business operations devise appropriate measures to ensure that slavery is not present within supply chains.

Melrose implements employee training with respect to anti-slavery and human trafficking, to ensure that all employees understand the risks and are prepared to take the required action if they suspect that modern slavery is happening internally or within the supply chain.



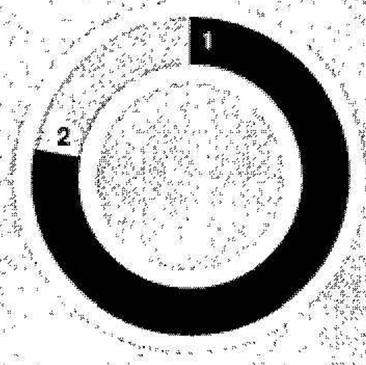
Group permanent employee gender diversity at 31 December 2024



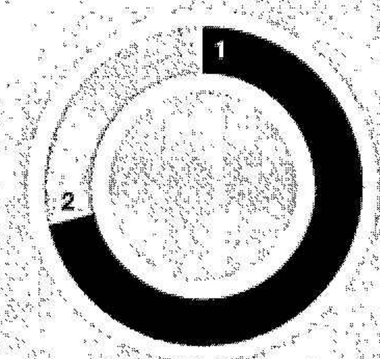
Total Group permanent employees		
1 Male	9,420	72%
2 Female	3,551	27%
3 Not specified/ prefer not to say	61	1%
Total	13,032	

Group senior manager diversity at 31 December 2024

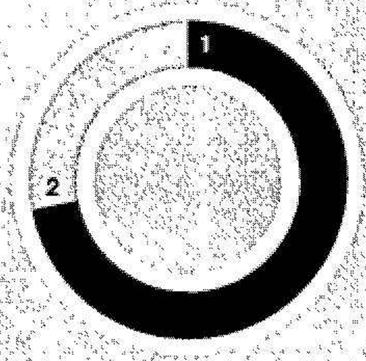
Senior managers (section 414C of the Companies Act 2006)



Employees in senior management positions		
1 Male	7	78%
2 Female	2	22%
Total	9	



Directors of Group undertakings, excluding the above		
1 Male	37	71%
2 Female	15	29%
Total	52	



Total senior managers		
1 Male	44	72%
2 Female	17	28%
Total	61	

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Human rights

We are committed to acting in an ethical manner with integrity and transparency in all business dealings, and to create effective systems and controls across the Group to safeguard against adverse human rights impacts. The Group has a strong culture of ethics, which encompasses key human rights considerations, as set out in our Human Rights policy, in support of the principles set out in the Universal Declaration of Human Rights.

Group Human Rights policy
www.melroseplc.net/governance/documents-and-policies/

GKN Aerospace also implements effective and proportionate measures to identify, assess and mitigate potential labour and human rights abuses across their operations and supply chains. These include training, anti-slavery and human trafficking policies, employee handbooks and business-specific policies. All GKN Aerospace policies are reviewed locally within each business in order to ensure compliance with local laws and standards as a minimum.

There have been no violations on human rights in 2024 or in the previous two years.

The Group has a strong culture of ethics, which encompasses key human rights considerations, as set out in our Human Rights policy.

WORKERS IN THE VALUE CHAIN

Supply chain management

We participate responsibly and sustainably within our supply chains and seek to mitigate the supply chain risk on our business by at a minimum, procuring raw materials from trusted and verified sources.

We encourage our suppliers to respect, protect and minimise their impact on the environment, respect their employees' human rights and provide good and safe working conditions across their operations. In practice, this means that we require suppliers to respect and protect the environment in compliance with the applicable legislation relating to energy use, waste, emissions, water and resource consumption and management, to treat their staff equally, to pay their employees a fair wage that meets or exceeds the minimum standards or prevailing industry standard, to eliminate excessive working hours for all workers, and protect their workers' health and safety rights at work.

Implementing supplier qualification processes where relevant including through various risk assessments helps identify and appropriately manage the risks associated with the environmental and social sustainability of their operations. Through Melrose's Supply Chain policy and GKN Aerospace's Supplier Code of Conduct, we set our ambitions to safeguard both human rights and the natural environment globally and all suppliers are required to comply with the policy and the Code.

Group Supply Chain policy
www.melroseplc.net/governance/documents-and-policies

Conflict Minerals

As set out in the Group Conflict Minerals policy, we have strict procedures in place in respect of sourcing products or raw materials containing 3TG minerals to the extent required by applicable laws or customer expectations, and to seek to identify whether 3TG minerals are sourced responsibly and from conflict-free geographies. We also work with our supply chain partners to ensure compliance with all applicable laws and regulations. At a minimum, relevant suppliers are required to perform due diligence to ascertain whether any 3TG minerals in products are conflict-free and complete the Responsible Minerals Initiative reporting. All employees are required to complete mandatory conflict mineral training to ensure they are fully aware of the procedures in place.

Group Conflict Minerals policy
www.melroseplc.net/governance/documents-and-policies

Social Impact continued

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AFFECTED COMMUNITIES

Community impact

At Melrose, we firmly believe that our responsibility extends beyond our core business operations. Our commitment to the communities where we operate is an integral part of our corporate ethos. In 2024, we continued to contribute to local charitable and community initiatives, both in terms of volunteering time and material resources, that create a positive and lasting impact on the communities we serve.

In 2024, GKN Aerospace undertook community initiatives and invested over £161,000 (2023: £160,000) in a mix of donations, sponsorships and employee's volunteering their time to help others and charitable causes globally. GKN Aerospace also made cash donations to non-profit charitable organisations in the excess of £61,000 (2023: £58,000), giving a total contributed of more than £220,000 (2023: £218,000) to support charities and its local communities[1]. Community investment is led by sites who are required to comply with the Anti-Bribery and Corruption policy.

CONSUMERS AND END USERS

Ensuring the highest standards of product quality and safety

We are committed to ensuring the highest standards of product quality, reliability and safety. Recognising the importance of protecting the wellbeing of the ultimate end users of our products, we follow structured product design and development procedures to ensure precise delivery to customer specification. As we develop new designs or update existing designs, we seek opportunities to enhance quality and safety performance. Every site has active plans and targets to reduce the risk of non-conformance and to reduce the cost of poor quality.

The Group takes a preventative approach to product responsibility through instilling effective controls and processes around social factors such as safety and quality assurance, including crisis management procedures and processes including, but not limited to, potential recall programmes. Our new Safety Management System that covers operations, products and services complies with the regulatory requirements of EASA Part 21 and Part 145.

In 2024, 97% (2023: 96%) of the Group's product portfolio (by revenue) was certified to a recognised international quality management standard of ISO 9001, or EN/AS9100. The relevant certifying bodies audit the manufacturing facilities and support functions at least annually undertaking surveillance audits and each site is recertified once every three years. In addition, a number of GKN Aerospace certified entities also have additional regulatory approvals including EASA, FAA, and EMAR covering design, production and repair.

In 2024

97%

of the Group's product portfolio (by revenue) was certified to a recognised international quality management standard of ISO 9001, or EN/AS9100 (2023: 96%)

£222,000

total contributions to support charities and local communities (2023: £218,000)



(1) Restated to reflect sold sites as well as improvements in data collection and methodology.

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Governance

BUSINESS CONDUCT

Ethics and compliance

Sound business ethics and integrity, and effective and transparent governance, are core to the Group's values and fundamental for the success of our strategy. Melrose is a premium listed company with strong, established financial and non-financial controls that are continually assessed, tested and reviewed.

The Melrose Board oversees our governance framework and is supported by independent internal audit and risk functions, regular public disclosure and financial reporting, external audits, public accountability and conformance with leading benchmarks set by the UK Corporate Governance Code (the "Code"). The framework is also supported by direct engagement with investors, corporate governance and proxy advisors, and the Group's wider stakeholders to ensure best market practice is being implemented.

Group Code of Ethics and Compliance Policies

Our commitment to maintaining a responsible and ethical corporate environment is underscored by a comprehensive framework that includes robust financial and non-financial controls. This framework is further reinforced by a strong governance structure that is subject to regular internal reviews and, when necessary, external assessments to ensure compliance at every level of the Group.

Our people are obliged to uphold the highest standards of conduct. This includes strict adherence to Melrose's Code of Ethics and compliance policies, which are continually refined to reflect the latest industry best practices and to uphold the principles of corporate citizenship.

The Group company secretariat conducted a review and update of the Group Code of Ethics and associated policies during 2024 to reflect the Group's strategic transition to a long-term aerospace business and its revised management structures. The review included input from relevant subject matter experts as well as external counsel where appropriate, and the updated Code of Ethics and associated policies were subsequently approved by the Board.

Each business line is tasked with the responsibility of complying with our Code of Ethics and compliance policies and promoting and embedding them within their day-to-day operations. This approach ensures that every facet of our business is conducted with integrity, responsibility, and sustainability at its core, reinforcing our commitment to ethical and responsible corporate practices.

The Code of Ethics and compliance policies, as approved by the Board, cover best practice with respect to anti-bribery and corruption, anti-money laundering, anti-facilitation of tax evasion, competition, conflict minerals, trade compliance, data privacy, whistleblowing, treasury and financial controls, anti-slavery and human trafficking, document retention, joint ventures, diversity and inclusion, environmental, human rights, supply chain, biodiversity and water.

Implementation of the Group Code of Ethics and compliance policies is supported by risk assessments, audits and reviews and annual compliance certifications. Melrose strongly believes that policies and procedures are only as effective as the people who implement them. To that end, all of the above measures are backed by investment, resources and training.

Anti-bribery and corruption

We take a zero-tolerance approach to bribery, corruption and other unethical or illegal practices, and are committed to acting professionally, fairly and with integrity in all business dealings and relationships, within all jurisdictions in which we operate. Melrose adopts high governance standards, to ensure that the Group conducts business responsibly, sustainably, and in the pursuit of long-term success for the collective benefit of stakeholders. This is outlined in our Anti-Bribery and Corruption policy, which is implemented and administered throughout the Group.

→ **Group Anti-Bribery and Corruption policy**
www.melroseplc.net/governance/documents-and-policies/

Although the policy prohibits party political donations, it does however recognise that from time to time, business representatives within our Group may engage in policy debate and advocacy activities on subjects of legitimate concern to their respective industries and key stakeholders, including their staff and the communities in which they operate. There were no political donations made during the year ended 31 December 2024: £0 (2023: £0).

Whistleblowing

Melrose runs a Group-wide whistleblowing platform, which is overseen by the Audit Committee and supported by the Melrose senior management team, and ultimately reported to the Board. The platform is monitored by the legal, compliance and HR functions, with support from the Melrose senior management team. All employees have access to a multi-lingual online portal, together with local hotline numbers that are available 24/7, in order to raise concerns, confidentially and anonymously, about possible wrongdoing in any aspect of their business, including financial and non-financial matters.

GKN Aerospace takes a number of actions to raise employees' awareness of the whistleblowing platform, using online and offline media as appropriate.

Employees who come forward with a genuine concern are treated with respect and dignity and do not face retaliation. During 2024, 76 whistleblowing cases were recorded through the platform (2023: 84). This highlights the effectiveness of awareness campaigns together with the trust placed by employees in the whistleblowing programme. Each case is investigated confidentially by the business with appropriate response measures taken. The Audit Committee receives regular reports on whistleblowing activities across the Group.

Governance continued

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Paying tax responsibly

Melrose is committed to paying taxes that are due, complying with all applicable laws, and engaging with all applicable tax authorities in an open and cooperative manner. The Group does not engage in aggressive tax planning. The Group's Tax Strategy is reviewed, discussed and approved by the Board annually. The Audit Committee periodically reviews the Group's tax affairs and risks.

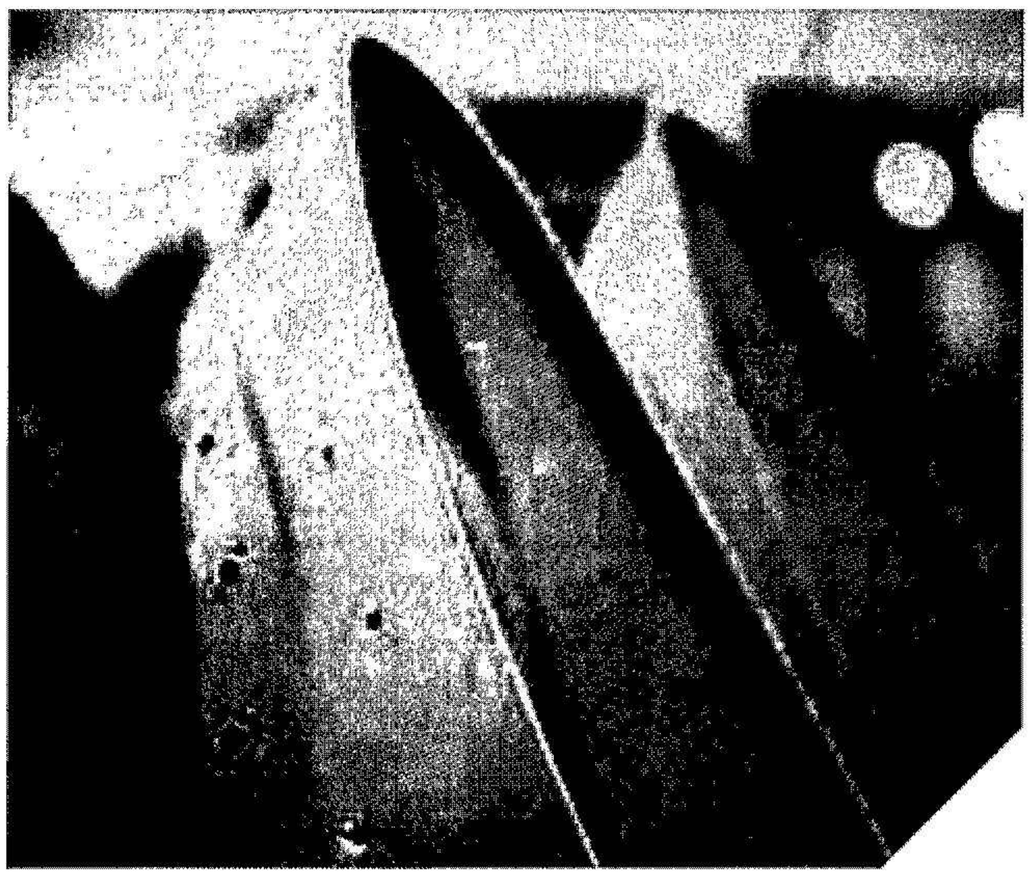
The Group has adopted a policy in respect of the prevention of the facilitation of tax evasion which has been implemented by the businesses, with guidance on undertaking risk assessments and training to employees in relevant roles.

The Group does not operate in countries considered as partially compliant or non-compliant according to the OECD tax transparency report, or in any countries blacklisted by the EU, for the purposes of tax avoidance and/or harmful tax practices, per the lists released as at 18 February 2025.

→ **OECD tax transparency report**
https://web-archive.oecd.org/temp/2024-04-15/388908-exchange-of-information-on-request-ratings.htm

Sustainability and Climate Change Risk Management

Sustainability risks are integrated into the Company-wide risk management process and the same criteria are applied for identifying, assessing and managing these risks. Climate change, in particular, forms part of the principal risks suite and is subject to the annual review by the Melrose senior management team, the Audit Committee and the Board. Climate change has been reported as one of the Group's principal risks since 2021. Its management and internal controls are overseen by the Board in alignment with the internal control guidance for Directors set out in the FRC's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting. The Board with the support of the Melrose senior management team is responsible for ensuring an appropriate culture has been embedded throughout the organisation to ensure appropriate principal risk management.



Sustainability risks including climate change are integrated into the Company-wide risk management framework which serves as the foundation of the Group's risk management process. The process includes identification of relevant risks, risk scoring, development and assignment of appropriate response actions, monitoring the effectiveness of key mitigating controls and reporting of the risk trend to the Audit Committee and the Board. During 2024, the multi-disciplinary team including finance, sustainability, operations, legal and compliance re-assessed the climate-related risks, taking into account the evolving landscape associated with climate change in the areas of existing and expected legislation, supplier and consumer preferences, government policies and commitments, as well as changes in climatic patterns. With upcoming regulations and new frameworks, such as the Taskforce for Nature Related Financial Disclosures ("TNFD"), mandating risk assessment requirements for a wider scope of environmental and social topics, Melrose is working to further understand its impact. During 2024, further progress has been made in the assessment and understanding of potential water and biodiversity risks that sites can be exposed to. This year, we refined and reviewed our climate-related risks and opportunities which we had identified as part of our 2023 comprehensive climate scenario analysis. Risks are typically assessed for likelihood, magnitude of impact and their strategic impact on the business with a view to develop mitigating action plans for risks where the risk scoring exceeds the Group's tolerance levels. We have also assessed the climate-related impacts that Melrose has as part of this review. This has ensured we are aware of any new climate-related risks and opportunities that have become relevant to Melrose throughout the year. For more information on governance and management of climate risks, please refer to our TCFD report on pages 65 to 79. For more information on our approach to management of principal risks, please see the Risks and uncertainties section on pages 37 to 44.

Internal controls and reporting

The identification and oversight of material controls over the ESG data is the responsibility of the Chief Technology Officer ("CTO") and the Group Sustainability Function, which runs an established yet evolving programme of regular monitoring and review (at least quarterly) of processes that are consistently robust across the Group. This is complemented by reporting protocols to ensure the business lines' management are accountable for achieving progress on sustainability and climate-related matters. The quality and accuracy of ESG data is continually improved against relevant guidance from prominent international regulatory frameworks and is tailored for our chosen metrics and targets. Site-level data owners are responsible for collating and entering the required information which is then reviewed by the data approvers at the business line or functional level. It is the approvers responsibility to consult the data owners on unusual entries and trends, then approve in the local system, once satisfied with the robustness of the information. The master data managers are available to support the functions and business lines with their submissions and approvals and a business intelligence team supports the data warehouse and dashboard infrastructure. The CTO signs off the consolidated numbers. In 2024, we completed a sustainability data pre-assurance project in preparation for formal limited assurance in the coming years. The project, facilitated by an external third party, included an assessment of our data management process as well as a sample of site visits. As a result, we have further improved our sustainability data management systems to ensure future compliance.

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The Audit Committee monitors the effectiveness of the internal control process implemented across the Group through a review of the key findings presented by the internal and external auditors, and the output from the Group's risk identification and mitigation process. The Melrose senior management team is responsible for ensuring that the Audit Committee's recommendations in respect of internal controls and risk management are implemented.

Information security and data privacy

Melrose places a high priority on privacy, striving to minimise the collection of personal data and ensuring robust, segregated storage for any data held. Recognising the increasing importance of information security and cyber threats across all industries, Melrose is committed to protecting the Group from potential exposures, especially given its scale, reach, complexity, public-facing nature, and the sensitivity of data related to civil aerospace technology and controlled defence contracts.

The senior management team at Melrose collaborates regularly with business line management and external cyber security risk consultants to review the Group's information security and cyber threat risk profile, a principal risk area. This collaboration helps monitor and track the Group's exposure to cyber security risks, drive continuous improvement actions, and ensure compliance with the General Data Protection Regulation ("GDPR").

Melrose's information security strategy and risk-based governance framework align with both UK and US government recommendations on cyber security. This strategy has facilitated the development of risk profiling and mitigation plans to reduce exposure to cyber risks, ensuring clarity and consistency in IT and cyber security assessments. Progress is measured quarterly against the information security strategy.

To mitigate the impact of external cyber attacks, the Melrose senior management team works with executive management teams of each business line and external cyber security risk consultants. The results of this ongoing review programme are reported to the Board quarterly. The Board, supported by the Melrose senior management team, oversees the Group's cyber security risk profile and mandates that each business function protects commercial and personal information, ensuring safe and appropriate IT system usage by employees.

Regular internal and external perimeter defence testing, including penetration testing, is conducted to ensure appropriate threat monitoring systems are in place. Melrose works towards national and international business accreditations in various aspects of cyber management, relevant to its business activities, including the UK's National Cyber Security Strategy ("NCSS") and industry-specific National Institute of Standards and Technology ("NIST") 800-171 controls. In 2024, 100% of operational sites met their specific requirements of the UK Cyber Essentials, NIST 800-171 standard, or similar international standards.

As part of Melrose's overall information security strategy, 12 modules of IT security awareness training were delivered across the business, achieving a 100% completion target.

ABOUT THIS REPORT

Reporting standards

This report has been prepared with reference to the following frameworks, standards and guidelines:

- Group sustainability targets and commitments have been aligned to the United Nations Sustainability Development Goals ("UN SDGs").
- Additional disclosure on our sustainability performance has been prepared in line with the Sustainability Accounting Standards Board ("SASB") requirements for Aerospace and Defence sector standards.
- Energy and emissions reporting has been prepared in accordance with the principles and requirements of the Greenhouse Gas ("GHG") Protocol Revised Edition 2004, ISO 14064-1 Part 1 and the Environmental Reporting Guidelines, including the Streamlined Energy and Carbon Reporting guidance dated March 2019. The GHG Protocol standard covers the accounting and reporting of seven Greenhouse gases covered by the Kyoto Protocol.

Reporting boundaries, scope and basis of preparation

Unless otherwise stated, our sustainability reporting including data covers the entire Group where it has operational control. Data from entities disposed of during the reporting period (i.e., disposed of before 31 December 2024) are not accounted for in this section in respect of the FY 2024 data, target base years and most recent comparator year. Unless stated otherwise, the data incorporates newly acquired entities once the necessary processes and systems are in place to ensure consistent data collection and consolidation at the Melrose Group level.

In contrast to financial accounting standards, there are currently no industry norms or globally recognised practices for measuring and assessing data of this nature. As these practices continue to develop, we will disclose our methodology and approach to make sure it incorporates suitable estimates and assumptions for our performance data.

Throughout the Sustainability review the definition of employees includes the following categories of employment: "Regular", "Temporary", "Apprentice", and "Intern/Co-op", but excludes "Agency" workers (contractors).

Internal data controls

All reported figures represent the latest available internal data, unless otherwise specified. Some of the totals presented may reflect the rounding down or up of subtotals. Melrose has a central internal reporting system which captures and records the ESG data alongside financial and operational metrics, used in this report. All data is subject to quarterly internal reviews by subject matter experts at business lines level.

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NON FINANCIAL AND SUSTAINABILITY INFORMATION STATEMENT

In addition to the operational and financial improvements that we implement within our business, we recognise our responsibility to improve our non-financial performance, focusing on long-term sustainable value creation for the aerospace sector and all of our stakeholders.

Our efforts to improve non-financial and sustainability performance are supported by a foundation of robust governance, risk management and compliance, and we continue to engage with key internal and external stakeholders to ensure we deliver upon their expectations.

This section of the Strategic Report constitutes the Group's Non-Financial and Sustainability Information Statement for the purposes of sections 414CA and 414CB of the Companies Act 2006. The information listed is incorporated by reference.

Reporting requirement	Policies and standards that govern our approach	Principal Group Risk	Where you can find more
Stakeholders	Melrose is a publicly listed UK based industry-leading global aerospace technology business, with a strong track record of delivering value for both its customers and shareholders. The Board understands and takes into account the interests of its different stakeholders when taking decisions and undertakes in-depth event-driven consultations with relevant stakeholders. This ensures that the decisions it takes are based on a fully informed view of the potential impact of the decision on those stakeholders.	• n/a	**2024 Annual Report** • Investment case • Our business model • Board stakeholder engagement and decision-making (Section 172 statement) • Sustainability review
Environmental matters	The Sustainability review on pages 51 to 99 sets out our approach in respect of the environment and climate change, and provides examples of the actions we are taking to contribute to the decarbonisation of the aerospace sector, to promote energy efficiency, decarbonise our operations and supply chain, and to reduce waste and water consumption. As we transition to a net zero economy by 2050, we are working towards our short- and medium-term sustainability targets and commitments that focus on immediate tangible improvements. These targets are supported by our four overarching sustainability principles, being aligned with our new material sustainability targets. Please see pages 54 and 55 of the Sustainability review for further details. In 2024, our near- and long-term targets were validated by Science Based Targets Initiative. Our published Transition Plan sets out the actions we are taking towards climate transition, how we plan to achieve our interim- and long-term emissions reduction targets, and how we plan to achieve Net Zero by 2050. As part of our fourth year of reporting against TCFD, we have refined and reviewed the climate-related risks and opportunities that we identified as part of the comprehensive climate scenario analysis we performed in 2023. We have also assessed the climate-related impacts that the Group has as part of this review which has made us aware of any new climate-related risks and opportunities that have become relevant to the Group throughout the year. Information on the climate-related financial disclosures can be found throughout our TCFD Report and are referenced in the table on page 65.	• Climate change • Legal and regulatory	**2024 Annual Report** • Board stakeholder engagement and decision-making (Section 172 statement) • Sustainability review • Melrose Group Task Force on Climate-related Financial Disclosures ("TCFD") **Group Policies** • Conflict Minerals policy • Environmental policy • Biodiversity policy • Water policy • Supply Chain policy
Employees	At Melrose, we promote diversity and prioritise and nurture the wellbeing and skills development of employees and the communities that they are part of. Our Sustainability review on pages 51 to 99 sets out our approach and the policies that support it. We recognise the increasing importance of taking a holistic approach to employee wellness by protecting physical health, mental health and social wellbeing. This helps to foster a positive workplace, and to attract and retain a highly-skilled workforce. We are committed to building an inclusive workforce at all levels where everyone can thrive. Our Sustainability review on pages 51 to 99 sets out how we are doing this, and further information on our policies to promote diversity and inclusion, covering relevant jurisdictions, can be found in the Nomination Committee report on pages 132 to 135. Investment in people is a key driver of commercial success throughout the Group, underpinned by employee engagement and a firmly integrated culture of employee development and inclusion. By providing a safe, inclusive working environment and ensuring all our employees have access to training and career development opportunities, we will continue to attract and retain the best talent. Our Workforce Advisory Panel provides an important, ongoing forum for direct engagement and consultation between the workforce and divisional executive teams. An annual all-employee engagement survey is undertaken across the Group in order to collate the views of employees and identify areas of strength and those in need of development. The Board receives a summary of these results and is provided with feedback on how employees' views are taken into account in executive decision-making.	• Operations • Loss of key management and capabilities • Legal and regulatory	**2024 Annual Report** • Board stakeholder engagement and decision-making; our people (Section 172 statement) • Sustainability review • Nomination Committee report **Group Policies** • Code of Ethics • Whistleblowing policy • Anti-slavery and Human Trafficking policy • Melrose Board of Directors Diversity policy • Melrose Diversity, Equity and Inclusion policy • Human Rights policy

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Reporting requirement	Policies and standards that govern our approach	Principal Group Risk	Where you can find more
Respect for human rights	We are committed to acting in an ethical manner with integrity and transparency in all business dealings, and to creating effective systems and controls across the Group to safeguard against adverse human rights impacts. The Group has a strong culture of ethics, which encompasses key human rights considerations, and which is set out in our Human Rights policy which drives the implementation of effective and proportionate measures to identify, assess and mitigate potential labour and human rights abuses across our operations and supply chain. The Group supports the principles set out in the UN Declaration of Human Rights. We take a zero-tolerance approach to any form of modern slavery or human trafficking and are committed to investing in effective systems and controls throughout the Group to safeguard against any form of modern slavery taking place within it or its supply chains. You can read more on our approach and the policies in place to support it in the Sustainability review on pages 94 and 95.	• Legal and regulatory	**2024 Annual Report** • Sustainability review **Group Policies** • Modern Slavery Statement • Whistleblowing policy • Anti-slavery and Human Trafficking policy • Human Rights policy • Supply Chain policy
Social matters and communities	Our Sustainability review details our approach to supporting communities. There you can find out more information on our policies, schemes, charity programmes and initiatives that support it.	• n/a	**2024 Annual Report** • Sustainability review **Group Policies** • Code of Ethics • Anti-Bribery and Corruption policy • Conflict Minerals policy • Whistleblowing policy • Anti-slavery and Human Trafficking policy • Environmental policy • Human Rights policy • Supply Chain policy • Biodiversity policy • Water policy
Anti-corruption and anti-bribery	We take a zero-tolerance approach to bribery, corruption and other unethical or illegal practices, and are committed to acting professionally, fairly and with integrity in all business dealings and relationships, within all jurisdictions in which we operate. Melrose follows high governance standards to ensure that the Group conducts business responsibly, sustainably, and in the pursuit of long-term success for the collective benefit of stakeholders. This is outlined in our Anti-Bribery and Corruption policy, which is implemented and administered throughout the Group.	• Legal and regulatory	**2024 Annual Report** • Sustainability review **Group Policies** • Code of Ethics • Anti-Bribery and Corruption policy

All Group policies referred to in the table above, as well as additional information in relation to the areas discussed above, are available on our website at www.melroseplc.net/governance/documents-and-policies/.

Additional information		Where you can find more
Description of principal Group risks and impact of business activity	Risk management Risks and uncertainties	Pages 34 to 36 Pages 37 to 44
Description of the business model	Our business model Investment case	Pages 14 and 15 Pages 4 and 5
Financial and non-financial KPIs	Key performance indicators	Pages 24 and 25

The Strategic Report, as set out on pages 2 to 101, has been approved by the Board.

On behalf of the Board:



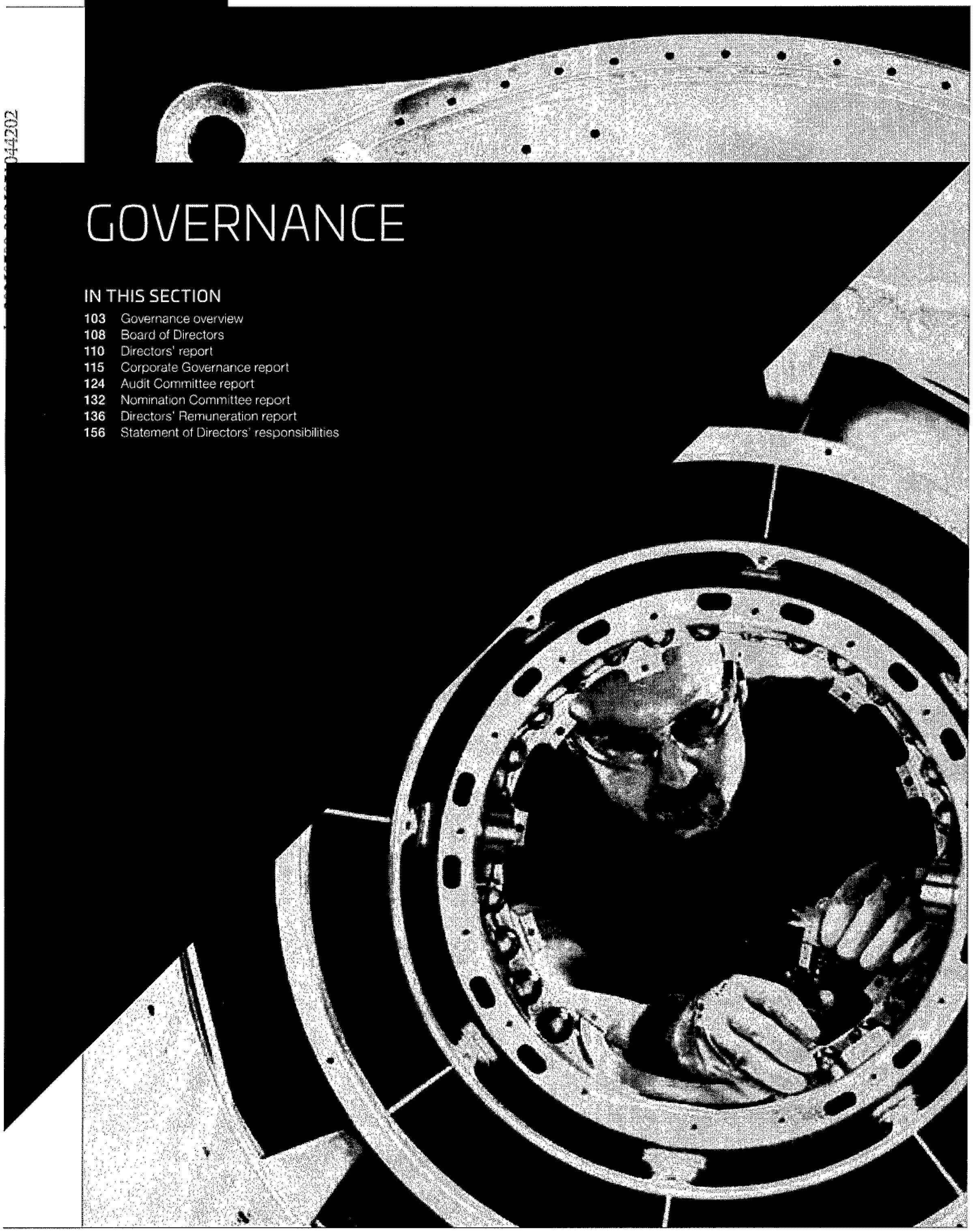
Peter Dilnot
Chief Executive Officer

6 March 2025

GOVERNANCE

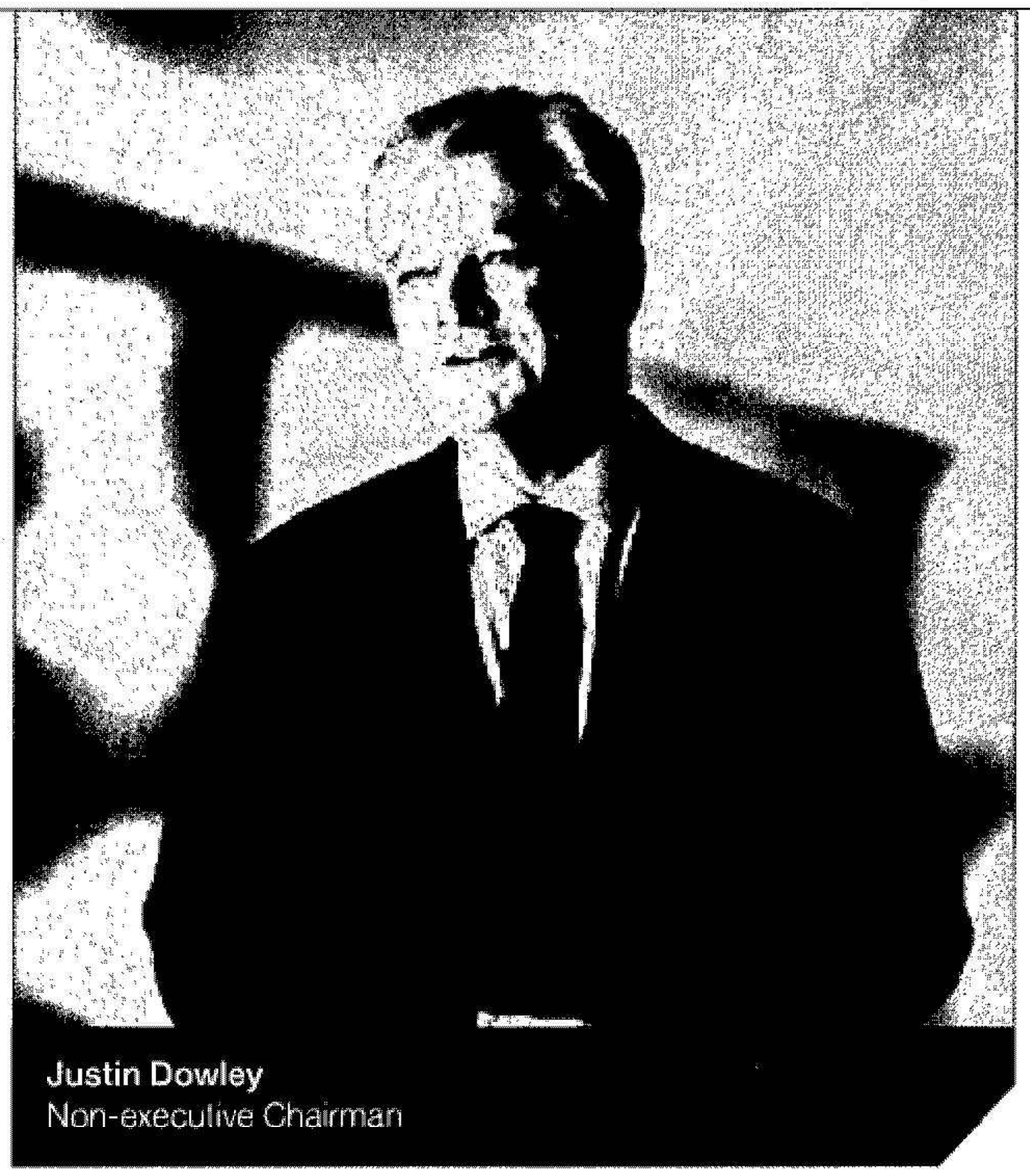
IN THIS SECTION

103 Governance overview
108 Board of Directors
110 Directors' report
115 Corporate Governance report
124 Audit Committee report
132 Nomination Committee report
136 Directors' Remuneration report
156 Statement of Directors' responsibilities



The Board is committed to maintaining the high standards of corporate governance required to ensure that the Company can continue to deliver on its strategic goals, and to achieve long-term success for the benefit of its stakeholders.

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Justin Dowley
Non-executive Chairman

As part of this approach, the Board has applied the principles and complied with the provisions of corporate governance contained in the 2018 UK Corporate Governance Code (the "Code") issued by the Financial Reporting Council (the "FRC") and available to view on the FRC's website at: www.frc.org.uk.

In support of this commitment, the Board carried out a number of key governance activities during 2024 designed to ensure that Melrose remains compliant with the provisions of the Code and to enable continuous improvement in line with best practice corporate governance guidelines.

SUCCESSION PLANNING

Succession planning continued to be a key area of focus for Melrose throughout 2024. The Nomination Committee and the Board considered the present and future leadership requirements of the business, as the Group completed its transition to a global aerospace technology business, as well as the skills, experience and diversity required at Board level going forward to facilitate delivery of the Group's new business model and strategic objectives. We recognise that succession planning is an ongoing process and is critical to maintaining an effective and high-quality Board and ensuring that its composition continues to best support the business.

Mr Peter Dilnot and Mr Matthew Gregory were appointed as Chief Executive Officer and Chief Financial Officer on 6 and 7 March 2024 respectively, and collectively they provide strong FTSE plc executive and aerospace sector experience in addition to Melrose and GKN Aerospace executive management continuity. Mr Dilnot previously served as Melrose Chief Operating Officer, and as Chief Executive Officer of GKN Aerospace for periods during his tenure as an executive Director of Melrose, while Mr Gregory previously served as Chief Finance Officer of GKN Aerospace, and prior to that served as the Chief Financial Officer and latterly Chief Executive Officer of FirstGroup plc.

Mr Dilnot and Mr Gregory succeeded Mr Simon Peckham and Mr Geoffrey Martin who stepped down on 6 and 7 March 2024, respectively. Mr Christopher Miller stepped down as Executive Vice-Chairman on 7 March 2024 and Ms Victoria Jarman, Non-executive Director, stepped down from the Board at the Annual General Meeting on 2 May 2024.

As previously announced, having led the Board through the Group's recent strategic transition, I will be stepping down from the Board on 31 March 2025. During 2024, the Board, led by our Senior Independent Director Mr David Lis, completed its search for my successor as Chairman. The Board was delighted to appoint Mr Chris Grigg as Non-executive Director and Chairman designate on 1 October 2024 following a thorough recruitment process conducted by Stonehaven International, an external recruitment consultancy firm unconnected with the Company and its Directors. Mr Grigg will succeed me as Chairman on 30 March 2025. Mr Grigg has extensive senior executive experience as a former FTSE Chief Executive Officer as well as 10 years' experience as Non-executive Director of BAE Systems plc, latterly serving as its Senior Independent Director.

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The Board also appointed Dr Ian Barkshire as a Non-executive Director on 1 October 2024. Dr Barkshire was the CEO of Oxford Instruments plc between 2016 and 2023, spending over 20 years at the company including as Chief Operating Officer and Group Technical Director.

Mr Lis, Senior Independent Director, will have served as Non-executive Director of the Company for nine years in May 2025 and as such his tenure was due to expire at that point. However, the Nomination Committee and the Board have approved an extension to Mr Lis's tenure as Senior Independent Director up to 31 December 2025 to facilitate and implement the effective succession of Mr Grigg as Chairman, to assist with succession planning for key Board roles and the development of a diverse Board thereafter, including the appointment of a successor Senior Independent Director. It will also assist in continuing to build the Board's sector-specific and senior FTSE plc experience to ensure continued rigorous oversight of Melrose under its new strategy and business model as a global aerospace technology business. Mr Lis will therefore be standing for re-election at the 2025 AGM.

The Nomination Committee report on pages 132 to 135 contains further details on how succession planning arrangements for the Board and the Melrose senior management team were reviewed and considered during 2024.

EXECUTIVE COMMITTEE

The executive committee operates under the direction of and is chaired by the Chief Executive Officer. It comprises the Chief Executive Officer, the Chief Financial Officer, the Group General Counsel, the Chief Human Resources Officer, the Chief Technology Officer, the Chief of Staff, and the Presidents of each of the Engines, Civil and Defence business lines. Its key role is to ensure that there is full coordination between the Melrose corporate functions and the GKN Aerospace business lines, including in respect of the Group's key strategic, corporate, commercial and operational projects, as well as to oversee strategic management of the business, to ensure that the appropriate resource is being devoted to resolve any issues, mitigate material risks, implement effective financial and non-financial controls and ensure that actions being taken are supportive of the Group's strategic goals and culture.

REMUNERATION

The Directors' Remuneration report, comprising the annual statement from the Chairman of the Remuneration Committee and the Annual Report on Remuneration, is available on pages 136 to 155.

The 2024 Directors' Remuneration Policy rebalanced the Company's remuneration structure to support Melrose's change in strategy to operating as a global aerospace technology business by aligning executive remuneration with its FTSE 100 peers. The 2024 Directors' Remuneration Policy adopted a structure and mechanics that are more reflective of the majority of FTSE 100 companies, including the introduction of a Performance Share Plan. Following engagement with a wide variety of stakeholders, including key shareholders, the 2024 Directors' Remuneration Policy received strong shareholder support with 96.84% of votes cast in favour of the relevant resolution at the 2024 AGM.

Melrose's overarching remuneration philosophy remains unchanged: in order to align senior management with shareholders, executive remuneration should be simple, transparent, support value creation and pay only for performance.

SUSTAINABILITY

The Board is mindful of its responsibilities regarding climate change and sustainability, which are an important part of implementing the Company's purpose and strategy. In particular, the Board assesses the basis on which the Company generates and preserves value over the long term, including reviewing opportunities and risks, and the sustainability of the Company's business model. Further details on this can be found in the Sustainability review on pages 51 to 99. The Company has carefully considered how it can strategically address matters relating to sustainability in the most efficient and appropriate way. The Board, supported by the senior management team as informed by the Group Sustainability Function, led by the Chief Technology Officer, oversees and retains ultimate responsibility for the Group's sustainability strategy (including climate change), targets, disclosures, and reporting, in order to continue to improve the Group's sustainability performance. The Board receives training and updates on key sustainability and climate-related matters that impact the Group, and on the specific measures that are required to be implemented to drive improved sustainability performance over the longer term, for the benefit of all stakeholders. Where required, the Board considers climate-related matters when reviewing and guiding strategy and overseeing implementation through oversight of divisional financial and operational performance and quarterly Board meetings.

Having integrated Environmental, Social and Governance ("ESG") metrics into executive remuneration as part of the implementation of the long-term incentive plan within the 2024 Directors' Remuneration Policy, during 2024 awards were granted to the executive Directors under the Melrose 2024 Performance Share Plan with a proportion of those awards subject to the achievement of ESG targets over a three-year performance period. Please see the Directors' Remuneration report on pages 136 to 155 for further details.

Main responsibilities of the Board

The main responsibilities of the Board are to:

- effectively manage and control the Company via a formal schedule of matters reserved for its decision;
- define the Group's purpose, determine and review Group strategy and policy to deliver that purpose, and provide strategic leadership to the Group;
- set the Group's values and behaviours that shape its culture and the way it conducts business, ensure that the Company's culture is aligned with those principles, and monitor the way those values and behaviours impact on the Group's culture;
- review financial and trading performance in line with the Group's strategic objectives;
- ensure that adequate funding and personnel are in place;
- engage with stakeholders and key shareholders on issues that are most important to the long-term success of the Company, and to understand their views on governance and performance against the Group's strategy;
- oversee the effective operation of the Workforce Advisory Panel ("WAP") in ensuring the views of the workforce are considered in its discussions and decision-making, and review their engagement with the WAP on a regular basis;
- report to shareholders and give consideration to all significant financial matters in order to present a fair, balanced and understandable assessment of the Group's position and prospects;
- agree Board succession plans in a way that promotes diversity, inclusion and equal opportunity in compliance with local laws, and consider the evaluation of the Board's performance over the preceding year;
- oversee and assess the Group's risk management and internal control systems, and review their effectiveness;
- determine the nature and extent of the risks the Group is willing to take, and conduct an assessment of the Group's emerging and principal risks;
- agree the Company's Governance Framework and approve Company compliance policies;
- monitor, assess and review cyber security and fraud risk for the Group;
- consider acquisitions, disposals and requests for major capital expenditure;
- delegate and oversee responsibility for entrepreneurial leadership and strategic management of the Group to the Group senior executives;
- challenge, review and exercise robust managerial oversight across key decisions, actions and processes within the Group;
- promote the long-term success of the Group for the benefit of shareholders as a whole, having regard to a range of other key stakeholders and interests; and
- oversee and retain ultimate responsibility for the Group's enhanced sustainability and climate-related initiatives, disclosure and reporting in respect of improving the sustainability performance of its businesses.

GOVERNANCE STRUCTURE[1]

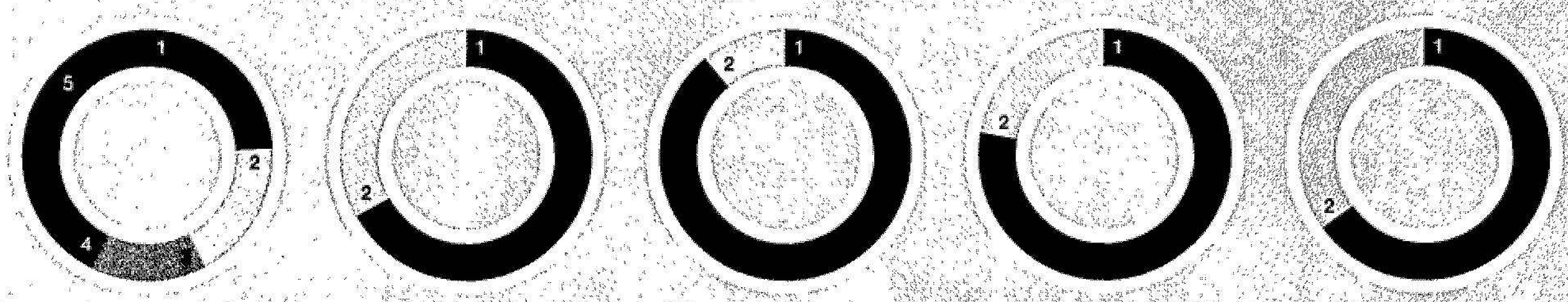
Non-executive Chairman

Executive Directors

Non-executive Directors

→ Audit Committee page 124 → Nomination Committee page 132 → Remuneration Committee page 136

Diversity and skills overview[2]



Board Skills	
1 Accounting, Finance & Investment	8
2 Aerospace & Aviation	6
3 Industrial & Technology	5
4 Legal & Corporate Governance	9
5 Sustainability	5

Board gender diversity	
1 Male	67%
2 Female	33%

Board ethnic diversity	
1 White	89%
2 Ethnically diverse	11%

Executive Committee	
1 Male	78%
2 Female	22%

Executive Committee and direct reports	
1 Male	65%
2 Female	35%

(1) Please refer to page 133 for details of changes to the Melrose Board.
(2) Diversity data as at 31 December 2024.

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RISK MANAGEMENT AND INTERNAL CONTROL

Melrose operates a Group Enterprise Risk Management programme, with complementary processes and procedures. During 2024, the Audit Committee continued to keep the Company's internal financial controls systems that identify, assess, manage and monitor financial risks and other internal control and risk management systems, and the effectiveness of the Group's risk management system, under review through regular updates from management as well as from the Group's internal auditors. This included regular reviews of the key findings presented by the internal auditors having agreed the scope, mandate and review schedule in advance as well as reviews with the external auditors.

The executive committee, with support from the Melrose legal team, financial compliance and assurance team and other members of senior management, led the Group-wide risk review and reporting process through the year. The top-down, bottom-up risk review process involves multiple rounds of direct engagement with the Group's key risk owners who either sit on or report to members of the Group's executive committee as well as other key senior risk owners, integrated with bottom-up divisional risk register reporting. This supports the Audit Committee's oversight of developing risk areas, mitigations, controls and trends. Furthermore, it has helped to guide the Audit Committee on relevant updates to the Group's principal risks (including assessing, for discussion by the Board in exercising its oversight over the material controls, and new and/or emerging principal Group risks), as reported in the Risks and uncertainties section on pages 37 to 44.

Full details on the Group's approach to risk management can be found in the Risk management section on pages 34 to 36, and in the Audit Committee report on pages 124 to 131.

ETHICS AND COMPLIANCE

Our Code of Ethics reinforces our values and provides guidance for all employees, contractors and business associates so that they are aware of what is expected of them, their responsibilities and the consequences of non-compliance. The principles outlined in our Code of Ethics (which can be found at www.melroseplc.net/governance/documents-and-policies/) are embedded within the Group, and mechanisms and policies are in place for anyone to whom the Code of Ethics applies to seek guidance on interpreting its principles, where required.

The Code of Ethics is supported by Company compliance policies covering best practice with respect to anti-bribery and corruption, anti-money laundering, anti-facilitation of tax evasion, competition, conflict minerals, trade compliance, data privacy, whistleblowing, treasury and financial controls, anti-slavery and human trafficking, document retention, joint ventures, diversity and inclusion, environmental, human rights, supply chain, biodiversity and water.

The implementation of the Code of Ethics and Company compliance policies are supported by a combination of risk assessment requirements, training and ongoing monitoring to ensure their effectiveness for the Group. Taken together, these initiatives ensure continued focus on enhancing our business's effectiveness at identifying and managing risks, and promoting and embedding a risk-aware culture. Further details on the Group's management of risk can be found in the Risk management section on pages 34 to 36.

Melrose's reputation for acting responsibly plays a critical role in its success as a business and its ability to generate shareholder value. We maintain high standards of ethical conduct and take a zero-tolerance approach to bribery, corruption, modern slavery and human trafficking and any other unethical or illegal practice. We are committed to acting professionally, fairly and with integrity in all business dealings and relationships, within all jurisdictions in which we operate. Further details of the Group's stance and focus on ensuring effective stewardship in respect of key ESG matters are set out in the Sustainability review on pages 51 to 99. Supporting our compliance policies are a comprehensive online training platform, an industry-leading whistleblowing reporting facility and a top-down, bottom-up risk management process providing risk management visibility and trend analysis to senior management and the Audit Committee. The integrity of the compliance framework is further reinforced by the use of independent compliance reviews where required.

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ENGAGEMENT WITH STAKEHOLDERS

In 2024, the Company continued to run engagement initiatives with key shareholders and governance bodies on key topics including diversity, sustainability and remuneration. Members of the Board also made themselves available to discuss issues with key investors and other stakeholders on an ad-hoc basis upon request.

In particular, the Company engaged with a wide variety of stakeholders in relation to proposed changes to the executive remuneration structure to introduce a new structure more closely resembling that of the Company's FTSE 100 peers, held a technology day for investors and analysts in November 2024, and published a brochure in relation to risk and revenue sharing partnerships ("RRSPs") in October 2024 to help investors and analysts better understand the Group's portfolio of RRSPs. The executive Directors also engaged with key investors in the UK, Germany, the US and Canada as part of the investor roadshow programme.

Melrose also continued with a variety of workforce engagement initiatives, including regular employee engagement surveys, business line led activities at site, regional and global levels both in-person and online, leadership safety tours, and through the WAP, which met twice in 2024. The purpose of the WAP is to promote effective engagement with, and encourage participation from, the Group's workforce. The WAP is chaired by the Chief Human Resources Officer with other members comprising the Group General Counsel and Company Secretary, and members of the divisional Human Resources leadership teams. Each member of the WAP is responsible for promoting workforce engagement, disseminating information and collating the voice of their workforce. The Board remains of the view that this structure is the most appropriate and effective method of ensuring that workforce voices are heard.

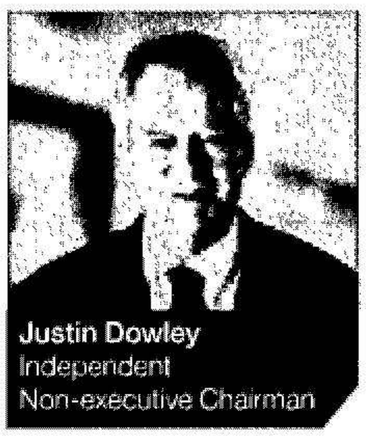
The Board and the Company intends to continue with our programme of stakeholder engagement in 2025. Full details of how the Board engages with all of its stakeholders and considers them in its decision-making is set out in our Section 172 statement on pages 45 to 50.



Justin Dowley
Non-executive Chairman

6 March 2025

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Justin Dowley
Independent
Non-executive Chairman

Year appointed
Appointed as Chairman on 1 January 2019, having previously served as a Non-executive Director from 1 September 2011, and as the Senior Independent Director from 11 May 2017 to 31 December 2018. Mr Dowley will step down from his position as Chairman on 30 March 2025 and will step down from the Board on 31 March 2025. Mr Dowley will be succeeded as Chairman by Mr Grigg, who joined the Board as a Non-executive Director and Chair designate on 1 October 2024.

Skills and experience
Mr Dowley has extensive experience with over 35 years spent within the banking, investment and asset management sectors. A chartered accountant, Mr Dowley qualified with Price Waterhouse and was latterly Vice Chairman of Nomura International PLC's EMEA Investment Banking division. He was also a founder partner of Tricorn Partners, Head of Investment Banking at Merrill Lynch Europe and a director of Morgan Grenfell.

Board meetings attended[1]	4
Business reviews attended	4
Other significant appointments • Chair of Scottish Mortgage Investment Trust PLC • Chair of Rosebank Industries plc • Deputy Chairman of The Panel on Takeovers and Mergers • Director of a number of private companies	
Committee membership • Nomination • Remuneration	
Independent	Yes
Tenure[2]	13 years

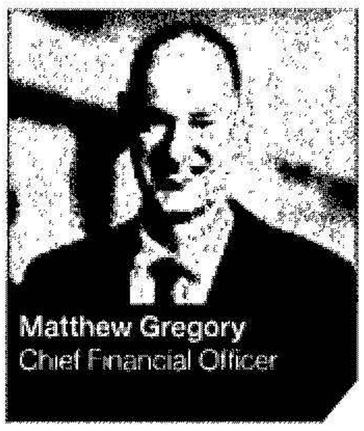


Peter Dilnot
Chief Executive Officer

Year appointed
Appointed as an executive Director on 1 January 2021, having served as Chief Operating Officer since April 2019. Mr Dilnot was appointed as Chief Executive Officer on 6 March 2024.

Skills and experience
Mr Dilnot has considerable public company and industrial business experience. Mr Dilnot joined Melrose in April 2019, serving as an executive Director and Chief Operating Officer during that time in addition to fulfilling the role of Chief Executive Officer of GKN Aerospace for periods during his tenure. In parallel, Mr Dilnot served as a Non-executive Director at Rotork plc for seven years, including three years as Senior Independent Director until he left the board in December 2023. Mr Dilnot was previously the Chief Executive Officer of international recycling company Renewi PLC (formerly Shanks Group PLC) and a senior executive at Danaher Corporation. He also spent seven years at the Boston Consulting Group in London and Chicago, working primarily with industrial businesses. Mr Dilnot has an engineering and aviation background, and started his career as a helicopter pilot in the British Armed Forces. He also holds a degree in Mechanical Engineering.

Board meetings attended[1]	4
Business reviews attended	4
Other significant appointments • Trustee of Autistica	
Independent	Not applicable
Tenure[2]	Not applicable

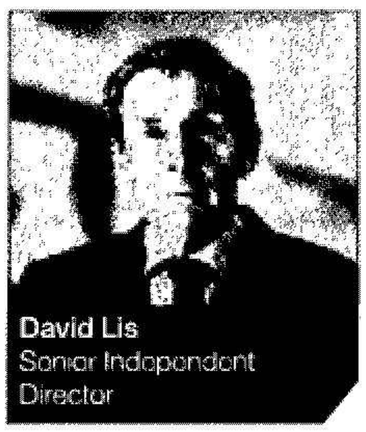


Matthew Gregory
Chief Financial Officer

Year appointed
Mr Gregory was appointed as an executive Director and Chief Financial Officer on 7 March 2024.

Skills and experience
Mr Gregory has extensive knowledge of GKN Aerospace, having served as Chief Financial Officer of GKN Aerospace since September 2022. He is a seasoned Chief Financial Officer with considerable public company leadership experience, having served as both Chief Executive Officer and Chief Financial Officer of FirstGroup plc and Chief Financial Officer of Essentra plc. Mr Gregory has strong strategic and operational expertise, including in driving strategy and operational turnaround in complex multinational listed manufacturing and transportation companies, alongside international and corporate development experience. Mr Gregory is a qualified chartered accountant having started his career at Ernst & Young, working in London and Milan.

Board meetings attended[1][3]	3
Business reviews attended[3]	3
Other significant appointments • Trustee of Britten Pears Arts	
Independent	Not applicable
Tenure[2]	Not applicable



David Lis
Senior Independent Director

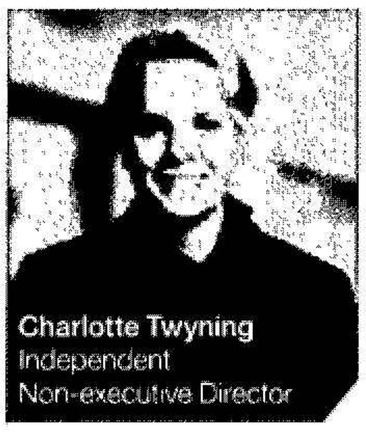
Year appointed
Appointed as the Senior Independent Director on 5 May 2022, having previously served as a Non-executive Director from 12 May 2016, and as Chair of the Remuneration Committee from 1 January 2019. While Mr Lis will have served on the Board for nine years in May 2025, the Nomination Committee and the Board have approved an extension of Mr Lis's tenure up to 31 December 2025 in order to facilitate and implement the effective succession of the Non-executive Chairman, to assist with succession planning of key Board roles thereafter (including a successor Senior Independent Director), and for continuity purposes as the Company emerges from a strategically transformational period.

Skills and experience
Mr Lis has held several senior roles in investment and fund management, as well as other board appointments. He brings extensive financial experience to the Board. Mr Lis commenced his career at NatWest, and held positions at J Rothschild Investment Management and Morgan Grenfell after which Mr Lis founded Windsor Investment Management. Mr Lis joined Norwich Union Investment Management in 1997 (later merging to form Aviva Investors), before becoming Head of Equities in 2012 and latterly Chief Investment Officer, Equities and Multi Assets, until his retirement in March 2016.

Board meetings attended[1]	4
Business reviews attended	4
Other significant appointments • Chairman of Windar Photonics Plc • Director of a number of private companies	
Committee membership • Audit • Nomination • Remuneration (Chair)	
Independent	Yes
Tenure[2]	8 years

(1) Meetings attended refers to scheduled meetings.
(2) Tenure runs from the date of appointment until 31 December 2024 and is based on full years only.
(3) Mr Gregory was appointed to the Board on 7 March 2024. He has attended all Board meetings and business review meetings following his appointment.
(4) Mrs Lawrence was also a Non-executive Director of Coats Group PLC until 31 March 2023.
(5) Ms Elcock was also a Non-executive Director of CFA UK until she stepped down from her role in November 2024, following the expiry of her six-year term.
(6) Mr Grigg was appointed to the Board on 1 October 2024. He has attended all Board and applicable meetings and business review meetings following his appointment. He will stand for election for the first time at the 2025 AGM.
(7) Dr Barkshire was appointed to the Board on 1 October 2024. He has attended all Board and applicable meetings and business reviews since his appointment. He will stand for election for the first time at the 2025 AGM.

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Charlotte Twyning
Independent
Non-executive Director

Year appointed
Appointed as a Non-executive Director on 1 October 2018 and Chair of the Nomination Committee on 1 January 2022.

Skills and experience
Ms Twyning brings a diverse range of experience and commercial acumen to the Board. After a successful legal career in the City specialising in competition and M&A law, she held various senior positions across a number of sectors, most recently in aviation and transportation. Ms Twyning has proven executive leadership and operational skills in large, complex organisations and has consistently succeeded in driving performance, leading large-scale sustainable transformations and building the foundations for growth throughout her career. She now enjoys a portfolio career, combining a number of non-executive, trustee and advisory roles.

Board meetings attended[1]	4
Business reviews attended	4
Other significant appointments • Governor of the Museum of London	
Committee membership • Audit • Nomination (Chair) • Remuneration	
Independent	Yes
Tenure[2]	6 years

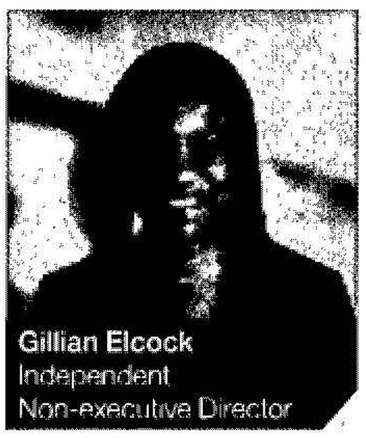


Heather Lawrence
Independent
Non-executive Director

Year appointed
Appointed as a Non-executive Director on 1 June 2021 and Chair of the Audit Committee on 5 May 2022.

Skills and experience
Mrs Lawrence originally qualified as a chartered accountant and subsequently spent well over a decade working in senior roles within corporate finance and investment banking, where she honed her experience across industrials and transportation businesses. Mrs Lawrence has significant non-executive directorship experience, including as a Non-executive Director of Antofagasta PLC.[4]

Board meetings attended[1]	4
Business reviews attended	4
Other significant appointments • Non-executive Director of Antofagasta PLC	
Committee membership • Audit (Chair)	
Independent	Yes
Tenure[2]	3 years

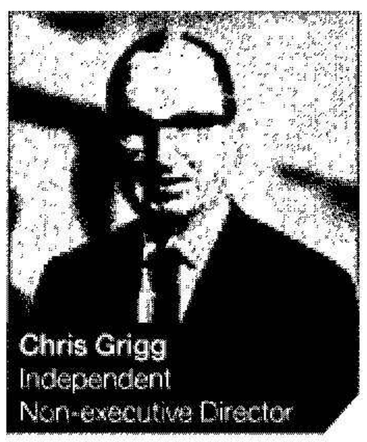


Gillian Elcock
Independent
Non-executive Director

Year appointed
Appointed as a Non-executive Director on 21 June 2023.

Skills and experience
Ms Elcock has extensive asset management and investment research experience, including covering the aerospace and defence sector. Ms Elcock is the founder and former Managing Director of Denny Ellison, an independent investment research and training company. Prior to this, she worked as an equity research analyst for several years at Putnam Investments and Insight Investment. She also brings insight gained from several non-executive director roles. Ms Elcock has two engineering degrees from MIT and an MBA from the Harvard Business School.

Board meetings attended[1]	4
Business reviews attended	4
Other significant appointments[5] • Non-executive Director of International Biotechnology Trust Plc • Non-executive Director of STS Global Income & Growth Trust plc (Chair of the Management Engagement Committee) • Non-executive Director of Octopus Apollo VCT plc • Non-executive Director of 25x25 Limited	
Committee membership • Audit • Nomination • Remuneration	
Independent	Yes
Tenure[2]	1 year

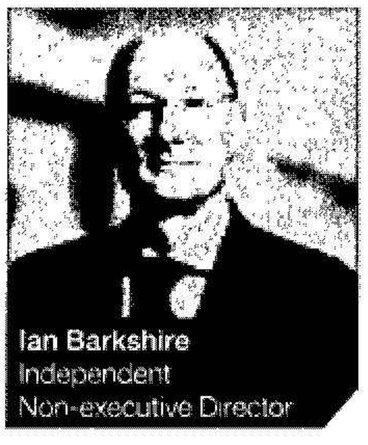


Chris Grigg
Independent
Non-executive Director

Year appointed
Appointed as a Non-executive Director and as Chair designate on 1 October 2024. Mr Grigg will succeed Mr Dowley as Chairman on 30 March 2025. Mr Grigg will stand for election for the first time at the 2025 AGM.

Skills and experience
Mr Grigg has extensive senior executive experience as a former FTSE Chief Executive Officer, and within the aerospace and defence sector. Mr Grigg was a Non-executive Director of BAE Systems plc for 10 years until December 2023, latterly serving as its Senior Independent Director. Mr Grigg now serves as the Chair of the National Wealth Fund and of Evelyn Partners, as well as serving as a member of the FTSE Women Leaders Review's independent steering body. During his executive career, Mr Grigg was Chief Executive of British Land from January 2009 and left the board in December 2020. Earlier in his career, Mr Grigg was Chief Executive of Barclays Commercial Bank, and Treasurer of Barclays Bank plc. Prior to Barclays, Mr Grigg spent 20 years at Goldman Sachs, latterly as a partner, having started his career at Morgan Grenfell.

Board meetings attended[1][3]	2
Business reviews attended[6]	1
Other significant appointments • Chair of the National Wealth Fund (formerly known as the UK Infrastructure Bank) and its nomination committee • Chair of Evelyn Partners • Member of the Industrial Strategy Advisory Council (ISAC) • Member of the FTSE Women Leaders Review's independent steering body	
Committee membership • Nomination • Remuneration	
Independent	Yes
Tenure[2]	0 years



Ian Barkshire
Independent
Non-executive Director

Year appointed
Appointed as a Non-executive Director on 1 October 2024. Dr Barkshire will stand for election for the first time at the 2025 AGM.

Skills and experience
Dr Barkshire brings a wealth of executive experience to the Board, having spent most of his career driving the development, commercialisation and delivery of innovative technologies and specialised products to the world's leading industrial companies. Dr Barkshire was the Chief Executive Officer of Oxford Instruments plc between 2016 and 2023, spending over 20 years at the company in a number of leadership positions, including Chief Operating Officer, Group Technical Director and Divisional Head. Earlier in his career Dr Barkshire was a Senior Principal Scientist at GEC-Marconi Materials. Dr Barkshire is Chair of Illumion Limited, a technology start-up company, and is a fellow of the Royal Academy of Engineering.

Board meetings attended[1][3]	2
Business reviews attended[7]	1
Other significant appointments • Member of the Strategic Advisory Board of the UK National Quantum Technologies Programme • Chair of Illumion Limited (a University of Cambridge technology start-up company)	
Committee membership • Audit • Nomination • Remuneration	
Independent	Yes
Tenure[2]	0 years

The Directors of Melrose Industries PLC present the Annual Report and financial statements of the Group for the year ended 31 December 2024.

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INCORPORATED INFORMATION

The Corporate Governance report set out on pages 115 to 123, the Chief Financial Officer's review on pages 26 to 33, and the Sustainability review on pages 51 to 99 are each incorporated by reference into this Directors' report.

Disclosures elsewhere in the Annual Report are cross-referenced where appropriate. Taken together, they fulfil the combined requirements of the Companies Act 2006 (the "Act") and of the Disclosure Guidance and Transparency Rules and the Listing Rules of the Financial Conduct Authority (the "FCA").

AGM

The Annual General Meeting ("AGM") of the Company will be held at 12.00 pm on Wednesday 30 April 2025 at The Royal Aeronautical Society, 4 Hamilton Place, London W1J 7BQ. A detailed explanation of each item of business to be considered at the AGM is included with the Notice of Annual General Meeting. The notice convening the meeting is shown on pages 245 to 252 and includes full details of the resolutions to be proposed, together with explanatory notes in relation to such resolutions (the "AGM Notice").

DIRECTORS

The Directors of the Company as at the date of this Annual Report, together with their biographies, can be found on pages 108 and 109.

Changes to the Board during the year are set out in the Governance overview on pages 103 to 107 and the Corporate Governance report on pages 115 to 123. Details of Directors' service contracts are set out in the Directors' Remuneration report on pages 136 to 155.

The Statement of Directors' responsibilities in relation to the consolidated financial statements is set out on page 156, which is incorporated into this Directors' report by reference.

APPOINTMENT AND REMOVAL OF DIRECTORS AND THEIR POWERS

The Company's articles of association (the "Articles") give the Directors the power to appoint and replace other Directors. Under the terms of reference of the Nomination Committee, any appointment must be recommended by the Nomination Committee for approval by the Board.

Pursuant to the Articles and in line with the UK Corporate Governance Code 2018 (the "Code"), all of the Directors of the Company are required to stand for re-election on an annual basis. As explained on pages 103 and 104 of the Governance overview, Mr Justin Dowley will not stand for re-election by shareholders at this year's AGM. With the exception of Mr Chris Grigg and Dr Ian Barkshire, who are standing for election for the first time, all of the remaining Directors of the Company will be standing for re-election by shareholders at the forthcoming AGM, and in each case, an ordinary resolution will need to be passed to approve such (re-)election.

The Directors are responsible for managing the business of the Company and exercise their powers in accordance with the Articles, directions given by special resolution, and any relevant statutes and regulations.

INSURANCE AND INDEMNITIES

In accordance with the Articles and the indemnity provisions of the Act, the Directors have the benefit of an indemnity from the Company in respect of any liabilities incurred as a result of their office. This indemnity is provided both within the Articles and through a separate deed of indemnity between the Company and each of the Directors.

The Company has taken out an insurance policy in respect of those liabilities for which the Directors may not be indemnified. Neither the indemnities nor the insurance provide cover in the event that a Director is proved to have acted dishonestly or fraudulently.

POST BALANCE SHEET EVENTS

There are no post balance sheet events which require disclosure.

CAPITAL STRUCTURE

During the year, the Company reduced its share premium account, cancelled its capital redemption reserve, and decreased the nominal value of each fully paid-up ordinary share by way of a capital reduction. Consequently, the nominal value of each ordinary share was reduced from 160/7 pence to £0.001 per share.

The capital reduction was approved by shareholders of the Company at the Annual General Meeting held on 2 May 2024 and became effective on 11 July 2024.

The Company commenced a £500 million share buyback programme on 2 October 2023, which was conducted throughout 2023 and 2024 and completed on 30 September 2024. In accordance with the Company's general authority to repurchase ordinary shares in the Company granted by its shareholders at the Annual General Meeting held on 8 June 2023, the share buyback programme was limited to 202,586,150 ordinary shares in the Company and was further limited to a maximum aggregate consideration payable by the Company of £500 million.

On 1 October 2024, the Company commenced a further £250 million buyback programme. In accordance with the Company's general authority to repurchase ordinary shares in the Company granted by its shareholders at the Annual General Meeting held on 2 May 2024, the current share buyback programme is limited to 197,373,991 ordinary shares in the Company (as reduced by the Company's share repurchase activity since 2 May 2024) and was further limited to a maximum aggregate consideration payable by the Company of £250 million. The continuation of the share buyback programme beyond the conclusion of this year's AGM is subject to the Company obtaining approval for a new general authority from shareholders at this year's AGM.

The ordinary shares in the Company repurchased as part of the above share buyback programmes are intended to be either held in treasury or cancelled. During 2024, 75,141,072 ordinary shares were repurchased, of which 65,054,841 remained in treasury as at 31 December 2024. The Company had 1,351,475,321 ordinary shares in issue as at 31 December 2024, inclusive of the 65,054,841 shares held in treasury.

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As set out in the Directors' Remuneration report, the 2020 Melrose Employee Share Plan ("MESP") crystallised on 31 May 2024 and participants in the plan became entitled to receive ordinary shares. In satisfaction of those entitlements, a total of 28,848,071 treasury shares were transferred to participants on 3 June 2024. Further details in respect of the 2020 MESP crystallisation are set out on pages 142 and 143 of the Directors' Remuneration report.

The table below shows details of the Company's issued share capital as at 31 December 2023; and as at 31 December 2024 (in each case, inclusive of treasury shares) following the implementation of the capital reduction and the share buyback programmes.

Share class	31 December 2023	31 December 2024
Ordinary shares of 160/7 pence each	1,351,475,321	N/A
Ordinary shares of £0.001 pence each	N/A	1,351,475,321

The Company's sole class of ordinary shares is admitted to the Equity Shares (Commercial Companies) segment of the official list.

SHAREHOLDERS' VOTING RIGHTS

Subject to any special rights or restrictions as to voting attached to any class of shares by or in accordance with the Articles, at a general meeting of the Company, each member who holds ordinary shares in the Company and who is present (in person or by proxy) at such meeting is entitled to:

- on a show of hands, one vote; and
- on a poll, one vote for every ordinary share held by them.

There are currently no special rights or restrictions as to voting or control of the Company attached to any class of shares.

The Company is not aware of any agreements between shareholders that restrict voting rights attached to the ordinary shares in the Company.

Where any call or other amount due and payable in respect of an ordinary share remains unpaid, the holder of such shares shall not be entitled to vote at or attend any general meeting of the Company in respect of those shares. As at 6 March 2025, all ordinary shares issued by the Company are fully paid.

Details of the deadlines for exercising voting rights in respect of the resolutions to be considered at the 2025 AGM are set out in the AGM Notice on pages 245 to 252.

Shareholders whose combined shareholdings amount to at least 5% of the issued voting share capital (excluding treasury shares) may, pursuant to section 303 of the Act, request that the Directors call a general meeting of the Company. Shareholders whose combined shareholdings amount to at least 5% of the issued share capital entitled to vote can also request that the Company introduces a resolution to be voted on at an AGM.

RESTRICTIONS ON TRANSFER OF SECURITIES

The Articles do not contain any restrictions on the transfer of ordinary shares in the Company, aside from the usual restrictions applicable where shares are not fully paid up or shares on which the Company has a lien, if entitled to do so under the Uncertificated Securities Regulations 2001, where the transfer instrument does not comply with the requirements of the Articles or in exceptional circumstances approved by the relevant investment exchange, provided such refusal would not disturb the market in such shares. Restrictions may also be imposed by laws and regulations (such as insider trading and market abuse provisions). Directors and certain senior employees of the Group may also be subject to internal approvals before dealing in ordinary shares of the Company and minimum shareholding requirements. The Company does not have any anti-takeover devices in place, including devices that would limit share ownership.

The Company is not aware of any agreements between shareholders that restrict the transfer of ordinary shares in the Company.

ARTICLES OF ASSOCIATION

The Articles may only be amended by a special resolution at a general meeting of the shareholders of the Company. There are no amendments proposed to be made to the Articles at the forthcoming AGM.

SUBSTANTIAL SHAREHOLDINGS

As at 31 December 2024, the following voting interests in the ordinary share capital of the Company, disclosable under Chapter 5 of the FCA's Disclosure Guidance and Transparency Rules, had been notified to the Directors:

Shareholder	Shareholding[1]	% of ordinary share capital as at 31 December 2024[1]
The Capital Group Companies, Inc.	271,263,414	21.01%
BlackRock Inc	94,720,155	7.00%
Select Equity Group Inc	67,196,570	4.97%
Norges Bank	78,336,933	5.98%
Aviva plc	118,577,085	2.92%
Bank of America Corporation	131,232,533	3.24%
Permian Investment Partners, LP	39,570,362	3.07%

(1) The number of shares and percentage of ordinary share capital is as notified to the Company as at 31 December 2024 and has not been restated to reflect purchases of shares made by the Company since the relevant notification pursuant to the share buyback programmes.

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SHAREHOLDER DIVIDEND

The Directors are pleased to recommend the payment of a final dividend of 4.0 pence per share (2023: final dividend of 3.5 pence per share) to be paid on 9 May 2025 to ordinary shareholders on the register of members of the Company at the close of trading on 28 March 2025. This dividend recommendation will be put to shareholders at the forthcoming AGM of the Company, to be held on 30 April 2025. Subject to shareholder approval being obtained at the AGM for the final dividend, this will mean a full year 2024 dividend of 6.0 pence per share (2023: 5.0 pence).

For discussion on the Board's intentions with regard to the Company's dividend policy, please see the Chairman's statement on pages 6 and 7, which is incorporated into this Directors' report by reference.

The Company offers a Dividend Reinvestment Plan ("DRIP"), which gives shareholders the opportunity to use their dividend payments to purchase further ordinary shares in the Company. Further details about the DRIP and its terms and conditions can be found within the Investors section of the Company's website at www.melroseplc.net.

HISTORICAL DIVIDENDS

Equiniti, the Company's registrar, administers the unclaimed dividends of the former GKN plc (now GKN Limited). Pursuant to law and its articles of association, GKN Limited is obliged to pay such unclaimed dividends for a period of 12 years from the date on which they were declared or became due for payment. As at 31 December 2024, the total amount of dividends of GKN Limited remaining unclaimed for more than 12 years was £276,428.92. If the unclaimed dividends are not claimed by 30 June 2025, the Company will look to donate the funds to charity.

ABILITY TO PURCHASE OWN SHARES

Pursuant to sections 693 and 701 of the Act and a special resolution passed at the Annual General Meeting of the Company held on 2 May 2024, the Company is authorised to make market purchases of up to 197,373,991 of its ordinary shares, representing approximately 14.99% of the current issued ordinary share capital of the Company (excluding treasury shares). The Company has made purchases of its own shares pursuant to this authority. As described on page 110, the Company commenced the share buyback programmes on 2 October 2023 and 1 October 2024 respectively. The first share buyback programme completed on 30 September 2024, and the second share buyback programme remains ongoing. As at 31 December 2024, 93,902,912 ordinary shares of the Company had been repurchased since 2 October 2023 pursuant to, and in compliance with, the buyback authorities, of which 75,141,072 were repurchased during 2024. The remainder of the authority in respect of the current share buyback programme will expire at the end of this year's AGM.

At the 2025 AGM, the Company is seeking approval to make market purchases of up to 191,662,555 of its ordinary shares, being approximately 14.99% of the issued ordinary share capital of the Company (excluding treasury shares) as at the latest practicable date prior to notice of AGM, thereby renewing the authority. The continuation of the current share buyback programme beyond the conclusion of this year's AGM is therefore subject to this authority being renewed. The full text of the resolution, together with minimum and maximum price requirements, is set out in the AGM Notice on pages 245 to 252.

FINANCIAL INSTRUMENTS

The disclosures required in relation to the use of financial instruments by the Company, including the financial risk management objectives and policies (including in relation to hedging) of the Company and the exposure of the Company to price risk, credit risk, liquidity risk, cash flow risk, exchange rate risk, contract and warranty risk and commodity cost risk, can be found in the Chief Financial Officer's review on pages 26 to 33, the Risks and uncertainties section of the Strategic Report on pages 37 to 44, and in note 25 to the financial statements, which are incorporated by reference into this Directors' report.

RESEARCH AND DEVELOPMENT ACTIVITIES

The aerospace industry is highly competitive and as such the Group researches and develops new and innovative product lines and processes to meet customer demands in an ever-evolving environment and to support its sustainability goals.

As detailed in the Sustainability review on pages 51 to 99, which is incorporated by reference into this Directors' report, investment into research and development activities continued throughout 2024. GKN Aerospace is a technology leader in aerostructures, engine structures and wiring systems. Its lightweight composites, additive manufacturing, innovative engine systems and smart transparencies help to reduce emissions and weight and enhance passenger comfort, pushing the boundaries for the next generation of aircraft. GKN Aerospace is at the forefront of many research and development partnerships and industry collaboration programmes. For example, the further development and integration of additive technologies into multiple major engine components, initially reducing manufacturing emissions and being applied within next generation engine development programmes to lower in-flight emissions. Additionally, the continued development of out-of-autoclave 'Resin Transfer Moulding' technology enhances the efficiency and in-flight emission benefits of composite structures while significantly reducing material consumption, manufacturing emissions, and capital investment requirements. In the world of advanced air mobility, work on thermoplastic composites and high-power electrical systems integration continued, supporting innovators in demonstrating the capability of these platforms to deliver zero emission short range flight.

BUSINESS REVIEW AND RISKS

A review of the Group's performance, the key risks and uncertainties facing the Group and details on the likely developments of the Group can be found in the Strategic Report on pages 2 to 101 of this Annual Report (including the Longer-term viability statement on page 33 and the Risks and uncertainties section on pages 37 to 44), which are incorporated into this Directors' report by reference.

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EMPLOYEE ENGAGEMENT

The Company operates a Workforce Advisory Panel (the "WAP") as its chosen method of complying with the requirements of the Code on employee engagement. The WAP is chaired by the Chief Human Resources Officer with other members comprising the Group General Counsel and Company Secretary, and members of the divisional Human Resources leadership teams. The WAP meets at least twice per year.

The WAP is responsible for ensuring and enabling ongoing engagement with the views and interests of the workforce. The WAP adheres to its own terms of reference which have been approved by the Board, and each member of the WAP is required to report at each meeting in respect of how they have engaged with the workforce, any recurring items identified during that engagement, and how the feedback from the workforce has been considered and applied.

Further details in relation to the WAP, employment policies, employee involvement, consultation and development, together with details of some of the human resource improvement initiatives implemented during 2024, are highlighted in the Sustainability review on pages 51 to 99 and in the Section 172 statement set out in the Strategic Report on pages 45 to 50, both of which are incorporated by reference into this Directors' report.

The Company also operates an externally hosted whistleblowing portal which is readily available to all Group employees. This is supported by regularly updated policies, procedures, and awareness campaigns to create an environment in which the workforce feels it is safe to raise concerns in confidence without fear of retaliation, and to foster an ethical and supportive Group culture. The Board and the Audit Committee are provided with updates on material whistleblowing events as they are reported from time to time to the Group's senior management team, and the Audit Committee is provided with reports on whistleblowing activity on a quarterly basis as well as an annual report, each of which highlight whistleblowing activity across the Group, together with a summary of the whistleblowing processes and awareness activities undertaken during the year; this is then fed back to the Board.

DIVERSITY POLICIES[1]

The Company acknowledges that diversity, equity and inclusion is a changing landscape, and the Nomination Committee reviews its diversity policies on an annual basis, with any recommendations for amendments being approved by the Board. The policies, which can be viewed on the Company's website at www.melroseplc.net/governance/documents-and-policies/ include a Board of Directors' Diversity policy and a Melrose Diversity, Equity and Inclusion policy. The Board of Directors' Diversity policy sets out the Nomination Committee's commitment to ensuring that Board membership and pipeline for succession remains diverse, which is equally applicable to each of the Board's committees. It also sets out the Company's diversity targets for the Board. The Melrose Diversity, Equity and Inclusion policy, which is applicable to all Melrose employees, sets out the Company's position on diversity, equity and inclusion in its workforce. Further details can be found in the Nomination Committee report on pages 132 to 135.

We are committed to creating an inclusive workplace where all employees, including those with disabilities, can thrive. We give full and fair consideration to all job applications, promote career development and provide reasonable adjustments to enable employees to perform their roles effectively, while ensuring their safety and the safety of others. This includes those who acquire disabilities during their employment with us, providing appropriate support and training to enable them to continue working effectively.

BUSINESS RELATIONSHIPS

Details of our business's clients and suppliers and how we work and engage with them are described in the Divisional reviews on pages 16 to 23, in the Section 172 statement on pages 45 to 50 and in the Sustainability review on pages 51 to 99, each in the Strategic Report, and all of which are incorporated by reference into this Directors' report.

ENVIRONMENTAL

Details of the sustainability initiatives across the Group, and the Group's Greenhouse Gas emissions, waste, water usage and other energy consumption (including energy efficiency action), as well as the methodology used to calculate such emissions and consumption, are set out in the Sustainability review on pages 51 to 99, which is incorporated by reference into this Directors' report.

In 2024, GKN Aerospace's near and long-term emission targets were validated by the Science Based Targets Initiative ("SBTi"). These targets related to Scopes 1, 2 and 3, and form part of the Group's overall transition to Net Zero. Actual performance against our targets can be found on page 55.

To prepare ourselves for new Corporate Sustainability Reporting Directive ("CSRD") reporting standards, we conducted a value chain mapping exercise, updated the Double Materiality Assessment which was conducted in 2023 and updated in 2024, and completed an externally facilitated sustainability pre-assurance project. We also worked on aligning our sustainability reporting more closely with CSRD guidelines in order to prepare ourselves for the incoming regulations.

GKN Aerospace also partnered with industry peers and government bodies to research and develop new technologies which contribute to a more sustainable future. More information on these initiatives can be found on pages 62 to 64 of the Sustainability review.

(1) Applicable only within the scope of legally permitted jurisdictions.

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POLITICAL DONATIONS

The Group's policy is not to make any political donations and there were no political donations made during the year ended 31 December 2024 (2023: nil).

BRANCHES

The Melrose Group and its business operates across various jurisdictions. The Group, through its various subsidiaries, has established branches in a number of different countries in which the business operates.

DISCLOSURES REQUIRED UNDER UK LISTING RULE LR6.6

Other than the following, no further information is required to be disclosed by the Company in respect of UK Listing Rule 6.6:

- GKN had historically operated employee share option plan trusts to satisfy the vesting and exercise of awards of ordinary shares made under GKN's share-based incentive arrangements. On the acquisition of GKN, these shares were converted into Melrose shares. A dividend waiver is in place on the shareholdings in respect of relevant trusts in part, or in full, in accordance with the provisions of the relevant trust deeds.

SIGNIFICANT AGREEMENTS AND CHANGE OF CONTROL

With the exception of the Group's banking facilities, the Melrose Performance Share Plan, and the Melrose Automotive Share Plan, there are no other Company agreements that would take effect, alter or terminate, upon a change of control of Melrose Industries PLC as at 6 March 2025.

The Group's committed bank facilities were increased during the year, resulting in term loan facilities and multicurrency revolving credit facilities, such facilities totalling, in aggregate, approximately £1,940 million. The facilities are scheduled to mature in April 2026 but can be extended at the Company's option, for two additional one-year periods. Following the year-end date, additional committed bank facilities have been arranged to provide additional headroom through 2025 and 2026. Details of these facilities are provided in the Chief Financial Officer's review on page 26 and note 20 to the financial statements.

In the event of a change of control of the Company following a takeover bid, the Company and lenders under the bank facilities are obliged to enter into negotiations to determine whether, and if so how, to continue with the facilities. There is no obligation for the lenders to either fund new loans requested during the 30-day period following a change of control, or to continue to make the facilities available following such 30-day period if no agreement is reached. Failure to reach agreement on any revised terms requested by the lenders could require an acquirer to put in place replacement facilities.

In the event of a change of control of the Company, the Remuneration Committee may determine that awards granted under the Melrose Performance Share Plan may vest. If the change of control of the Company occurs during the vesting period, the vested number of ordinary shares will normally be determined by the Remuneration Committee pro-rata to the elapsed proportion of the normal vesting period (with the Remuneration Committee having discretion to party or fully waive any pro-rating). Where relevant, the extent of vesting will also reflect the extent to which a performance condition has (or is expected to be) satisfied.

In the event of a takeover of the Company, awards granted under the Melrose Automotive Share Plan would crystallise, giving participants a right to receive ordinary shares in Dowlais Group plc ("Dowlais"). The number of Dowlais shares to which participants would be entitled is based upon the amount of increase in shareholder value in Dowlais created above an initial invested capital of £3,525,237,530, as calculated based on the average market capitalisation of Dowlais for the 40 business days prior to (but excluding) the date of the change of control of the Company, subject to certain adjustments and a minimum level of crystallisation.

AUDITOR

So far as each Director is aware, there is no relevant audit information (being information that is needed by the Company's auditor to prepare its report) of which the Company's auditor is unaware. Each Director has taken all the steps that he or she ought to have taken as a Director to make him or her aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Act.

On behalf of the Board, the Audit Committee has reviewed the effectiveness, performance, independence and objectivity of the existing external auditor, PricewaterhouseCoopers LLP ("PwC"), for the year ended 31 December 2024 and concluded that the external auditor was in all respects effective. PwC has expressed its willingness to continue in office as auditor of the Group. Accordingly, resolutions will be proposed at this year's AGM for the reappointment of PwC as auditor of the Group and to authorise the Audit Committee to determine its remuneration.

APPROVAL

Approved by the Board and signed on its behalf by:



Warren Fernandez
Company Secretary

6 March 2025

In line with the 2018 UK Corporate Governance Code (the "Code") issued by the Financial Reporting Council (the "FRC"), and the UK Listing Rules issued by the Financial Conduct Authority, this section of the Annual Report and financial statements details the ways in which the Company has applied the principles and complied with the provisions of the Code applicable during the year ended 31 December 2024.

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The Audit Committee report, Nomination Committee report, Directors' Remuneration report, Statement of Directors' responsibilities, Risk management and Risks and uncertainties sections of the Strategic Report, together with the Sustainability review and the Section 172 statement, also form part of this Corporate Governance report.

STATEMENT OF COMPLIANCE

Throughout the year ended 31 December 2024, the Company has applied the principles and complied with the provisions of the Code.

1. PRINCIPLES A-E: BOARD LEADERSHIP AND COMPANY PURPOSE

LONG-TERM SUSTAINABLE SUCCESS

The Board comprises individuals from a diverse range of backgrounds and with a wealth of knowledge, understanding and experience. The Chairman is responsible for leadership of the Board. The division of responsibilities is described further in section 2 on page 116.

The Board's overarching objective is to generate value for the Company's shareholders in a way that is sustainable in the long-term and contributes to wider society. The Section 172 statement on pages 45 to 50 sets out the ways in which the Board took shareholder and other stakeholder considerations into account in its decision-making in 2024.

OUR PURPOSE, STRATEGY AND VALUES

Melrose is a global aerospace technology business focused on value creation driven by continuous operational and financial improvement over the longer term. Our positive trajectory is underpinned by the strong organic growth prospects within the aerospace sector, alongside attractive opportunities to further expand and differentiate our business through cutting-edge proprietary technology.

The Company's purpose and strategy remain underpinned by the principles and values of acting with integrity, honesty, transparency and decisiveness, and we believe in prioritising the safety of our people, ensuring the quality of our products, and delivering through a lean operating model, high productivity and sustainable business practices. We see the decarbonisation of the aviation sector as a priority, and indeed a central tenet of GKN Aerospace's mission to be the most trusted and sustainable partner in the sky. Whilst the sector and our customers provide many opportunities for further progress towards cleaner air travel through our innovation and technology leadership, we see no reason why this priority cannot be achieved at the same time as generating superior financial returns for our shareholders.

The Board recognises that culture, values and standards are key contributors to how a company creates and sustains value over the long-term. High standards of business conduct guide and assist the Board's decision-making, and in doing so, help promote the Company's success, recognising, amongst other things, the likely consequences of any decision in the long-term and wider stakeholder considerations. The standards set by the Board mandate certain requirements and behaviours with regard to the activities of the Directors, our employees and others associated with the Group.

RESOURCES AND CONTROLS

As described in more detail in the Risk management section of the Strategic Report and the Audit Committee report on pages 2 to 101 and 124 to 131 respectively, the Company has established a framework of reporting procedures, lines of responsibility and delegated authority, which is updated as required and understood by all Board members and the Group's senior management team. These reporting processes allow the Board and the Group's senior management team to allocate resources in a sustainable and appropriate manner, enabling the Group to meet its objectives and measure performance effectively, whilst promoting sustainability. The Board and the Audit Committee each have access to the Group's senior management team and to external assistance in order to satisfy themselves that appropriate and effective controls are in place, including PricewaterhouseCoopers LLP ("PwC"), who undertake the Group's external audit and BM Howarth who conduct the Group's internal audit with additional ad-hoc support from Ernst & Young.

STAKEHOLDER ENGAGEMENT

Through presentations and regular meetings between the executive Directors, analysts and institutional shareholders, including those following the announcements of the Company's annual and interim results and trading updates, the Company seeks to build on a mutual understanding of objectives with its shareholders and other stakeholders. This has been particularly important following the Company's change in business strategy to operating as a global aerospace technology business. During 2024, in addition to the above-mentioned presentations and regular meetings, the Company held a technology day for investors and analysts in Bristol, UK, and published a brochure in relation to risk and revenue sharing partnerships ("RRSPs") to help investors and analysts better understand the Group's portfolio of RRSPs. The executive Directors also engaged with key investors in the UK, Germany, the US and Canada as part of the investor roadshow programme. In addition, the Company continued its programme of engagement with key investors and corporate governance bodies in respect of specific material topics, including the 2024 Directors' Remuneration Policy which was subsequently approved by shareholders at the 2024 AGM, as well as open-agenda discussions between key shareholders and members of the Board. Following the appointment of Mr Chris Grigg to the Board on 1 October 2024 as Non-executive Director and Chair designate, the Company reached out to key shareholders to promote an opportunity to meet Mr Grigg in early 2025.

Engagement with key shareholders, proxy advisors, employee bodies, ratings agencies (including sustainability ratings agencies) and other governance bodies remains a central part of the Company's approach to stakeholder engagement and governance and will continue in the lead up to the 2025 AGM.

Further details on the Company's engagement with stakeholders, including the material topics discussed with investors and corporate governance bodies, are contained in the Section 172 statement on pages 45 to 50.

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In order to promote effective engagement with, and encourage participation from, its workforce, Melrose operates a Workforce Advisory Panel (the "WAP"). The WAP is chaired by the Chief Human Resources Officer with other members comprising the Group General Counsel and Company Secretary and members of the divisional Human Resources leadership teams. Each member of the WAP is responsible for determining how the workforce should be defined, promoting workforce engagement, disseminating information and collating the voice of their workforce. Each member of the WAP is in turn responsible for demonstrating how key workforce views are fed into executive management decisions, which may include executive remuneration, as well as ensuring that the workforce is aware of their impact on such executive management decisions. The WAP meets twice a year and an annual report is prepared by the chair of the WAP for the Board which highlights workforce engagement and key views. Further details on the WAP are contained in the Sustainability review on page 89.

WORKFORCE POLICIES AND PRACTICES

Melrose's reputation for acting responsibly plays a critical role in its success as a business. It maintains high standards of ethical conduct which are reflected in the Group compliance policies, and cover best practice with respect to anti-bribery and corruption, anti-money laundering, anti-facilitation of tax evasion, competition, conflict minerals, trade compliance, data privacy, whistleblowing, treasury and financial controls, anti-slavery and human trafficking, document retention, joint ventures, diversity and inclusion, environmental, human rights, supply chain, biodiversity and water.

The Company also operates an externally hosted whistleblowing portal which is readily available to all Group employees. This is supported by regularly updated policies, procedures and awareness campaigns to create an environment in which the workforce feels it is safe to raise concerns in confidence without fear of retaliation, and to foster an ethical and supportive Group culture. The Board and the Audit Committee are provided with updates on material whistleblowing events as they are reported from time to time to the Group's senior management team. The Audit Committee is also provided with quarterly and annual reports on whistleblowing activity which highlight whistleblowing activity across the Group, together with a summary of the whistleblowing processes and awareness activities undertaken during the year; this is then fed back to the Board.

2. PRINCIPLES F-I: DIVISION OF RESPONSIBILITIES

THE BOARD

Details of the structure of the Board and its key responsibilities are shown on page 105.

There were four formally scheduled Board meetings held during the year and the attendance of each Director at these meetings is shown on page 118.

Business review meetings are held in addition to scheduled Board meetings. There were four business review meetings held during the year, and the attendance of Directors at these review meetings is set out on page 118. These meetings provide the Directors with a comprehensive understanding of the current performance of, and the key issues affecting, the Group's business lines and functions without the formality of a Board meeting. Members of the Group's executive committee and other members of senior management are periodically invited to attend and present at these meetings, providing the Directors with an opportunity to further strengthen the relationship with the executive management team as well as enabling detailed insight into the operation of the business. The Board also undertakes regular site visits.

Detailed briefing papers containing financial and operational business summaries and an agenda are provided to the Directors in advance of each Board, committee or (where relevant) business review meeting. The Directors are able to seek further clarification and information on any matter from any other Director, the Company Secretary or any employee of the Group whenever necessary.

Decisions are taken by the Board in conjunction with the recommendations of its committees and advice from external consultants, advisors and the Melrose senior management team.

The Board has an encrypted electronic portal, enabling Board, committee and business review papers to be delivered securely and efficiently to Directors. This facilitates a faster and more secure distribution of information, accessed using electronic devices, and reduced resource usage, which in turn helps to reduce paper waste.

The Company Secretary is responsible for advising and supporting the Chairman and the Board on corporate governance matters as well as assisting the Chairman in ensuring a smooth flow of information to enable effective decision-making. All Directors have access to the advice and services of the Company Secretary and, through him, have access to independent professional advice in respect of their duties, at the Company's expense. The Company Secretary, supported by the Assistant Company Secretary, acts as secretary to the Board, the Audit Committee, the Nomination Committee and the Remuneration Committee.

In accordance with its articles of association (the "Articles"), and in compliance with the Companies Act 2006, the Company has granted a qualifying third-party indemnity to each Director. This indemnity is provided both within the Company's Articles and through a separate deed of indemnity between the Company and each of the Directors. The Company also maintains directors' and officers' liability insurance.

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CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of each of the Chairman and the Chief Executive Officer of the Company are, and will remain, separate in accordance with the Code and Board policy.

The Chairman is responsible for leadership of the Board. The Chairman sets the Board agenda and ensures that adequate time is given to the discussion of issues in order to facilitate constructive discussions with effective contributions from the Non-executive Directors, particularly on those issues of a strategic nature. The Chairman, with the support of the Company Secretary, also facilitates constructive Board relations by providing accurate and clear information in a timely manner. Responsibility for ensuring effective communications are made to shareholders rests with the Chairman and the executive Directors.

The Chief Executive Officer is responsible for strategic direction and decisions involving the day-to-day management of the Company.

SENIOR INDEPENDENT DIRECTOR

The Senior Independent Director's role is to provide a sounding board for the Chairman to act as an intermediary for the Company's other Non-executive Directors where required, and to ensure that any key issues that are not being addressed by the Chairman or the executive management are addressed.

NON-EXECUTIVE DIRECTORS

The Company's Non-executive Directors are encouraged to, and do, scrutinise the performance of the executive Directors in all areas, including on strategy, risks and financial information, through their roles on the Company's committees, at the Board's scheduled meetings and business review sessions, and on an ad-hoc basis. The Non-executive Directors come from a diverse range of backgrounds and as such are able to draw on their own specialist knowledge to give necessary guidance and advice, and to hold management to account.

The Board currently consists of two executive Directors, six Non-executive Directors (inclusive of the Senior Independent Director) and the Non-executive Chairman. As described in the Governance overview section on pages 103 to 107, the Chairman is stepping down from the Board on 31 March 2025 and the Senior Independent Director's tenure, which was due to come to an end in May 2025, has been extended for a limited period to 31 December 2025 to facilitate and implement the effective succession of Mr Grigg as Chairman, and to assist with succession planning for key Board roles thereafter, including the appointment of a successor Senior Independent Director. The Board is satisfied that there is, and will continue to be, sufficient challenge by Non-executive Directors of executive management in meetings of the Board, and that no individual or small group of individuals dominates its decision-making.

Together with the Chairman, the majority of the Non-executive Directors are members of the Nomination Committee and as such, they play a key role in appointing and removing executive Directors. As considered in section 3 on page 118, the Non-executive Directors are also key in evaluating the performance of the Directors.

NON-EXECUTIVE DIRECTOR INDEPENDENCE

In accordance with the provisions of the Code, consideration has been given to the independence of all Non-executive Directors. The Board considers all of the Non-executive Directors to be independent.

Upon Mr Justin Dowley's appointment to the role of Chairman, he was considered independent. While Mr Dowley's tenure exceeds the maximum nine-year period recommended by the Code, his term was extended with strong shareholder support through a period of significant change for the Company, ensuring continuity and stability and aiding the continued development of a strong and diverse pipeline for succession planning in line with the Company's recently transitioned strategy to a global aerospace technology business. Mr Dowley's tenure as a Non-executive Director will end on 31 March 2025.

Mr Grigg will succeed Mr Dowley as Chairman on 30 March 2025. Mr Grigg is considered independent.

Mr David Lis is the appointed Senior Independent Director, and acts as an intermediary for the other Directors and shareholders.

In accordance with the Code requirements, at least half of the Board, excluding the Chairman, comprises Non-executive Directors determined by the Board to be independent, and this will remain the case after Mr Grigg succeeds Mr Dowley as Chairman as outlined above.

The Non-executive Directors are not entitled to any cash bonus or shares under the Melrose Performance Share Plan or any other incentive plans, nor do they receive taxable benefits or pension contributions. The Board does not consider it appropriate to impose minimum shareholding requirements on the Non-executive Directors at this time.

CORPORATE GOVERNANCE FRAMEWORK AND TERMS OF REFERENCE

The Board has an overarching corporate governance framework to ensure continued alignment of the Board and committee members' roles and division of responsibilities with the Code and the Group's top-down, bottom-up risk management approach. Each member of the Board is provided with a copy of the Company's corporate governance framework, which was reviewed, updated and approved by the Board during 2024.

Each committee has its own written terms of reference. The Company Secretary supports the committees in updating these terms of reference in order to comply with the Code and other good corporate practice. The terms of reference are more formally reviewed on an annual basis in the committee meetings as well as on an ad-hoc basis where necessary. The terms of reference are available via the Melrose website at www.melroseplc.net/governance/documents-and-policies/.

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BOARD INDUCTION, TRAINING AND SUPPORT

An induction programme tailored to the needs of individual Directors is provided for new Directors joining the Board. The primary aim of the induction programme is to introduce new Directors to, and educate them about, the Group's businesses, its technology, strategy, operations, finances and governance arrangements. Individual induction requirements are monitored by the Chairman and the Company Secretary to ensure that new Directors gain sufficient knowledge to enable them to contribute to the Board's deliberations as quickly as possible.

The Board also receives annual training and regular updates on key sustainability issues that impact the sector in which the Group's business operates, and on the specific measures that are required to be implemented to drive improved sustainability performance over the longer term for the benefit of all stakeholders.

TIME COMMITMENTS AND ATTENDANCE OF DIRECTORS AT MEETINGS

When considering appointments to the Board, the Board, in conjunction with the Nomination Committee, reviews any other demands on a candidate's time. New Directors are required to disclose any directorships held and other business interests, and existing Directors are required to obtain the Chairman's consent for additional external appointments. The ability of Directors to have sufficient time to meet their Board responsibilities is considered on an annual basis as part of the performance evaluation process. Other than Mr Peter Dilnot's position as a trustee of the charity Autistica and Mr Matthew Gregory's position as a trustee of Britten Pears Arts, which the Board has concluded do not affect their ability to meet their Board and executive responsibilities, the executive Directors do not hold any significant appointments, nor do they have any non-executive directorships in any FTSE 100 company.

The following table shows the attendance of each of the Directors at the scheduled meetings of the Board and its committees held during the year. The quorum necessary for the transaction of business by the Board and each of its committees is two. The table also shows attendance at business review meetings held between scheduled Board meetings. Non-executive Directors are invited but are not required to attend such meetings.

ATTENDANCE OF DIRECTORS

	Board	Audit	Nomination	Remuneration	Business review
Number of meetings[1]	**4**	**4**	**2**	**2**	**4**
Justin Dowley	4	4[2]	2	2	4
Peter Dilnot	4	–	–	–	4
Matthew Gregory	3[3]	4[3]	–	–	3
David Lis	4	4	2	2	4
Charlotte Twyning	4	4	2	2	4
Heather Lawrence	4	4	2[4]	2[4]	4
Gillian Elcock	4	4	2	2	4
Chris Grigg[5]	2	1	1	1	1
Ian Barkshire[6]	2	1	1	1	1
Victoria Jarman[7]	1	0	–	1	2
Christopher Miller[8]	1	–	–	–	1
Simon Peckham[8]	1	–	–	–	1
Geoffrey Martin[8]	1	1	–	–	1

(1) In addition to the above scheduled meetings, ad-hoc Board and committee meetings are held from time to time which are attended by a quorum of Directors and are convened to deal with specific items of business.
(2) Mr Dowley attended Audit Committee meetings by invitation.
(3) Mr Gregory attended all Board meetings and business review meetings held following his 7 March 2024 appointment to the Board and attended Audit Committee meetings by invitation.
(4) Mrs Lawrence attended Nomination Committee and Remuneration Committee meetings by invitation.
(5) Mr Grigg was appointed as a Non-executive Director of the Company on 1 October 2024. He attended all Board and applicable committee and business review meetings following his appointment. Mr Grigg attended the 13 November 2024 Audit Committee meeting by invitation.
(6) Dr Barkshire was appointed as a Non-executive Director of the Company on 1 October 2024. He attended all Board and applicable committee and business review meetings following his appointment.
(7) Ms Jarman resigned as a Non-executive Director of the Company on 2 May 2024. She attended all Board and applicable committee meetings, together with all business reviews, prior to her resignation except for the Audit Committee meeting held on 6 March 2024 which she was unable to attend due to a conflicting engagement.
(8) Mr Miller, Mr Peckham and Mr Martin resigned from the Board on 7 March 2024. They attended all Board and business review meetings held prior to their resignation. Mr Martin attended the 6 March 2024 Audit Committee meeting by invitation.

3. PRINCIPLES J-L: COMPOSITION, SUCCESSION AND EVALUATION

BOARD COMPOSITION

The Board believes that the Directors bring a combination of skills, experience and knowledge to the Board that is complementary to the activities of the Company. Biographies of the Directors are shown on pages 108 and 109, and on the Company's website at www.melroseplc.net/governance/board-leadership/. These biographies identify any other significant appointments held by the Directors.

During the year, Mr Dilnot and Mr Gregory were appointed as Chief Executive Officer and Chief Financial Officer on 6 and 7 March respectively, succeeding Mr Simon Peckham and Mr Geoffrey Martin who stepped down as Chief Executive and Group Finance Director respectively. Mr Christopher Miller stepped down as Executive Vice-Chairman on 7 March 2024 and Ms Victoria Jarman, Non-executive Director, stepped down from the Board at the 2024 AGM.

On 1 October 2024, Mr Grigg and Dr Barkshire were appointed as Non-executive Directors of the Company. Mr Grigg will succeed Mr Dowley as Chairman on 30 March 2025 and Mr Dowley will step down from the Board on 31 March 2025.

While the Board has made significant progress in improving its diversity in recent years, meeting the UK Listing Rules and the FTSE Women Leaders Review target of having 40% female representation on its Board for a number of years and continuing to meet the Parker Review target of having one Director from an ethnic minority background on the Board, recent changes to the Board have meant that the Company does not currently meet the target of 40% female representation with three of the current nine Board members being female. Following Mr Dowley stepping down from the Board on 31 March 2025, 38% of the Board will be female. The UK Listing Rules and the FTSE Women Leaders Review also set a target for at least one senior board position, being that of Chairman of the Board, Senior Independent Director, Chief Executive Officer or Chief Financial Officer, to be held by a woman (the FTSE Women Leaders Review having set a target date of the end of 2025).

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The Board and the Nomination Committee recognise that Melrose does not currently meet this requirement. Melrose's position, along with the target for 40% female representation on the Board, is under active review and is fully factored into ongoing succession planning discussions. Russell Reynolds Associates, an external recruitment consultancy firm unconnected with the Company and its Directors, has been retained to identify suitable candidates for the Board's consideration.

SUCCESSION PLANNING

Succession planning is coordinated via the Nomination Committee in conjunction with the Board and includes all Directors and the executive committee. It remained a core focus in 2024 in light of the Company's strategic transition to operating as a global aerospace technology business.

Mr Dilnot and Mr Gregory were appointed as Chief Executive Officer and Chief Financial Officer on 6 and 7 March 2024 respectively, and collectively they provide strong FTSE plc and aerospace sector experience in addition to executive management continuity. Mr Dilnot previously served as Melrose Chief Operating Officer since April 2019 as well as serving as Chief Executive Officer of GKN Aerospace for periods during his tenure as an executive Director of Melrose, while Mr Gregory previously served as Chief Financial Officer of GKN Aerospace, and prior to that served as the Chief Financial Officer and latterly Chief Executive Officer of FirstGroup plc.

As previously announced, having led the Board through the Group's recent strategic transition, Mr Dowley's tenure as Chairman will end on 30 March 2025 and as Non-executive Director of the Company on 31 March 2025. During the year the Board, led by our Senior Independent Director Mr Lis, completed its search for Mr Dowley's successor as Chairman. The Board was delighted to appoint Mr Grigg as Non-executive Director and Chairman designate on 1 October 2024. Mr Grigg will succeed Mr Dowley as Chairman on 30 March 2025. Mr Grigg has extensive senior executive experience as a former FTSE Chief Executive Officer as well as 10 years' experience as Non-executive Director of BAE Systems plc, latterly serving as its Senior Independent Director.

The Board also appointed Dr Barkshire as Non-executive Director on 1 October 2024. Dr Barkshire was the Chief Executive Officer of Oxford Instruments plc between 2016 and 2023, spending over 20 years at the company including as Chief Operating Officer and Group Technical Director.

Mr Lis, Senior Independent Director, will have served as Non-executive Director of the Company for nine years in May 2025 and as such his tenure was due to expire at that point. However, the Nomination Committee and the Board have approved an extension to Mr Lis's tenure as Senior Independent Director up to 31 December 2025 to facilitate and implement the effective succession of Mr Grigg as Chairman, to assist with succession planning for key Board roles thereafter and the development of a diverse Board thereafter, including the appointment of a successor Senior Independent Director. It will also assist in continuing to build the Board's sector-specific and senior FTSE plc experience to ensure continued rigorous oversight of Melrose under its new strategy and business model as a global aerospace technology business. Mr Lis will therefore be standing for re-election at the 2025 AGM.

The Nomination Committee and the Board also reviewed talent management and succession plans relating to the Group's executive committee, to ensure the continued development of a diverse pipeline for succession.

BOARD PERFORMANCE REVIEW

Evaluation approach and process

The Code requires that FTSE 350 companies undertake an externally facilitated Board and committee evaluation once every three years. The last external Melrose Board and committee review was in 2023, for which the Company engaged Lintstock Ltd. Lintstock Ltd is a specialist corporate governance consultancy and, other than the Board and Committee reviews, has no other connection with the Company or its Directors.

Whilst the Company is not required to undertake another externally facilitated Board and committee evaluation until 2026, during 2024 the Company continued its ongoing internal review of the Board and its committees, both internally within each of those bodies and with the Chairman of the Board and the chair of each committee respectively. As in prior years, the Company also conducted an evaluation of the Chairman of the Board's performance. These evaluations were conducted and facilitated by the completion of questionnaires, and discussions at the applicable Board and committee meetings, with follow-up actions taking place where relevant. Each director was also invited to attend an individual meeting with the Chairman of the Board in order to discuss any relevant matters they wished to be considered as part of the ongoing review, as well as an individual meeting with the Senior Independent Director in respect of the evaluation of the Chairman.

A range of topics were discussed as part of the evaluations, including the composition and skill set of the Board, succession planning and diversity, and risk management.

Outputs of the evaluation and Board focus for 2025

The review concluded that the Board and its committees, the Chairman of the Board, the Senior Independent Director and the Chair of each committee continue to be highly effective with good levels of satisfaction with the Board and each committee.

In order to further enhance the Board's effectiveness, the following areas have been designated as the subject of focus for the Board and management during 2025:

- continuing to monitor Board and senior management succession to ensure effective management at all levels;
- continuing to build the Board's sector-specific and senior FTSE plc experience in conjunction with building a diverse Board, to encourage continued rigorous oversight of Melrose under its new strategy and business model as a long-term aerospace business;
- ensuring the adequacy of the Board's visibility over the impact of principal risks on the business divisions, and continuing to monitor and enhance the Group's management of risk, including in anticipation of forthcoming changes to Provision 29 of the 2024 Code;
- continuing to ensure a disciplined approach to capital allocation, informed by regular review and challenge of the commerciality of future technologies, expected new aircraft programmes, and emerging sectoral trends; and
- continuing to scrutinise the cash profiles of the businesses and to drive cash performance.

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Annual (re-)election of Directors

Pursuant to the Company's Articles and in accordance with the provisions of the Code, all of the Directors stood for re-election (or where applicable election) at the 2024 AGM. As detailed on page 103 Mr Dowley will not be standing for re-election by shareholders at this year's AGM. With the exception of Mr Grigg and Dr Barkshire, who are standing for election for the first time, all of the remaining Directors of the Company will be standing for re-election. In each case an ordinary resolution will need to be passed to approve such (re-)elections.

In considering whether each Director should stand for re-election, the Nomination Committee, in consultation with the Board, considers whether the Board has the appropriate balance of skills, experience, independence and diversity to enable the Board to carry out its duties and responsibilities effectively. The time commitments of each Director are also reviewed as part of this assessment, and Directors are required to disclose any directorships held and other business interests. The annual performance review referred to above assists with determining whether each Director should stand for re-election.

Following performance reviews of each of the Directors, and having considered in turn the individual skills, relevant experience, contributions and time commitment of the Directors to the long-term sustainable success of the Company, the Chairman is of the opinion that each Director's performance continues to be effective and demonstrates commitment to the role.

Mr Dilnot, Chief Executive Officer, is standing for re-election due to his considerable public company and industrial business experience. Mr Dilnot joined Melrose in April 2019, serving as an executive Director and Chief Operating Officer during that time in addition to fulfilling the role of Chief Executive Officer of GKN Aerospace for periods during his tenure. In parallel, Mr Dilnot served as a Non-executive Director at Rotork plc for seven years, including three years as Senior Independent Director until he left the board in December 2023. Mr Dilnot was previously the Chief Executive Officer of international recycling company Renewi PLC (formerly Shanks Group PLC) and a senior executive at Danaher Corporation. He also spent seven years at the Boston Consulting Group in London and Chicago, working primarily with industrial businesses. Mr Dilnot has an engineering and aviation background, and started his career as a helicopter pilot in the British Armed Forces. He also holds a degree in mechanical engineering.

Mr Gregory, Chief Financial Officer, is standing for re-election due to his extensive knowledge of GKN Aerospace, having served as Chief Financial Officer for the business since September 2022. Mr Gregory is a seasoned Chief Financial Officer with considerable public company leadership experience, having served as both Chief Executive Officer and Chief Financial Officer of FirstGroup plc and Chief Financial Officer of Essentra plc. Mr Gregory has strong strategic and operational expertise, including in driving strategy and operational turnaround in complex multinational listed manufacturing and transportation companies, alongside international and corporate development experience. Mr Gregory is a qualified chartered accountant, having started his career at Ernst & Young, working in London and Milan.

Mr Lis, Senior Independent Director, has held several senior roles in investment and fund management. Mr Lis brings to the Board extensive financial experience and deep insight into the expectations of Melrose's institutional investor base. While Mr Lis will have served on the Board for nine years in May 2025, the Nomination Committee and the Board have approved an extension of Mr Lis's tenure as a Director and Senior Independent Director to 31 December 2025 in order to facilitate and implement the effective succession of the Non-executive Chairman and to assist with succession planning of key Board roles thereafter (including a successor Senior Independent Director), and to maintain an important degree of continuity among senior Board positions within the Company as it emerges from a transformational period that will have seen changes to its top three director roles of Chief Executive Officer, Chief Financial Officer and Chairman.

Mr Grigg, Non-executive Director, is standing for election as a Director for the first time following his appointment to the Board on 1 October 2024. Mr Grigg has extensive senior executive experience as a former FTSE Chief Executive Officer, and within the aerospace and defence sector. Mr Grigg was a Non-executive Director of BAE Systems plc for 10 years until December 2023, latterly serving as its Senior Independent Director. In his executive career, Mr Grigg was Chief Executive of British Land from January 2009 and left the board in December 2020. Earlier in his career, Mr Grigg was Chief Executive of Barclays Commercial Bank, and Treasurer of Barclays Bank plc. Prior to Barclays, he spent 20 years at Goldman Sachs, latterly as a partner, having started his career at Morgan Grenfell. Mr Grigg is currently Chair of the National Wealth Fund (formerly known as the UK Infrastructure Bank) and its nominations committee, having served in those roles since April 2021. Mr Grigg is also Chair of Evelyn Partners and its nominations committee, having served in those roles since February 2022, prior to which he served as a Non-executive Director, and serves as a member of the FTSE Women Leaders Review's independent steering body.

Dr Barkshire, Non-executive Director, is also standing for election as a Director for the first time, following his appointment to the Board on 1 October 2024. Dr Barkshire brings a wealth of executive experience to the Board, having spent most of his career driving the development, commercialisation and delivery of innovative technologies and specialised products to the world's leading industrial companies. Dr Barkshire was the Chief Executive Officer of Oxford Instruments plc between 2016 and 2023, spending over 20 years at the company in a number of leadership positions, including Chief Operating Officer, Group Technical Director and Divisional Head. Earlier in his career, Dr Barkshire was Senior Principal Scientist at GEC-Marconi Materials, before which he was a Research Fellow at the University of York. Dr Barkshire is a Fellow of the Royal Academy of Engineering and is currently a member of the Strategic Advisory Board of the UK National Quantum Technologies Programme as well as Chair of Illumion Limited, a technology start-up company.

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The following Non-executive Directors are standing for re-election due to their independence, diversity, skills and experience. In particular:

- Ms Twyning was appointed as a Non-executive Director on 1 October 2018 and has chaired the Nomination Committee since 1 January 2022. Ms Twyning brings a diverse range of experience and commercial acumen to the Board as well as a deep understanding of the Melrose business as she enters her third three-year term. After a successful legal career specialising in competition and M&A law in the City, Ms Twyning has held various senior positions across a number of sectors, most recently in aviation and transportation. Ms Twyning has proven executive leadership and operational skills in large, complex organisations and has consistently succeeded in driving performance, leading large-scale sustainable transformations and building the foundations for growth throughout her career. She now enjoys a portfolio career, comprising a number of non-executive, trustee and advisory roles.
- Mrs Lawrence was appointed as a Non-executive Director on 1 June 2021 and has chaired the Audit Committee since 5 May 2022. Mrs Lawrence originally qualified as a chartered accountant and subsequently spent well over a decade working in senior roles within corporate finance and investment banking where she honed her experience across industrials and transportation businesses. Mrs Lawrence has significant non-executive experience, including as a Non-executive Director of Antofagasta PLC, as well as having the necessary expertise required to perform the role of Chair of the Audit Committee.
- Ms Elcock was appointed as a Non-executive Director on 21 June 2023. Ms Elcock has extensive asset management and investment research experience, including covering the aerospace and defence sector. Ms Elcock is the founder and former Managing Director of Denny Ellison, an independent investment research and training company. Prior to this, she worked as an equity research analyst for several years at Putnum Investments and Insight Investment. Ms Elcock also brings insight gained from several other non-executive director roles, and has two engineering degrees from MIT and an MBA from the Harvard Business School.

Biographies of each of the Directors are shown on pages 108 and 109, and on the Company's website at www.melroseplc.net/governance/board-leadership/. Detailed justifications for each Director's re-election (or election, as the case may be) are set out in the Notice of Annual General Meeting, on pages 245 to 252.

4. PRINCIPLES M-O: AUDIT, RISK AND INTERNAL CONTROL

OBJECTIVES AND POLICY

A key responsibility of the Board and the senior management team is to safeguard and increase the value of the businesses and assets of the Group for the benefit of its shareholders. Achievement of these objectives requires the development of policies and appropriate internal control frameworks and maintaining such policies and frameworks to ensure that the Group's resources are managed properly and that any key risks are identified and mitigated where possible.

The Board is ultimately responsible for the development of the Group's overall risk management and internal control frameworks,. and for reviewing and maintaining their respective effectiveness. In assisting the Board with these responsibilities, the Audit Committee reviews the effectiveness of, monitors, and oversees, the Group's risk management, internal financial control systems and processes, and compliance controls, and provides both feedback and recommendations to the Board. The role of the senior management team is to implement these risk management and internal control policies and frameworks across the Group's business operations. The Directors recognise that the systems and processes established by the Board are designed to manage, rather than eliminate, the risk of failing to achieve business objectives and cannot provide absolute assurance against material financial misstatement or loss.

The Board assumes ultimate responsibility for risk management and internal controls, including determining the nature and extent of the principal risks it is willing to take to achieve its strategic objectives (its 'risk appetite') and ensuring an appropriate culture has been embedded throughout the organisation. The Audit Committee supports the Board in monitoring risk exposure against risk appetite, whilst the Board remains responsible for reaching its own conclusions regarding the recommendations it receives as well as forming its own views on the effectiveness of risk management and internal controls.

The risk management and internal control system is complemented by ongoing monitoring and review, to ensure that the Company is able to adapt to an evolving risk environment. During 2024 this included a review of the changes being made, with effect for financial years commencing on or after 1 January 2026, to enhance Provision 29 of the Code in relation to the monitoring and review of the effectiveness of companies' risk management and internal controls frameworks and disclosures to be made in relation to the same. Preparations are underway to ensure the Company is well-positioned to make the first disclosure under Provision 29 of the 2024 Code in its 2026 Annual Report.

The Audit Committee report is set out on pages 124 to 131 and provides details of the role and activities of the Audit Committee and its relationship with the internal and external auditors.

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MANAGING AND CONTROLLING RISK

The Group's approach to risk management is regularly reviewed and enhanced. The Board is responsible for determining the nature and extent of the principal risks the Group is willing to take in order for the Group to meet its long-term strategic objectives. The systems, processes, and controls in place accord with the Code which enable the Board to undertake a robust assessment of the Company's emerging and principal risks. The Board confirms that such an assessment has been completed. Further details on the Group's risk management strategy are set out on pages 34 to 36.

Further information regarding the Group's financial risk objectives and policies can be found in the Chief Financial Officer's review on pages 26 to 33. A summary of the principal risks and uncertainties that could impact upon the Group's performance is set out on pages 37 to 44.

INTERNAL FINANCIAL CONTROLS AND REPORTING

The Group has a comprehensive system for assessing the effectiveness of the Group's internal controls, including strategic business planning and regular monitoring and reporting of financial performance. A detailed annual budget is prepared by senior management and thereafter is reviewed and formally adopted by the Board.

The budget and other targets are regularly updated via a rolling forecast process and regular business review meetings are held with senior management to assess performance. The results of these reviews are in turn reported to, and discussed by, the Board at each meeting. The Board also holds a series of scheduled business review meetings throughout the year with senior management to review the performance of each business line and each key business function. As discussed in the Audit Committee report on pages 124 to 131, the Group engages BM Howarth Ltd as internal auditor with additional support, as required, from Ernst & Young. A total of 17 GKN Aerospace sites across the Group were assessed by BM Howarth Ltd during 2024 as part of the rolling internal audit programme.

The Directors can report that based on the sites reviewed in 2024, there has been progress across the Group following the 2023 internal audit programme and that the majority of the recommendations presented in internal audit reporting have been or are in the process of being implemented.

The Audit Committee also monitors the effectiveness of the internal control process implemented across the Group through a review of the key findings presented by the external and internal auditors. Management is responsible for ensuring that the Audit Committee's recommendations in respect of internal controls and risk management are implemented.

During 2024, the Audit Committee discussed and approved in principle management's proposal to transition from an externally supported internal audit function to an in-house internal audit function as part of its regular assessment of internal audit and in conjunction with BM Howarth's resignation from its role. Further information regarding the decision and progress made can be found in the Audit Committee report on page 131.

ETHICS AND COMPLIANCE

The Company takes very seriously its responsibilities under the laws and regulations in the countries and jurisdictions in which the Group operates and has in place appropriate measures to ensure compliance. A compliance framework is in place comprising a suite of Group-wide policies relating to anti-bribery and corruption, anti-money laundering, anti-facilitation of tax evasion, competition, conflict minerals, trade compliance, data privacy, whistleblowing, treasury and financial controls, anti-slavery and human trafficking, document retention, joint ventures, diversity and inclusion, environmental, human rights, supply chain, biodiversity and water. Other than in respect of certain policies where it would not be appropriate for them to have such a broad reach, these policies generally apply to all Directors, employees (whether permanent, fixed-term, or temporary), pension trustees, consultants and other business advisors, contractors, trainees, volunteers, business agents, distributors, joint venture partners or any other person working for or performing a service on behalf of the Company, its subsidiaries and/or associated companies in which the Company or any of its subsidiaries has a majority interest.

Online compliance training continued to be conducted within the business, covering topics such as anti-trust, trade compliance and export controls, data privacy, anti-bribery and corruption, and anti-money laundering, to enhance and supplement the existing compliance regime.

The Company's Modern Slavery Statement is approved by the Board annually and the most recent statement is available on the Company's website at www.melroseplc.net/governance/documents-and-policies/. GKN Aerospace (through GKN Aerospace Services Limited) has also published its own Modern Slavery Statement, which is available on GKN Aerospace's website at www.gknaerospace.com/media/b3dpbks3/gkn-anti-slavery-statement-fy2023-final-signed.pdf. Both statements have been published in accordance with the requirements under the Modern Slavery Act 2015. To support the Company's belief in the importance of this matter, it has a Group-wide policy on the prevention of modern slavery and human trafficking, which has been rolled out to employees, along with an online compliance training module. Please also refer to the Audit Committee report on page 129 for details of the Company's whistleblowing policies and procedures.

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5. PRINCIPLES P-R: EXECUTIVE REMUNERATION

POLICIES AND PRACTICES

Melrose's remuneration philosophy is that executive remuneration should be simple, transparent, support the delivery of value creation, and pay only for performance.

To support Melrose's strategic transition to operating as a global aerospace technology business, during 2024 the Company's remuneration structure was revised to reflect our strategic direction and our focus on value creation, driven by continuous operational and financial improvement over the longer term. The 2024 Directors' Remuneration Policy, which was approved by shareholders at the 2024 AGM, rebalanced the Company's remuneration structure to align with Melrose's FTSE 100 peers. In particular, the 2024 Directors' Remuneration Policy rebalanced Melrose's weighting of fixed to variable remuneration, and of medium- to longer-term incentivisation, using a structure more closely aligned with other FTSE 100 companies.

DEVELOPMENT OF POLICIES

The Remuneration Committee has a formal and transparent procedure for developing the Company's policy on executive remuneration and for determining director and senior management remuneration. Shareholders are consulted to seek their views and takes those views into account when formulating proposals on executive remuneration. The Remuneration Committee obtains advice from external remuneration advisors, and undertakes benchmarking exercises as needed with respect to executive pay to ensure that the executive remuneration structure remains appropriate. Shareholders have the opportunity to vote on executive remuneration through their binding vote at least every three years on the Directors' remuneration policy and their advisory vote annually on the Directors' remuneration report. No Director is involved in deciding their own remuneration outcome.

INDEPENDENT JUDGEMENT AND DISCRETION

The Remuneration Committee exercises independent judgement and discretion when authorising remuneration outcomes, taking account of both Company and individual performance, and wider circumstances. As mentioned above, the Remuneration Committee obtains regular advice from external remuneration advisors in order to ensure that proposals are in line with the Code, and benchmarked against the Company's peers. The current Directors' Remuneration Policy provides the Remuneration Committee with the ability to exercise discretion to override formulaic outcomes. The Remuneration Committee exercised discretions in connection with the executive Directors who resigned during 2024. Details of those discretions are set out on pages 142, 143 and 152. Other than those discretions, the Remuneration Committee did not exercise any discretions during 2024. There were no deviations from the Directors' Remuneration Policy in respect of 2024 and the Remuneration Committee did not exercise any discretion to alter the 2024 outcomes from the application of the performance conditions.

Details regarding Directors' remuneration, both generally and in relation to the requirements of the Code, are set out in the Directors' Remuneration report on pages 136 to 155, which is presented in the following two sections:

- the annual statement from the Chair of the Remuneration Committee, which can be found on pages 136 and 137; and
- the Annual Report on Remuneration, which can be found on pages 138 to 155.

The current Directors' Remuneration Policy, which was approved by shareholders at the 2024 AGM, is available on the Company's website[1].

(1) The full details of the 2024 Directors' Remuneration Policy approved at the 2024 AGM can be found on pages 145 to 152 of the 2023 Annual Report (www.melroseplc.net/investors/results-reports-and-presentations/).

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The responsibilities of the Audit Committee (the "Committee") include overseeing financial reporting, internal financial controls and internal control and risk management systems, in addition to making recommendations to the Board regarding the appointment of the Company's internal and external auditors.



Heather Lawrence
Audit Committee Chair

Member	No. of meetings[1][2]
Heather Lawrence (Chair)*	4/4
David Lis*	4/4
Charlotte Twyning	4/4
Gillian Elcock*	4/4
Ian Barkshire[3]	1/1

(1) Reflects regularly scheduled meetings of the Committee.
(2) Ms Jarman resigned as a Non-executive Director and as a member of the Committee on 2 May 2024. One Committee meeting was held between 1 January 2024 and the date of Ms Jarman's resignation which Ms Jarman was unable to attend due to a conflicting engagement.
(3) Dr Barkshire was appointed to the Committee on 1 October 2024. One meeting of the Committee took place between his appointment and 31 December 2024 which Dr Barkshire attended.
* Indicates Committee members with financial expertise. In total, following the retirement of Ms Jarman, 60% of the Committee has financial expertise.

ROLE AND RESPONSIBILITIES

The Committee's role and responsibilities are set out in its terms of reference. These were last reviewed in November 2024 in line with best practice and are available on the Company's website at www.melroseplc.net/governance/documents-and-policies and at the Company's registered office. In discharging its duties, the Committee embraces its role of protecting the interests of all stakeholders with respect to the integrity of financial information published by the Company and the effectiveness of the audit. The responsibilities of the Committee include:

- reviewing and monitoring the integrity of the financial statements of the Group, including the Annual Report and financial statements and interim financial statements, and reviewing and reporting to the Board on the significant financial reporting issues and judgements which they contain;
- keeping under review the effectiveness of the Group's financial reporting;
- reviewing the effectiveness of, and monitoring and overseeing, the Group's risk management processes (excluding cyber security and fraud risk, which are retained by the Board), internal financial controls and internal control and risk management systems that identify, assess, manage and monitor financial risks and risk management systems;
- overseeing the adequacy and security of the Company's arrangements for its employees to raise concerns in confidence in accordance with the Company's whistleblowing policy, including about possible wrongdoing in financial reporting or other matters;
- monitoring and evaluating the independence and effectiveness of the external audit function, taking into account relevant UK laws, regulations, the Ethical Standards and other professional requirements and the relationship with the auditor as a whole and approving the external audit plan and fee;
- reviewing, challenging and reporting to the Board on the going concern assumption and the assessment forming the basis of the longer-term viability statement;
- reviewing and, where necessary, challenging the consistency of accounting policies, the methods used to account for significant or unusual transactions, and compliance with accounting standards;
- reviewing the Company's procedures for detecting fraud, and its systems and controls for the prevention of bribery;
- reviewing and, where necessary, challenging the provision of non-audit services by the external auditor;
- developing and overseeing the selection process for the appointment of the external auditor and in respect of an external audit tender, making a recommendation to the Board on the appointment of the external auditor following on from such tender process;
- monitoring and evaluating the independence and effectiveness of the internal audit function including ensuring the internal audit function has the unrestricted scope and resources necessary to enable it to fulfil its mandate and approving the internal audit plan and fee; and
- reviewing and considering the Annual Report and financial statements to ensure that they are fair, balanced and understandable and advising the Board on whether it can state that this is the case.

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COMPOSITION

The Committee comprises independent Non-executive Directors. Mrs Heather Lawrence continued to act as Chair of the Committee.

Mrs Lawrence, Mr David Lis and Ms Gillian Elcock bring significant and relevant financial experience to their roles on the Committee. Furthermore, each member of the Committee, including Dr Ian Barkshire and Ms Charlotte Twyning, brings strong corporate governance experience to the Committee. The Committee as a whole has competence relevant to the sector in which the Group operates, as can be seen from the details of the relevant experience of each member of the Committee as described in the biographies on pages 108 and 109.

The Company Secretary acts as secretary to the Committee.

To enable the Committee to provide robust challenge of the reports submitted to it, the Committee invited the Chief Financial Officer, the Group Financial Controller, the Head of Financial Reporting and senior representatives of the external and internal auditors to attend its meetings during 2024. The Chair of the Committee also spoke with the Chief Financial Officer and other members of the Melrose finance team prior to each Committee meeting. The Committee may invite any other Directors and/or employees to attend meetings where this is considered appropriate and during the year, the Chairman of the Board attended all the Committee's scheduled meetings. In addition, the Committee meets at least once a year with the external and internal auditors without management present, and the Chair of the Committee speaks with the external and internal auditors prior to each Committee meeting.

SUMMARY OF MEETINGS IN THE YEAR

The Committee is expected to meet not less than three times a year. During 2024, and consistent with 2023, the Committee met four times (March, June, July and November). The scheduling of these meetings is designed to be aligned with the financial reporting timetable, enabling the Committee to review the Annual Report and financial statements, the interim financial statements and the audit plan in advance of the year-end audit and to maintain a view of the internal financial controls and processes throughout the year.

SIGNIFICANT ACTIVITIES RELATED TO THE 2024 FINANCIAL STATEMENTS

As part of its duties the Committee undertook the following recurring activities that receive annual scrutiny:

- review of the 2024 Annual Report and financial statements and the interim financial statements, including the going concern assumption for the Group and the assessment forming the basis of the longer-term viability statement. As part of this review, the Committee received reports from the external auditor on their audit of the Annual Report and financial statements and their review of the interim financial statements, as well as papers prepared by management in respect of going concern, longer-term viability and significant accounting and control matters;
- consideration of the 2024 Annual Report and financial statements in the context of being fair, balanced and understandable and a review of the content of papers prepared by management in relation to the 2024 Annual Report and financial statements. The Committee advised the Board that, in its view, the 2024 Annual Report and financial statements when taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy;
- review of the effectiveness of the Group's internal financial controls and internal control and risk management systems and disclosures made in the 2024 Annual Report and financial statements on this matter;
- review of the effectiveness of the Group's internal and external auditors; and
- review of, and agreement to, the scope of work to be undertaken in respect of the 2024 financial statements by the external auditor and the scope of work to be undertaken in 2025 by the internal auditor.

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In addition to these matters, the Committee considered the following significant issues in relation to the financial statements during the year:

Significant issue considered by the Audit Committee	How the issue was addressed by the Audit Committee
Accounting for revenue under IFRS 15 A high proportion of the Group's revenue relates to the sale of products and services where invoices are raised and revenue recognised when control of the goods is transferred to the customer. However, the Group has one major revenue stream which includes recognition of variable consideration – unbilled work done, relating to certain risk and revenue sharing partnerships ("RRSPs") in a small number of Aerospace businesses. As required, management continues to review the key assumptions that have a significant impact on the allocation of overall transaction prices for impacted aerospace engine components. It is particularly important to reassess the operational progress and status of engine programmes. Specifically, in relation to variable consideration for certain RRSPs, revenue is significantly constrained until there is better visibility over the outcome to comply with the requirement that amounts are only recognised when it is highly probable that they will not reverse in the future. Following continued positive commercial and operational progress on certain affected engine programmes during the year, it was concluded that an update to assumptions was appropriate, in line with an agreed framework. The changes have had an impact on 2024 results (£91 million, including a retrospective catch up of £50 million) and they will impact future results too. The amount of variable consideration recognised in the year is £274 million (2023: £173 million). The increase during the year is due to a ramp-up in volumes and operational benefits as well as implications of changes in assumptions. There remains a significant level of constraint in the unbilled work done contract asset. *(Refer to notes 3, 4 and 17 of the financial statements)*	The Committee received an update prepared by management and again discussed the implications of IFRS 15, which included an assessment of estimates used in calculating variable consideration and the unbilled work done contract asset for certain RRSPs. The support for changes in estimates, impacting both the amount and timing of revenue recognition, was considered and this was deemed to follow commercial progress on specific programmes. The impact of changes will be more significant in the future. The Committee discussed the audit work performed by PricewaterhouseCoopers LLP ("PwC") to assess whether the proposed revenue to be recognised, together with incremental disclosures, was appropriate. The Committee was satisfied that the approach and assumptions used remained both reasonable and appropriate. Specifically, the significant levels of constraint in the unbilled work done contract asset are monitored closely. However, it is understood that it remains reasonably possible that assumptions may change which could lead to the recognition of further unbilled work done in the next year.
Classification of adjusting items and use of Alternative Performance Measures ("APMs") The reporting, classification and consistency of adjusting items continues to be an area of focus for the Committee, in particular, given the guidance on APMs provided by the Financial Reporting Council ("FRC") and European Securities and Markets Authority ("ESMA"). The Committee considers this a key consideration when reviewing if the financial statements are fair, balanced and understandable. *(Refer to notes 3 and 6 of the financial statements)*	The Committee has reviewed the nature, classification and consistency of adjusting items, whilst considering the guidance provided by the FRC and ESMA. These items are defined and discussed in the Chief Financial Officer's review and detailed in note 6 to the financial statements. Specifically, the Committee focused on the areas of estimation within significant restructuring project costs, which totalled £111 million (2023: £149 million) and the accounting for the Group's disposal of three non-core businesses, where there was a net loss of £43 million in the year. Following a review of management's paper and challenge, the Committee was satisfied that there have not been any changes to the substance of the policy. The Committee also considered disclosure of the Group's APMs with respect to applicable guidelines and noted that these are set out in detail in the glossary to the financial statements. Reconciliations of adjusted performance measures to statutory results are set out in note 6 to the financial statements. The Committee found the disclosures to be clear and transparent, assisting shareholders in measuring the operating performance of the Group. The Committee therefore concluded that adjusting items were appropriately captured and disclosed.

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Significant issue considered by the Audit Committee	How the issue was addressed by the Audit Committee
Restatement of contract assets and liabilities The Group changed its presentation of working capital items in the balance sheet to address the netting of specific balances within certain programmes. It was determined that the appropriate presentation should be on a gross basis for a small number of material issues. Prior-year comparatives have been restated as required by IAS 1, with a restated 31 December 2022 balance sheet included as required by IAS 8. The balance sheets were impacted by increasing inventories (31 December 2023 and 2022: £3 million and £3 million respectively), contract assets (31 December 2023 and 2022: £173 million and £144 million respectively) and contract liabilities (31 December 2023 and 2022: £176 million and £147 million respectively). These changes have not had any impact on net assets in the balance sheet or on the other primary statements. *(Refer to note 1 of the financial statements)*	The Committee reviewed the nature of the changes made and reasons for change in the balance sheet at 31 December 2024, along with the prior-year restatements and associated disclosures detailed in note 1 to the financial statements. The Committee discussed the reasons for change with PwC, the audit work performed by them and their conclusion regarding the restatements. Considering all of the above, as well as management responses, the Committee was satisfied that the approach adopted was reasonable and disclosures were appropriately presented.
Group's capital structure The Group had three material transactions impacting the capital structure during the year: • the finalisation of a £500 million and commencement of a £250 million share buyback programmes; • crystallisation and net settlement of the Melrose Employee Share Plan ("MESP"); and • a capital reduction to create further distributable reserves in the parent company. Whilst the accounting, presentation and disclosure of these transactions and their associated cash outflows, £431 million for the share buyback programmes and £198 million for the net settlement of the MESP, were not judgemental, they were material. *(Refer to notes 1, 9, 10, 23 and 26 of the financial statements)*	The Committee reviewed a paper presented by management and challenged certain aspects of the disclosure presented in the financial statements. Following responses from management and PwC, the Committee was satisfied that each of the transactions had been treated appropriately.
Impairment testing of goodwill Impairment testing is inherently subjective as it includes assumptions in the calculation of recoverable amount for each of the groups of cash-generating units ("CGUs") being tested. Assumptions include future cash flows of the relevant groups of CGUs, discount rates that reflect the appropriate risk and long-term growth rates which are consistent with the industry and geography of operations. Due to consequential impacts from continued disruption of supply chains and interest rate rises, businesses within the Group are continuing to mitigate the impact of volatile customer scheduling through cost reduction and efficiency actions. No impairment of goodwill balances has been recorded in the Group financial statements for 2024 consistent with the strong performance seen during the year and expectations for the future. *(Refer to note 11 of the financial statements)*	The Committee challenged the outcome of the impairment testing in respect of both groups of CGUs. In doing so, the Committee considered a paper prepared by management and the appropriateness of the disclosures in the financial statements in respect of the impairment testing performed. The Committee discussed with PwC the audit work performed by them and their conclusion regarding the disclosures presented. Considering all of the above, as well as management responses and PwC's views, the Committee was satisfied that the assumptions used and impairment conclusions, together with disclosures, were appropriately presented.

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Significant issue considered by the Audit Committee	How the issue was addressed by the Audit Committee
Deferred tax asset ("DTA") in the UK The Group has significant deferred tax assets on its balance sheet, particularly relating to the UK. These have arisen from tax losses and other temporary differences on, for example, property, plant and equipment and pension liabilities. DTAs are recognised only to the extent it is probable that future taxable profits will be available against which the assets can be utilised. A recoverability assessment has been undertaken using the Group's latest approved profit forecasts which reflect industry growth rates and supply and demand factors. The assessment takes both positive and negative evidence into account, and sensitivity analysis has been undertaken which considers the impact of lower growth rates and levels of operating profit. At 31 December 2024, the Group has a net UK DTA of £277 million (31 December 2023: £237 million). Given the long-term nature of the aerospace industry, with typical Structures programme life cycles of 25 to 35 years, the forecast recovery of the UK DTA is consistent with this. *(Refer to notes 3 and 22 of the financial statements)*	The Committee challenged the assessment performed by management. In doing so the Committee considered a paper prepared by management and the appropriateness of the disclosures in the financial statements in respect of the estimations used. The Committee also discussed with PwC the audit work performed by them and their conclusion regarding the disclosures presented. After discussion and challenge, the Committee was satisfied that the assumptions used and conclusions reached together with disclosures, were supportable.
Going concern and viability The Committee is required to assess the going concern assumption for the Group and the basis of the longer-term viability statement before making a recommendation to the Board. The assessment of going concern uses the same forecast data as in many other areas of estimation within the financial statements and considers the banking covenant tests. *(Refer to note 2 of the financial statements)*	The Committee reviewed and approved management's recommendation to prepare the financial statements on a going concern basis. The key principles debated were the level of committed facility headroom on bank covenants and the flexibility of liquidity arrangements to meet obligations. In addition to base case modelling, which uses approved financial forecasts, a severe but plausible downside scenario was also considered. The Committee considered a paper and financial model prepared by management in respect of the longer-term viability statement to be included in the Annual Report and financial statements as well as analysis conducted by the external auditor. The Committee challenged the assumptions and judgements made by management before concluding that the longer-term viability statement was appropriate.

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RISK MANAGEMENT AND INTERNAL CONTROL

One of the key roles of the Committee is to review and monitor the Group's risk management, internal financial control systems and processes, and compliance controls. The Committee has a high degree of risk and compliance expertise to enable it to fulfil this role. In particular, Mrs Lawrence and Mr Lis have each held senior roles at various financial institutions while Dr Barkshire has a wealth of executive experience having served as both Chief Executive Officer and Chief Operating Officer of a UK listed public company. Furthermore, Mrs Lawrence, Mr Lis and Ms Elcock have held various non-executive directorship positions on the boards of UK listed public companies.

During 2024, the Committee continued to keep the Company's internal financial controls systems that identify, assess, manage and monitor financial risks and other internal control and risk management systems, and the effectiveness of the Group's risk management system, under review. This was achieved through regular reports from management regarding their assessment of control and risk management (including twice-yearly risk management reports) as well as updates and reporting from the Group's internal auditors, BM Howarth, and review of reports from the Group's external auditors, PwC. The Committee also appraised responses to cyber security risks and received regular updates on whistleblowing reports. The scope, mandate and review schedule of the Group's internal audit programme was reviewed and approved in advance by the Committee.

The executive committee, with support from the Melrose legal team, the financial compliance and assurance team and other members of senior management, led the Group-wide risk review and reporting process through the year for the benefit of the Committee and the Group as a whole. The top-down, bottom-up risk review process involves multiple rounds of direct engagement with all members of the Group's executive committee as well as other key senior risk owners and supports the Committee's oversight of developing risk areas, mitigations, controls and trends.

Following the Company's change of strategy during 2023 to operating as a global aerospace technology group, Ernst & Young supported the risk management process by analysing the Group's principal risks profile against other aerospace and defence companies based on their public disclosures. Senior management conducted a similar analysis during 2024.

The Committee reviewed and challenged the Group's risk management processes and also reviewed and challenged the interim and annual risk management reports prepared for the Committee by senior management relating to the Group's principal risks profile. These reports guided the Committee on relevant updates relating to the development of the Group's principal risks (including in respect of risk trends and mitigation activities) as reported in the Risks and uncertainties section on pages 37 to 44. They also aided the Committee's discussions with the Board on risk appetite, as detailed further on page 35.

Management also reported on the Group's internal control systems supported by the internal audit review.

The Group's risk management and internal financial control systems were reviewed and the Committee confirmed their effectiveness to the Board. No significant weaknesses were identified.

UK CORPORATE GOVERNANCE CODE AMENDMENT

The Committee has reviewed and discussed the changes to the UK Corporate Governance Code (the "Code") being made in the 2024 Code. In particular for financial years commencing on or after 1 January 2026, Provision 29 of the Code requires the Board to monitor and review the effectiveness of the Company's risk management and internal controls frameworks and related disclosures. Preparations are under way to ensure the Company is well-positioned to make its first set of disclosures under Provision 29 of the 2024 Code in the 2026 Annual Report. Steering and working committees have been established and a roadmap has been developed with work in progress to assess current financial, operational, reporting and compliance controls and to identify and implement appropriate enhancements to existing control processes co-led by the Melrose legal team and the financial compliance and assurance team. Senior management will be reporting regularly to the Committee on progress during 2025.

WHISTLEBLOWING

The Committee is required to oversee the adequacy and security of the Company's arrangements for its employees to raise concerns in confidence in accordance with the Company's whistleblowing policy, including about possible wrongdoing in financial reporting or other matters. The Company runs a well-established Group-wide whistleblowing platform, which is overseen by the Committee and supported by the Group's senior management team and ultimately reported to the Board. The platform is monitored by the Melrose legal team. All employees have access to a multi-lingual online portal, together with local hotline numbers that are available 24/7, in order to raise concerns, confidentially and (if desired) anonymously, about possible wrongdoing in any aspect of the business, including financial and non-financial matters. The most material whistleblowing cases are notified to the Chair of the Committee promptly, and quarterly whistleblowing reports are prepared by senior management for discussion at each Committee meeting with a view to ultimately reporting such matters to the Board.

COMMITTEE EVALUATION

The Code requires that FTSE 350 companies undertake a formal and rigorous annual evaluation of the performance of the Board, its committees, the Chairman of the Board and individual Directors. In particular, FTSE 350 companies should undertake an externally facilitated Board and committee evaluation once every three years. The last external Melrose Board and committee review was undertaken by Lintstock Ltd in 2023 and as such, the Company is not required to undertake another externally facilitated Committee evaluation until 2026. During the year, the Company continued its ongoing internal review of the Committee and collected feedback from Committee members with a similar range of focal topics as featured in the 2023 external review. Specifically, the assessment covered: (i) the constitution and performance of the Board and each committee; (ii) the Chairman of the Board; and (iii) individual performance reviews. Alongside such formal feedback, the Committee continued to facilitate direct ongoing contact between its members and the Chair of the Committee about any relevant matters that the members wished to raise as part of the ongoing review.

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EXTERNAL AUDIT

Assessment of effectiveness of incumbent external auditor

The Committee reviews and makes recommendations with regard to the reappointment of the external auditor. In making these recommendations, the Committee considers auditor effectiveness and independence, partner rotation and any other factors which may impact the external auditor's reappointment.

The Committee has reviewed the performance and effectiveness of the incumbent external auditor, PwC. For 2024, a series of questions covering key areas of the audit process that the Committee is expected to have an opinion on were considered by the Committee, including:

- the calibre, experience, resources, leadership and technical and industry knowledge of the engagement partner and of the wider external audit team;
- the planning and execution of the audit process;
- the quality and timeliness of communications from the external auditor; and
- the quality of support provided to the Committee by the external audit partner.

Committee members, together with the Group finance team led by the Chief Financial Officer, were requested to provide detailed feedback on the effectiveness of the external auditor. The Chair of the Committee also sought feedback from the internal auditor. The Company Secretary subsequently produced a paper summarising the responses, which was considered by the Committee. The Committee concluded that the quality of the external audit team was appropriate, the external audit process was operating effectively, and PwC had proved effective in its role as external auditor for the first year.

Non-audit services

Under the Competition and Markets Authority (the "CMA") and EU regulations (as they form part of retained UK law), there are restrictions on the type and amount of non-audit services provided by PwC. These cap the level of permissible non-audit services awarded to the external auditor at 70% of the average audit fee for the previous three years. The cap applies in respect of the current financial year, with audit fees in 2021, 2022 and 2023 being relevant. PwC were appointed as external auditor in 2024 and as such there were no PwC audit fees in the previous three years. Whilst there is no historical audit fee data, the Committee is satisfied that the level of permissible non-audit services is below 70% of the in-year audit fee.

A policy on the engagement of the external auditor for the supply of non-audit services is in place to ensure that the provision of non-audit services does not impair the external auditor's independence or objectivity. The policy outlines which non-audit services are pre-approved (being those which are routine in nature, with a fee that is not significant in the context of the audit or audit-related services), which services require the prior approval of the Committee and which services the auditor is excluded from providing.

The general principle is that the audit firm should not be requested to carry out non-audit services on any activity of the Company where the audit firm may, in the future, be required to give an audit opinion. In accordance with best practice FRC guidelines, the Company's policy in relation to non-audit services is kept under regular review. The policy was reviewed during the year against the FRC Revised Ethical Standard (2024) and no updates were required to be made. The policy was last updated in 2020 to reflect current market practice and the then current FRC Revised Ethical Standard.

Having undertaken an external auditor tender process in 2022, during the course of 2023 non-audit services formerly provided by the incoming auditor, PwC, were migrated to other firms as part of the transition process to PwC as the Company's new external auditor for the financial year ending 31 December 2024. PwC ceased the provision of all non-audit services to the Group as of 12 August 2023 except as expressly approved by (among others) the Committee.

During 2024, no services were provided by PwC other than for statutory audit and audit-related assurance services except for the performance by PwC of a review of the Company's interim financial statements for a fee of £470,000 which had been approved by the Committee as a permissible non-audit service. The Committee is satisfied that the Company was compliant during the year with the FRC's Ethical Standards for Auditors in respect of the scope and maximum permitted level of fees incurred for non-audit services provided by PwC.

The Committee closely monitors the amount of non-audit work undertaken by the external auditor and, in accordance with its non-audit services policy, directs non-audit work to other firms unless there is a particular justification for PwC to carry out such work. In such cases, the Chair of the Committee must first approve such work.

An analysis of the fees earned by the external auditor for audit and non-audit services can be found in note 7 to the consolidated financial statements.

Auditor objectivity and independence

The Committee carries out regular reviews to ensure that auditor objectivity and independence are maintained at all times. As in previous years, the Committee specifically considered the potential threats that each limited non-audit engagement may present to the objectivity and independence of the external auditor. In each case, the Committee was satisfied with the safeguards in place to ensure that the external auditor remained independent from the Company and its objectivity was not, and is not, compromised. No fees were paid to PwC on a contingent basis.

At each year end, the external auditor submits a letter setting out how it believes its independence and objectivity have been maintained. The external auditor is also required to rotate the audit partner responsible for the Group audit every five years and significant subsidiary audits every five years.

Based on these strict procedures, the Committee remains confident that auditor objectivity and independence have been maintained.

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INTERNAL AUDIT

An internal audit programme is used within the Group. BM Howarth, an external firm, provides internal audit services to the Group in accordance with an annually agreed Internal Audit Charter and internal audit plan. Where additional or specific resource is required, additional support is provided by Ernst & Young. A rotation programme is in place, such that every site will have an internal audit at least once every three years, with the larger sites being reviewed at least once every two years. The rotation programme allows local management's actions and responses to be followed up on a timely basis. The internal audit programme of planned visits for the forthcoming year is discussed and agreed with the Committee during each year.

The internal auditor's remit includes assessment of the effectiveness of internal financial control systems, compliance with the Group's Policies and Procedures Manual and a review of the Group's balance sheet. A report of key findings and recommendations is presented to senior management, including the Head of Financial Reporting, followed by a meeting to discuss these key findings and to agree on resulting actions. Internal audit site visits were conducted by BM Howarth across a total of 17 GKN Aerospace sites in 2024.

To supplement the internal audit programme, a balance sheet review process is conducted twice-yearly of all site balance sheets (save where an internal audit has been undertaken during the half year). These are undertaken by central and operational finance team members and are carried out cross-divisionally for objectivity and independence. Self-certification questionnaires are also completed for all sites on a monthly basis. Analysis from these exercises is discussed monthly at internal meetings attended by the Head of Financial Compliance & Assurance, the Chief Financial Officer and other key members of the finance team.

A report of all significant findings is presented by the internal auditor to the Committee at each meeting and implementation of recommendations is followed up at subsequent Committee meetings.

Any control findings are followed up by the business to ensure a strengthening of the site-based accounting functions, including specific action plans to address any shortcomings identified. In the event that significant deficiencies are found in internal financial controls, these are immediately brought to the attention of the Chief Financial Officer and the senior finance management team so that urgent action plans can be agreed. Follow-up site visits were performed during 2024 which identified significant progress in the improvement of financial controls at sites.

A review of the internal audit process and scope of work covered by the internal auditor is the responsibility of the Committee, to ensure their objectives, level of authority and resources are appropriate for the nature of the businesses under review. This also considers the insights provided, improvements achieved and feedback from a number of sources including key representatives of the Company.

During 2024, as part of its regular assessment of internal audit the Committee discussed and approved in principle management's proposal to transition from an externally resourced internal audit function to an in-house internal audit function. The Committee decided that such a transition would be appropriate following the change of business strategy and having regard to prevailing market practice of having an in-house internal audit function among FTSE 100 and aerospace peers (compared to the prior approach by Melrose under its former strategy where the Group composition was expected to change through frequent transformational M&A), as well as to the changing internal controls requirements being introduced by the 2024 Code. It was considered that the change to an in-house function would enable the Company to drive continuous improvement over the long-term both within the function and within the business more widely. As such, following BM Howarth's decision to resign from its role, the Committee approved the proposal to bring the function in-house during 2025 under the leadership of a new Head of Assurance role. A recruitment process was undertaken with an external consultancy firm to secure a Head of Assurance to bring relevant and recent FTSE 100 leadership experience to the internal function, and the Committee approved an appointment in early 2025.

The Committee approved the re-appointment of BM Howarth for a transitional period. BM Howarth are expected to continue to provide internal audit services during the first half of 2025 following which the internally-led function, with transitional support from Ernst & Young to facilitate the smooth transition to the internalised function, will take the internal audit programme forward.

The Committee would like to thank the Group finance team, the internal auditor, the external auditor and the Group Company Secretariat for their hard work throughout 2024.



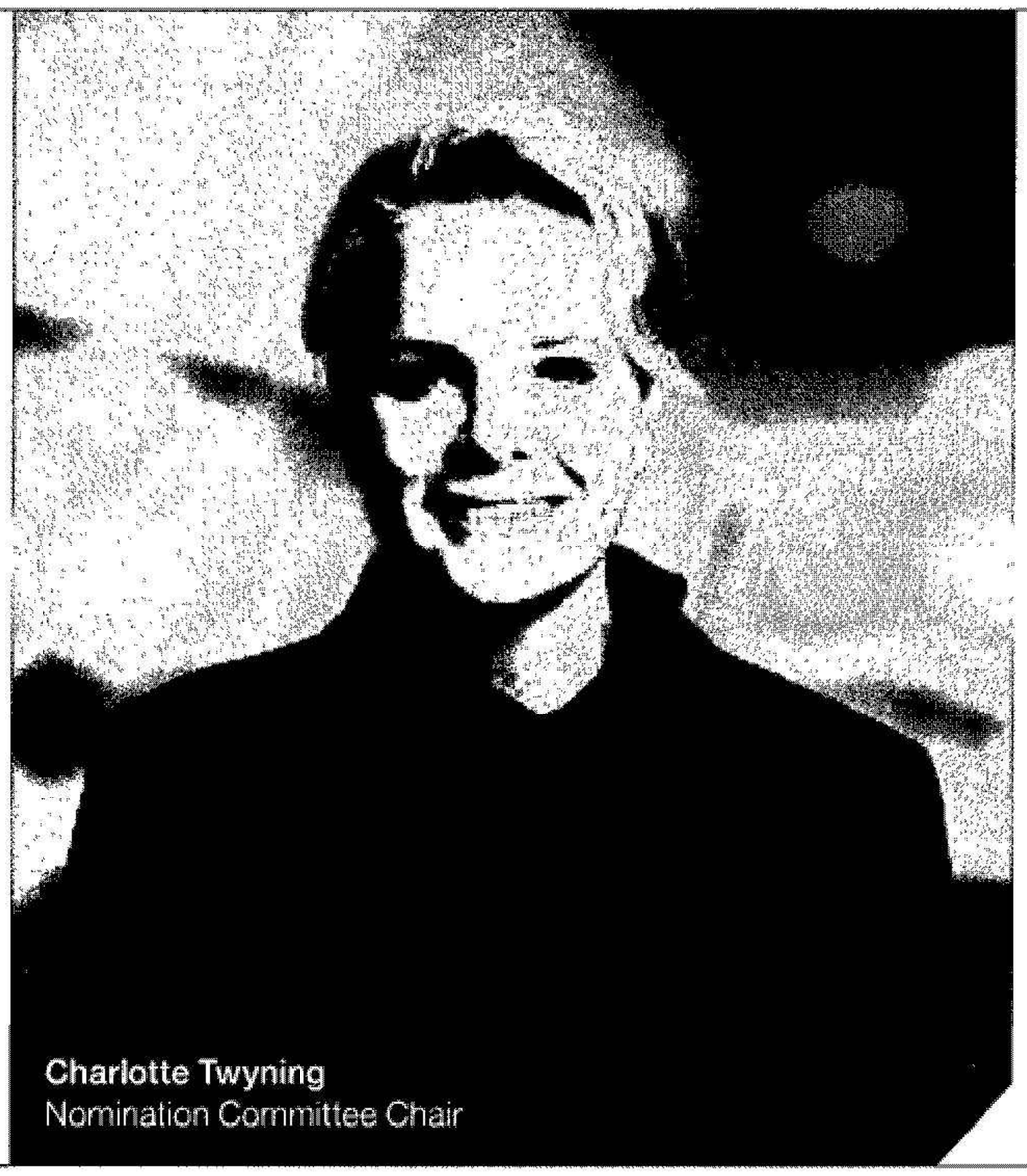
Heather Lawrence
Chair, Audit Committee

6 March 2025

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NOMINATION COMMITTEE REPORT

The Nomination Committee (the "Committee") has overall responsibility for making recommendations to the Board on all new Board appointments and for ensuring that the Board and its committees have the appropriate balance of skills, experience, independence, diversity and knowledge to enable them to discharge their respective duties and responsibilities effectively.



Charlotte Twyning
Nomination Committee Chair

Member	No. of meetings[1][2]
Charlotte Twyning (Chair)	2/2
Justin Dowley	2/2
David Lis	2/2
Gillian Elcock	2/2
Chris Grigg[3]	1/1
Ian Barkshire[3]	1/1

(1) Reflects regularly scheduled meetings of the Committee.
(2) Ms Jarman resigned as a Non-executive Director and as a member of the Committee on 2 May 2024. No meetings of the Committee were held during 2024 prior to her resignation.
(3) Mr Grigg and Dr Barkshire were appointed as members of the Committee with effect from 1 October 2024 and attended the Committee meeting held on 13 November 2024 (being the only meeting held during the period 1 October 2024 to 31 December 2024).

DISCHARGE OF RESPONSIBILITIES

The Committee discharges its responsibilities through:

- regularly reviewing the size, structure and composition of the Board, including by means of overseeing the annual performance review processes of the Board and its committees, and providing recommendations to the Board of any adjustments that may be necessary from time to time;
- giving full consideration to succession planning in order to ensure an optimum balance of executive and Non-executive Directors in terms of skills, experience and diversity, and in particular formulating plans for succession for the key roles of Chairman of the Board, Chief Executive Officer and Chief Financial Officer;
- reviewing the career planning and talent management programme related to senior executives of the Company to ensure that it meets the needs of the business;
- managing the Board recruitment process and evaluating the skills, knowledge, diversity and experience of potential Board candidates in order to make appropriate nominations to the Board;
- reviewing and approving the Board of Directors' Diversity policy and the Melrose Diversity, Equity and Inclusion policy; and
- keeping up to date and fully informed on strategic issues and commercial changes affecting the Company and the markets in which it operates.

The Committee's terms of reference, which were last reviewed and updated by the Committee in December 2024, are available to view on our website, www.melroseplc.net, and from the Company Secretary at Melrose's registered office.

COMMITTEE MEMBERSHIP AND ATTENDANCE

The Committee comprises six out of seven of the Company's independent Non-executive Directors.

The Committee is expected to meet not less than twice a year. During 2024, the Committee held two scheduled meetings. The attendance of its members at these Committee meetings is shown in the table above.

The Company Secretary acts as secretary to the Committee. On occasion, the Committee invites the Chief Executive Officer to attend discussions where his input is required (for example, in relation to senior management talent review and succession planning).

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BOARD COMPOSITION AND SUCCESSION PLANNING

The Committee keeps the membership of the Board under review, including its size and composition, and makes recommendations to the Board on any adjustments it thinks are necessary. The Committee recognises the value in attracting Board members from a diverse range of backgrounds who can contribute a wealth of knowledge, understanding and experience. The Committee works with the Board in order to ensure both of these matters are taken into account to aid effective succession planning across the short, medium and long term. The Committee also reviews succession planning and talent development at senior management level to ensure plans are in place for orderly succession to senior management positions as further described below.

In connection with Melrose's strategic shift to operating as a global aerospace technology business, succession planning for the executive Directors was a key focus for the Committee in 2023. Mr Peter Dilnot and Mr Matthew Gregory were appointed as Chief Executive Officer and Chief Financial Officer on 6 and 7 March 2024 respectively, succeeding the former Chief Executive and Group Finance Director and providing strong management continuity. Mr Dilnot had served as Melrose Chief Operating Officer since April 2019 as well as serving as Chief Executive Officer of GKN Aerospace for periods during his tenure, while Mr Gregory had served as Chief Finance Officer of GKN Aerospace since September 2022.

Succession planning arrangements for the Board as a whole were reviewed by the Committee in 2024 including in the context of the change in business strategy of the Company, as well as a review of the tenure, diversity and independence of those already on the Board.

As previously announced, having led the Board through the Group's recent strategic transition our Chairman Mr Justin Dowley will step down from the Board on 31 March 2025. During the year the Board, led by our Senior Independent Director, Mr David Lis, completed its search for his successor as Chairman. The Board was delighted to appoint Mr Chris Grigg as a Non-executive Director and Chair designate on 1 October 2024 following a thorough recruitment process conducted by Stonehaven International ("Stonehaven"), an external recruitment consultancy firm unconnected with the Company and its Directors. Mr Grigg will succeed Mr Dowley as Chairman on 30 March 2025. Mr Grigg has extensive senior executive experience as a former FTSE Chief Executive Officer as well as 10 years' experience as a non-executive director of BAE Systems plc, latterly serving as its Senior Independent Director.

The Board also appointed Dr Ian Barkshire as Non-executive Director on 1 October 2024 following a thorough recruitment process conducted by Stonehaven. Dr Barkshire was the Chief Executive Officer of Oxford Instruments plc between 2016 and 2023, spending over 20 years at the company including as Chief Operating Officer and Group Technical Director. Dr Barkshire has a wealth of experience in driving the development, commercialisation and delivery of innovative technologies to the world's leading industrial companies.

NON-EXECUTIVE DIRECTORS' TENURE

Mr Lis, Senior Independent Director, will have served as Non-executive Director for nine years in May 2025. This is a key date in the consideration of his independence under the UK Corporate Governance Code (the "Code") and as such his tenure was due to expire at the 2025 AGM. However, the Nomination Committee and the Board have approved an extension of Mr Lis's tenure as Senior Independent Director to 31 December 2025 to facilitate and implement the effective succession of Mr Grigg as Chairman, and to assist with succession planning for key Board roles thereafter, including the appointment of a successor Senior Independent Director. Mr Lis will therefore be standing for re-election at this year's AGM.

Details of the tenure of the other Non-executive Directors can be found on pages 108 and 109.

RE-ELECTION AND ELECTION OF DIRECTORS

The effectiveness and commitment of each of the Directors is reviewed annually as part of the Board performance review upon recommendations from the Committee. The Committee reviewed each Director in turn to satisfy itself as to their individual skills, relevant experience, contributions and time commitments to the long-term sustainable success of the Company. Whilst noting that Mr Dowley will not be standing for re-election by shareholders at this year's AGM, the Committee and the Board have each satisfied themselves that each of the remaining Directors should stand for re-election or election (as applicable), and the justifications for such (re-)elections are set out on pages 120 and 121 of this Annual Report and in the Notice of Annual General Meeting on pages 245 to 252.

SKILLS

The Board possesses a wide range of knowledge and experience, both executive and non-executive, from a variety of sectors. In order to ensure the maximum effectiveness of the Board, the Committee continues to review the balance of skills and experience of Board members with a view to continuing to build the Board's sector-specific and senior FTSE plc experience to ensure continued rigorous oversight of Melrose under its new strategy and business model as a global aerospace technology business – a process that is well underway. The Committee considers that the current Directors, including the Non-executive Directors, have a diverse range of skills and experience that is necessary both to discharge their duties as Directors of the Company, and to create a culture of collaborative and constructive discussion, which enables the Board to contribute effectively to the delivery of the Company's strategy. The balance of skills across the Board is reviewed regularly by the Committee. As set out on page 105, the current Directors have skills and experience across five areas that the Committee considers to be key to delivering the Company's strategy: accounting, finance and investment; aerospace and aviation; industrial and technology; legal and corporate governance; and sustainability.

Continued

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WIDER SUCCESSION PLANNING

The Committee does not have direct responsibility for the succession planning arrangements below Board level, with responsibility for the succession planning arrangements regarding the senior management team resting with the Chief Executive Officer. However, the Committee takes an active interest in discussing and reviewing succession planning arrangements for the executive committee, including the career planning and talent management programmes currently in operation for them, and met with the Chief Executive Officer during the year to review those programmes. This allows the Committee to ensure that the right balance of skills, experience and diversity are reflected and being developed in the senior management team. The Committee is satisfied as to the Company's current Board and senior management succession planning arrangements and will continue to keep these under review and discussion in 2025.

The Board also has access to key individuals within this executive committee and wider senior management team through a combination of site visits, the business review cycle, Board and committee meetings, as well as being provided with relevant information in order to monitor diversity among them.

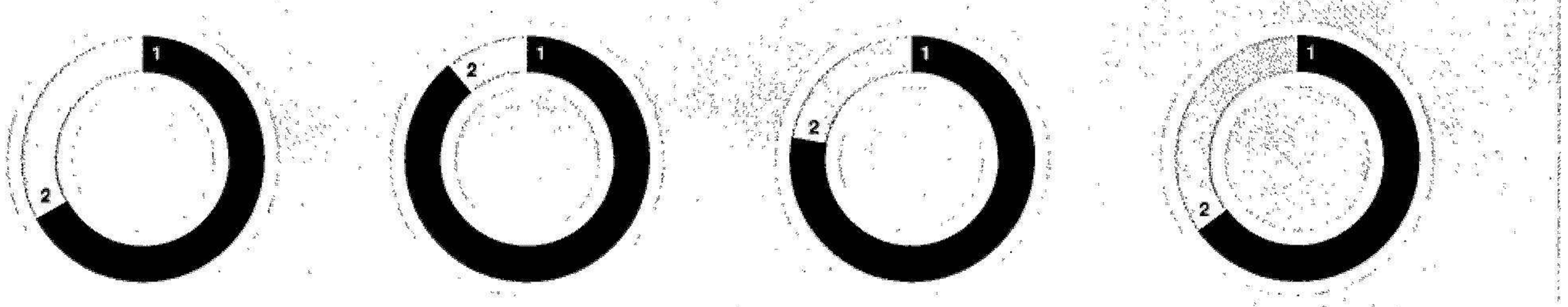
DIVERSITY, EQUITY AND INCLUSION[1]

Melrose is a meritocracy and individual performance is the key determinant in any appointment, irrespective of ethnicity, gender or other characteristic, trait or orientation. However, the Board and the Committee also recognise the importance of diversity, and the Committee keeps its approach to diversity under regular review, including ensuring the development of a diverse Board and reviewing its diversity policies on an annual basis. Melrose encourages diversity at all levels of the Group.

The Board has made significant progress in improving its diversity in recent years, meeting the FTSE Women Leaders Review target of having 40% female representation on its Board for a number of years and continuing to meet the Parker Review target of having one Director from an ethnic minority background on the Board. However, recent strategic changes to the Board's composition, in parallel with the Company's strategic transformation to operating as a global aerospace technology business, have meant that the Company does not currently meet the target of 40% female representation with three of the current nine Board members being female. Following Mr Dowley stepping down from the Board on 31 March 2025, 38% of the Board will be female.

The FTSE Women Leaders Review also set a target for at least one senior board position, being that of Chair of the Board, Senior Independent Director, Chief Executive Officer or Chief Financial Officer, to be held by a woman by the end of 2025. While two of the committee Chair roles are held by women, including the key role of Audit Committee chair, the Committee recognises that Melrose does not currently meet the target for at least one senior position to be held by a woman. This target, along with the target for 40% female representation on the Board, is under active review and is being factored into ongoing succession planning discussions. Russell Reynolds Associates, an external recruitment consultancy firm unconnected with the Company and its Directors, has been retained to identify suitable candidates for the Committee's consideration.

Diversity overview[2]



Board gender diversity	
1 Male	67%
2 Female	33%

Board ethnic diversity	
1 White	89%
2 Ethnically diverse	11%

Executive Committee[3]	
1 Male	78%
2 Female	22%

Executive Committee and direct reports[3]	
1 Male	65%
2 Female	35%

(1) All Diversity, Inclusion, and Belonging initiatives and activities referenced throughout this report are applicable only within the scope of legally permitted jurisdictions.
(2) As at 31 December 2024.
(3) The Executive Committee comprises the Company's 'senior management' as defined by the Code and its 'executive management' as defined by the UK Listing Rules.

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The Committee currently takes into account a variety of factors before recommending any new appointments to the Board, including relevant skills to perform the role, experience and knowledge needed to ensure a rounded Board and the benefits each candidate can bring to the overall Board composition. The Committee also takes into account race, ethnicity, country of origin, nationality, cultural background and gender in the selection process to ensure a diverse Board and it also strongly encourages executives to adopt the same approach when making appointments to the executive committee and the wider senior management team. The most important priority of the Committee, however, has been, and will continue to be, to ensure that the best candidate is selected, and this approach will remain in place going forward.

The Committee notes the recommendation of the Parker Review that FTSE 350 companies set a target for the percentage of UK-based senior management positions that will be occupied by ethnic minorities by the end of 2027. Following engagement by the Company Secretariat with a member of the Parker Review Committee, and external advice to track the scope and timing of setting such targets among FTSE 100 peers, both the Committee and Board agreed that it was not feasible for Melrose to set a sufficiently informed ethnic diversity target for senior management by 31 December 2023, the date by which the Parker Review requested the target be set. Melrose had not traditionally collected sensitive data, such as ethnic diversity data, from its employees, and the Parker Review had not originally specified that the target should relate to UK-based employees. Legal and regulatory barriers limited the Company's ability to gather the relevant data in certain jurisdictions. Furthermore, Melrose's change in business strategy meant that there was significant change to the structural composition of the senior management population of the Group in the first half of 2024, making the setting of a meaningful target challenging until those changes had taken place. With the structural senior management changes completed during 2024, following discussion and review with the Committee the Company has now set a diversity target for UK-based senior management (being executive committee members and their direct reports). The Company's target is for 13% of its UK-based senior management population to comprise individuals identifying as minority ethnic by 31 December 2027 (representing a 4% increase from the position at 30 June 2024).

The Committee acknowledges that diversity, equity and inclusion is a changing landscape, and reviews its diversity policies on an annual basis, with any recommendations for amendments being approved by the Board. The policies, which can be viewed on the Company's website at www.melroseplc.net/governance/documents-and-policies include a Board of Directors' Diversity policy and a Melrose Diversity, Equity and Inclusion policy. The Board of Directors' Diversity policy sets out the Committee's commitment to ensuring that Board membership and pipeline for succession remains diverse, which is equally applicable to each of the Board's committees. It also sets out the Company's diversity targets for the Board, the details of which are noted above. The Melrose Diversity, Equity and Inclusion policy, which is applicable to all Melrose employees, sets out Melrose's position on diversity, equity and inclusion in its workforce. Melrose is actively engaged in supporting initiatives to increase the diversity of its workforce, and to improve socio-economic and ethnic diversity within the engineering sector as a whole. The principles of the policy apply throughout the Group, and our divisions are encouraged to promote diversity.

Further details of Melrose's commitment to diversity and the various diversity initiatives undertaken within the Group can be found in the Sustainability review on pages 51 to 99. Additionally, further details on diversity and Board skills can be found on page 105 of the Governance overview.

EVALUATION

The Code requires that FTSE 350 companies undertake an externally facilitated Board, committee and individual director evaluation once every three years. The last external Melrose review was conducted in 2023, for which the Company engaged Lintstock Limited.

Whilst the Company is not required to undertake another externally facilitated Board, committee and individual director evaluation until 2026, during 2024 the Company continued its ongoing internal review, both within each of those bodies and with the Chairman of the Board and the chair of each committee respectively. As in prior years, the review included an evaluation of the Chairman of the Board's performance. These evaluations were conducted and facilitated by the completion of questionnaires, and discussions at the applicable Board and committee meetings, with follow-up actions taking place where relevant. Each director also had an individual meeting with the Chairman of the Board in order to discuss any relevant matters they wished to raise as part of the ongoing review as well as an individual meeting with the Senior Independent Director in respect of the evaluation of the Chairman. The outcomes of the review were presented and discussed at the December Board meeting. Alongside such formal feedback, the Committee continued to facilitate direct ongoing contact between its members and the Chair of the Committee about any relevant matters that the members wished to raise as part of the ongoing review of the Committee's performance.



Charlotte Twyning
Chair, Nomination Committee

6 March 2025

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David Lis
Remuneration Committee Chair

CHAIR'S ANNUAL STATEMENT

Dear Shareholders,

On behalf of the Board, I am pleased to present our second annual report on Director remuneration (the "Annual Report on Remuneration") since Melrose's transformation into a world-leading aerospace technology business. 2024 was another strong year for Melrose, achieving statutory revenue for the Melrose Group of £3,468 million (2023: £3,350 million) and an adjusted operating profit of £540 million (up 42% versus 2023) as the Group continues its trajectory towards achievement of its 2025 financial targets.

In line with Melrose's strategic shift to its current business model, the Remuneration Committee (the "Committee") proposed a revised approach to executive remuneration with a rebalanced remuneration structure aligned more closely with and benchmarked against the Company's FTSE 100 peers. The directors' remuneration policy was subsequently approved at the 2024 AGM (the "Remuneration Policy"), receiving strong shareholder support with 96.84% of votes cast in support of the approval resolution. Under the Remuneration Policy, fixed and variable aspects of remuneration were rebalanced using a structure and mechanics that are more reflective of the majority of FTSE 100 companies. This included the introduction of the 2024 Performance Share Plan (the "2024 PSP") in respect of long-term incentivisation, which replaced the 2020 Melrose Employee Share Plan (the "2020 MESP").

During the year, Melrose's co-founders, Mr Christopher Miller and Mr Simon Peckham, and long-standing Group Finance Director, Mr Geoffrey Martin, stepped down from the Board. These former Directors were participants in the 2020 MESP associated with Melrose's original business model, which crystallised during 2024 as further described below.

Melrose remuneration structure

Our remuneration strategy continues to be based around four key principles – namely, that executive remuneration is simple, transparent, supports the delivery of the value creation strategy, and pays only for performance.

The remuneration strategy supports the Company's shareholder value creation strategy, which is founded upon continuous operational and financial improvement over the longer term. Our positive trajectory is underpinned by leading positions on all the world's major aircraft platforms, strong organic growth prospects within the aerospace sector, and attractive opportunities to differentiate our business through cutting-edge proprietary technology.

The Committee is satisfied that the executive remuneration structure approved by shareholders in 2024 is appropriate and supportive of the Company's long-term growth strategy. As such, no changes are proposed this year to the Remuneration Policy, which was set out on pages 145 to 152 of the Company's 2023 Annual Report.

Operation of the Remuneration Policy during 2024

In line with the changes made to rebalance executive remuneration pursuant to the new Remuneration Policy, the Chief Executive Officer's and the Chief Financial Officer's salaries for 2024 were set at a level better aligned with those of other FTSE 100 companies, while pension contributions were reduced to 10% of base salary, bringing the contributions to a level consistent with the Group's wider UK workforce. Maximum annual bonus opportunities were set at 200% of base salary for the Chief Executive Officer and 150% of base salary for the Chief Financial Officer.

The Group's long-term incentive arrangements were re-set, with the 2020 MESP (which crystallised on 31 May 2024) replaced by the 2024 PSP. Initial grants of awards under the 2024 PSP were made during the year to the executive Directors and to other eligible participants. Further details of the awards granted to the executive Directors under the 2024 PSP, and of the implementation of the Remuneration Policy during the year, are set out in the Annual Report on Remuneration on pages 138 to 155.

The Committee understands that shareholders expect executive remuneration to be aligned with the overall experience of the Company, its shareholders, employees and other stakeholders. We believe that the remuneration structure introduced under the Remuneration Policy, and the outcomes produced by the operation of this structure during 2024, were appropriate and resulted in a strong alignment between the executive Directors, shareholders and other stakeholders.

1. References in the Directors' Remuneration report to the 'Chief Executive' refer to Simon Peckham who stepped down as Chief Executive on 6 March 2024.

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The 2020 MESP crystallised on 31 May 2024 in accordance with its terms relating to value created under the Company's former "Buy, Improve, Sell" business model. The 2020 MESP was approved by shareholders at the general meeting of the Company held on 21 January 2021 and was adjusted at the general meeting of the Company held on 30 March 2023.

The performance period of the 2020 MESP ran for four years to 31 May 2024, having been extended with shareholder approval in 2023 due to the demerger of the Dowlais business during that year. The 2020 MESP followed the 2017 Melrose Employee Share Plan which ran for a performance period of three years and matured in May 2020 with no award to the executive Directors. As such, the 2020 MESP was the only long-term incentive plan under which the executive Directors (and other participants) were remunerated for the value created during a seven-year period.

Participants in the 2020 MESP were entitled to a 7.5% share of the increase in invested capital above a 5% annual charge over the performance period (and subject to adjustment for returns to shareholders during the performance period) and a very substantial increase in invested capital of £5.2 billion was achieved for shareholders over the performance period. Further details regarding crystallisation of the 2020 MESP are set out on pages 142 and 143 of the Annual Report on Remuneration. Former executive Directors Mr Miller, Mr Peckham and Mr Martin (the "Resigning Directors") were participants in the 2020 MESP. The Committee considered the long tenure and contributions of the Resigning Directors, which included over £8 billion of shareholder returns during their combined 58 years' service to Melrose, culminating in the exceptional shareholder value of over £5 billion delivered during the 2020 MESP performance period. In addition, during the Resigning Directors' tenure the Company was successfully transformed, shifting from its "Buy, Improve, Sell" strategy and business model to becoming a long-term global aerospace technology leader, which included the effective transition to the new leadership team. In light of this exceptional performance, the Committee deemed it appropriate to exercise certain discretions in connection with the Resigning Directors' settlement arrangements and entitlements under the 2020 MESP. Details of these discretions are set out on pages 142, 143 and 152.

Other than the discretions referred to above in relation to the Resigning Directors, the Committee did not exercise any discretions during 2024, there were no deviations from the Remuneration Policy in respect of 2024, and the Committee did not exercise any discretion to alter the 2024 outcomes from the application of the performance conditions. Full details are set out in the Annual Report on Remuneration on pages 138 to 155, including further details in respect of 2024 key decisions on pages 138 and 139.

Stakeholder engagement

The 2023 Directors' Remuneration report and the Remuneration Policy both received strong shareholder support at the 2024 AGM, receiving voting outcomes of 98.33% and 96.84% respectively.

The support of our shareholders, many of whom have been long-term investors in Melrose, is not taken for granted. We engaged with a wide variety of stakeholders on the Remuneration Policy, including through communications with key shareholders together representing over 65% of our register and proxy advisers, and were pleased to receive the support we did at the 2024 AGM. It is important to us that we conduct thorough and open-minded engagement, understanding the focus on executive remuneration in the wider governance community and the views of our key shareholders in particular.

Your Board remains of the view that the new Melrose remuneration structure set out in the Remuneration Policy is appropriate for the Company's current strategy and that it will continue to drive long-term performance and shareholder value in a manner that reflects Melrose's long-standing remuneration principles.

The Directors' Remuneration Report will be put to an advisory vote at the 2025 AGM. We encourage you to provide your support for the 2024 Directors' Remuneration Report at the 2025 AGM.

Yours sincerely



David Lis
Chair, Remuneration Committee

6 March 2025

2. Mr Peckham, Mr Martin and Mr Miller resigned from the Board on 7 March 2024.

Continued

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ANNUAL REPORT ON REMUNERATION

In this section of the Directors' Remuneration report, we set out:

- the actual performance and executive remuneration outcomes for the 2024 financial year;
- the application of the Remuneration Policy to the 2024 financial year and how the Remuneration Policy operated in 2024; and
- details of how the Remuneration Policy is intended to be implemented in 2025.

The Remuneration Policy was approved by shareholders at the annual general meeting held on 2 May 2024 with over 96% of votes cast in favour of the resolution. The full details of the Remuneration Policy can be found on pages 145 to 152 of the 2023 Annual Report which is available on our website at www.melroseplc.net/investors/results-reports-and-presentations/.

Key elements of the Annual Report on Remuneration and where to find them

Element	Page
Single figure of remuneration	139 to 151
Share interests awarded in the 2024 financial year	141 to 143
Statement of Director shareholdings and interests	144 to 152
Performance graph	147
CEO pay ratio	147 and 148
Percentage change in remuneration of the CEO	148 and 149
Relative importance of spend on pay	151
Consideration of matters relating to Directors' remuneration	138 and 139
Statement of voting	155
Payments to past Directors or for loss of office	152

Melrose's remuneration strategy

The Committee continues to follow a consistent remuneration strategy based around four key principles – namely, that executive remuneration is simple, transparent, supports the delivery of value creation, and pays only for performance. This strategy remains central to the Company's success and in driving the Company's original "Buy, Improve, Sell" model and now driving its growth as a UK listed global aerospace technology company.

These four key principles of the remuneration strategy are wholly aligned with the 2018 UK Corporate Governance Code (the "Code") factors of clarity, simplicity, risk, predictability, proportionality and alignment to culture. The Committee ensured that it took all of these elements into account when establishing the Remuneration Policy, as well as its application to executive Directors during 2024.

2024 key decisions

The Committee remained committed to a responsible approach to executive pay in accordance with the Remuneration Policy which was approved at the 2024 AGM and its four key remuneration principles.

An inflationary increase of 5% was made to the executive Directors' base salaries with effect from 1 January 2024, which was consistent with the salary rises awarded to the wider UK workforce at that time. The inflationary increase did not apply to the salaries for Mr Peter Dilnot as Chief Executive Officer or Mr Matthew Gregory as Chief Financial Officer, with their new salaries set out in the 2023 Annual Report taking effect from their appointment to their new roles on 6 and 7 March 2024 respectively. There were also inflationary increases of 5% made to the Non-executive Chairman's fee and the Non-executive Director basic fees with effect from 1 January 2024, consistent with the inflationary increases applied to the executive Directors. There were no changes to the additional fees payable to Non-executive Directors for holding the position of Senior Independent Director or committee chair positions. A one-off additional fee of £10,000 was paid in 2024 to Ms Charlotte Twyning, Non-executive Director and Chair of the Nomination Committee, for services provided in addition to her regular activities as a Non-executive Director and Nomination Committee Chair during a year which included among other things key changes and planning relating to the roles of Chairman, Chief Executive Officer, Chief Financial Officer and Senior Independent Director. This included the effective implementation of a series of key succession plans including in respect of the key executive Director roles of Chief Executive Officer and Chief Financial Officer, the appointment of two further Non-executive Directors to complement the Company's change in strategy, the successful search for and appointment of the Chair-designate, and further future succession planning related to the Senior Independent Director.

For 2025, an increase of 3% was made to the executive Directors' base salaries with effect from 1 January 2025 as set out on page 145, which was consistent with or below the increases awarded across the wider UK workforce. There were increases of 3% made to the Non-executive Chairman's fee and Non-executive Directors' basic fees with effect from 1 January 2025, consistent with the increases determined for the executive Directors' base salaries, as set out on page 153. As was the case in respect of 2024, there were no changes to the additional fees for holding the position of Senior Independent Director or committee chair positions for 2025.

The pension contribution rate for the Chief Executive Officer and the Chief Financial Officer was reduced from 15% to 10% of base salary in order to bring the contribution to a level consistent with the Group's wider UK workforce as it stood after the demerger of the Dowlais group.

In determining the 2024 remuneration outcomes and the remuneration approach for 2025, the Committee was mindful of the evolving macroeconomic challenges impacting the global economy. As set out in this report, the executive Director salary increases were determined to be appropriate in light of the Company's performance in 2024, whilst recognising and balancing the need to appropriately remunerate and incentivise the executive team to continue to deliver value to shareholders.

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The Committee feels that it has been able to balance all relevant stakeholder considerations when setting salaries for 2025 and has benchmarked against FTSE 100 peers based on analysis from its external remuneration consultants.

In accordance with the Remuneration Policy, the maximum annual bonus opportunity for 2024 was set at 200% of base salary for the Chief Executive Officer and 150% of base salary for the Chief Financial Officer. As with salary, these annual bonus opportunities were prorated for 2024 such that they were payable for the portion of the year from 6 and 7 March, being the dates on which Mr Dilnot and Mr Gregory commenced their new roles as Chief Executive Officer and Chief Financial Officer respectively. Although the annual bonus outcomes for 2024 were finally determined by the Committee in 2025, we refer to them here for completeness, as they are a key decision relating to the reporting period. As described in more detail below, the targets comprising the financial elements of the 2024 annual bonus were not achieved in full and as such a partial award was made for the financial elements of the bonus, and the Committee did not seek to exercise any discretion to adjust this. The Committee determined that while good progress had been made in respect of the strategic objectives, not all of them had been fully achieved and as such a partial award was also made for the strategic elements of the bonus. Taking financial and strategic elements together, the 2024 annual bonus was awarded to each of Mr Dilnot and Mr Gregory at 86.6% of their total bonus opportunity for the year. For the reasons set out in this report, the Committee believes that the bonus outcome for 2024 is appropriate, taking into consideration several factors, including the Company's strong business performance and the wider stakeholder experience.

Initial grants of awards were made to the executive Directors under the 2024 PSP, further details of which are set out on page 141 of this report.

The 2020 MESP crystallised on 31 May 2024, further details of which are set out on pages 142 and 143 of this report.

The Committee has reviewed the remuneration outcomes for the year and confirms that the Remuneration Policy operated as intended during the year, and felt that the incentive outcomes were in line with the overall performance of the Group. Other than the discretions described on pages 142, 143 and 152 in relation to Mr Miller, Mr Peckham and Mr Martin, the Committee did not exercise any discretions during 2024, there were no deviations from the Remuneration Policy in respect of the year, and the Committee did not exercise any discretion to alter the 2024 outcomes from the application of the performance conditions.

Business performance

The Group enjoyed another strong year in 2024, delivering profits at the top end of expectations, achieving statutory revenue of £3,468 million (2023: £3,350 million), and an adjusted operating profit of £540 million (up 42% versus 2023). Further details of the Group's performance during the year are set out in the Chief Executive Officer's review on pages 8 to 11 and the Divisional reviews on pages 16 to 23.

This Annual Report and financial statements, and specifically the Group's strategic KPIs on pages 24 and 25, demonstrates the Group's trajectory towards achieving its 2025 financial targets.

Single total figure of remuneration for the executive Directors for the 2024 financial year (audited)

The following chart summarises the single figure of remuneration for 2024 in comparison with 2023. In accordance with the regulations governing the reporting of executive Director remuneration, the table below includes the value of long-term incentives vesting in the relevant financial year. This means that the full value of the 2020 MESP which crystallised on 31 May 2024 is shown for the year ended 31 December 2024 for each executive Director, although this represents rewards earned over a four-year performance period.[1]

Executive Director	Period	Total salary and fees £000	Taxable benefits £000	Bonus £000	LTIP £000[2]	Pension £000[3]	Total £000	Total Fixed £000	Total Variable £000
Peter Dilnot[4]	2024	890	3	1,467	42,963	94	**45,416**	**986**	**44,430**
	2023	487	2	463	–	73	**1,025**	**562**	**463**
Matthew Gregory[5]	2024	567	2	740	n/a	57	**1,365**	**625**	**740**
	2023	n/a	n/a	n/a	n/a	n/a	**n/a**	**n/a**	**n/a**
Christopher Miller[6]	2024	117	–	n/a[7]	50,123	18	**50,258**	**135**	**50,123**
	2023	596	2	n/a[7]	–	89	**688**	**688**	**–**
Simon Peckham[6]	2024	117	1	115	57,283	18	**57,533**	**135**	**57,398**
	2023	596	4	566	–	89	**1,256**	**689**	**566**
Geoffrey Martin[6]	2024	95	2	94	57,283	14	**57,489**	**112**	**57,377**
	2023	487	14	463	–	73	**1,037**	**574**	**463**

(1) The 'Total' figures in the above table may not add up to the sum of the component parts due to rounding.
(2) The 2020 MESP crystallised on 31 May 2024. The values included in the above table are calculated in accordance with the applicable regulations based on a closing share price of 615.8p on the crystallisation date. These amounts were paid in shares and nil cost options over shares exercisable in 2025 and 2026, except for an amount of cash equal to the relevant director's tax liabilities on the transfer of shares or exercise of nil cost options which was withheld by the Company to satisfy those liabilities. Of Mr Dilnot's total entitlement, approximately 24% was satisfied in shares, approximately 21% was settled in cash to satisfy tax liabilities, and the balance of approximately 55% was satisfied by the grant of nil cost options. Further details in relation to the crystallisation of the 2020 MESP are set out on pages 142 and 143.
(3) All amounts attributable to pension contributions were paid as a supplement to base salary in lieu of pension arrangements except for £10,000 per annum in respect of Mr Gregory which is paid into his pension scheme.
(4) Mr Dilnot was appointed as Chief Executive Officer on 6 March 2024, prior to which he served on the Board as Chief Operating Officer. Figures in the above table reflect his combined remuneration in respect of 2024 in both roles, including in respect of annual bonus which was governed by the bonus scheme applying to Mr Dilnot's role as Chief Operating Officer for the period from 1 January 2024 to 5 March 2024 and by the bonus scheme applying to Mr Dilnot's role as Chief Executive Officer for the period from 6 March 2024 to 31 December 2024.
(5) Mr Gregory was appointed as an executive Director on 7 March 2024. The amounts included in the single figure of remuneration for 2024 for Mr Gregory relate to the period following his appointment. Mr Gregory did not participate in the 2020 MESP.
(6) Mr Miller, Mr Peckham and Mr Martin retired as executive Directors on 7 March 2024. The amounts included in the single figure of remuneration for 2024 for Mr Miller, Mr Peckham and Mr Martin relate to the period during which they were executive Directors with the exception of the LTIP which is the total value of their awards on crystallisation of the 2020 MESP on 31 May 2024.
(7) Mr Miller, former Executive Vice-Chairman, did not participate in the annual bonus scheme.

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2024 Annual Bonus (audited)

The 2024 Annual Bonus has applied a consistent approach to previous years, in line with the Remuneration Policy. The Committee awarded the Chief Executive Officer and the Chief Financial Officer a bonus of 86.6% of their maximum bonus opportunity based on 2024 performance. The Remuneration Policy has been applied such that the maximum annual bonus opportunity was 200% of base salary for the Chief Executive Officer and 150% of base salary for the Chief Financial Officer. Further, the bonuses for the Chief Executive Officer and Chief Financial Officer were prorated for 2024 such that they were payable for the portion of the year from 6 and 7 March 2024 onwards (being the dates on which the relevant individuals commenced their roles as Chief Executive Officer and Chief Financial Officer respectively). For the period from 1 January to 5 March 2024, Mr Dilnot was entitled to a prorated bonus with a maximum opportunity of 100% of his former salary as executive Director and Chief Operating Officer of the Company, and for the period from 1 January to 6 March 2024 Mr Gregory was entitled to a prorated bonus for his role as Chief Financial Officer of the GKN Aerospace business. The full breakdown of the award calculation is set out below. Former executive Directors Mr Peckham and Mr Martin also received an annual bonus in respect of 2024. Details of their annual bonus awards are set out on pages 139 and 152.

As is shown by the table, performance against the targets comprising the financial elements of the 2024 annual bonus, being performance in respect of operating profit (representing 50% of total opportunity) and cash generated before interest and tax (representing 20% of total opportunity) demonstrated strong progress and as such an award of 64.1% of the total bonus opportunity was made for the financial objectives of the bonus. The Committee did not seek to exercise any discretion to alter this. With respect to the strategic element (representing 30% of total opportunity), having given detailed and thorough consideration to each of the strategic objectives and management's performance against them during 2024, the Committee determined that not all the strategic objectives had been fully met during 2024 and therefore that the strategic elements should be awarded at 22.5% of the total bonus opportunity. The Committee determined that no exercise of discretion to alter this element of the award was required. Full disclosure of the strategic objectives and the Committee's determination in respect of performance against them is provided below. In aggregate, the awards made in respect of the financial and strategic elements equalled 86.6% of the total bonus opportunity for the year. The Committee considers that the payout is consistent with the wider stakeholder experience, including shareholders and employees.

In determining the 2024 annual bonus award, the Committee was mindful of the macroeconomic environment impacting the global economy, and aware of the guidance published by the Investment Association setting out the issues that remuneration committees should consider as they assess 2024 remuneration outcomes and set remuneration for 2025. In light of the Company's performance during 2024, the Committee believes that the annual bonus awarded for 2024 is appropriate and in line with that guidance.

Financial Objectives (70%)	Threshold	Target	Maximum	Actual Performance	Percentage of maximum bonus earned
Operating profit (as a percentage of target) (50%)[1]	**90%**	**100%**	**109%**	**106%**	
% of this part of the award that is payable	25%	70%	100%	88.8%	
Cash generated before interest and tax (as a percentage of target) (20%)[1]	**58%**	**100%**	**184%**	**180%**	
% of this part of the award that is payable	25%	70%	100%	98.5%	
Financial Objectives sub-total:					**64.1%**

(1) Targets and actual performance adjusted to reflect the impact of disposals made during the year, removing post disposal actual and budgeted profit and cashflow in each case.

Strategic Objectives (30%)		Percentage of maximum bonus earned
Successfully transition to an aerospace-only business – maximum 10%	Melrose's aerospace-only business model has been successfully implemented and a market-leading FTSE 100 management team is now in place. Progress towards 40% female representation among the executive leadership team and their direct reports has been made and an ethnic diversity target for the executive leadership team and their direct reports has been set. The merger and repositioning of the Melrose and GKN Aerospace corporate functions has also been completed.	10%
Drive improved operational efficiencies and performance – maximum 10%	Operational productivity has been substantially enhanced towards targeted levels, against a backdrop of ongoing industry-wide supply chain challenges. Continuous improvement of inventory management through reduction in days of inventory in line with budget and to align with delivery requirements has also faced challenges in the context of continued supply chain constraints with days inventory outstanding not having reduced to targeted levels, despite strong internal progress having been made.	2.5%
Promote and embed the new Melrose equity case internally and among the wider investor base – maximum 5%	The new Melrose equity case has been embedded through communication to investors, a new capital allocation strategy has been established to support the aerospace-only business model and the repositioning of Melrose as an aerospace-only business among key analysts and ratings agencies has been achieved. Management has continued to successfully target and build the US investor base.	5%
Complete restructuring and portfolio improvements – maximum 5%	Targeted improvements in customer pricing on certain programmes have been achieved to deliver future profitability of the relevant programmes, and unprofitable and/or non-core sites have been exited mitigating their impact on the Group's financial performance.	5%
Strategic Objectives sub-total:		**22.5%**
Total annual bonus for 2024:		**86.6%**

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The 2024 bonus payment to the Chief Executive Officer will be made in cash in accordance with the Remuneration Policy, as he has exceeded his minimum shareholding requirements. As per the terms of the Remuneration Policy, the 2024 annual bonus payments are potentially subject to clawback. In accordance with the terms of the Remuneration Policy, 50% of the 2024 bonus (post-tax) payment to Mr Gregory will be required to be deferred into shares. Such shares will be subject to leaver and clawback conditions. No further performance conditions will apply.

Long-term incentive arrangements (audited)

As at the end of the period, the Company's long-term incentive arrangements comprised the 2024 PSP and the Melrose Automotive Share Plan (the "MASP"). The 2020 MESP crystallised during the year as further described below.

2024 PSP awards

The 2024 PSP was approved by shareholders at the 2024 AGM on 2 May 2024.

On 11 June 2024, awards were granted under the 2024 PSP to the executive Directors with values equivalent to 300% of base salary for the Chief Executive Officer and 200% of base salary for the Chief Financial Officer. In each case the 2024 awards were prorated from the commencement date of the 2024 PSP so as to be made at 7/12ths of 300% of salary for the Chief Executive Officer and 7/12ths of 200% of salary for the Chief Financial Officer. The value of the awards was calculated using a grant price of 625.84 pence per share, being the average closing price over the five dealing days preceding grant. Mr Dilnot's award was granted over 272,633 shares and Mr Gregory's award was granted over 129,559 shares.

The awards are subject to performance conditions relating to growth in earnings per share (45% of the total award), relative TSR performance (45% of the total award) and strategic objectives (10% of the total award). Details of the performance conditions are set out below.

Growth in earnings per share (45% of total award)

This part will vest in accordance with the following vesting schedule based on the growth in fully diluted adjusted earnings per share of the Company over the three financial years ending 31 December 2026.

	EPS Targets	Vesting (% of EPS part of award)[1]
Threshold	25% CAGR	25%
Target	29% CAGR	70%
Stretch	32% CAGR	100%

(1) Straight line vesting in between the performance points above.

TSR performance (45% of the total award)

This will vest in accordance with the following vesting schedule based on the Company's TSR performance against the constituents of the FTSE 100 (excluding investment trusts) over the three-year period from 1 June 2024 to 31 May 2027.

Ranking of the Company's TSR	Vesting (% of TSR part of award)[1]
Below median	0%
Median	25%
Upper quartile or higher	100%

(1) Straight line vesting in between the performance points above.

Strategic Objectives (10% of the total award)

This will vest by reference to achievement of strategic targets relating to quality (5%) and sustainability (5%) over the three years from 1 January 2024 to 31 December 2026 as set out below.

Reduction in Quality Escapes (5%)		Vesting (% of Quality Escapes part of award)[1]
Threshold performance	20% reduction in Escapes vs 2023 baseline results	25%
Maximum performance	33% reduction in Escapes vs 2023 baseline results	100%

(1) Straight line vesting in between the performance points above.

Reduction in Scope 1 & 2 Emissions Intensity (5%)		Vesting (% of Emissions Reduction part of award)[1]
Threshold performance	28% reduction in Scope 1 & 2 Emissions Intensity vs 2023 reported emissions	25%
Maximum performance	34% reduction in Scope 1 & 2 Emissions Intensity vs the 2023 reported emissions	100%

(1) Straight line vesting in between the performance points above.

In choosing EPS, TSR and strategic objectives as the metrics, the Committee has sought to provide a balance between incentivising delivery of value in profitable financial growth (EPS), aligning the executive Directors and senior management with shareholders through a TSR measure, and ensuring that key strategic objectives are achieved.

The 2024 PSP awards are subject to a three-year vesting period running from the grant date. A further two-year post-vesting holding period then applies to any awards that vest.

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2020 MESP

As announced on 3 June 2024, the 2020 Melrose Employee Share Plan (the "2020 MESP") crystallised on 31 May 2024, in accordance with the rules governing the 2020 MESP (the "MESP Rules").

The performance period of the 2020 MESP ran for four years to 31 May 2024 and followed the 2017 Incentive Plan which ran for a performance period of three years and crystallised in May 2020 for no value. As such, the 2020 MESP was the only long-term incentive plan under which the executive Directors were remunerated for value created during a seven-year period.

Participants in the 2020 MESP were entitled to share in 7.5% of the growth in invested capital over the performance period after applying a 5% annual charge and subject to adjustment for returns to shareholders during the performance period. The aggregate entitlement of all participants under the 2020 MESP was subject to a cap which set an upper limit on the total number of shares that could be issued to participants. In addition, the number of shares and nil cost options over shares which a participant could receive or which could become exercisable in any calendar year was subject to a rolling annual cap, with entitlements in excess of that cap satisfied by the grant of nil cost options exercisable in subsequent years. Certain adjustments were made to the 2020 MESP during 2023 as a result of the demerger of the Dowlais group, including a 12 month extension to the performance period and an adjustment to invested capital to reflect the demerger of the Dowlais group, as set out in the 3 March 2023 circular to shareholders and approved at the 30 March 2023 general meeting.

The table below sets out the aggregate value of entitlements under the 2020 MESP on crystallisation.

Value on crystallisation date (31 May 2024)	
Invested capital at 31 December 2022[1]	£2,706,759,986
Index adjustment/minimum return	£216,106,075
Invested capital at crystallisation date	£2,922,866,061
Number of issued ordinary shares on 30 May 2024 (excluding treasury shares)	1,300,537,788
Average price of an ordinary share for 40 business days prior to and including 30 May 2024	627.6p
Deemed market capitalisation of Melrose based on average price of an ordinary share for 40 business days prior to and including 30 May 2024	£8,162,175,157
Overall change in value for shareholders since 31 December 2022	£5,239,309,096
Value to participants at crystallisation date	
7.5% of change in value	£392,948,182
Application of cap	(£28,065,929)
Aggregate value attributable to plan participants	£364,882,253

(1) While the 2020 MESP awards were granted with effect from the deemed commencement date of 31 May 2020, in connection with the demerger of the Dowlais group, the invested capital was allocated between the continuing Melrose group and the Dowlais group as at 31 December 2022, as further described in the circular dated 3 March 2023. As a result, the invested capital is shown here as accruing from 31 December 2022, notwithstanding the four-year performance period of the 2020 MESP, as adjusted for dividends paid and distributions made on or in respect of the Company's ordinary shares (including pursuant to the Company's share buyback programme) during the period from and including 1 January 2023 to and including 30 May 2024.

The long-term incentive plan values in the 2024 single total figure of remuneration table on page 139 reflect the total value of the individual 2020 MESP entitlements of the executive Directors.

On crystallisation of the 2020 MESP, Mr Miller became entitled to receive ordinary shares and (due to the cap on the number of shares which could be received in any calendar year as referred to above) nil cost options in respect of a total of 8,139,503 ordinary shares. Each of Mr Peckham and Mr Martin became entitled to receive ordinary shares and (due to the cap on the number of shares which could be received in any calendar year as referred to above) nil cost options in respect of a total of 9,302,289 ordinary shares. Mr Dilnot became entitled to receive ordinary shares and (again due to the cap) nil cost options in respect of a total of 6,976,717 ordinary shares.

On 3 June 2024, certain awards under the 2020 MESP were settled by the transfer from treasury of ordinary shares to participants and the grant of nil cost options, with the balance settled by cash payments in an amount sufficient to settle the tax liabilities relating to participants' 2020 MESP awards to relevant tax authorities (the "Cash Settlement for Tax Purposes").

In satisfaction of his entitlements under the 2020 MESP, on 3 June 2024 1,643,404 ordinary shares were transferred to Mr Dilnot, 1,457,359 ordinary shares were settled in cash pursuant to the Cash Settlement for Tax Purposes, and nil cost options (exercisable in 2025 and 2026 into ordinary shares of the Company) were awarded to Mr Dilnot over a total of 3,875,954 ordinary shares. Ordinary shares held by Mr Dilnot resulting from crystallisation of the 2020 MESP are required to be retained for a two-year holding period following the crystallisation date.

As announced in 2023, co-founders Mr Miller and Mr Peckham and long-standing Group Finance Director Mr Martin (the "Resigning Directors") did not stand for re-election at the Company's Annual General Meeting on 2 May 2024 having ceased to be directors on 7 March 2024 in connection with the Company's change in strategy and business model. They ceased employment with the Company on 1 June 2024. The Committee considered the long tenure and contributions of the Resigning Directors which included over £8 billion of shareholder returns during their combined 58 years' service to Melrose, culminating in the exceptional shareholder value of over £5 billion delivered during the 2020 MESP performance period. The Committee further considered the Company's transformational exit from Melrose's "Buy, Improve, Sell" strategy and business model and the successful strategic shift to becoming a long-term global aerospace technology business during their tenure, and the effective transition to the new leadership team led by Mr Dilnot and Mr Gregory. Having regard to these factors and the continued application of clawback, good leaver status was therefore attributed to the Resigning Directors and with respect to the 2020 MESP the Committee exercised its discretion in accordance with the MESP Rules to accelerate the nil cost options granted to the Resigning Directors such that they became exercisable upon grant, and the holding period relating to the ordinary shares transferred to the Resigning Directors in settlement of their entitlements under the 2020 MESP was waived.

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Accordingly, on 3 June 2024 following crystallisation of the 2020 MESP in accordance with its rules, Mr Miller received his entitlement by way of the transfer from treasury of 4,476,726 ordinary shares and a cash payment in respect of his remaining entitlement to 3,662,777 ordinary shares pursuant to the Cash Settlement for Tax Purposes. Each of Mr Peckham and Mr Martin received their entitlements under the 2020 MESP by way of the transfer from treasury of 4,930,212 ordinary shares and a cash payment in respect of his remaining entitlement to 4,372,077 ordinary shares pursuant to the Cash Settlement for Tax Purposes.

MASP

The MASP measures the creation of shareholder value in the Dowlais group (which was demerged from the Melrose group in 2023) above a threshold invested capital (the "Threshold MASP Crystallisation Value") over a performance period to 31 May 2025, with participants being granted options to acquire ordinary shares in Dowlais for nil consideration, subject to achieving the necessary performance. The MASP is governed by the plan rules tabled and approved at the general meeting that was held on 30 March 2023 (the "MASP Rules"). No further options were granted under the MASP during 2024, and no further options will be granted prior to crystallisation. Mr Dilnot is the only current Director with a participation in the MASP.

Following completion of the demerger, 2% of the Dowlais shares were placed on trust with an employee share ownership trust ("ESOT") established by Melrose for the purposes of satisfying awards under the MASP. Options over these shares were granted following the MASP commencement date and the extent to which the options vest and become exercisable depends on performance, measured by the increase in value of invested capital over the period from and including completion of the demerger up to (but excluding) the crystallisation date on 31 May 2025 (the "MASP Crystallisation Date") or, where an exceptional corporate event affecting the Company or Dowlais occurs prior to that event (such as a change of control or winding up), an earlier date as determined in accordance with the MASP Rules. On the MASP Crystallisation Date, to the extent the vesting conditions have not been met, the ESOT will transfer the relevant shares back to Dowlais (or its nominee) to be cancelled.

Other than where an exceptional corporate event affecting the Company or Dowlais occurs, the increase in value of invested capital for the purposes of the MASP is calculated by reference to the average market capitalisation of Dowlais for the 40 business days prior to (but excluding) the MASP Crystallisation Date. If the MASP Crystallisation Date had been 31 December 2024, the Threshold MASP Crystallisation Value would not have been met by reference to the average market capitalisation of Dowlais for the 40 business days prior to (but excluding) 31 December 2024, and therefore no options would have vested and become exercisable.

Minimum shareholding requirements and equity exposure of the Board (audited)

Executive Directors are subject to two concurrent minimum shareholding requirements, the full details of which are set out in the Remuneration Policy as approved at the 2024 AGM. In summary, the first is to always hold at least a value of shares equal to 300% of salary, for which they are given a period of five years from appointment to meet. The second requirement is for executive Directors to hold all the shares they acquire pursuant to the vesting of awards granted under the 2024 PSP and crystallisation of the 2020 MESP, after satisfying tax obligations following the crystallisation of that plan and subject to capital adjustments, for a two-year holding period.

An executive Director leaving the Company is subject to a post-cessation minimum shareholding requirement of 300% of salary (or actual shareholding on cessation, if lower) for a two-year period following the date of cessation. This obligation is enforceable under direct contractual arrangements between the Company and each executive Director.

The following table sets out all ordinary shares in the Company held by the executive Directors as at 31 December 2024, as well as an indication as to the size of these shareholdings relative to the entire issued share capital of the Company (excluding treasury shares) as at 31 December 2024. It also sets out the number of ordinary shares of the Company held by each executive Director at the end of the 2023 and 2024 financial years and the impact on the value of these ordinary shares taking the closing mid-market prices for those dates. Details of interests in the equity of the Company held by the executive Directors as at 31 December 2024 pursuant to the Company's long-term incentive schemes are set out in the subsequent table. Except as set out in the tables on page 144, the executive Directors have no subsisting interests in the equity of the Company.

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Executive Director shareholdings

Executive Directors	Applicable shareholding requirement (% salary)[1]	Current shareholding (% salary)[2]	Shareholding requirement met?	Shareholding (% ordinary share capital) as at 31 December 2024[3]	Shares beneficially held on 31 December 2023[4]	Shares beneficially held on 31 December 2024[4]	Value of shares on 31 December 2023[5] £	Value of shares on 31 December 2024[2] £	Difference in value of shares between 31 December 2023 and 31 December 2024[6] £
Peter Dilnot	300%	971%	Yes	0.133%	65,444	1,708,848[7]	371,329	9,463,600	9,092,271
Matthew Gregory	300%	22%	No[8]	0.002%	–	26,410	–	146,259	146,259
Christopher Miller[9]	300%	6,719%	Yes	0.590%	7,592,553	7,592,553	43,080,146	42,047,559	(1,032,587)
Simon Peckham[9]	300%	1,791%	Yes	0.157%	2,023,965	2,023,965	11,483,977	11,208,718	(275,259)
Geoffrey Martin[9]	300%	2,403%	Yes	0.172%	2,218,576	2,218,576	12,588,200	12,286,474	(301,726)

(1) The shareholding requirement under the Remuneration Policy is 300% of base salary and must be met within five years of appointment.
(2) For these purposes, the value of a share is 553.8 pence, being the closing mid-market price on 31 December 2024, and salary is 2024 base annual salary as set out in the table on page 145.
(3) Based on the total number of ordinary shares in issue as at 31 December 2024, exclusive of treasury shares.
(4) For these purposes, the interests of each executive Director listed in the table include any ordinary shares held by a person closely associated with that executive Director within the meaning of the EU Market Abuse Regulation, as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018.
(5) For these purposes, the value of a share is 567.4 pence, being the closing mid-market price on 29 December 2023, being the last business day of the 2023 financial year.
(6) The figures in this column may not add up to the sum of the component parts due to rounding.
(7) Mr Dilnot also holds nil cost options exercisable in 2025 and 2026 into ordinary shares in the Company in respect of a total of 3,875,954 ordinary shares. These options were granted to Mr Dilnot in satisfaction of his entitlements under the 2020 MESP as further described on page 142.
(8) Under the Remuneration Policy, executive Directors are required to always hold at least an amount of shares equal to 300% of salary and are given five years from appointment to meet this requirement.
(9) Mr Miller, Mr Peckham and Mr Martin resigned as executive Directors on 7 March 2024. The as at 31 December 2024 shareholdings and figures stated in the table above are calculated according to the number of shares they held at 7 March 2024 and salary is 2024 base annual salary.

Executive Director share scheme interests

Share Scheme	Grant date	Nature of interest	Number of shares at 31 December 2024	Subject to performance conditions	Face value on grant date £000[1]	Shares in holding period	Performance period end	Vesting date	End of holding period
2024 PSP									
Peter Dilnot	11/06/24	Nil cost option	272,633	272,633	1,706	n/a	31/05/27	11/06/27	11/06/29
Matthew Gregory	11/06/24	Nil cost option	129,559	129,559	811	n/a	31/05/27	11/06/27	11/06/29
2020 MESP									
Peter Dilnot	03/06/24	Nil cost option	3,875,954[2]	n/a	23,868	n/a	n/a	03/06/24	31/05/26

(1) For these purposes, the face value of a share for options granted under the 2024 PSP is 625.84 pence, being the average closing price over the five dealing days preceding grant in accordance with the PSP rules for determining the number of shares over which options are granted. For options granted under the 2020 MESP, the face value of a share is 615.8 pence, being the closing share price at the date of crystallisation of the 2020 MESP as set out at note 2 to the single total figure of remuneration table on page 139.
(2) Mr Dilnot's nil cost options were granted on 3 June 2024 in satisfaction of his entitlements under the 2020 MESP following its crystallisation on 31 May 2024 and, as such, there are no subsisting performance conditions relating to those nil cost options. 3,100,763 of those nil cost options are exercisable on or after 1 January 2025 and 775,191 are exercisable on or after 1 January 2026. The number of shares to which the nil cost options relate are subject to increase on exercise to reflect dividends or distributions to shareholders since the grant date. The numbers of shares referred to in the table above and in this note are the numbers of shares into which the 2020 MESP nil cost options are exercisable as at the grant date. All shares held as a result of the exercise of the nil cost options will be subject to a holding period ending on 31 May 2026, being the second anniversary of crystallisation of the 2020 MESP.

No executive Director may dispose of any ordinary shares without the consent of the Chairman of the Board, which will not normally be withheld unless prohibited under applicable law or regulation and provided the executive Director will continue to hold at least the 'minimum number' of ordinary shares referred to in the table above following any such disposal.

There have been no changes in the ordinary shareholdings of the executive Directors between 31 December 2024 and 6 March 2025 (the date of this report).

Please see page 152 for a table setting out the equity interests of the Non-executive Directors as at 31 December 2024.

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Key decisions and statement of implementation for 2025

Salary review

The Committee has awarded salary increases to the executive Directors of 3% for 2025, which is consistent with the rate of salary increases awarded to the wider UK workforce. The executive Director salary increases were determined to be appropriate in light of the Company's performance in 2024, whilst recognising and balancing the need to appropriately remunerate and incentivise the executive team to continue to deliver value to shareholders. In considering salary levels for 2025, the Committee took advice from its remuneration consultants regarding anticipated salary levels for the year among FTSE 100 companies while also having regard to the Investment Association's updated Principles of Remuneration as published in October 2024.

The Committee is satisfied that the executive Director salary levels are appropriate having regard to the objectives of the Remuneration Policy and feels that it has been able to balance all relevant stakeholder considerations when setting salaries for 2025.

The executive Directors' salaries for 2025 are as follows:

Executive Directors	Position	Salary with effect from 1 January 2025 £000	Salary with effect from 6 and 7[1] March 2024 £000
Peter Dilnot	Chief Executive Officer	1,004	975
Matthew Gregory	Chief Financial Officer	716	695

(1) Mr Dilnot was appointed as Chief Executive Officer on 6 March 2024 and Mr Gregory was appointed as Chief Financial Officer on 7 March 2024.

Pensions and benefits

For 2025, standard benefits will be provided to the executive Directors in line with the Remuneration Policy at a pension contribution rate of 10% of base salary, a level consistent with the Group's wider UK workforce.

Annual bonus

As part of the Remuneration Policy, the maximum annual bonus opportunity for executive Directors is set at 200% of base salary. Consistent with 2024, this will be applied for 2025 such that the maximum opportunity will be 200% of base salary for the Chief Executive Officer and 150% of base salary for the Chief Financial Officer.

Pursuant to the Remuneration Policy at least 50% of the annual bonus is required to be based on financial measures. For 2025, 70% of the annual bonus opportunity will be based on performance against financial measures with the remaining 30% based on strategic objectives. The financial performance metrics will comprise cash flow and operating profit, which the Committee considers to be the appropriate metrics for the Company. The Committee considers that the details of the financial measures and strategic objectives are commercially sensitive but will disclose the nature of all measures on a retrospective basis, where appropriate, on a similar basis to the disclosure on page 140 in respect of the annual bonus for the year ending 31 December 2024.

If an executive Director does not satisfy the 300% of base salary minimum shareholding requirement, up to 50% of any bonus award after tax will be used to acquire shares to the extent necessary to enable the executive Director to meet his or her minimum shareholding requirement (as further described on page 143).

Long-term incentive arrangements

The Committee intends to grant awards under the 2024 PSP to the Chief Executive Officer and the Chief Financial Officer (as well as other eligible members of senior management) during 2025. The intention is that the Chief Executive Officer will be made an award at the maximum level of 300% of salary and the Chief Financial Officer will be made an award at 200% of salary. Detailed performance measures will be set by the Committee and, consistent with the PSP awards granted in 2024, are expected to be subject to three independent performance metrics to be measured over a performance period of three years, comprising growth in fully diluted adjusted EPS (45%), relative TSR performance versus the FTSE 100 (excluding investment trusts) (45%), and strategic objectives (10%) including in respect of reduction in Scope 1 and 2 emissions intensity.

Unless performance of a participant during the performance period is sufficient to earn 25% of the relevant maximum opportunity, none of the PSP awards granted to that participant will vest, with 100% of the PSP awards granted to a participant vesting if maximum performance is achieved.

No payment is required for the grant of a PSP award.

As soon as reasonably practicable after the end of the performance period, the Committee will conduct a performance assessment. The Committee will determine the extent to which the PSP awards will then vest, taking into account the extent to which performance conditions have been satisfied. PSP awards will vest on the vesting date set by the Committee at grant, which will normally be the third anniversary of the grant date. An additional two-year post-vesting holding period applies to PSP awards made to executive Directors.

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Regulatory disclosures

Chief Executive Officer remuneration for previous 10 years

In accordance with the regulations governing the reporting of executive Director remuneration, the total figure of remuneration set out in the table below includes the value of long-term incentives vesting in the relevant financial year. This means that the full value of the 2020 MESP which crystallised on 31 May 2024 is shown for the year ended 31 December 2024 for both Mr Dilnot and Mr Peckham, although this represents rewards earned over a four-year performance period. The 2017 Incentive Plan crystallised in May 2020 for no value following a three-year performance period. The 2012 Incentive Plan which crystallised in May 2017 is shown for the year ended 31 December 2017, and represents rewards earned over a five-year performance period. Per the terms of the Company's current long-term incentive arrangements, any awards in relation to the 2024 PSP are not scheduled to vest until June 2027, and only then if the performance conditions are met.

Financial year	Chief Executive Officer	Non-LTIP £000	LTIP £000	Total remuneration £000	Annual bonus as a percentage of maximum opportunity	Long-term incentives as a percentage of maximum opportunity
Year ended 31 December 2024[1]	Peter Dilnot	2,454	42,963[2]	45,416	86.6%	n/a[3]
	Simon Peckham	249	57,283[2]	57,533	100%	n/a[3]
Year ended 31 December 2023	Simon Peckham	1,256	–	1,256	95%	–
Year ended 31 December 2022	Simon Peckham	1,221	–	1,221	100%	–
Year ended 31 December 2021	Simon Peckham	1,186	–	1,186	100%	–
Year ended 31 December 2020	Simon Peckham	680	–[4]	680	20%	n/a[5]
Year ended 31 December 2019	Simon Peckham	976	–	976	72%	–
Year ended 31 December 2018	Simon Peckham	1,049	–	1,049	95%	–
Year ended 31 December 2017	Simon Peckham	994	41,770[6]	42,764	90%	n/a[7]
Year ended 31 December 2016	Simon Peckham	988	–	988	95%	–
Year ended 31 December 2015	Simon Peckham	929	–	929	88%	–

(1) In the year ending 13 December 2024, Mr Peckham was Chief Executive for the period from 1 January 2024 until 6 March 2024 and stepped down as an executive Director on 7 March 2024. Mr Dilnot was Chief Executive Officer for the period from 6 March 2024 onwards. In the table above, the 'total remuneration' figure shows, in respect of Mr Peckham, his total remuneration in respect of his service in the period from 1 January 2024 to 7 March 2024 and in respect of Mr Dilnot, his total remuneration in respect of his service in the period from 6 March 2024 to 31 December 2024 and as such there is an overlap on 6 and 7 March 2024. Included in the table above for each of Mr Peckham and Mr Dilnot is the total value of the long-term incentives vesting in the year on crystallisation of the 2020 MESP.

(2) The values derived in 2024 from the 2020 MESP represent the relevant executive Director's share, determined in accordance with the terms of plan, of the shareholder value created over a period of four years. These amounts were paid in shares and nil cost options over shares exercisable in 2025 and 2026, not cash, except for an amount of cash equal to the relevant executive Director's tax liabilities which was withheld by the Company to satisfy those liabilities. Of Mr Dilnot's total entitlement, approximately 24% was satisfied in shares, approximately 21% was settled in cash to satisfy tax liabilities, and the balance of approximately 55% was satisfied by the grant of nil cost options. Further details in relation to the crystallisation of the 2020 MESP are set out on pages 142 and 143.

(3) On the crystallisation on 31 May 2024 of the 2020 MESP, participants as a whole were entitled to 7.5% of the increase in invested capital above a 5% annual charge (and subject to adjustment for returns to shareholders during the performance period), measured at the end of a four-year performance period. Because the value derived on the crystallisation of the 2020 MESP depended upon the shareholder value created over the relevant period, it is not possible to express the value derived as a percentage of the maximum opportunity.

(4) The 2017 Incentive Plan crystallised in May 2020 for no value.

(5) Although the 2017 Incentive Plan crystallised in May 2020 for no value, because the value that would have been derived on the crystallisation of the 2017 Incentive Plan and options depended upon the shareholder value created over a three-year performance period, it would not have been possible to express the value derived as a percentage of the maximum opportunity.

(6) The value derived in 2017 from the 2012 Incentive Plan represents the Chief Executive's share, determined in accordance with the terms of those shares, of the shareholder value created over a period of approximately five years. This amount was paid in shares, not cash, except for an amount of cash equal to the relevant executive Director's tax liabilities which was withheld by the Company to satisfy those liabilities.

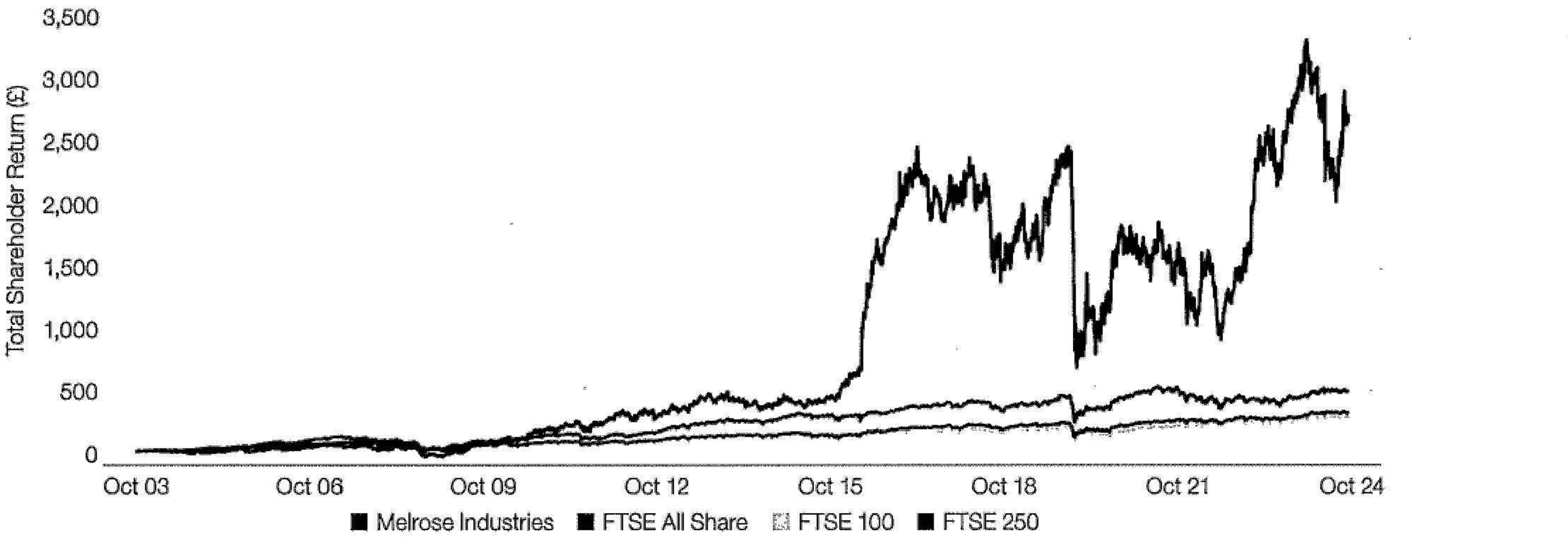
(7) On the crystallisation in May 2017 of the 2012 Incentive Plan, participants as a whole were entitled to 7.5% of the increase in shareholder value from 22 March 2012 to 31 May 2017. Because the value derived on the crystallisation of the 2012 Incentive Plan depended upon the shareholder value created over the relevant period, it is not possible to express the value derived as a percentage of the maximum opportunity.

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Total Shareholder Return

The total shareholder return graph below shows the value as at 31 December 2024 of £100 invested in the Company in October 2003, compared with £100 invested in the FTSE 100 Index, the FTSE 250 Index and the FTSE All-Share Index. This shows a TSR of 3,069% (compared to the FTSE 100 Index TSR of 320%) and demonstrates very clearly the long-term performance of the Company.

The Committee considers the FTSE 100 Index, the FTSE 250 Index and the FTSE All-Share Index to be appropriate indices for the year ended 31 December 2024 for the purposes of this comparison because of the comparable size of the companies which comprise the FTSE 100 Index and the FTSE 250 Index and the broad nature of companies which comprise the FTSE All-Share Index. The data shown below assumes that all cash returns to shareholders made by the Company during this period are reinvested in ordinary shares.



CEO pay ratio

Our median CEO to employee pay ratio for 2024 was 1,112:1. The significant increase in the ratio for 2024 results from the crystallisation of the 2020 MESP, details of which are set out on pages 142 and 143 of this report, as well as the implementation of the Remuneration Policy which increased the Chief Executive Officer's base salary and increased bonus entitlement which is a factor of base salary. Excluding the impact of crystallisation of the 2020 MESP, the median CEO to employee pay ratio for 2024 was 47:1. The following table provides pay ratio data in respect of the Chief Executive Officer's total remuneration compared to the 25th, median and 75th percentile UK employees.

Financial year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
Year ended 31 December 2024	Option A	1,403:1	1,112:1	907:1
Year ended 31 December 2024	Option A – excluding 2020 MESP	60:1	47:1	39:1
Year ended 31 December 2023	Option A	32:1	25:1	21:1
Year ended 31 December 2022	Option A	32:1	26:1	20:1
Year ended 31 December 2021	Option A	34:1	29:1	23:1
Year ended 31 December 2020	Option A	20:1	16:1	13:1
Year ended 31 December 2019	Option A	30:1	24:1	19:1

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The employees used for the purposes of calculating the pay ratios in the table on page 147 were those employed in the UK by any business within the Group on 31 December 2024 (for the avoidance of doubt, including the Chief Executive Officer), and the remuneration figures were determined with reference to the financial year ending 31 December 2024. Option A was chosen as it is considered to be the most accurate way of identifying the relevant employees. This captures all relevant pay and benefits and aligns to how the single figure table is calculated for the Chief Executive Officer and other Directors. The value of each employee's total pay and benefits was calculated using the single figure methodology consistent with the Chief Executive Officer, with the exception of the annual bonus, which was calculated using 2023 financial year bonuses (which were paid during 2024) where the 2024 financial year data was not available at the last practical date before the finalisation of this report. No elements of pay have been omitted. Where required, remuneration was approximately adjusted to reflect full-time and full-year equivalents based on the employees' contracted hours and the proportion of the year they were employed.

The following table provides salary and total remuneration information in respect of the employees at each quartile (rounded to the nearest £1,000).

Financial year	Element of pay	25th percentile pay employee	Median employee	75th percentile pay employee
Year ended 31 December 2024	Salary and wages[1]	£39,000	£47,000	£53,000
	Total pay and benefits	£42,000	£53,000	£65,000

(1) Base salary includes overtime and shift allowances/premiums. The individual at the median received shift premium and overtime during the year.

We have considered the pay data for the three employees identified and believe that it fairly reflects pay at the relevant quartiles amongst the UK workforce. The Committee considers that the median pay ratio is consistent with the relative role and responsibilities of the Chief Executive Officer and the identified employee. Base salaries of all employees, including our executive Directors, are set with reference to a range of factors, including market practice, experience and performance in role. Pursuant to the Remuneration Policy, the Chief Executive Officer's remuneration package has been rebalanced to align more closely with the Company's FTSE 100 peers across fixed and variable aspects. As a consequence, the Chief Executive Officer's fixed pay and annual bonus opportunity have been increased while maximum potential long-term incentive plan outcomes have been reduced compared to the Company's remuneration structure for previous years. Chief Executive Officer remuneration remains more heavily weighted towards variable pay than typical employee remuneration due to the nature of the role, and this means that the ratio is likely to fluctuate depending on the outcomes of incentive plans in each year, and is indeed likely to be higher in years where long-term incentive arrangements crystallise (as was the case during 2024).

Percentage change in Directors' remuneration

The table opposite sets out, in relation to base salary, taxable benefits and annual bonus, the percentage increase in pay for each Director compared to the average increase for a group consisting of the Group's executive committee and their senior direct reports. The reporting legislation in this regard requires companies to publish the annual percentage change in the total remuneration of Directors and employees of the Company. The Company itself does not have any employees other than the executive Directors. However, in the interests of providing a relevant comparison to stakeholders, we choose to voluntarily disclose a comparison against the aforementioned group of senior management, which we consider to be an appropriate comparator group because of their level of seniority and the structure of their remuneration packages. The spread of the Company's operations across various countries means that remuneration policies vary to take account of geography such that the Committee considers that selecting a wider group of employees would not provide a meaningful comparison.

We are required to report on this change based on actual amounts received by the Directors. The percentage changes for 2024 versus 2023 for Mr Miller, Mr Peckham and Mr Martin reflect the fact that they ceased to be Directors on 7 March 2024 and as such those comparisons are not meaningful. The percentage changes for 2024 versus 2023 for Mr Dilnot reflect the fact that he became Chief Executive Officer on 6 March 2024 having formerly served as Chief Operating Officer and his remuneration package changed with his change in role. The percentage increases for 2021 versus 2020 and for 2020 versus 2019 were naturally impacted by the COVID-19 pandemic, which included temporary salary and fee reductions and reduced annual bonuses for the executive Directors in 2020.

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Element of remuneration	2024 vs 2023 Basic salary/fee percentage change[1]	2024 vs 2023 Benefits percentage change/ amount £000[2]	2024 vs 2023 Annual bonus percentage change[3]	2023 vs 2022 Basic salary/fee percentage change[1]	2023 vs 2022 Benefits percentage change/ amount £000[2]	2023 vs 2022 Annual bonus percentage change[3]	2022 vs 2021 Basic salary/fee percentage change[1]	2022 vs 2021 Benefits percentage change/ amount £000[2]	2022 vs 2021 Annual bonus percentage change[3]	2021 vs 2020 Basic salary/fee percentage change[1]	2021 vs 2020 Benefits percentage change/ amount £000[2]	2021 vs 2020 Annual bonus percentage change[3]	2020 vs 2019 Basic salary/fee percentage change[1]	2020 vs 2019 Benefits percentage change/ amount £000[2]	2020 vs 2019 Annual bonus percentage change[3]
Executive Directors															
Peter Dilnot[4]	83%	17% / 3	217%	5%	22% / 2	0%	3%	(88)% / 2	3%	–	– / 15	–	–	– / –	–
Matthew Gregory	n/a	n/a / 2	n/a	–	–	–	–	–	–	–	–	–	–	–	–
Christopher Miller[5]	(80)%	(80)% / 0	n/a	5%	33% / 2	n/a	3%	15% / 2	n/a	12%	(30)% / 2	n/a	(6)%	(20)% / 2	n/a
Simon Peckham[5]	(80)%	(80)% / 1	(80)%	5%	263% / 4	0%	3%	(45)% / 1	3%	12%	(26)% / 2	415%	(6)%	(2)% / 3	(71)%
Geoffrey Martin[5]	(80)%	(80)% / 2	(80)%	5%	18% / 14	0%	3%	31% / 12	3%	14%	(6)% / 9	422%	(6)%	7% / 10	(72)%
Non-executive Directors															
Justin Dowley	5%	n/a	n/a	5%	n/a	n/a	3%	n/a	n/a	12%	n/a	n/a	(6)%	n/a	n/a
David Lis[6]	3%	n/a	n/a	5%	n/a	n/a	16%	n/a	n/a	10%	n/a	n/a	(4)%	n/a	n/a
Charlotte Twyning[7]	14%	n/a	n/a	4%	n/a	n/a	22%	n/a	n/a	12%	n/a	n/a	(6)%	n/a	n/a
Heather Lawrence[8]	4%	n/a	n/a	14%	n/a	n/a	119%	n/a	n/a	–	–	–	–	–	–
Victoria Jarman[9]	(64)%	n/a	n/a	5%	n/a	n/a	77%	n/a	n/a	–	–	–	–	–	–
Gillian Elcock[10]	110%	n/a	n/a	–	–	–	–	–	–	–	–	–	–	–	–
Chris Grigg[11]	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Ian Barkshire[11]	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Senior employees[12]	**11%**	**11%**	**(21)%**	**8%**	**10%**	**8%**	**4%**	**2%**	**2%**	**6%**	**92%**	**167%**	**(1)%**	**11%**	**45%**

(1) The annual percentage change is required to be calculated by reference to actual basic salary or fee (as applicable) paid for the financial year compared to that paid for the prior financial year. For the Non-executive Directors, this fee includes both their basic fee and any additional fee received for holding the position of the Senior Independent Director, and for holding the Chairmanship of the Audit Committee, the Remuneration Committee and/or the Nomination Committee.

(2) Benefits data is calculated on the same basis as the benefits data in the single total figure table. It does not include any pension allowances. Given that the executive Director benefits are minimal, a small change to the amount of those benefits (for example, an annual increase to the premium charged for private medical insurance) will necessarily result in a large increase. To provide comfort that these are not large increases in quantum, the benefits data as provided in the single total figure table is included, for context.

(3) The annual percentage change in bonus is calculated by reference to the bonus payable in respect of the financial year compared to the prior financial year, in each case for the applicable executive Directors and senior employees. Neither the Executive Vice-Chairman nor the Non-executive Directors are eligible to receive an annual bonus.

(4) Mr Dilnot was appointed as Chief Executive Officer on 6 March 2024 (prior to which he served as Chief Operating Officer) and accordingly the comparison between 2024 and 2023 is in respect of different roles, so is not a meaningful comparison.

(5) Mr Miller, Mr Peckham and Mr Martin resigned from the Board with effect from 7 March 2024 and received salary and benefits in their capacity as Directors in respect of part of the year only. As such, the comparisons between 2024 and 2023 are not meaningful.

(6) Mr Lis was appointed as the Senior Independent Director with effect from 5 May 2022. The increase in his basic fee from 2021 to 2022 reflects the additional fee received in respect of being appointed to this role for the period 5 May 2022 to 31 December 2022 which was not applicable to 2021, so is not a meaningful comparison.

(7) Ms Twyning received an additional payment of £10,000 in 2024 for services provided in addition to her regular activities as a Non-executive Director and Nomination Committee Chair as further described on page 138. As such, the comparison between 2024 and 2023 is not like-for-like. Ms Twyning was appointed as the Chair of the Nomination Committee with effect from 1 January 2022. The increase in her basic fee from 2021 to 2022 reflects the additional fee received in respect of being appointed to this role for 2022 which was not applicable to 2021, so is not a meaningful comparison.

(8) Mrs Lawrence was appointed to the Board with effect from 1 June 2021, and as Chair of the Audit Committee with effect from 5 May 2022. The increase in her basic fee from 2021 to 2022 reflects the fee actually received for the prorated period of directorship in 2021 for the period 1 June 2021 to 31 December 2021 versus a full year for 2022, and reflects the additional fee received in respect of being appointed to the role of Chair of the Audit Committee for the period 5 May 2022 to 31 December 2022 which was not applicable to 2021, so is not a meaningful comparison.

(9) Ms Jarman resigned from the Board with effect from 2 May 2024. As such, the comparison between 2024 and 2023 is not meaningful. Ms Jarman was appointed to the Board with effect from 1 June 2021. The increase in her basic fee from 2021 to 2022 reflects the fee actually received for the prorated period of directorship in 2021 for the period 1 June 2021 to 31 December 2021 versus a full year for 2022, so is not a meaningful comparison.

(10) Ms Elcock was appointed to the Board with effect from 21 June 2023 and received a fee in 2023 in respect of part of the year only. As such, the comparison between 2024 and 2023 is not meaningful.

(11) Mr Grigg and Dr Barkshire were appointed to the Board with effect from 1 October 2024 and as such no prior-year comparison is available.

(12) Senior employees comprises members of the Company's executive committee and their senior direct reports, excluding the Chief Executive Officer.

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Wider workforce considerations

Melrose is committed to creating an inclusive working environment and to rewarding our employees throughout the organisation in a fair manner. The Committee is mindful of wider workforce remuneration and conditions, and uses its awareness of these arrangements to ensure that Melrose executive pay is aligned with the Company's culture and strategy.

The Committee is responsible for setting the remuneration policy for the executive Directors and for setting remuneration for the Non-executive Chairman, the executive Directors and the Group's senior management team. The Chief Executive Officer and senior management team are responsible for setting wider workforce remuneration, and are responsible for engaging with the wider workforce in relation to remuneration throughout the year. The Committee considers such approach to be appropriate on the basis that it maintains oversight of pay, policies and incentives at a senior management team level, which enables it to ensure that the approach taken to executive remuneration is consistent. The Chief Human Resources Officer also monitors, via the Workforce Advisory Panel as well as through the human resources team, that senior management remuneration is consistent with the remuneration that the business provides to its wider workforce, and that the incentives it operates align with the business's culture and strategy. This approach provides the Committee with comfort that it is discharging its obligations under the Code, and that there is consistency and engagement across all levels of the Group. Based on these disclosures, the Committee is satisfied that the approach taken to remuneration at all levels is consistent with the Company's remuneration philosophy.

The Committee is aware of the continuing macroeconomic challenges impacting the global economy and the resulting impact on cost of living and inflation against a challenging economic environment with general uncertainty. The Committee has sought to ensure that executive pay decisions in respect of 2024 and 2025 have been taken with this background in mind, and with the benefit of the oversight described above and advice from its external remuneration advisors. The Committee took these into consideration when making its decision for the executive Director salary increases for 2025, which were consistent with the increases awarded across the wider UK workforce.

Melrose and GKN Aerospace continue to pay all UK employees at least the national living wage save for apprentices, interns and year-in-industry students, who are paid in accordance with the national minimum wage rates for their age group. Additionally, all employees in the UK are offered the opportunity to work for at least 15 hours per week.

Retirement provisions

The Group provides retirement benefits to senior management and the executive committee determines the retirement benefits provided to the wider workforce.

Long-term incentives

Participation in the 2024 PSP is limited to the Group's senior management.

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Relative Importance of Spend on Pay

The following table sets out the percentage change in dividends and the overall expenditure on pay (as a whole across the Group).

Expenditure	Year ended 31 December 2023 £ million	Year ended 31 December 2024 £ million	Percentage change
Remuneration paid to all employees[1]	1,095	965	(12)%
Distributions to shareholders by way of dividend and share buyback	173[2]	498[3]	188%

(1) The figure is the total staff costs as stated in note 7 to the financial statements.
(2) The figure for the year ended 31 December 2023 includes the amount returned to shareholders by way of share buyback in 2023.
(3) The figure for the year ended 31 December 2024 includes the amount returned to shareholders by way of share buyback in 2024.

Non-executive Directors

Single figure table (audited)

The following table sets out the single figure of remuneration for 2024 in comparison with 2023 for the Company's Non-executive Directors[1]:

Non-executive Directors	Period	Total basic fees £000	Total other fees £000[2]	Other (bonus, pension, LTIP, taxable benefits) £000	Total £000	Total Fixed £000	Total Variable £000
Justin Dowley (Chairman)	2024	422	–	n/a	**422**	**422**	–
	2023	402	–	n/a	**402**	**402**	–
David Lis	2024	91	40	n/a	**131**	**131**	–
	2023	86	40	n/a	**126**	**126**	–
Charlotte Twyning[3]	2024	91	25	n/a	**116**	**116**	–
	2023	86	15	n/a	**101**	**101**	–
Funmi Adegoke[4]	2024	–	–	n/a	–	–	–
	2023	43	–	n/a	**43**	**43**	–
Heather Lawrence	2024	91	30	n/a	**121**	**121**	–
	2023	86	30	n/a	**116**	**116**	–
Victoria Jarman[5]	2024	31	–	–	**31**	**31**	–
	2023	86	–	n/a	**86**	**86**	–
Gillian Elcock[6]	2024	91	–	n/a	**91**	**91**	–
	2023	43	–	n/a	**43**	**43**	–
Chris Grigg[7]	2024	23	–	n/a	**23**	**23**	–
	2023	–	–	–	–	–	–
Ian Barkshire[7]	2024	23	–	n/a	**23**	**23**	–
	2023	–	–	–	–	–	–

(1) The 'Total' figures in the above table may not add up to the sum of the component parts due to rounding.
(2) These are additional fees for holding the Chairmanship of the Audit Committee, the Remuneration Committee and the Nomination Committee, and for holding the position of the Senior Independent Director. There are no additional fees payable for membership of a committee. All of our Non-executive Directors are members of at least one committee.
(3) Ms Twyning received a one-off fee of £10,000 in 2024 for services provided in addition to her regular activities as a Non-executive Director and as Nomination Committee Chair as further described on page 138.
(4) Ms Adegoke resigned as a Non-executive Director of the Company on 16 June 2023 and the fees referred to above for 2023 reflect her fees for the period 1 January 2023 to 16 June 2023.
(5) Ms Jarman resigned as a Non-executive Director of the Company on 2 May 2024 and the fees referred to above for 2024 reflect her fees for the period 1 January 2024 to 2 May 2024.
(6) Ms Elcock was appointed as a Non-executive Director of the Company with effect from 21 June 2023 and the fees referred to above for 2023 reflect her fees for the period 21 June 2023 to 31 December 2023.
(7) Mr Grigg and Dr Barkshire were appointed as Non-executive Directors of the Company with effect from 1 October 2024 and the fees referred to above for 2024 reflect their fees for the period 1 October 2024 to 31 December 2024.

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Payments to past directors or for loss of office (audited)
As announced in 2023, Mr Miller, Mr Peckham and Mr Martin (the "Resigning Directors") did not stand for re-election at the Company's Annual General Meeting on 2 May 2024 having ceased to be directors on 7 March 2024. They ceased employment with the Company on 1 June 2024 (the "Termination Date").

In connection with the settlement arrangements entered into with respect to their resignation, (i) Mr Miller was paid a gross sum of £239,890 as compensation in lieu of notice plus £100 for restrictive covenants, (ii) Mr Peckham was paid a gross sum of £230,490 as compensation in lieu of notice plus £100 for restrictive covenants, and (iii) Mr Martin was paid a gross sum of £196,037 as compensation in lieu of notice plus £100 for restrictive covenants. In each case compensation in lieu of notice was calculated on the basis of salary plus contractual pension entitlement in respect of the period from the Termination Date to 30 September 2024.

Under the terms of their settlement arrangements Mr Peckham and Mr Martin remained eligible to participate in the 2024 annual bonus scheme with a maximum entitlement of 100% of base salary, calculated on the basis of a full year of service in 2024 in respect of which Mr Peckham received £511,241 and Mr Martin received £417,783 in each case in addition to the annual bonus amount set out in the single total figure of remuneration table on page 139. Although the maximum bonus opportunity for new executive Directors was increased to 200% of base salary pursuant to the 2023 directors' remuneration policy, the maximum bonus opportunity for Mr Peckham and Mr Martin remained at 100% of base salary. In respect of 2024, while the bonus opportunity of Mr Peckham and Mr Martin was not prorated, the level of bonus to be awarded was conditional on an annual bonus being achieved by the incoming Chief Executive Officer but with a maximum percentage of salary entitlement for Mr Peckham and Mr Martin capped at half the maximum percentage of salary entitlement of the incoming Chief Executive Officer. To the extent the bonus awarded to the incoming Chief Executive Officer was higher than 100% of his salary, the bonus awarded to Mr Peckham and Mr Martin would not exceed 100% of their salaries, and to the extent the incoming Chief Executive Officer's bonus was lower than 100% of his salary, Mr Peckham and Mr Martin's bonus would be correspondingly lower. The Committee considered such arrangement to be in the interests of the Company as it would incentivise Mr Peckham and Mr Martin to ensure that the transition to the incoming Chief Executive Officer and Chief Financial Officer was effective on a continuing basis beyond their Termination Date in the longer-term interests of the Company during a strategically transformational full year, and that they were focused on and recognised for achievement of the Company's key financial and strategic objectives for the entire year as encapsulated in the 2024 annual bonus scheme. As the incoming Chief Executive Officer was awarded an annual bonus for 2024 at over 100% of base salary, Mr Peckham and Mr Martin became entitled to an annual bonus for 2024 at 100% of base salary.

The Resigning Directors remained entitled to receive benefits up to and including their Termination Date and remained entitled to the benefit of private health insurance, subject to and in accordance with the rules of the Company's scheme from time to time, until 31 March 2025.

Details of Mr Miller, Mr Peckham and Mr Martin's entitlements on crystallisation of the 2020 MESP are set out on page 142. For the same reasons applicable to the Committee discretions described on page 142 in respect of the 2020 MESP, pursuant to the settlement arrangements referred to above the term of the post-cessation minimum shareholding requirement of 300% of salary (or actual shareholding on cessation, if lower) was adjusted for each Resigning Director such that it expires on 31 May 2025, rather than 31 May 2026.

Ms Jarman resigned from her position as Non-executive Director on 2 May 2024. She received her Non-executive Director fees from 1 January 2024 up to and including 2 May 2024. Non-executive Directors do not receive any taxable benefits, pension contributions or variable remuneration. Other than the amounts disclosed above, no other remuneration payment was made to Ms Jarman in the year and therefore no payment was made for loss of office.

No other payments to past Directors or for loss of office have been made to former Directors during the year.

Share interests
The following table sets out the subsisting interests in the equity of the Company held by the Non-executive Directors as at 31 December 2024, as well as an indication as to the size of these interests relative to the entire issued share capital of the Company, including treasury shares:

Non-executive Directors	Ordinary shares held as at 31 December 2024[1]	Shareholding (% ordinary share capital) as at 31 December 2024[2]
Justin Dowley	519,215	0.0404%
David Lis	70,000	0.0054%
Charlotte Twyning	42,896	0.0033%
Heather Lawrence	7,500	0.0006%
Gillian Elcock	3,680	0.0003%
Chris Grigg	27,736	0.0022%
Ian Barkshire	17,000	0.0013%
Victoria Jarman[3]	11,166	0.0009%
Total	**699,193**	**0.0544%**

(1) For these purposes, the interests of each Non-executive Director listed in the table include any ordinary shares held by a person closely associated with that Non-executive Director within the meaning of the EU Market Abuse Regulation, as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018.
(2) Based on the total number of ordinary shares in issue as at 31 December 2024, exclusive of treasury shares.
(3) Ms Jarman resigned as a Non-executive Director on 2 May 2024. The figures stated in the table above are calculated according to the number of shares Ms Jarman held at 2 May 2024.

There have been no changes in the ordinary shareholdings of the Non-executive Directors between 31 December 2024 and 6 March 2025 (the date of this report).

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Non-executive Directors' fees

Non-executive Directors' basic fees and the Non-executive Chairman's fee have been increased by 3% with effect from 1 January 2025, in line with increases made to the executive Directors. We note that while all Non-executive Directors serve on at least one of the Company's committees (and most serve on multiple committees), there are no additional committee membership fees. As noted in the single figure table above, the Company remains of the view that it is not appropriate for our Non-executive Directors to receive any taxable benefits, pension contributions or variable remuneration. During 2024, as noted in the single figure table above, Ms Twyning received a one-off fee of £10,000 in addition to her basic fee and fee for serving as Nomination Committee Chair for services provided in addition to her regular activities as disclosed earlier in this report.

The Non-executive Director fee levels for 2024 and 2025 are set out in the table below.

Fee element	Fee with effect from 1 January 2024 £	Fee with effect from 1 January 2025 £
Non-executive Chairman fee	421,800	434,500
Basic Non-executive Director fee	90,500	93,300
Additional fee for holding the position of the Senior Independent Director	20,000	20,000
Additional fee for holding the Chairmanship of the Audit Committee	30,000	30,000
Additional fee for holding the Chairmanship of the Remuneration Committee	20,000	20,000
Additional fee for holding the Chairmanship of the Nomination Committee	15,000	15,000

Service contracts and letters of appointment

Consistent with the best practice guidance provided by the Code, the Company's policy is for executive Directors to be employed on terms of service agreements, which may be terminated by either the executive Director or the Company on the giving of 12 months' written notice (subject to certain exceptions).

The executive Directors' service contracts do not provide for predetermined compensation in the event of termination. Any payments made would be subject to normal contractual principles, including mitigation as appropriate. The length of service for any one executive Director is not defined and is subject to the requirement for annual re-election under both the Code and the Company's Articles of Association.

There is no unexpired term as each of the executive Directors' contracts is on a rolling basis.

The Non-executive Directors do not have service contracts but have letters of appointment for an initial term of three years, which may be renewed by mutual agreement. Generally, a Non-executive Director may be appointed for one or two periods of three years after the initial three-year period has expired, subject to re-election by shareholders at each AGM. The terms of appointment do not contain any contractual provisions regarding a notice period or the right to receive compensation in the event of early termination.

Each executive Director's service contract and each Non-executive Director's letter of appointment are available for inspection at the Company's registered office during normal business hours.

Details of the Non-executive Directors' current terms of appointment are set out below:

Non-executive Directors	First appointment	Expires*
Justin Dowley (Chairman)	1 September 2011	2025
David Lis (Senior Independent Director)	12 May 2016	2025
Charlotte Twyning	1 October 2018	2027
Heather Lawrence	1 June 2021	2027
Gillian Elcock	21 June 2023	2026
Chris Grigg	1 October 2024	2027
Ian Barkshire	1 October 2024	2027

* Subject to annual re-election.

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Governance

Responsibilities

The Board has delegated to the Committee responsibility for overseeing the remuneration of the Chairman of the Board and the executive Directors.

The Committee's responsibilities include:

- establishing and maintaining an executive Director remuneration policy that is appropriate, consistent and reflective of Melrose's remuneration philosophy;
- determining the remuneration policy for the executive Directors;
- setting remuneration for the Chair, executive Directors, Company Secretary and the next level of senior management in accordance (as applicable) with the Directors' remuneration policy; and
- operating the Company's long-term incentive arrangements.

As described above, the Committee is responsible for setting the remuneration of the Group's senior management team. The Chief Executive Officer is responsible for engaging with the senior management team in relation to remuneration, and the senior management team is responsible for engaging with the wider workforce in relation to remuneration. Responsibility for determining the remuneration of the Non-executive Directors (other than the Chairman of the Board) sits with the Board. No Director plays a part in any decision about his or her own remuneration.

The Committee's terms of reference, which were last reviewed by the Committee in March 2025, are available on our website, www.melroseplc.net/governance/documents-and-policies, and from the Company Secretary at Melrose's registered office.

Evaluation

The Code requires that FTSE 350 companies undertake a formal and rigorous annual review of the performance of the Board, its committees, the Chairman of the Board and individual Directors. In particular, FTSE 350 companies should undertake an externally facilitated Board and committee performance review once every three years. The last external Melrose Board and committee review was undertaken by Lintstock Ltd in 2023 and as such, the Company is not required to undertake another externally facilitated Committee evaluation until 2026. During the year, the Company continued its ongoing internal review of the Committee and collected feedback from Committee members with a similar range of focal topics as featured in the 2023 external review. Specifically, the assessment covered: (i) the constitution and performance of the Board and each committee; (ii) the Chairman of the Board; and (iii) individual performance reviews. Alongside such formal feedback, the Committee continued to facilitate direct ongoing contact between its members and the Chair of the Committee about any relevant matters that the members wished to raise as part of the ongoing review.

Committee Membership and Attendance at meetings

All members of the Committee are independent Non-executive Directors within the definition of the Code. None of the Committee members have any personal financial interest (other than as shareholders in the Company) in matters to be decided, nor do they have any conflicts of interest from cross-directorships or any day-to-day involvement in running the business.

The members of the Committee during 2024 and their attendance at the scheduled meetings of the Committee held during 2024 were as follows:

Member	No. of meetings[1]
David Lis (Chairman)	2/2
Justin Dowley	2/2
Charlotte Twyning	2/2
Victoria Jarman[2]	1/1
Gillian Elcock	2/2
Chris Grigg[3]	1/1
Ian Barkshire[3]	1/1

(1) Reflects regularly scheduled meetings of the Committee that took place in 2024.
(2) Ms Jarman stepped down from the Board and the Committee on 2 May 2024 and attended the one Committee meeting held between 1 January 2024 to 2 May 2024.
(3) Mr Grigg and Dr Barkshire were appointed to the Committee on 1 October 2024 and both attended the one Committee meeting held between 1 October 2024 and 31 December 2024.

Compliance with legislation and the Code

We apply the principles of, and are fully compliant with, the key provisions of the Code and the Financial Conduct Authority's Listing Rules and Disclosure Guidance and Transparency Rules, including in relation to minimum shareholding requirements, post-cessation minimum shareholding requirements, pension alignment, malus and clawback, and discretion to override formulaic outcomes.

The Directors confirm that this report has also been prepared in accordance with the Companies Act 2006 and Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013.

The four principles of the Melrose remuneration structure are wholly aligned with the Code factors of clarity, simplicity, risk, predictability, proportionality and alignment to culture. The Committee ensured that it took all of these elements into account when establishing the Remuneration Policy, as set out at page 151 of the 2023 Annual Report, as well as its application to executive Directors during 2024.

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Advisors to the Remuneration Committee
During the year, the Committee received reward advice and advice on the remuneration reporting regulations from Ernst & Young LLP ("EY LLP") and Alvarez & Marsal Tax LLP ("A&M").

EY LLP's fees for advice to the Committee during 2024 were £4,500 excluding VAT and were charged on a time/cost basis. During the year, EY LLP also provided the Company with tax and consulting advice. The Committee is satisfied that the advice provided by EY LLP in relation to remuneration matters is objective and independent.

A&M's fees for advice to the Committee during 2024 were £112,774 excluding VAT and were charged on a time/cost basis. A&M did not provide the Company with any other advice. The Committee is satisfied that the advice provided by A&M in relation to remuneration matters is objective and independent.

The Company Secretary acts as secretary to the Committee and attends Committee meetings. Where appropriate, the Committee invites the view of senior personnel, such as the Chief Executive Officer and Chief Financial Officer, and interacts with other Board members.

Statement of voting at general meetings
The charts opposite set out the votes on: (i) the 2023 Directors' Remuneration Report, (ii) the Remuneration Policy at the 2024 AGM, (iii) the Dowlais demerger resolution setting out (amongst other matters) adjustments to the 2020 MESP, and (iv) the 2020 MESP at the January 2021 general meeting.

The Directors' Remuneration report will be put to an advisory vote at the 2025 AGM on 30 April 2025.

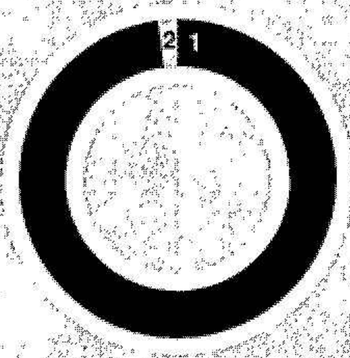
This report was approved by the Board and signed on its behalf by:



David Lis
Chairman, Remuneration Committee

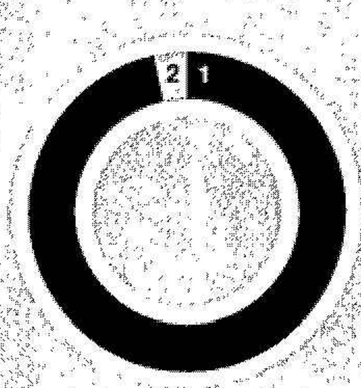
6 March 2025

Resolution to approve the Directors' Remuneration Report for the year ended 31 December 2023 (2 May 2024)



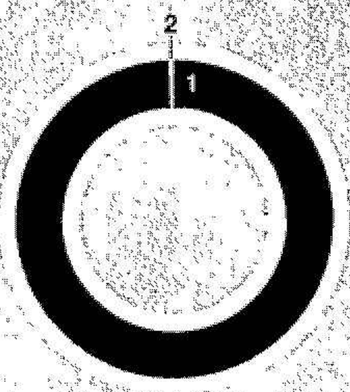
1 Votes cast for the resolution	**98.33%**
2 Votes cast against the resolution	**1.67%**
Votes withheld 68,764,317	

Resolution to approve the 2024 Directors' Remuneration Policy (2 May 2024)



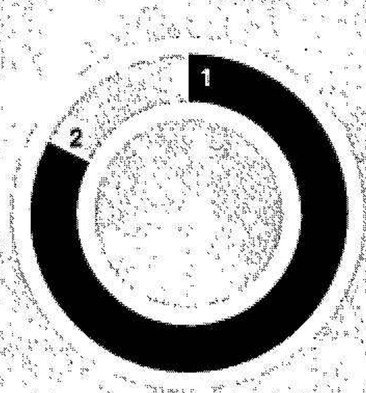
1 Votes cast for the resolution	**96.84%**
2 Votes cast against the resolution	**3.16%**
Votes withheld 186,978	

Resolution to approve Dowlais demerger, share consolidation and adjustments to 2020 MESP (30 March 2023)



1 Votes cast for the resolution	**99.69%**
2 Votes cast against the resolution	**0.31%**
Votes withheld 8,718,447	

Resolution to approve and implement the 2020 MESP (21 January 2021)



1 Votes cast for the resolution	**82.64%**
2 Votes cast against the resolution	**17.36%**
Votes withheld 228,313,488	

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The Directors are responsible for preparing the Annual Report and financial statements in accordance with applicable laws and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors are required to prepare the Group financial statements in accordance with United Kingdom adopted international accounting standards. The Group financial statements also comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. The Directors have chosen to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under UK company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group and the Company for that period.

In preparing the parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:

- select and apply accounting policies in accordance with International Accounting Standard 8 and ensure that they have been applied consistently across the Group;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Groups' financial position and financial performance; and
- make an assessment of the Group's ability to continue as a going concern and to disclose any uncertainties related to this assessment.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

DIRECTORS' RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

This responsibility statement was approved by the Board of Directors on 6 March 2025 and is signed on its behalf by:



Matthew Gregory
Chief Financial Officer

6 March 2025



Peter Dilnot
Chief Executive Officer

6 March 2025

LEVERAGING OUR STRONG MARKET POSITION TO IMPROVE PROFITABILITY

IN THIS SECTION

158 Independent auditors' report to the members of Melrose Industries PLC
168 Consolidated Income Statement
169 Consolidated Statement of Comprehensive Income
170 Consolidated Statement of Cash Flows
171 Consolidated Balance Sheet
172 Consolidated Statement of Changes in Equity
173 Notes to the Consolidated Financial Statements
226 Company Balance Sheet for Melrose Industries PLC
227 Company Statement of Changes in Equity
228 Notes to the Company Balance Sheet
237 Glossary

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MELROSE INDUSTRIES PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion:

- Melrose Industries PLC's Group financial statements and Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2024 and of the Group's loss and the Group's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Consolidated Balance Sheet and Company Balance Sheet for Melrose Industries PLC as at 31 December 2024; the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Cash Flows, and the Consolidated and Company Statement of Changes in Equity for the year then ended; and the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Our opinion is consistent with our reporting to the Audit Committee.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in note 2 to the financial statements, the Group, in addition to applying UK-adopted international accounting standards, has also applied international financial reporting standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

In our opinion, the Group financial statements have been properly prepared in accordance with IFRSs as issued by the IASB.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in note 7, we have provided no non-audit services to the Company or its controlled undertakings in the period under audit.

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Our audit approach

Context

2024 is our first year as independence auditors of the Group. As part of our audit transition, we carried out procedures over opening balances at 1 January 2024 by shadowing the predecessor auditor, reviewing the predecessor auditor's working papers and re-evaluating the predecessor auditor's conclusions in respect of key judgements included in the opening Group balance sheet.

Overview

Audit scope

- Following our assessment of the risks of material misstatement of the financial statements we subjected 10 individual components to full scope audits for Group reporting purposes. In addition, for three individual components we completed the audit of one or more financial statement line item's ('FSLI's') and for one further component the audit of one or more FSLI's and specified procedures over one FSLI.
- The Group engagement team audited the Company and other centralised functions, including those covering the Group treasury and tax operations, post-retirement benefits and goodwill impairment assessments. The Group engagement team performed audit procedures over the Group consolidation and financial statement disclosures and performed risk assessment analytics over balances out of scope for non-significant components.
- Taken together, the components at which audit work was performed accounted for approximately 86% of the Group's revenue. Our scoping provided sufficient coverage over each significant financial statement line item of the Group financial statements and, provided us with the evidence we needed for our opinion on the Group financial statements taken as a whole.
- As part of the Group audit supervision process, the Group engagement team met with and discussed the approach and results of audit procedures with component teams and reviewed their audit files and final deliverables. In person site visits to components in the UK, Norway, Sweden, Netherlands and US were also performed.

Key audit matters

- Variable consideration in respect of certain risk and revenue sharing partnerships ('RRSPs') (Group)
- Classification of adjusting items (Group)
- UK deferred tax asset recognition and recoverability (Group)
- Recoverability of the Company's investments in subsidiary undertakings (Company)

Materiality

- Overall Group materiality: £21 million based on approximately 0.6% of revenue.
- Overall Company materiality: £111 million based on approximately 1% of total assets.
- Performance materiality: £15.8 million (Group) and £83.3 million (Company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Continued

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This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter

Variable consideration in respect of certain risk and revenue sharing partnerships ('RRSPs') (Group)

Refer to note 2 – summary of material accounting policies – revenue, note 3 – critical accounting judgements and key sources of estimation uncertainty – estimates of future revenues and costs of long-term contractual arrangements, note 4 – revenue, and note 17 – trade and other receivables.

A key source of estimation uncertainty for the Group involves the recognition of variable consideration related to certain Risk and Revenue Sharing Partnerships ('RRSPs') in the Engines segment. The total variable consideration recognised in the year respect of these certain RRSPs is £298 million (2023: £193 million).

In respect of certain RRSPs, the Group:

- Has an irrevocable right to the aftermarket having substantially completed their work at the manufacturing stage; and
- The cash received for the delivery of their OE components is not representative of the full amount due to the Group as an RRSP partner.

For the RRSPs where this is the case, the Group are required to record variable consideration in accordance with IFRS 15 and therefore an assessment of the future income from each RRSP is made. This considers the expected fleet size, flight hours and cycles, frequency of shop visits and the expected profitability over the life of an engine. In line with IFRS 15, this variable consideration is then constrained, in accordance with the Group's previously implemented framework, to ensure that revenue is only recognised to the extent it is highly probably it will not reverse. The constraints reflect the length of the programmes and the complexity of the engines which can develop technical issues and may not be fully compliant with time on wing specifications.

Small adjustments in assumptions can have a significant impact on the results of any individual financial year and these changes to forecasts and constraints can result in revisions to revenue previously recognised, either as a result of changes to assumptions or the unwind of risk constraints as future cash flows become more certain. The key assumptions impacting the models are engine life and an assessment of the aftermarket income over that period, and the forecast margin. During the year, £50 million (2023: £30 million) of revenue has been recognised in respect of released constraints as risks have reduced due to the passage of time and £41 million (2023: £27 million) of revenue has been recognised as a result of changes in assumptions.

As a result of the above judgements and estimates we have assessed this as a key audit matter.

We focussed our work on a number of contracts where we consider there to be the highest degree of management judgement or estimation and designed specific procedures over recognition of variable consideration. We also performed targeted sample testing on the remaining population of contracts. The audit procedures performed included:

- Walkthrough procedures to evaluate the design and implementation of the relevant controls relating to judgements and areas of estimation uncertainty in preparing the variable consideration models for RRSPs;
- We read the RRSP contracts to understand the key terms including performance obligations, pricing structures, programme share and the existence of termination clauses;
- We attended meetings with programme controllers to understand the operational matters impacting the performance of specific contracts and any amendments to contractual arrangements that could have an impact on performance;
- We obtained correspondence with the customer and discussed with the programme controllers the status of the relationship with the customer, looking for indications of disputes of possible claims;
- We assessed how management has forecast the size of the aftermarket consideration for recognition as variable consideration, comparing the key assumptions to industry data and by reconciling the models back to data provided by the engine manufacturers;
- We compared the previously forecast results of a sample of contracts with the actual results to assess the performance of the contract and the historical accuracy of forecasting;
- We considered the timeframe over which spares revenue will be generated and consider appropriateness of the anticipated engine life utilised in the model;
- We agreed expected shipset OE sales to sales/volume forecasts used within the business, as well as comparison to third party sources;
- We obtained and documented an understanding of the latest cost position on each contract including any penalties;
- We used a spreadsheet interrogation tool to identify whether the models are operating appropriately. This included reperforming calculations for a sample of programmes;
- We read and challenged management's accounting papers over the positions taken in respect of its key contract judgements;
- We assessed the reasonableness of the constraints applied against the margin recognised over the contract to date and whether this was being unwound in line with management's framework;
- For relevant contracts, we assessed the recoverability of balances as at 31 December 2024;
- We considered whether there are indicators of management override of controls or bias in arriving at their reporting net position; and
- We also assessed the adequacy of disclosure within the financial statements.

Based on the work performed, we consider that managements estimation of variable consideration recognised in the year is materially appropriate, in the context of the financial statements taken as a whole.

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Key audit matter	How our audit addressed the key audit matter
Classification of adjusting items (Group)	
Refer to note 2 – summary of material accounting policies – alternative performance measures, note 3 – critical accounting judgements and key sources of estimation uncertainty – adjusting items, note 5 – segment information, and note 6 – reconciliation of adjusted profit measures. In addition to the performance measures prescribed by International Financial Reporting Standards, the Group also presents its results on an adjusted basis. The Directors consider the adjusted results important to understand the underlying results on a consistent and comparable basis. The two key adjusted results used by the directors are Adjusted operating profit and Adjusted profit before tax. The adjusted results differ significantly from the statutory ones. When consistently calculated and properly presented, alternative performance measures offer investors additional insights into the Group's performance. However, if misused, these non-GAAP measures can mislead investors and obscure true financial performance. Judgement is required in deciding which items to exclude from adjusted profit. The adjustments between statutory and adjusted results are: • Amortisation of intangible assets acquired in business combinations (£255 million); • Movement in derivatives and associated financial assets and liabilities (£112 million); • Restructuring costs (£111 million); • Acquisition and disposal related gains and losses (£44 million); • Melrose equity-settled compensation scheme charges (£14 million); and • Net changes in fair value items (£8 million). We identified a key audit matter regarding the classification of adjusting items, due to the significant adjustments and risk that costs, or income may be misclassified, potentially distorting adjusted profit inappropriately.	We have gained a comprehensive understanding of the relevant controls concerning the classification of adjusting items and have evaluated the design and implementation of these controls. We have considered the judgments made by management to determine what should be classified as an adjusting item and obtained corroborative evidence for a sample of these items. As part of our procedures, we challenged management's rationale for designating certain items as adjusting. We assessed these items against the Group's accounting policy, considering their nature and value. In auditing management's disclosure, our challenge focused on areas requiring significant judgment, such as restructuring costs. We evaluated the appropriateness and completeness of disclosures regarding the impact of adjusting items, particularly in notes 2 and 6 of the consolidated financial statements, and found them to be suitable. This included assessing the explanations provided by management on reconciling items between adjusted and statutory performance. Overall, we found that the classification judgements made by management were in line with its policy for adjusted results, have been consistently applied, and there are no material uncorrected misstatements resulting from our testing.
UK deferred tax asset recognition and recoverability (Group)	
Refer to note 2 – summary of material accounting policies – taxation, note 3 – critical accounting judgements and key sources of estimation uncertainty – measurement of deferred tax assets in the UK, and note 22 – deferred tax The recognition and recoverability of UK deferred tax assets in the Group, where there have been significant taxable losses in the past, is based on a number of significant estimates. Deferred tax assets can be recognised in relation to these losses to the extent it is probable that there will be sufficient future taxable profits to utilise them. The Group has recognised significant deferred tax assets based on anticipated future profitability. This requires several assumptions about future UK profitability, including short to medium term forecasts and the long- term growth rate. At 31 December 2024, the Group recognised £277 million (2023: £237 million) of deferred tax assets in the UK which are expected to be utilised over a 25 to 35 year period. Given the length of forecasts required to recover the deferred tax asset, this presents a heightened risk that deferred tax assets previously recognised may not be recoverable. Given the inherent uncertainty in long-term forecasts, management has performed sensitivities over key estimates, concluding that a reasonable change in key assumptions does not result in deferred tax assets being irrecoverable.	We have obtained an understanding of the relevant controls for the assessment of the recognition and recoverability of deferred tax assets and evaluated the design and implementation of these controls. We evaluated management's methodology for assessing the recognition and recoverability of deferred tax assets supported by the availability of sufficient taxable profits in future periods against which brought forward tax losses can be utilised. Our evaluation of these future profits also considered both the business model and applicable UK tax legislation. We assessed the future profit forecasts of the UK tax Group and tested that the key assumptions around revenue growth, margin improvements and cost base, including the forecasts for periods beyond the normal five-year forecasting horizon, were reasonable. In doing this, we verified that the forecasts did not include taxable profit growth that could not be demonstrated as probable. We have also challenged whether the forecasts are consistent with the Group's assessment of the impact of climate change and planned actions. Where applicable we assessed the consistency of the forecasts used to justify the recognition of deferred tax assets to those used elsewhere in the business, including for impairment reviews, for the going concern assessment and longer term viability statement. We also assessed the adequacy of disclosures over this area. Overall we found management's assessment to be supportable and the recovery period over which the asset has been considered to be in line with comparable Groups.

Continued

Key audit matter	How our audit addressed the key audit matter
Recoverability of the Company's investments in subsidiary undertakings (parent)	
In the notes to the Company Balance Sheet for Melrose Industries PLC, refer to note 1 – material accounting policies – impairment of assets, and note 3 – investments. Investments in subsidiary undertakings of £10,593 million (2023: £10,593 million) are accounted for at cost less provision for impairment in the balance sheet at 31 December 2024. Investments are tested for impairment if indicators exist. If such indicators exist, the recoverable amounts of the investments in subsidiaries are estimated in order to determine the extent of the impairment loss, if any. A review of potential indicators of impairment was performed by management focusing on the developments in the year, concluding that no such indicators were present and therefore that the investments' carrying values remain recoverable.	We evaluated management's assessment of whether any potential indicators of impairment existed at 31 December 2024. In doing this, we considered the market capitalisation of the Company at 31 December 2024, which exceeded the carrying value of investments in subsidiary undertakings. We also considered the latest expected performance of the Group by comparing the latest cash flow forecasts audited as part of other key audit matters to those estimated in the prior year by management as well as the performance in the year. Overall, we found that management's judgement that there has been no indicator of impairment to be appropriate.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

The Group operates in many countries across the world and the size of operations within each territory varies. We define a component as a single reporting unit which feeds into the Group consolidation.

In selecting the components that are in scope each year and establishing the overall approach to the Group audit, we determined the type of work that needed to be performed by us, as the Group engagement team, or component auditors within PwC UK and other PwC network firms operating under our instruction, to ensure that we had sufficient coverage from our audit work over each significant line of the Group financial statements. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work in these territories to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole.

As a result of our risk assessment procedures and the detailed scoping exercise performed at the planning stage of our audit, we identified 14 components across 5 countries at which we determined we need to perform audit work. Taken together, these components accounted for approximately 86% of the Group's revenue. The in-scope components were audited by the Group engagement team and 5 component teams.

- Out of the 14 reporting packages, we identified 1 component which required a full scope audit of its complete financial information due to its size and risk characteristics. We also performed audit procedures on a specific line item or line items and specified procedures on one financial statement line item in respect of the financial information of 1 component based on risk characteristics.
- We subjected 9 non-significant components to full scope audits and for the remaining 3 components, we performed audit procedures on a specific line item or line items within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements because of the size of these accounts.

The Group engagement team audited the Company and other centralised functions, including those covering the Group treasury and tax operations, post-retirement benefits and goodwill impairment assessments. The Group engagement team also performed audit procedures over the Group consolidation and financial statement disclosures and performed risk assessment analytics over balances out of scope for non-significant components.

Where work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those reporting units to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the consolidated financial statements.

In October 2024 we held a meeting with the key partners and senior staff from the PwC member firms involved in the audit. At this meeting we considered developments specific to the Group, key audit matters and discussed our approach to the Group audit. We also head from key members of Group management including the Chief Financial Officer.

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We issued formal written instructions to all component auditors setting out the audit work to be performed by each of them and maintained regular communication with the component auditors throughout the audit cycle. These interactions included attending certain component clearance meetings and holding regular conference calls, as well as reviewing and assessing any matters reported. The Group engagement team also reviewed selected audit working papers for certain component teams to evaluate the sufficiency of audit evidence obtained and to fully understand the matters arising from the component audits.

In addition, senior members of the Group engagement team have visited component teams across all major components in the UK, Norway, Sweden, Netherlands and US. These visits were in-person for these locations. They included meetings with the component auditor and with local management, and attendance at Business Line close meetings.

Reflective of its nature, our audit of the Company financial statements focused on the investments in subsidiary undertakings and validating amounts owed to and from subsidiary undertakings.

The impact of climate risk on our audit
In planning and executing our audit, we also considered the potential impact of climate change on the Group's business and the financial statements. The Director's continue to develop their assessment of the potential impacts of climate change as explained in detail within the Sustainability Report.

As a part of our audit we made enquiries of management to understand the extent of the potential impact of the physical and transitional climate change risk on the financial statements. We also discussed the climate change initiatives and commitments from managements plans, and the impact these have on the Group, including on future cash flow forecasts.

Management considers that the impact of climate change does not give rise to a material financial statement impact. We evaluated management's risk assessment and understood the Group's governance processes.

Using our knowledge of the Group, we assessed that the key areas in the financial statements which are more likely to be materially impacted by climate change are those areas that are based on future cash flows. As a result, we particularly considered how climate change risks and the impact of climate commitments made by the Group would impact the assumptions made in the forecasts prepared by management that are used in the Group's impairment reviews, for going concern purposes and assessment of the recognition and recoverability of deferred tax assets.

Based on our procedures, we have not identified any material error in the assessment of the impact of climate on the financial statements.

Materiality
The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements - Group	Financial statements - Company
Overall materiality	£21 million.	£111 million.
How we determined it	Approximately 0.6% of revenue	Approximately 1% of total assets.
Rationale for benchmark applied	Using our professional judgement, we have considered a range of potential benchmarks in determining materiality (specifically revenue and certain profit based benchmarks), given that using 5% of current year profit before tax would have resulted in using a lower level of materiality than in prior years, despite the Group's revenue and adjusted operating profit increasing year-on-year. We have selected a level of materiality that has taken into consideration a range of outcomes suggested by these alternative benchmarks. The materiality selected is equivalent to approximately 0.6% of revenue for the current year, comparable with that used by the predecessor auditor as a percentage of revenue in 2023.	We determined our materiality based on total assets, which is more applicable than a performance-related measure as the Company is an investment holding Company for the Group. The higher Company materiality level was used for the purposes of testing balances not relevant to the Group audit, such as investments in subsidiary undertakings and intercompany balances.

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For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was £3 million to £15.5 million. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £15.8 million for the Group financial statements and £83.3 million for the Company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £1 million (Group audit) and £5.55 million (Company audit) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the Group's and the Company's ability to continue to adopt the going concern basis of accounting included:

- Testing the appropriateness of the underlying cash flow forecasts and performing a retrospective review of actual performance to the prior year model;
- Reviewing the debt agreements to confirm the terms and conditions, including covenants. The covenants were consistent with those used in management's going concern assessment;
- Corroborating to the debt agreements that management has the option to extend the facilities for two additional one-year periods;
- Agreeing borrowings currently in place to third-party confirmations and considering the Group's available financing and maturity profile. This supported the Directors' conclusion that sufficient liquidity headroom remained throughout the assessment period;
- Testing the mathematical accuracy of the covenant calculations, including confirming that the adjustments recorded to determine adjusted EBITDA were appropriate;
- Reviewing management's base case and severe but plausible downside scenario, ensuring the directors have considered all appropriate factors, including the cash flows, the liquidity position of the Group, available borrowing facilities, the timing of contractual debt repayments and the relevant financial and non-financial covenants;
- Performing sensitivity analysis to assess the impact of movements in significant assumptions on the overall liquidity headroom and banking covenants; and
- Assessing the adequacy of disclosures included in the going concern statement included within the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Company's ability to continue as a going concern.

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2024 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance statement

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement, included within the Corporate Governance report is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Group's and Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the Group's and Company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

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Our review of the directors' statement regarding the longer-term viability of the Group and Company was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the Group and Company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non- compliance with laws and regulations related to export control, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Listing Rules of the UK Financial Conduct Authority, the Companies Act 2006 and tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries, either in the underlying books and records or as part of the consolidation process, and management bias in accounting estimates and judgements. The Group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group engagement team and/or component auditors included:

- Discussions throughout the year with management, internal audit, Group and Business Line legal counsel, and the head of export control, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Reading the minutes of Board meetings to identify any inconsistencies with other information provided by management;
- Reviewing legal expense accounts to identify significant legal spend that may be indicative of non- compliance with laws and regulations;
- Review of selected component auditors' working papers;
- Challenging and auditing the significant estimates and judgements made by management given the potential risk of management bias;
- Identifying and testing unusual journal entries, in particular journal entries posted with unusual account combinations, and testing all material consolidation journals;
- Incorporating an element of unpredictability into our procedures, aligned to the fraud risk in the Group; and
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.

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There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report
This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

OTHER REQUIRED REPORTING

Companies Act 2006 exception reporting
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the Company financial statements and the part of the Directors' Remuneration report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment
Following the recommendation of the Audit Committee, we were appointed by the members on 2 May 2024 to audit the financial statements for the year ended 31 December 2024 and subsequent financial periods. This is therefore our first year of uninterrupted engagement.

OTHER MATTER
The Company is required by the Financial Conduct Authority Disclosure Guidance and Transparency Rules to include these financial statements in an annual financial report prepared under the structured digital format required by DTR 4.1.15R - 4.1.18R and filed on the National Storage Mechanism of the Financial Conduct Authority. This auditors' report provides no assurance over whether the structured digital format annual financial report has been prepared in accordance with those requirements.



Christopher Richmond (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

6 March 2025

Consolidated Income Statement

Continuing operations	Notes	Year ended 31 December 2024 £m	Year ended 31 December 2023 £m
Revenue	4, 5	3,468	3,350
Cost of sales		(2,646)	(2,696)
Gross profit		822	654
Operating expenses		(826)	(597)
Operating (loss)/profit	5, 6	(4)	57
Finance costs	7	(105)	(79)
Finance income	7	3	14
Loss before tax		(106)	(8)
Tax	8	57	9
(Loss)/profit after tax for the year from continuing operations		(49)	1
Discontinued operations			
Loss for the year from discontinued operations	13	–	(1,020)
Loss after tax for the year attributable to owners of the parent		(49)	(1,019)
Earnings per share			
Continuing operations			
– Basic	10	(3.7)p	0.1p
– Diluted	10	(3.7)p	0.1p
Continuing and discontinued operations			
– Basic	10	(3.7)p	(75.5)p
– Diluted	10	(3.7)p	(75.5)p

Adjusted[1] results from continuing operations

Adjusted operating profit	5, 6	540	390
Adjusted profit before tax	6	438	331
Adjusted profit after tax	6	350	263
Adjusted basic earnings per share	10	26.8p	19.5p
Adjusted diluted earnings per share	10	26.4p	18.7p

(1) Defined in the summary of material accounting policies (see note 2).

Consolidated Statement of Comprehensive Income

	Notes	Year ended 31 December 2024 £m	Year ended 31 December 2023 £m
Loss after tax for the year		**(49)**	(1,019)
Items that will not be reclassified subsequently to the Income Statement:			
Net remeasurement gain/(loss) on retirement benefit obligations	24	**27**	(119)
Fair value (loss)/gain on investments in equity instruments	12	**(47)**	35
Income tax (charge)/credit relating to items that will not be reclassified	8	**(4)**	29
		(24)	(55)
Items that may be reclassified subsequently to the Income Statement:			
Currency translation on net investments		**17**	(195)
Share of other comprehensive expense from equity accounted investments	15	**–**	(12)
Transfer to Income Statement from equity of cumulative translation differences on disposal of foreign operations	13	**(6)**	(152)
Derivative gains on hedge relationships		**3**	2
Income tax charge relating to items that may be reclassified	8	**(1)**	(8)
		13	(365)
Other comprehensive expense for the year		**(11)**	(420)
Total comprehensive expense for the year attributable to owners of the parent		**(60)**	(1,439)

Consolidated Statement of Cash Flows

	Notes	Year ended 31 December 2024 £m	Year ended 31 December 2023 £m
Operating activities			
Net cash used in operating activities from continuing operations	27	(121)	(7)
Net cash from operating activities from discontinued operations	27	–	36
Net cash (used in)/from operating activities		(121)	29
Investing activities			
Disposal of businesses, net of cash disposed	13	55	(320)
Settlement receipt from loans held with demerged entities		–	1,205
Purchase of property, plant and equipment		(108)	(95)
Proceeds from disposal of property, plant and equipment		–	4
Purchase of computer software and capitalised development costs		(15)	(11)
Disposal of equity accounted investments	15	–	3
Equity accounted investment additions	15	(3)	–
Interest received		3	2
Net cash (used in)/from investing activities from continuing operations		(68)	788
Net cash used in investing activities from discontinued operations	27	–	(67)
Net cash (used in)/from investing activities		(68)	721
Financing activities			
Repayment of borrowings		(10)	(1,371)
Drawings on borrowing facilities		767	628
Costs of raising debt finance	20	(3)	(11)
Repayment of principal under lease obligations		(32)	(32)
Purchase of own shares, including associated costs	9	(431)	(93)
Dividends paid to owners of the parent	9	(72)	(81)
Net cash from/(used in) financing activities from continuing operations		219	(960)
Net cash used in financing activities from discontinued operations	27	–	(6)
Net cash from/(used in) financing activities		219	(966)
Net increase/(decrease) in cash and cash equivalents, net of bank overdrafts		30	(216)
Cash and cash equivalents, net of bank overdrafts at the beginning of the year	27	57	292
Effect of foreign exchange rate changes	27	(7)	(19)
Cash and cash equivalents, net of bank overdrafts at the end of the year	27	80	57

As at 31 December 2024, the Group had net debt of £1,321 million (31 December 2023: £572 million). A definition and reconciliation of the movement in net debt is shown in note 27.

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Consolidated Balance Sheet

	Notes	31 December 2024 £m	Restated[1] 31 December 2023 £m	Restated[1] 31 December 2022 £m
Non-current assets				
Goodwill and other intangible assets	11	3,094	3,351	6,846
Property, plant and equipment	14	821	777	2,599
Investments	12	69	114	62
Interests in equity accounted investments	15	8	7	435
Deferred tax assets	22	651	527	373
Derivative financial assets	25	12	46	36
Other receivables	17	1,201	859	745
Retirement benefit surplus		–	–	93
		5,856	5,681	11,189
Current assets				
Inventories	16	528	513	1,028
Trade and other receivables	17	949	815	1,540
Derivative financial assets	25	10	13	38
Current tax assets		5	6	29
Cash and cash equivalents	18	88	58	355
Assets classified as held for sale		–	18	–
		1,580	1,423	2,990
Total assets	5	7,436	7,104	14,179
Current liabilities				
Trade and other payables	19	1,510	1,286	2,463
Interest-bearing loans and borrowings	20	8	54	63
Lease obligations	28	33	40	60
Derivative financial liabilities	25	72	42	86
Current tax liabilities		20	20	141
Provisions	21	108	188	281
Liabilities associated with assets held for sale		–	10	–
		1,751	1,640	3,094
Net current liabilities		(171)	(217)	(104)
Non-current liabilities				
Other payables	19	469	426	507
Interest-bearing loans and borrowings	20	1,401	576	1,433
Lease obligations	28	204	152	306
Derivative financial liabilities	25	115	64	141
Deferred tax liabilities	22	517	482	619
Retirement benefit obligations	24	59	99	581
Provisions	21	76	98	330
		2,841	1,897	3,917
Total liabilities	5	4,592	3,537	7,011
Net assets		2,844	3,567	7,168
Equity				
Issued share capital	26	1	309	309
Share premium account		1,000	3,271	3,271
Merger reserve		109	109	109
Capital redemption reserve		–	753	753
Other reserves		(2,330)	(2,330)	(2,330)
Translation and hedging reserve	26	286	273	638
Retained earnings		3,778	1,182	4,379
Equity attributable to owners of the parent		2,844	3,567	7,129
Non-controlling interests		–	–	39
Total equity		2,844	3,567	7,168

(1) Inventories, trade and other receivables and trade and other payables have been restated (see note 1).

The Financial Statements were approved and authorised for issue by the Board of Directors on 6 March 2025 and were signed on its behalf by:

Matthew Gregory

Chief Financial Officer
6 March 2025

Peter Dilnot

Chief Executive Officer
6 March 2025

ank=20250709-20250710:4271

Consolidated Statement of Changes in Equity

	Issued share capital £m	Share premium account £m	Merger reserve £m	Capital redemption reserve £m	Other reserves £m	Translation and hedging reserve £m	Retained earnings £m	Equity attributable to owners of the parent £m	Non-controlling interests £m	Total equity £m
At 1 January 2023	309	3,271	109	753	(2,330)	638	4,379	**7,129**	39	**7,168**
Loss for the year	–	–	–	–	–	–	(1,019)	**(1,019)**	–	**(1,019)**
Other comprehensive expense	–	–	–	–	–	(365)	(55)	**(420)**	–	**(420)**
Total comprehensive expense	–	–	–	–	–	(365)	(1,074)	**(1,439)**	–	**(1,439)**
Purchase of own shares[1]	–	–	–	–	–	–	(93)	**(93)**	–	**(93)**
Dividends paid (note 9)	–	–	–	–	–	–	(81)	**(81)**	–	**(81)**
Demerger distribution (note 13)	–	–	–	–	–	–	(1,973)	**(1,973)**	–	**(1,973)**
Derecognition of non-controlling interests on demerger	–	–	–	–	–	–	–	**–**	(39)	**(39)**
Equity-settled share-based payments	–	–	–	–	–	–	2	**2**	–	**2**
Deferred tax on equity-settled share-based payments (note 8)	–	–	–	–	–	–	22	**22**	–	**22**
At 31 December 2023	309	3,271	109	753	(2,330)	273	1,182	**3,567**	–	**3,567**
Loss for the year	–	–	–	–	–	–	(49)	**(49)**	–	**(49)**
Other comprehensive income/(expense)	–	–	–	–	–	13	(24)	**(11)**	–	**(11)**
Total comprehensive income/(expense)	–	–	–	–	–	13	(73)	**(60)**	–	**(60)**
Purchase of own shares[1]	–	–	–	–	–	–	(449)	**(449)**	–	**(449)**
Dividends paid (note 9)	–	–	–	–	–	–	(72)	**(72)**	–	**(72)**
Capital reduction[1]	(308)	(2,271)	–	(753)	–	–	3,332	**–**	–	**–**
Equity-settled incentive scheme related[1]	–	–	–	–	–	–	(157)	**(157)**	–	**(157)**
Equity-settled share-based payments (note 23)	–	–	–	–	–	–	1	**1**	–	**1**
Deferred tax on equity-settled share-based payments (note 8)	–	–	–	–	–	–	14	**14**	–	**14**
At 31 December 2024	**1**	**1,000**	**109**	**–**	**(2,330)**	**286**	**3,778**	**2,844**	**–**	**2,844**

(1) Further information is set out in note 1.

Further information on issued share capital and reserves is set out in note 26.

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Notes to the Consolidated Financial Statements

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1. Corporate information

Melrose Industries PLC ("the Company") is a public company limited by shares. The Company is incorporated in the United Kingdom under the Companies Act 2006 and registered in England and Wales. The address of the registered office is given on the back cover. The nature of the Company and its subsidiaries' (together "the Group") principal activities by operating segment are set out in note 5 and in the Divisional reviews on pages 16 to 23. The Consolidated Financial Statements of the Group for the year ended 31 December 2024 were authorised in accordance with a resolution of the Directors of Melrose Industries PLC on 6 March 2025.

These Financial Statements are presented in pounds Sterling which is the currency of the primary economic environment in which the Company is based. Foreign operations are included in accordance with the policies set out in note 2.

Corporate structure

Capital structure

On 2 October 2023, the Group commenced a £500 million share buyback programme which completed in September 2024. During the year ended 31 December 2024, 70,967,661 shares (2023: 18,761,840 shares) were purchased at an average price of 571 pence (2023: 494 pence) per share with cash spent of £411 million (2023: £93 million), inclusive of costs of £5 million (2023: £1 million). These are held as treasury shares and the total costs of the purchase have been recognised in retained earnings.

On 1 October 2024, the Group commenced a £250 million share buyback programme which is expected to complete by the end of March 2026. During the year ended 31 December 2024, 4,173,411 shares were purchased at an average price of 484 pence per share for total consideration of £20 million, inclusive of costs of £nil. These are held as treasury shares and the total costs of the purchase have been recognised in retained earnings. A liability of £18 million has also been recognised in respect of the shares expected to be purchased under the share buyback programme during the close period, as there was an irrevocable instruction to contracted financial institutions to complete purchases at 31 December 2024.

On 3 June 2024, the Melrose Employee Share Plan ("MESP") crystallised. Of the 54,346,536 shares awarded, 25,498,465 were withheld by the Company in exchange for a cash payment sufficient to allow holders to meet their income tax and employee national insurance liabilities in respect of the MESP. In accordance with IFRS 2: Share-based Payment, £157 million has been recognised in retained earnings.

Following approval from shareholders on 2 May 2024, the Group undertook a capital reduction on 11 July 2024. This reduced share capital by £308 million, the share premium account by £2,271 million and the capital redemption reserve by £753 million.

Disposals and discontinued operations

On 1 March 2024, the Group disposed of its Fuel Systems business, the assets and liabilities of which were classified as held for sale at 31 December 2023. On 25 April 2024, the Group disposed of its St. Louis operation. On 28 June 2024, the Group disposed of its Orangeburg operation. All disposals represented non-core parts of the Structures segment.

On 20 April 2023, the Group completed the demerger of the GKN Automotive, GKN Powder Metallurgy and GKN Hydrogen businesses through the flotation of Dowlais Group plc ("Dowlais") on the London Stock Exchange. The results of the Dowlais businesses were classified within discontinued operations for the year ended 31 December 2023.

See note 13 for further detail.

Prior year restatement of inventories, trade and other receivables and trade and other payables

During the year, the Group has changed its presentation of inventories, trade and other receivables and trade and other payables within the Balance Sheet. The change related to contract balances for certain programmes. The Group was previously netting certain amounts under these arrangements, however, it was determined that the appropriate current and prior year presentation should be on a gross basis in line with the requirements of IFRS 15: Revenue from Contracts with Customers. Prior year comparatives have been restated accordingly. The impact of this change on the Balance Sheet at 31 December 2023 was to increase inventories by £3 million, non-current other receivables by £70 million, current trade and other receivables by £102 million, current trade and other payables by £107 million and non-current other payables by £68 million. The impact of this change on the Balance Sheet at 31 December 2022 was to increase inventories by £3 million, non-current other receivables by £75 million, current trade and other receivables by £114 million, current trade and other payables by £116 million and non-current other payables by £76 million.

1.1 New Standards, Amendments and Interpretations affecting amounts, presentation or disclosure reported in the current year

In the current financial year, the Group has adopted the following new and revised Standards, Amendments and Interpretations. Their adoption has not had a significant impact on the amounts reported in these Financial Statements:

- Amendments to IAS 1: Classification of liabilities as current or non-current and non-current liabilities with covenants
- Amendments to IFRS 16: Lease liability in sale and leaseback
- Amendments to IAS 7 and IFRS 7: Supplier finance arrangements

Notes to the Consolidated Financial Statements continued

ank=20250709-20250710044274

1. Corporate information continued

1.2 New Standards, Amendments and Interpretations in issue but not yet effective

At 31 December 2024, the following Standards, Amendments and Interpretations were in issue but not yet effective:

- Amendments to IAS 21: Lack of exchangeability
- Amendments to IFRS 9 and IFRS 7: Amendments to the classification and measurement of financial instruments
- IFRS 18: Presentation and disclosure in financial statements
- IFRS 19: Subsidiaries without public accountability – disclosures

The Directors do not expect that the adoption of the above Standards, Amendments and Interpretations will have a material impact on the Financial Statements of the Group in future periods.

2. Summary of material accounting policies

Basis of accounting

The Consolidated Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006 and UK adopted International Financial Reporting Standards ("IFRSs") as issued by the IASB. The Consolidated Financial Statements have been prepared on an historical cost basis, except for the revaluation of certain financial instruments and investments which are recognised at fair value at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Alternative Performance Measures

The Group presents Alternative Performance Measures ("APMs") in addition to the statutory results of the Group. These are presented in accordance with the Guidelines on APMs issued by the European Securities and Markets Authority ("ESMA").

APMs used by the Group are set out in the glossary to these Financial Statements and the reconciling items between statutory and adjusted results are listed below and described in more detail in note 6.

Adjusted profit measures exclude items which are significant in size or volatility or by nature are non-trading or non-recurring or any net change in fair value items booked on an acquisition.

On this basis, the following are the principal items included within adjusting items impacting operating profit:

- Amortisation of intangible assets that are acquired in a business combination, excluding computer software and development costs;
- Significant restructuring project costs and other associated costs, including losses incurred following the announcement of closure for identified businesses, arising from significant strategy changes that are not considered by the Group to be part of the normal operating costs of the business;
- Acquisition and disposal related gains and losses;
- Impairment charges that are considered to be significant in nature and/or value to the trading performance of the business;
- Movement in derivative financial instruments not designated in hedging relationships, including revaluation of associated financial assets and liabilities;
- The charge for the previous Melrose equity-settled compensation scheme, including its associated employer's tax charge; and
- The net change in fair value items booked on acquisitions.

Further to the adjusting items above, adjusting items impacting profit before tax include:

- Acceleration of unamortised debt issue costs written off as a consequence of Group refinancing;
- Significant settlement gains and losses associated with debt instruments including interest rate swaps following acquisition or disposal related activity or non-trading transactions, which are not considered by the Group to be part of normal financing costs; and
- Finance costs in respect of the Group's net debt strategically allocated to a demerger group of businesses and subsequently settled on demerger.

In addition to the items above, adjusting items impacting profit after tax include:

- The net effect on tax of significant restructuring from strategy changes that are not considered by the Group to be part of the normal operating costs of the business;
- The net effect of significant new tax legislation; and
- The tax effects of adjustments to profit before tax, described above.

The Board considers the adjusted results to be an important measure used to monitor how the businesses are performing, as this provides a meaningful reflection of how the businesses are managed and measured on a day-to-day basis and achieves consistency and comparability between reporting periods, when all businesses are held for a complete reporting period.

The adjusted measures are used to partly determine the variable element of remuneration of senior management throughout the Group and are also in alignment with performance measures used by certain external stakeholders.

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2. Summary of material accounting policies continued

Adjusted profit is not a defined term under IFRS and may not be comparable with similarly titled profit measures reported by other companies. It is not intended to be a substitute for, or superior to, GAAP measures. All APMs relate to the current year results and comparative periods where provided.

Basis of consolidation

The Group's Financial Statements include the results of the parent undertaking and all of its subsidiary undertakings. In addition, the Group's share of the results and equity of joint ventures and associated undertakings (together "equity accounted investments") is included. The results of businesses acquired during the period are included from the effective date of acquisition and, for those sold during the period, to the effective date of disposal. Where necessary, adjustments are made to the Financial Statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-Group balances and transactions, including unrealised profits arising from intra-Group transactions, have been eliminated in full.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The interest of non-controlling shareholders is initially measured at the non-controlling interests' proportion of the share of the fair value of the acquiree's identifiable net assets. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Going concern

The Consolidated Financial Statements have been prepared on a going concern basis as the Directors consider that adequate resources exist for the Company to continue in operational existence for the foreseeable future, being 12 months from the date of this report (the relevant period).

The Group's liquidity and funding arrangements are described in the Chief Financial Officer's Review. There is significant liquidity headroom of £0.5 billion at 31 December 2024 and sufficient headroom throughout the going concern forecast period. Forecast covenant compliance is considered further below.

Covenants

The Group's banking facility has two financial covenants being a net debt to adjusted EBITDA covenant and an interest cover covenant, both of which are tested half yearly in June and December. Covenant calculations are detailed in the glossary to these Consolidated Financial Statements.

The financial covenants during the period of assessment for going concern are as follows:

	31 December 2024	30 June 2025	31 December 2025
Net debt to adjusted EBITDA (banking covenant leverage)	**3.5x**	3.5x	3.5x
Interest cover	**4.0x**	4.0x	4.0x

Testing

The Group has modelled two scenarios in its assessment of going concern. A base case and a severe but plausible downside case.

The base case takes into account end markets and operational factors, including supply chain challenges, throughout the going concern period and has been monitored against the actual results and cash generation in the period since 1 January 2025. Climate scenario analysis was used to model the impact of climate change on the Group's cash flow position. Climate change is deemed to not have a material impact over the period of 12 months for the assessment of going concern or 36 months for the assessment of viability of the Group.

The severe but plausible downside case models more conservative revenue assumptions for 2025 and the first half of 2026. The sensitised assumptions are specific to each business taking into account their markets, but on average represent a c.10% reduction to the Group's forecast revenue in 2025, and a c.5% reduction in the first half of 2026. The sensitised revenues have had a consequential impact on profit and cash flow, along with a further downside sensitivity applied to increase working capital by approximately 2% of revenue. Given that there is liquidity headroom of £0.5 billion and the Group's banking covenant leverage was 2.1x, comfortably below the covenant test at 31 December 2024, no further sensitivity detail is provided.

Under the severe but plausible downside case, even with significant reductions, no covenant is breached at the forecast testing dates being 30 June 2025 and 31 December 2025. Testing at 30 June 2026 is also favourable, assuming arrangements similar in nature with existing agreements.

Business combinations and goodwill

The acquisition of subsidiaries is accounted for using the acquisition method. The cost of acquisition is measured at the fair value of assets transferred, the liabilities incurred or assumed at the date of exchange of control and equity instruments issued by the Group in exchange for control of the acquiree. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. Costs directly attributable to business combinations are recognised as an expense in the Income Statement as incurred.

Notes to the Consolidated Financial Statements continued

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2. Summary of material accounting policies continued

The acquired identifiable assets and liabilities are measured at their fair value at the date of acquisition except those where specific guidance is provided by IFRSs. Non-current assets and directly attributable liabilities that are classified as held for sale in accordance with IFRS 5: Non-current assets held for sale and discontinued operations, are recognised and measured at fair value less costs to sell. Also, deferred tax assets and liabilities are recognised and measured in accordance with IAS 12: Income taxes, liabilities and assets related to employee benefit arrangements are recognised and measured in accordance with IAS 19 (revised): Employee benefits and liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payments awards are measured in accordance with IFRS 2: Share-based payment. Any excess of the cost of the acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts where appropriate. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised at that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum period of one year.

Goodwill on acquisition is initially measured at cost, being the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree, the excess is recognised immediately in profit or loss as a bargain purchase gain.

As at the acquisition date, any goodwill acquired is allocated to the cash-generating units acquired. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the Income Statement and is not subsequently reversed. When there is a disposal of a cash-generating unit, goodwill relating to the operation disposed of is taken into account in determining the gain or loss on disposal of that operation. The amount of goodwill allocated to a partial disposal is measured on the basis of the relative values of the operation disposed of and the operation retained.

Equity accounted investments

A joint venture is an entity which is not a subsidiary undertaking but where the interest of the Group is that of a partner in a business over which the Group exercises joint control with its partners over the financial and operating policies. In all cases voting rights are 50% or lower.

Associated undertakings are entities that are neither a subsidiary nor a joint venture, but where the Group has a significant influence. The results, assets and liabilities of equity accounted investments are accounted for using the equity method of accounting. The Group's share of equity includes goodwill arising on acquisition.

When a Group entity transacts with an equity accounted investment of the Group, profits and losses resulting from the transactions with the equity accounted investments are recognised in the Group's Consolidated Financial Statements only to the extent of interests in equity accounted investments that are not related to the Group.

Revenue

Revenues are recognised either at the point of transfer of control of goods and services, or recognised over time on an activity basis using the costs incurred as the measure of the activity. Costs are recognised as they are incurred.

The nature of agreements into which the Group enters means that certain of the Group's arrangements with its customers have multiple elements that can include any combination of:

- Sale of products and services;
- Risk and revenue sharing partnerships ("RRSPs");
- Design and build; and
- Construction contracts.

Contracts are reviewed to identify each performance obligation relating to a distinct good or service and the associated consideration. The Group allocates revenue to multiple element arrangements based on the identified performance obligations within the contracts in line with the policies below. A performance obligation is identified if the customer can benefit from the good or service on its own or together with other readily available resources, and it can be separately identified within the contract. This review is performed by reference to the specific contract terms.

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2. Summary of material accounting policies continued

Sale of products and services

This revenue stream relates to a high proportion of Group revenue.

Invoices for goods are raised and revenue is recognised when control of the goods is transferred to the customer. Dependent upon contractual terms this may be at the point of despatch, acceptance by the customer or certification by the customer. The revenue recognised is the transaction price as it is the observable selling price per product.

Cash discounts, volume rebates and other customer incentive programmes are based on certain percentages agreed with the Group's customers, which are typically earned by the customer over an annual period. These are allocated to performance obligations and are recorded as a reduction in revenue at the point of sale based on the estimated future outcome. Due to the nature of these arrangements an estimate is made based on historical results to date, estimated future results across the contract period and the contractual provisions of the customer agreement.

Risk and revenue sharing partnerships ("RRSPs")

This revenue stream, whilst material, affects a small number of businesses and is exclusively in the Engines segment. Revenue is recognised under RRSPs for both the sale of product as detailed above and sales of services, which are recognised by reference to the stage of completion based on the performance obligations in the contract. In most RRSP contracts, there are two separate phases where the Group earns revenue; sale of products principally to engine manufacturers and aftermarket support. Further information on the revenue recognised from RRSPs is shown in note 4.

The assessment of the stage of completion is dependent on the nature of the contract and the performance obligations within it.

The value of revenue is based on the standalone selling price for each element of the contract.

Revenue is recognised at the point control passes to the customer. For products and services, this has been identified as the point of acceptance or certification by the customer. Where the amount of revenue recognised is not yet due for collection under the terms of the contract, it will be recognised as variable consideration within the unbilled work done contract asset ("unbilled work done") detailed in note 17. Revenue is not recognised where recovery is not highly probable due to potential significant reversals in the future. This can be affected by assessment of future volumes including aftermarket expectations which are impacted by technology development, fuel price and competition.

Participation fees are payments made to engine manufacturers and original equipment manufacturers relating to RRSPs and long-term agreements and are detailed in note 17. They are recognised as contract assets to the extent they can be recovered from future sales. Where participation fees have been paid under the RRSP, the amortisation is recognised as a revenue reduction under IFRS 15, as performance obligations are satisfied.

Generally, during the design and development phase of a typical RRSP contract, the Group performs contractually agreed-upon tasks for a customer. It is usual for the Intellectual Property Rights ("IPRs") that underpin technology advancement or know-how to remain with the Group such that the customer cannot benefit from the IPRs either on their own or together with other resources that are readily available to the customer. Where IPRs are transferred to the customer, the Group has generally determined this is not separately identifiable from other promises in the contract due to an exclusivity clause for the supply of product. Accordingly, it has been determined that generally the Group's promise to transfer goods to its customer is a performance obligation that is separately identifiable and this uses development and know-how as an input.

Design and build

Generally, revenue is only recognised on the sale of product as detailed above, however, on occasions cash is received in advance of work performed to compensate the Group for costs incurred in design and development activities. The Group performs an assessment of its performance obligations to understand multiple elements. Where it is determined there is only one type of performance obligation, being the delivery of product, any cash advance is factored into the revenue allocated across the deliveries required under the contract.

Where the performance obligation has not been satisfied amounts received are recognised as a contract liability. If there is more than one performance obligation, revenue is allocated to each one based on a standalone selling price for each element of the contract.

Due to the nature of design and build contracts, there can be significant 'learning curves' while the Group optimises its production processes. During the early phase of these contracts, all costs including any start-up losses are taken directly to the Income Statement, as they do not meet the criteria for fulfilment costs.

Construction contracts

Where multiple performance obligations are identified, revenue is recognised as each performance obligation is met. This requires an assessment of total revenue to identify the allocation across the performance obligations, based on the standalone selling price for each obligation.

In cases where one of the following criteria is met, revenue is recognised over time:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance;
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- The Group's performance does not create an asset with an alternative use to the Group and it has an enforceable right to payment for performance completed to date.

Notes to the Consolidated Financial Statements continued

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2. Summary of material accounting policies continued

Due to the nature of the criteria above, only certain contracts in the Group qualify for over time recognition. On this basis revenue is recognised using the input method, which uses costs incurred and the assessed margin across the contract. The input method is used to measure progress as it best depicts the transfer of control to the customer. The margin and associated revenue are calculated based on the estimated transaction price and expected total costs, with considerations made for the associated contract risks.

If any of the above criteria are not met, revenue is recognised at a point in time when control transfers to the customer which, in line with the sale of goods and services above, is the point of delivery or customer acceptance dependent on the terms of the contract.

Unbilled work done addresses contract matters, such as price or scope amendments, which are included based on the expected value or most likely amount. A constraint is included unless it is highly probable that the revenue will not significantly reverse in the future. This constraint is calculated based on a cautious expectation of the life of certain RRSPs. Variations in contract work, claims and incentive payments are included in revenue from construction contracts based on an estimate of the expected value the Group expects to receive. Variations are included when the customer has agreed to the variation or acknowledged liability for the variation in principle. Claims are included when negotiations with the customer have reached an advanced stage such that it is virtually certain that the customer will accept the claim.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bring the asset into operation, and any material borrowing costs on qualifying assets. Qualifying assets are defined as an asset or programme where the period of capitalisation is more than 12 months. Purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Where assets are in the course of construction at the balance sheet date, they are classified as capital work in progress. Transfers are made to other asset categories when they are available for use, at which point depreciation commences.

Right-of-use assets arise under IFRS 16 and are depreciated over the shorter of the estimated life of the asset and the lease term.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Freehold land	nil
Freehold buildings and long leasehold property	over expected economic life not exceeding 50 years
Short leasehold property	over the term of the lease
Plant and equipment	3-15 years

The estimated useful lives of property, plant and equipment are reviewed on an annual basis and, if necessary, changes in useful lives are accounted for prospectively.

The carrying values of property, plant and equipment are reviewed annually for indicators of impairment, or more frequently if events or changes in circumstances indicate that the carrying value may not be recoverable. If such indication exists an impairment test is performed and, where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount. The recoverable amount of property, plant and equipment is the greater of net selling price and value in use. In assessing value in use, estimated future cash flows, considering the implications of climate change (see note 11 for further detail), are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds or costs and the carrying amount of the item) is included in the Income Statement in the period that the item is derecognised.

Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses.

On acquisition of businesses, separately identifiable intangible assets are initially recorded at their fair value at the acquisition date.

Access to the use of brands and intellectual property are valued using a 'relief from royalty' method which determines the net present value of future additional cash flows arising from the use of the intangible asset.

Customer relationships and contracts are valued on the basis of the net present value of the future additional cash flows arising from customer relationships with appropriate allowance for attrition of customers.

Technology assets are valued using a replacement cost approach, or a 'relief from royalty' method.

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2. Summary of material accounting policies continued

Amortisation of intangible assets is recorded in operating expenses in the Income Statement and is calculated on a straight-line basis over the estimated useful lives of the asset as follows:

Customer relationships and contracts	20 years or less
Brands and intellectual property	20 years or less
Technology	20 years or less
Computer software	5 years or less
Development costs	20 years or less

Where computer software is not integral to an item of property, plant or equipment, its costs are capitalised and categorised as intangible assets. Computer software is initially recorded at cost. Where these assets have been acquired through a business combination, this will be the fair value allocated in the acquisition accounting. Where these have been acquired other than through a business combination, the initial cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Intangible assets (other than computer software and development costs) are tested for impairment annually or more frequently whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Impairment losses are measured on a similar basis to property, plant and equipment. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

Research and development costs

Research costs are expensed as incurred.

Costs relating to clearly defined and identifiable development projects are capitalised when there is a technical degree of exploitation, adequacy of resources and a potential market or development possibility in the undertaking that are recognisable; and where it is the intention to produce, market or execute the project. A correlation must also exist between the costs incurred and future benefits and those costs can be measured reliably. Capitalised costs are expensed on a straight-line basis over their useful lives of 20 years or less. Costs not meeting such criteria are expensed as incurred.

Inventories

Inventories are valued at the lower of cost and net realisable value and are measured using a first in, first out or weighted average cost basis. Cost includes all direct expenditure and appropriate production overhead expenditure incurred in bringing goods to their current state under normal operating conditions. Net realisable value is based on estimated selling price less costs expected to be incurred to completion and disposal. Provisions are made for obsolescence or other expected losses where necessary.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, balances with banks and similar institutions, and short-term deposits which are readily convertible to cash and are subject to insignificant risks of changes in value.

For the purpose of the Consolidated Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at fair value of the consideration received net of issue costs associated with the borrowings.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognised in the Income Statement when the liabilities are derecognised or impaired, as well as through the amortisation process.

Government refundable advances

Government refundable advances are reported in trade and other payables in the Balance Sheet. Refundable advances include amounts advanced by a government, accrued interest and directly attributable costs. Refundable advances are provided to the Group to part-finance expenditures on specific development programmes. The advances are provided on a risk sharing basis, i.e. repayment levels are determined subject to the success of the related programme. Balances are held at amortised cost and interest is calculated using the effective interest rate method.

Leases

Where a lease arrangement is identified, a liability to the lessor is included in the Balance Sheet as a lease obligation calculated at the present value of minimum lease payments. A corresponding right-of-use asset is recorded in property, plant and equipment. The discount rate used to calculate the lease liability is the Group's incremental borrowing rate, unless there is a rate implicit in the lease. The incremental borrowing rate is used for the majority of leases. Incremental borrowing rates are based on the term, currency, country and start date of the lease and reflect the rate the Group would pay for a loan with similar terms and security.

Notes to the Consolidated Financial Statements continued

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2. Summary of material accounting policies continued

Following initial recognition, the lease liability is measured at amortised cost using the effective interest rate method. Where there is a change in future lease payments due to a rent review, change in index or rate, or a change in the Group's assessment of whether it is reasonably certain to exercise a purchase, extension or break option, the lease obligation is remeasured. A corresponding adjustment is made to the associated right-of-use asset.

Right-of-use assets are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Lease payments are apportioned between finance costs and a reduction in the lease obligation so as to reflect the interest on the remaining balance of the obligation. Finance charges are recorded in the Income Statement within finance costs.

Leases with a term of 12 months or less and leases for low value are not recorded on the Balance Sheet and lease payments are recognised as an expense in the Income Statement on a straight-line basis over the lease term. Expenses relating to variable lease payments which are not included in the lease liability, due to being based on a variable other than an index or rate, are recognised as an expense in the Income Statement.

Financial instruments – assets

Classification and measurement

All financial assets are classified as either those which are measured at fair value, through profit or loss or other comprehensive income, and those measured at amortised cost.

Financial assets are initially recognised at fair value. For those which are not subsequently measured at fair value through profit or loss, this includes directly attributable transaction costs. Trade and other receivables, contract assets and amounts due from equity accounted investments are subsequently measured at amortised cost.

Recognition and derecognition of financial assets

Financial assets are recognised in the Group's Balance Sheet when the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

Impairment of financial assets

For trade receivables and contract assets, the simplified approach permitted under IFRS 9 is applied. The simplified approach requires that at the point of initial recognition the expected credit loss across the life of the receivable must be recognised. As these balances do not contain a significant financing element, the simplified approach relating to expected lifetime losses is applicable under IFRS 9. Cash and cash equivalents and other receivables are also subject to impairment requirements.

Finance income

Finance income is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Finance income is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in the Income Statement in the period in which they are incurred.

Investments

The Group has investments in listed shares and unlisted shares, that are not traded in an active market, which are classified as financial assets, measured at fair value. Fair value for listed shares is calculated by reference to quoted market price. Fair value for unlisted shares is determined by assessment of expected future dividends discounted to net present value. Any changes in fair value are recognised in other comprehensive income and accumulated in retained earnings. Dividends from investments are recognised in the Income Statement when the Group's right to receive the dividend is established.

Trade and other receivables

Trade and other receivables are measured and carried at amortised cost using the effective interest method, less any impairment. For trade receivables, the carrying amount is reduced by an allowance for expected lifetime losses. Subsequent recoveries of amounts previously written off are credited against the allowance account and changes in the carrying amount of the allowance account are recognised in the Income Statement.

Trade receivables that are assessed not to be impaired individually are also assessed for impairment on a collective basis. In measuring the expected credit losses, the Group considers all reasonable and supportable information such as the Group's past experience at collecting receipts, any increase in the number of delayed receipts in the portfolio past the average credit period, and forward-looking information such as forecasts of future economic decisions.

Other receivables are also considered for impairment and if required the carrying amount is reduced by any loss arising which is recorded in the Income Statement, although for the Group this is not material.

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2. Summary of material accounting policies continued

Financial instruments – liabilities

Recognition and derecognition of financial liabilities

Financial liabilities are recognised in the Group's Balance Sheet when the Group becomes a party to the contractual provisions of the instruments and are initially measured at fair value, net of transaction costs. The Group derecognises financial liabilities when the Group's obligations are discharged, significantly modified, cancelled or they expire.

Classification and measurement

Non-derivative financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective interest rate basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant periods. The effective interest rate is the rate that discounts estimated future cash payments throughout the expected life of the financial liability, or, where appropriate, a shorter period to the gross carrying amount of the financial liability.

Derivative financial instruments and hedging

The Group uses derivative financial instruments to manage its exposure to interest rate, foreign exchange rate and commodity risks, arising from operating and financing activities. The Group does not hold or issue derivative financial instruments for speculative trading purposes. Details of derivative financial instruments are disclosed in note 25 of the Financial Statements.

Derivative financial instruments are recognised and stated at fair value in the Group's Balance Sheet. Their fair value is recalculated at each reporting date. The accounting treatment for the resulting gain or loss will depend on whether the derivative meets the criteria to qualify for hedge accounting and is designated as such.

Where derivatives do not meet the criteria to qualify for hedge accounting, any gains or losses on the revaluation to fair value at the period end are recognised immediately in the Income Statement. Where derivatives do meet the criteria to qualify for hedge accounting, recognition of any resulting gain or loss on revaluation depends on the nature of the hedge relationship and the item being hedged.

Derivative financial instruments with maturity dates of less than one year from the period end date are classified as current in the Balance Sheet. Derivatives embedded in non-derivative host contracts are recognised at their fair value in the Group's Balance Sheet when the nature, characteristics and risks of the derivative are not closely related to the host contract. Gains and losses arising on the remeasurement of these embedded derivatives at each balance sheet date are recognised in the Income Statement.

Hedge accounting

Hedge accounting is performed in accordance with IFRS 9: Financial Instruments. In order to qualify for hedge accounting, the Group is required to document from inception the relationship between the item being hedged and the hedging instrument, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents that the hedge will be highly effective, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively.

The Group designates certain hedging instruments as either cash flow hedges or hedges of net investments in foreign operations.

Cash flow hedge

Derivative financial instruments are classified as cash flow hedges when they hedge the Group's exposure to the variability in cash flows that are either attributable to a particular risk associated with a recognised asset or liability, or a highly probable forecasted cash flow.

The Group designates the full change in the fair value of a foreign exchange forward contract (i.e. including the forward elements) as the hedging instrument for all of its hedging relationships involving foreign exchange forward contracts.

The effective portion of any gain or loss from revaluing the derivative financial instrument is recognised in the Statement of Comprehensive Income and accumulated in equity. The gain or loss relating to the ineffective portion is recognised immediately in the Income Statement.

Amounts previously recognised in the Statement of Comprehensive Income and accumulated in equity are recycled to the Income Statement in the periods when the hedged item is recognised in the Income Statement or when the forecast transaction is no longer expected to occur. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Notes to the Consolidated Financial Statements continued

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2. Summary of material accounting policies continued

Hedges of net investments in foreign operations

Derivative financial instruments and certain loan instruments are classified as net investment hedges when they hedge the Group's net investment in foreign operations. The effective element of any foreign exchange gain or loss from revaluing the hedging instruments at a reporting period end is recognised in the Statement of Comprehensive Income. Any ineffective element is recognised immediately in the Income Statement.

Gains and losses accumulated in equity are recognised immediately in the Income Statement when the foreign operation is disposed.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a rate that reflects the current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Contingent liabilities acquired in a business combination

Contingent liabilities acquired in a business combination are initially measured at fair value at the acquisition date. At the end of subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognised in accordance with IAS 37: Provisions, contingent liabilities and contingent assets and the amount initially recognised less cumulative amount of revenue recognised in accordance with the principles of IFRS 15: Revenue from contracts with customers.

Pensions and other retirement benefits

The Group operates defined benefit pension plans and defined contribution plans, some of which require contributions to be made to administered funds separate from the Group.

For the defined benefit pension and retirement benefit plans, plan assets are measured at fair value and plan liabilities are measured on an actuarial basis and discounted at an interest rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the plan liabilities. Any assets resulting from this calculation are limited to past service cost plus the present value of available refunds and reductions in future contributions to the plan. The present value of the defined benefit obligation, and the related current service cost and past service cost, are measured using the projected unit credit method.

The service cost of providing pension and other retirement benefits to employees for the period is charged to the Income Statement.

Net interest expense on net defined benefit obligations is determined by applying discount rates used to measure defined benefit obligations at the beginning of the year to net defined benefit obligations at the beginning of the year. The net interest expense is recognised within finance costs.

Remeasurement gains and losses comprise actuarial gains and losses, the effect of the asset ceiling (if applicable) and the return on plan assets (excluding interest). Remeasurement gains and losses, and taxation thereon, are recognised in full in the Statement of Comprehensive Income in the period in which they occur and are not subsequently recycled.

Actuarial gains and losses may result from differences between the actuarial assumptions underlying the plan obligations and actual experience during the period or changes in the actuarial assumptions used in the valuation of the plan obligations.

For defined contribution plans, contributions payable are charged to the Income Statement as an operating expense when employees have rendered services entitling them to the contributions.

Foreign currencies

The individual Financial Statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the Consolidated Financial Statements, the results and financial position of each Group company are expressed in pounds Sterling, which is the functional currency of the Company, and the presentation currency for the Consolidated Financial Statements.

In preparing the Financial Statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the Income Statement for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the Income Statement for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

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2. Summary of material accounting policies continued

For the purpose of presenting Consolidated Financial Statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in the Statement of Comprehensive Income and accumulated in equity (attributed to non-controlling interests as appropriate). Such translation differences are recognised as income or as expenses in the period in which the related operation is disposed of. Any exchange differences that have previously been attributed to non-controlling interests are derecognised but they are not reclassified to the Income Statement.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the rate prevailing at the balance sheet date.

Taxation

The tax expense is based on the taxable profits for the year and represents the sum of the tax paid or currently payable and deferred tax.

Taxable profit differs from net profit as reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

A tax provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Group supported by previous experience in respect of such activities and in certain cases based on specialist independent advice.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences except where:

- the deferred tax liability arises on the initial recognition of goodwill, or the initial recognition of an asset or liability in a transaction which a) is not a business combination, b) at the time of the transaction affects neither the accounting profit nor taxable profit or loss, and c) at the time of the transaction, does not give rise to equal taxable and deductible temporary differences; and
- the timing of the reversal of the temporary differences associated with investments in subsidiaries and interests in equity accounted investments can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and at the time of the transaction, does not give rise to equal and opposite temporary differences.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and carry-forward of unused tax assets and unused tax losses can be utilised except where:

- the deferred tax asset arises from the initial recognition of an asset or liability in a transaction which a) is not a business combination, b) at the time of the transaction affects neither the accounting profit nor taxable profit or loss, and c) at the time of the transaction, does not give rise to equal taxable and deductible temporary differences; and
- in respect of deductible temporary differences associated with investments in subsidiaries and interests in equity accounted investments, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised; and at the time of transaction, does not give rise to equal and opposite temporary differences.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the relevant balance sheet date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Tax relating to items recognised directly in other comprehensive income is recognised in the Statement of Comprehensive Income and not in the Income Statement. Tax relating to items recognised directly in equity is recognised in the Statement of Changes in Equity.

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- where the sales tax incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- where receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Balance Sheet.

Notes to the Consolidated Financial Statements continued

ank=20250709-20250710044284

2. Summary of material accounting policies continued

Share-based payments

The Group has applied the requirements of IFRS 2: Share-based Payment. The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value of the equity instrument excluding the effect of non-market based vesting conditions at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and is reviewed at the end of each reporting period with the charge being adjusted to reflect actual and estimated levels of vesting.

Fair value is measured by use of option pricing models. The expected life used in the model has been adjusted, based on the Directors' best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Non-current assets and disposal groups

Non-current assets and businesses classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets and businesses are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as having been met only when the sale is highly probable and the asset or business is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Government grants

Government grants are not recognised in the Income Statement until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received. Government grants are recognised in the Income Statement on a systematic basis over the periods in which the Group recognises the related costs for which the grants are intended to compensate.

Specifically, government grants where the primary condition is that the Group should purchase, construct or otherwise acquire non-current assets (including property, plant and equipment) are recognised as deferred government grants in the Balance Sheet and transferred to the Income Statement on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in the Income Statement in the period in which they become receivable.

Climate change

In preparing the Consolidated Financial Statements, the Directors have considered the impact of climate change with specific regard to the risks identified in the Task Force on Climate-related Financial Disclosures ("TCFD") report on page 65 as well as the Group's Transition Plan including emission targets.

The Directors have considered the impact of climate change in respect to the following areas and have determined that there is no material impact on the financial reporting judgements and estimates:

- Group's going concern assessment (note 2);
- Estimated future cash flows used in impairment assessments, where applicable, of the carrying value of non-current assets (such as goodwill) (note 11);
- Inventory valuation with respect to climate-related shift in demand (note 16);
- Recoverability of trade receivables and contract assets related to unbilled work done on risk and revenue sharing partnerships, which consider the future expectations of airframe and engine manufacturers as well as airline customer behaviours (note 17); and
- Forecasts of future profitability to assess the recoverability of deferred tax assets in the UK, the Netherlands and the US (note 22).

The Group's Transition Plan sets out the actions the Directors intend to take in the transition to a net zero economy, how they plan to execute on the interim and long-term emissions reduction targets, and how they plan to achieve Net Zero by 2050. The Transition Plan also sets out how climate considerations are integrated into strategic thinking and future planning, such as major capital expenditure, acquisitions, and disposals. The main short-term and medium-term objectives to meet this target are:

- Reduce absolute Scope 1 and 2 emissions 50% by 2030 from a 2020 baseline. This will be met by sourcing at least 50% of the Group's electricity from renewable sources by 2025 (where renewable energy is commercially and reasonably available in the relevant jurisdiction) through either continued investment in onsite renewable energy as well as procurement of power purchase agreements and renewable energy certificates. The Group will also continue to invest in energy efficiency measures to reduce overall energy consumption. The estimated investment needed to meet these scope 1 and 2 emission improvements are incorporated into current financial planning and forecasting.
- The Group is uniquely positioned at the early stages of an aircraft life cycle to play a role in eradicating emissions for the entire sector and ultimately unlocking its potential to positively contribute to a low carbon economy. The targets to achieve 80% of total Research and Development ("R&D") expenditure on climate-related R&D per year to contribute to aerospace decarbonisation by 2025 and achieve 100% of new products which contribute to aerospace decarbonisation by the end of 2025 demonstrate the emphasis Melrose places on developing innovative and breakthrough technologies such as battery electric and hydrogen propulsion. During the year, £55 million was spent on climate-related R&D. Future investments required to meet these targets are incorporated into our forecasts.

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3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 2, the Directors are required to make judgements and estimates about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experiences and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

Critical judgements

In the course of preparing the Financial Statements, critical judgements within the scope of paragraph 122 of IAS 1: Presentation of Financial Statements have been made during the process of applying the Group's accounting policies.

a) Adjusting items

Judgements are required as to whether items are disclosed as adjusting, with consideration given to both quantitative and qualitative factors. Further information about the determination of adjusting items in the year ended 31 December 2024 is included in note 2.

There are no other critical judgements, other than those involving estimates, that have had a significant effect on the amounts recognised in the Financial Statements. Those involving estimates are set out below.

Key sources of estimation uncertainty

Assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

b) Assumptions used to determine the carrying amount of the Group's net retirement benefit obligations

The Group's pension plans are significant in size. The defined benefit obligations in respect of the plans are discounted at rates set by reference to market yields on high quality corporate bonds. Significant estimation is required when setting the criteria for bonds to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of bonds to include are the issue size of the corporate bonds, quality of the bonds and the identification of outliers which are excluded. In addition, assumptions are made in determining mortality and inflation rates to be used when valuing the plan's defined benefit obligations. At 31 December 2024, the retirement benefit obligation was a net deficit of £59 million (31 December 2023: £99 million).

Further details of the assumptions applied and a sensitivity analysis on the principal assumptions used to determine the defined benefit liabilities of the Group's obligations are shown in note 24. Whilst actual movements might be different to sensitivities shown, these are a reasonably possible change that could occur.

c) Estimates of future revenues and costs of long-term contractual arrangements

The Group has certain large, complex contracts where significant judgements and estimates are required in order to allocate total associated consideration.

A key judgement is the measurement of unbilled work done, in particular relating to certain risk and revenue sharing partnerships ("RRSPs"). A detailed review of the Group's RRSP contracts determined where terms and conditions result in unbilled work done and this is further set out in note 17. Distinguishing between a contractual right and the economic compulsion of partners with regard to the sale of original equipment ("OE") components and aftermarket activities relies on an interpretation of complex legal agreements. This specific point governs whether unbilled work done is recognised on the sale of OE components and this can significantly impact the level of profitability from one period to the next. Further disclosure is set out in note 4.

The forecast revenues and costs in respect of RRSP contracts are inherently imprecise and significant estimates are required to assess the pattern of future maintenance activity, the costs to be incurred and escalation of revenue and costs. The estimates take account of the uncertainties, constraining the expected level of revenue as appropriate. Measurement of unbilled work done is driven by forecasting aftermarket revenue per delivered engine which is in turn contingent on overall programme success, levels of discounting that might be offered by the engine manufacturers (the Group's customers), engineering requirements needed for optimal performance of the engine and the allocation of revenue to individual units. In addition, where programmes are at an early stage the wider implications of any competing engines as well as complications outside of the Group can be difficult to assess. Any of these inputs could change in the next year as programmes evolve and due to the size and scale of these contracts, almost any modification could result in material changes in future periods.

The unbilled work done contract asset calculated is the best estimate of revenue allocated to completed performance obligations using input assumptions and constraints as detailed further in note 17. As the impacted RRSP contracts mature, there are reasonably possible changes to assumptions acknowledging the wide range of programme risks, which include the length of an engine's life, potential programme cost pressures, and the cost of any additional development work. Any changes could lead to the unbilled work done contract asset on the Balance Sheet of £922 million (31 December 2023: £595 million) increasing to between £982 million and £1,022 million which would lead to recognition of additional revenue and profit in the next year of between £60 million and £100 million.

Notes to the Consolidated Financial Statements continued

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3. Critical accounting judgements and key sources of estimation uncertainty continued

d) Measurement of deferred tax assets in the UK

The Group has significant deferred tax assets, arising mainly from tax losses and other deductible temporary differences, in the UK. Significant judgements and estimates are required to assess whether it is probable that sufficient taxable profits will arise in the UK to utilise the deferred tax assets recognised.

In evaluating the ability to recover deferred tax assets in the UK, the Group considers both positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income and results of recent operations. Sensitivity analysis is undertaken to assess the impact of factors such as a reduction in long-term growth rate or operating profit on the forecast future taxable profit.

In projecting future taxable income, the Group uses projections prepared for internal forecasting to estimate future forecast UK taxable profits. The assumptions about future taxable income require the use of estimates and are consistent with the plans the Group uses to manage the underlying businesses, and to test for impairment of goodwill as discussed in note 11.

4. Revenue

An analysis of the Group's revenue is as follows:

Continuing operations	Year ended 31 December 2024 £m	Year ended 31 December 2023 £m
Revenue recognised at a point in time	**2,452**	2,388
Revenue recognised over time	**1,016**	962
Revenue	**3,468**	3,350

As set out in the accounting policies in note 2, the Group has four primary revenue streams. There is little judgement or estimation in the revenue recognition of three of these areas; (i) sale of products and services, (ii) design and build and (iii) construction contracts. However, in the fourth area, as disclosed in note 3c, there is estimation involved in accounting for certain RRSP contracts. RRSP contracts generally include the sale of products and services as well as certain aspects of design and build arrangements. Further details are set out below.

The Group has three customers, which each contribute more than 10% of Group revenue, with revenue of £683 million and £414 million in the Structures segment and £659 million in the Engines segment.

Risk and revenue sharing partnerships

The Group has approximately £20 billion (31 December 2023: £16 billion) in respect of contractual transaction prices including a constrained estimate of unbilled work done, on five engine programmes, out of a wider population of such programmes, which has been allocated to contracted performance obligations not satisfied at 31 December 2024. These performance obligations will be satisfied and revenue will be recognised over a period of up to 30 years (2023: 30 years).

The amount of revenue recognised from RRSP contracts during the year was £859 million (2023: £680 million), which included an increase in the unbilled work done contract asset of £274 million (2023: £173 million). Within this, there is revenue from the delivery of product which is recognised at a point in time of £802 million (2023: £629 million) and revenue from provision of service which is recognised over time of £57 million (2023: £51 million). Due to the nature of certain of these RRSP arrangements, there is an associated unbilled work done contract asset including movements during the year which is disclosed in note 17.

The nature of products and services delivered in RRSP contracts varies depending on the individual terms. Typically, they include a design and development phase (which has been determined not to be a distinct performance obligation and so no revenue is recognised) and two other phases where the Group does have performance obligations and earns revenue:

i) Sale of structural OE engine components, such as turbine cases, principally to engine manufacturers, where revenue is recognised at a point in time; and

ii) Aftermarket support which can include: sale of spare parts where revenue is recognised at a point in time and stand ready services for life of engine obligations to maintain permanent technical, and other programme related, support functions where revenue is recognised over time. Obligations can occur at any time during the engine life and include: engineering and technical support for engine configuration changes and provision of aftermarket inventory support solutions.

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4. Revenue continued

RRSP revenue recognised over time

The nature of these RRSP contracts on long-term engine programmes means that, as a partner, the Engines segment can share revenue earned from maintenance, repair and overhaul services which are provided by the engine manufacturers (the Group's customers) or their sub-contractors, but not by the Group itself. The Group has a stand ready obligation to contribute to certain of the partnerships which typically results in the provision of services such as technical and other programme support activities over the whole life of the engine. These services occur over the life of the engine and due to the nature of compensation from customer arrangements, which is often flight hour based, as well as costs which are less predictable, revenue is recognised over time using the engine manufacturer's actual overhaul costs as an input method. This method is considered appropriate as it best reflects the customers' receipt and consumption of benefit from the Group's stand ready performance obligation.

The total contract revenue includes amounts from: expected sales of OE engine components, expected sales of spare parts and aftermarket revenue per delivered engine for stand ready services for the life of engine obligations. The total contract revenue is allocated to all of the performance obligations.

During the year, £50 million (2023: £30 million) of revenue has been recognised relating to performance obligations satisfied by the Group in previous years as risks have reduced and the constraint reassessed. There has been a further £41 million (2023: £27 million) of revenue recognised from changes in assumptions which will also impact the revenue allocation between future years. Assumption changes were made following operational progress by engine manufacturers with their customers, providing more certainty over future costs and volumes for the RRSP partners.

5. Segment information

Segment information is presented in accordance with IFRS 8: Operating Segments, which requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reported to the Group's Chief Operating Decision Maker ("CODM"), which has been deemed to be the Group's Board, in order to allocate resources to the segments and assess their performance.

The operating segments are as follows:

Engines – An industry leading global tier one supplier to the aerospace engines market, including structural engineered components; parts repair; commercial and aftermarket contracts.

Structures – A multi-technology global tier one supplier of both civil and defence air frames, including lightweight composite and metallic structures; electrical distribution systems and components.

In addition, there is a corporate cost centre which is also reported to the Board. The corporate cost centre contains the Melrose Group head office costs and charges related to certain of the Group's senior management long-term incentive plans.

Reportable segment results include items directly attributable to a segment as well as those which can be allocated on a reasonable basis. Inter-segment pricing is determined on an arm's length basis in a manner similar to transactions with third parties.

The Group's geographical segments are determined by the location of the Group's non-current assets and, for revenue, the location of external customers. Inter-segment sales are not material and have not been disclosed.

The following tables present the results and certain asset and liability information regarding the Group's operating segments and corporate cost centre for the year ended 31 December 2024.

a) Segment revenues

The Group derives its revenue from the transfer of goods and services over time and at a point in time. The Group has assessed that the disaggregation of revenue recognised from contracts with customers by operating segment is appropriate as this is the information regularly reviewed by the CODM in evaluating financial performance. The Group also believes that presenting this disaggregation of revenue based on the timing of transfer of goods or services provides useful information as to the nature and timing of revenue from contracts with customers.

Notes to the Consolidated Financial Statements continued

ank=20250709-20250710044288

5. Segment information continued

Year ended 31 December 2024

Continuing operations	Engines £m	Structures £m	Total £m
Timing of revenue recognition			
At a point in time	1,136	1,316	2,452
Over time	323	693	1,016
Revenue	**1,459**	**2,009**	**3,468**

Year ended 31 December 2023

Continuing operations	Engines £m	Structures £m	Total £m
Timing of revenue recognition			
At a point in time	931	1,457	2,388
Over time	262	700	962
Revenue	**1,193**	**2,157**	**3,350**

b) Segment operating profit

Year ended 31 December 2024

Continuing operations	Engines £m	Structures £m	Corporate[1] £m	Total £m
Adjusted operating profit/(loss)	**422**	**144**	**(26)**	**540**
Items not included in adjusted operating profit[2]:				
Amortisation of intangible assets acquired in business combinations	(131)	(124)	–	(255)
Movement in derivatives and associated financial assets and liabilities	7	–	(119)	(112)
Restructuring costs	(15)	(75)	(21)	(111)
Acquisition and disposal related gains and losses	–	(43)	(1)	(44)
Melrose equity-settled compensation scheme charges	–	–	(14)	(14)
Net changes in fair value items	–	(8)	–	(8)
Operating profit/(loss)	**283**	**(106)**	**(181)**	**(4)**
Finance costs				(105)
Finance income				3
Loss before tax				**(106)**
Tax				57
Loss after tax for the year from continuing operations				**(49)**

Year ended 31 December 2023

Continuing operations	Engines £m	Structures £m	Corporate[1] £m	Total £m
Adjusted operating profit/(loss)	**310**	**110**	**(30)**	**390**
Items not included in adjusted operating profit[2]:				
Amortisation of intangible assets acquired in business combinations	(135)	(125)	–	(260)
Restructuring costs	(26)	(111)	(12)	(149)
Melrose equity-settled compensation scheme charges	–	–	(38)	(38)
Acquisition and disposal related gains and losses	–	–	(3)	(3)
Movement in derivatives and associated financial assets and liabilities	(3)	(6)	123	114
Net changes in fair value items	1	2	–	3
Operating profit/(loss)	**147**	**(130)**	**40**	**57**
Finance costs				(79)
Finance income				14
Loss before tax				**(8)**
Tax				9
Profit after tax for the year from continuing operations				**1**

(1) Corporate adjusted operating loss of £26 million (2023: £30 million), includes a charge of £1 million (2023: £nil) in respect of a new Performance Share Plan for certain senior managers in the Group.
(2) Further details on adjusting items are discussed in note 6.

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5. Segment information continued

c) Segment total assets and liabilities

	Total assets		Total liabilities	
	31 December 2024 £m	Restated[1] 31 December 2023 £m	31 December 2024 £m	Restated[1] 31 December 2023 £m
Engines	**4,595**	4,082	**1,757**	1,521
Structures	**2,284**	2,438	**1,134**	1,149
Corporate	**557**	584	**1,701**	867
Total	**7,436**	7,104	**4,592**	3,537

(1) Inventories, trade and other receivables and trade and other payables have been restated (see note 1).

d) Segment capital expenditure and depreciation

	Capital expenditure[1]		Depreciation of owned assets[1]		Depreciation of leased assets	
	Year ended 31 December 2024 £m	Year ended 31 December 2023 £m	Year ended 31 December 2024 £m	Year ended 31 December 2023 £m	Year ended 31 December 2024 £m	Year ended 31 December 2023 £m
Engines	**63**	55	**43**	43	**7**	7
Structures	**54**	63	**74**	74	**17**	17
Corporate	**1**	–	**–**	–	**1**	1
Continuing operations	**118**	118	**117**	117	**25**	25
Discontinued operations	**–**	51	**–**	43	**–**	6
Total	**118**	169	**117**	160	**25**	31

(1) Including computer software and development costs. Capital expenditure excludes lease additions.

e) Geographical information

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

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

	Revenue[1] from external customers		Segment assets	
	Year ended 31 December 2024 £m	Year ended 31 December 2023 £m	31 December 2024 £m	31 December 2023 £m
UK	**569**	579	**739**	882
Rest of Europe	**567**	540	**2,061**	2,166
North America	**2,232**	2,138	**1,145**	1,179
Other	**100**	93	**47**	22
Continuing operations	**3,468**	3,350	**3,992**	4,249
Discontinued operations	**–**	1,582	**–**	–
Total	**3,468**	4,932	**3,992**	4,249

(1) Revenue is presented by destination.

Notes to the Consolidated Financial Statements continued

ank=20250709:20250710044290

6. Reconciliation of adjusted profit measures

As described in note 2, adjusted profit measures are an alternative performance measure used by the Board to monitor the operating performance of the Group.

a) Operating profit

Continuing operations	Notes	Year ended 31 December 2024 £m	Year ended 31 December 2023 £m
Operating (loss)/profit		**(4)**	57
Amortisation of intangible assets acquired in business combinations	a	**255**	260
Movement in derivatives and associated financial assets and liabilities	b	**112**	(114)
Restructuring costs	c	**111**	149
Acquisition and disposal related gains and losses	d	**44**	3
Melrose equity-settled compensation scheme charges	e	**14**	38
Net changes in fair value items	f	**8**	(3)
Total adjustments to operating (loss)/profit		**544**	333
Adjusted operating profit		**540**	390

a. The amortisation charge on intangible assets acquired in business combinations of £255 million (2023: £260 million) is excluded from adjusted results due to its non-trading nature and to enable comparison with companies that grow organically. However, where intangible assets are trading in nature, such as computer software and development costs, the amortisation is not excluded from adjusted results.

b. Movements in the fair value of derivative financial instruments (primarily forward foreign currency exchange contracts where hedge accounting is not applied) entered into to mitigate the potential volatility of future cash flows, on long-term foreign currency customer and supplier contracts, including foreign exchange movements on the associated financial assets and liabilities are shown as an adjusting item because of volatility and size. This totalled a charge of £112 million (2023: credit of £114 million) in the year.

c. Restructuring and other associated costs in the year totalled £111 million (2023: £149 million), including £1 million (2023: £59 million) of losses incurred in closing businesses within the Group. These are shown as adjusting items due to their size and non-trading nature and during the year ended 31 December 2024 these included:

- A charge of £90 million (2023: £137 million) primarily relating to the continuation, and finalisation in many cases, of significant restructuring projects across sites in the Engines and Structures divisions.

  This included three significant ongoing multi-year restructuring programmes, covering European footprint consolidations which commenced in 2021, and a significant restructuring programme in North America which commenced in 2020. These programmes incurred a combined charge of £64 million in the year (2023: £62 million). Since commencement, the cumulative charge on these three restructuring programmes to 31 December 2024 has been £281 million (31 December 2023: £217 million). As at 31 December 2024, £12 million is included in restructuring provisions in relation to the multi-year programmes which will be substantially settled in cash in 2025.

  The North American multi-site restructuring was accelerated by the disposal of two businesses during the first half of the year and is substantially complete, with costs expected to continue at a much reduced level into 2025. The European programmes have continued to progress with one of the two programmes now complete. The other European multi-site restructuring programme completed the closure of all intended sites by the end of 2023, with integration expected to conclude in 2025.

- A charge of £21 million (2023: £12 million) within the Corporate cost centre in relation to actions taken to merge the Melrose corporate function with the previously separate Aerospace division head office team. These restructuring actions reshape the Corporate cost centre to serve as an ongoing pureplay aerospace business.

d. Acquisition and disposal related net losses of £44 million (2023: £3 million) are inclusive of a loss of £43 million on the disposal of three non-core businesses in the Structures segment (see note 13). The loss of £43 million includes a net liability of £25 million that crystallised on disposal relating to the withdrawal from a multi-employer post-retirement pension scheme. Consideration is £25 million which is net of a deferred payable of £39 million and costs of £1 million. The net loss is recorded as an adjusting item due to its non-trading nature.

   One of the three businesses divested was loss-making and was purchased by a customer. The resulting amount payable for the sale reflects the fair value of assets and programmes transferred including the resolution of all contractual matters.

e. The Melrose equity-settled Employee Share Plan matured during the year. The charge of £14 million (2023: £38 million), which includes a charge for employer's tax payable of £14 million (2023: £28 million), is excluded from adjusted results due to its size and volatility.

f. The net changes in fair value items in the year totalled a charge of £8 million (2023: credit of £3 million) and are shown as an adjusting item due to their size and volatility.

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6. Reconciliation of adjusted profit measures continued

b) Profit before tax

Continuing operations	Notes	Year ended 31 December 2024 £m	Year ended 31 December 2023 £m
Loss before tax		**(106)**	(8)
Adjustments to operating (loss)/profit as above		**544**	333
Finance costs on demerger settled net debt	g	**–**	17
Accelerated unamortised debt issue costs	h	**–**	2
Bond redemption gains	i	**–**	(13)
Total adjustments to loss before tax		**544**	339
Adjusted profit before tax		**438**	331

g. Finance costs in respect of the proportion of the Group's net debt strategically allocated to the demerger group of businesses at the start of the previous year and subsequently settled on demerger were excluded from adjusted results to ensure the finance costs of the continuing Group were appropriately shown alongside the trading performance of the continuing business.

h. In the previous year, following the demerger of the GKN Automotive, GKN Powder Metallurgy and GKN Hydrogen businesses, the existing bank facilities at that time were repaid and all unamortised bank fees were written off. This was shown as an adjusting item due to its non-trading nature.

i. The Group repurchased £10 million (2023: £120 million) of the 2032 £300 million bond, on which a gain of £nil (2023: £13 million) was realised. This is shown as an adjusting item due to its non-trading nature.

c) Profit after tax

Continuing operations	Note	Year ended 31 December 2024 £m	Year ended 31 December 2023 £m
(Loss)/profit after tax		**(49)**	1
Adjustments to loss before tax as above		**544**	339
Tax effect of adjustments to loss before tax	8	**(128)**	(77)
Tax effect of significant restructuring	8	**(17)**	–
Total adjustments to (loss)/profit after tax		**399**	262
Adjusted profit after tax		**350**	263

Notes to the Consolidated Financial Statements continued

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7. Expenses

Continuing operations	Year ended 31 December 2024 £m	Year ended 31 December 2023 £m
Operating (loss)/profit is stated after charging/(crediting):		
Cost of inventories	**2,646**	2,696
Amortisation of intangible assets acquired in business combinations	**255**	260
Depreciation and impairment of property, plant and equipment	**104**	101
Amortisation of computer software and development costs	**41**	42
Lease expense[1]	**1**	1
Staff costs	**965**	1,095
Research and development costs[2]	**69**	60
Loss on disposal of property, plant and equipment	**4**	–
Expense of writing down inventory to net realisable value	**58**	53
Reversals of previous write-downs of inventory	**(46)**	(44)
Impairment recognised on trade receivables	**1**	8
Impairment reversed on trade receivables	**(2)**	(2)

(1) Represents low value leases of £1 million (2023: £1 million).
(2) Shown net of government and customer funding and includes staff costs totalling £33 million (2023: £27 million).

The analysis of auditor's remuneration is as follows:

	Year ended 31 December 2024 £m	Year ended 31 December 2023 £m
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**5.1**	4.6
Fees payable to the Company's auditor and their associates for other audit services to the Group:		
The audit of the Company's subsidiaries	**0.2**	0.2
Non-statutory audit of certain of the Company's businesses	**–**	0.9
Total audit fees	**5.3**	5.7
Audit-related assurance services:		
Review of the half year interim statement	**0.5**	0.4
Other assurance services	**–**	0.3
Total audit-related assurance services	**0.5**	0.7
Total audit and audit-related assurance services	**5.8**	6.4
Reporting accountant services	**–**	0.2
Total audit and non-audit fees	**5.8**	6.6

Details of the Company's policy on the use of the auditors for non-audit services and how auditor's independence and objectivity were safeguarded are set out in the Audit Committee report on pages 124 to 131. No services were provided pursuant to contingent fee arrangements.

An analysis of staff costs and employee numbers is as follows:

Continuing operations	Year ended 31 December 2024 £m	Year ended 31 December 2023 £m
Staff costs during the year (including executive Directors)		
Wages and salaries[1]	**788**	891
Social security costs[2]	**116**	136
Pension costs (note 24)		
– defined contribution plans	**60**	58
Share-based compensation expense[3]	**1**	10
Total staff costs	**965**	1,095

(1) In the prior year, wages and salaries for discontinued operations were £251 million in the period prior to disposal.
(2) Includes an employer's tax charge of £14 million (2023: £28 million) on the change in value of the employee share plans, shown as an adjusting item (see note 6).
(3) In the year ended 31 December 2023, this was shown as an adjusting item (see note 6).

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7. Expenses continued

	Year ended 31 December 2024 Number	Year ended 31 December 2023 Number
Average monthly number of persons employed (including executive Directors)		
Engines	**4,228**	3,960
Structures	**9,668**	10,733
Corporate	**26**	48
Continuing operations	**13,922**	14,741
Discontinued operations	**–**	23,880
Total average number of persons employed	**13,922**	38,621

An analysis of finance costs and income is as follows:

Continuing operations	Year ended 31 December 2024 £m	Year ended 31 December 2023 £m
Finance costs		
Interest on bank loans and overdrafts	**(91)**	(49)
Amortisation of costs of raising finance	**(4)**	(4)
Net interest cost on pensions	**(4)**	(1)
Lease interest	**(6)**	(5)
Unwind of discount on provisions	**–**	(1)
Finance costs on demerger settled net debt[1]	**–**	(17)
Accelerated unamortised debt issue costs[1]	**–**	(2)
Total finance costs	**(105)**	(79)
Finance income		
Interest receivable	**3**	1
Bond redemption gains[1]	**–**	13
Total finance income	**3**	14
Total net finance costs	**(102)**	(65)

(1) Shown as adjusting items (see note 6).

Notes to the Consolidated Financial Statements continued

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8. Tax

Continuing operations	Year ended 31 December 2024 £m	Year ended 31 December 2023 £m
Analysis of tax (credit)/charge in the year:		
Current tax		
Current year tax charge	15	19
Adjustments in respect of prior years	–	4
Total current tax charge	15	23
Deferred tax		
Origination and reversal of temporary differences	(32)	(61)
Adjustments in respect of prior years	(9)	(3)
Tax on the change in value of derivative financial instruments	(30)	29
Adjustments to deferred tax attributable to changes in tax rates	–	(1)
Non-recognition of deferred tax	2	4
Recognition of previously unrecognised deferred tax	(3)	–
Total deferred tax credit	(72)	(32)
Tax credit on continuing operations	(57)	(9)
Tax charge on discontinued operations	–	28
Total tax (credit)/charge for the year	(57)	19

Analysis of tax credit on continuing operations in the year:	£m	£m
Tax charge in respect of adjusted profit before tax	88	68
Tax credit recognised as an adjusting item	(145)	(77)
Tax credit on continuing operations	(57)	(9)

The tax charge of £88 million (2023: £68 million) arising on adjusted profit before tax of £438 million (2023: £331 million) results in an effective tax rate of 20.1% (2023: 20.5%).

The £145 million (2023: £77 million) tax credit recognised as an adjusting item includes a credit of £128 million (2023: £77 million) in respect of adjustments to loss before tax of £544 million (2023: £339 million) and a credit of £17 million (2023: £nil) in respect of internal Group restructuring.

The tax (credit)/charge for the year for continuing and discontinued operations can be reconciled to the (loss)/profit before tax per the Income Statement as follows:

	Year ended 31 December 2024 £m	Year ended 31 December 2023 £m
(Loss)/profit before tax:		
Continuing operations	(106)	(8)
Discontinued operations (note 13)	–	25
	(106)	17
Tax (credit)/charge on (loss)/profit before tax at 25.0% (2023: 23.5%)	(27)	4
Tax effect of:		
Disallowable expenses and other permanent differences within adjusted profit	8	(9)
Disallowable items included within adjusting items	8	8
Temporary differences not recognised in deferred tax	2	5
Recognition of previously unrecognised deferred tax	(3)	–
Tax credits and withholding taxes	2	3
Adjustments in respect of prior years	(9)	13
Tax charge classified within adjusting items	(20)	–
Effect of changes in tax rates	–	(2)
Effect of rate differences between UK and overseas rates	(18)	(3)
Total tax (credit)/charge for the year	(57)	19

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8. Tax continued

The reconciliation has been performed at a tax rate of 25.0% (2023: 23.5%). The reconciliation rate usually represents the weighted average of the tax rates applying to profits and losses in the jurisdictions in which those results arose in the year. However, for 2023 and 2024 this rate was not representative due to offsetting profits and losses in the relevant jurisdictions and as such the UK corporation tax rate was used.

Tax charges/(credits) included in other comprehensive income are as follows:

	Year ended 31 December 2024 £m	Year ended 31 December 2023 £m
Deferred tax movements on retirement benefit obligations	4	(29)
Deferred tax movements on hedge relationship gains and losses	1	8
Total charge/(credit) for the year	5	(21)

There is also a tax credit of £14 million (2023: £22 million) recognised directly in the Statement of Changes in Equity in respect of deferred tax on equity-settled share-based payments.

Global Minimum Tax rules and Franked Investment Income – litigation

The Group is within the scope of the OECD Global Minimum Tax ("Pillar 2") rules which came into effect from 1 January 2024. The current tax charge includes an immaterial (less than £1 million) amount of tax arising from the introduction of the Pillar 2 rules. For the years ending 31 December 2024 and 31 December 2023, the Group has applied the mandatory exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar 2 taxes.

Since 2003, certain entities in the Group have been involved in litigation with HMRC in respect of various advance corporate tax payments and corporate tax paid on certain foreign dividends which, in the Group's view, were levied by HMRC in breach of the Group's EU community law rights. During 2024, the High Court handed down several decisions considering time limits for valid claims and computational issues. The decisions are broadly positive for the Group, however they have been appealed. The continuing complexity of the case and uncertainty over the issues raised means that it is not possible to predict the final outcome of the litigation with any reasonable degree of certainty.

9. Dividends

	Year ended 31 December 2024 £m	Year ended 31 December 2023 £m
Interim dividend for the year ended 31 December 2024 of 2.0p	26	–
Final dividend for the year ended 31 December 2023 of 3.5p	46	–
Interim dividend for the year ended 31 December 2023 of 1.5p	–	20
Second interim dividend for the year ended 31 December 2022 of 1.5p (4.5p)[1]	–	61
	72	81

(1) Adjusted to include the effects of the one for three share consolidation that took place on 19 April 2023.

A final dividend for the year ended 31 December 2024 of 4.0p per share totalling an expected £51 million is declared by the Board. The final dividend of 4.0p per share was declared by the Board on 6 March 2025 and in accordance with IAS 10: Events after the reporting period, has not been included as a liability in the Consolidated Financial Statements.

During the year, the Group completed a £500 million share buyback programme, which commenced on 2 October 2023, with £411 million of cash spent, inclusive of costs of £5 million (see note 1). In the prior year, the Group spent cash of £93 million, inclusive of costs of £1 million on this programme.

On 1 October 2024, the Group commenced a £250 million share buyback programme, with £20 million of cash spent, inclusive of costs of £nil.

Notes to the Consolidated Financial Statements continued

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10. Earnings per share

Earnings attributable to owners of the parent	Year ended 31 December 2024 £m	Year ended 31 December 2023 £m
Earnings for basis of earnings per share	**(49)**	(1,019)
Less: loss from discontinued operations (note 13)	**–**	1,020
Earnings for basis of earnings per share from continuing operations	**(49)**	1

	Year ended 31 December 2024 Number	Year ended 31 December 2023 Number
Weighted average number of ordinary shares for the purposes of basic earnings per share (million)	**1,307**	1,349
Further shares for the purposes of diluted earnings per share (million)	**17**	56
Weighted average number of ordinary shares for the purposes of diluted earnings per share (million)	**1,324**	1,405

On 1 October 2024, the Group commenced a £250 million share buyback programme, with 4,173,411 shares repurchased by 31 December 2024. These are held as treasury shares and are excluded from the number of shares for the purposes of calculating earnings per share.

On 2 October 2023, the Group commenced a £500 million share buyback programme, with 70,967,661 shares repurchased during the year ended 31 December 2024 (2023: 18,761,840 shares).

Earnings per share	Year ended 31 December 2024 pence	Year ended 31 December 2023 pence
Basic earnings per share		
From continuing and discontinued operations	**(3.7)**	(75.5)
From continuing operations	**(3.7)**	0.1
From discontinued operations	**–**	(75.6)
Diluted earnings per share		
From continuing and discontinued operations	**(3.7)**	(75.5)
From continuing operations	**(3.7)**	0.1
From discontinued operations	**–**	(75.6)

Adjusted earnings from continued operations	Year ended 31 December 2024 £m	Year ended 31 December 2023 £m
Adjusted earnings for the basis of adjusted earnings per share	**350**	263

Adjusted earnings per share from continuing operations:

	Year ended 31 December 2024 pence	Year ended 31 December 2023 pence
Adjusted basic earnings per share	**26.8**	19.5
Adjusted diluted earnings per share	**26.4**	18.7

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11. Goodwill and other intangible assets

	Goodwill £m	Customer relationships and contracts £m	Brands and intellectual property £m	Other[1] £m	Computer software £m	Development costs £m	Total £m
Cost							
At 1 January 2023	2,585	4,670	393	1,047	56	570	9,321
Additions	–	–	–	–	3	13	16
Disposals	–	–	–	–	(1)	(3)	(4)
Transfer to held for sale[2]	–	–	–	–	(1)	(1)	(2)
Disposal of businesses[3]	(1,575)	(1,749)	(184)	(401)	(33)	(100)	(4,042)
Exchange adjustments	(49)	(154)	(2)	(15)	(1)	(15)	(236)
At 31 December 2023	961	2,767	207	631	23	464	5,053
Additions	–	–	–	–	2	13	15
Reclassification from property, plant and equipment[4]	–	–	–	–	–	2	2
Disposals	–	–	–	–	–	(10)	(10)
Disposal of businesses[3]	–	–	–	–	(1)	–	(1)
Exchange adjustments	9	32	(4)	(2)	–	(1)	34
At 31 December 2024	**970**	**2,799**	**203**	**629**	**24**	**468**	**5,093**
Accumulated amortisation and impairment							
At 1 January 2023	–	(1,598)	(93)	(496)	(36)	(252)	(2,475)
Charge for the year:							
Adjusted operating profit	–	–	–	–	(3)	(39)	(42)
Adjusting items	–	(228)	(12)	(69)	–	–	(309)
Disposals	–	–	–	–	1	3	4
Transfer to held for sale[2]	–	–	–	–	1	1	2
Disposal of businesses[3]	–	694	46	237	17	59	1,053
Exchange adjustments	–	53	–	6	1	5	65
At 31 December 2023	–	(1,079)	(59)	(322)	(19)	(223)	(1,702)
Charge for the year:							
Adjusted operating profit	–	–	–	–	(3)	(38)	(41)
Adjusting items	–	(188)	(10)	(57)	–	–	(255)
Disposals	–	–	–	–	–	5	5
Disposal of businesses[3]	–	–	–	–	1	–	1
Exchange adjustments	–	(11)	1	2	–	1	(7)
At 31 December 2024	**–**	**(1,278)**	**(68)**	**(377)**	**(21)**	**(255)**	**(1,999)**
Net book value							
At 31 December 2024	**970**	**1,521**	**135**	**252**	**3**	**213**	**3,094**
At 31 December 2023	961	1,688	148	309	4	241	3,351

(1) Other includes technology and order backlog intangible assets recognised on acquisitions.
(2) Transfer to held for sale in 2023 related to the contractually agreed sale of a non-core business in the Structures segment (see note 1).
(3) Disposal of businesses in 2024 relates to the sale of non-core businesses in the Structures segment. Disposal of businesses in 2023 related to the demerger of the GKN Automotive, GKN Powder Metallurgy and GKN Hydrogen businesses (see note 1).
(4) Reclassification from property, plant and equipment for depreciation capitalised as development costs (see note 14).

The goodwill generated as a result of major acquisitions represents the premium paid in excess of the fair value of all net assets, including intangible assets, identified at the point of acquisition. The carrying value of goodwill includes a premium, paid in order to secure shareholder agreement to the business combination, that is less than the value that the Directors believed could be added to the acquired businesses.

The goodwill arising on bolt-on acquisitions is attributable to the anticipated profitability and cash flows arising from the businesses acquired, synergies as a result of the complementary nature of the business with existing Melrose businesses, the assembled workforce, technical expertise, knowhow, market share and geographical advantages afforded to the Group.

The future improvements applied to the acquired businesses, achieved through a combination of revised strategic direction, operational improvements and investment, are expected to result in improved profitability. The combined value achieved from these improvements is expected to be in excess of the value of goodwill acquired.

Notes to the Consolidated Financial Statements continued

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11. Goodwill and other intangible assets continued

Goodwill	31 December 2024 £m	31 December 2023 £m
Engines	**620**	608
Structures	**350**	353
Total	**970**	961

Impairment testing

The Group tests goodwill annually or more frequently if there are indications that goodwill might be impaired. The effective date of the annual impairment test is 31 October, aligned with internal forecasting and review processes. In accordance with IAS 36: Impairment of assets, the Group assesses goodwill based on the recoverable amount, being the higher of the value in use basis and the fair value less costs to sell basis. The value in use methodology has been used to determine recoverable amount in both the current and prior years.

Value in use calculations have been used to determine the recoverable amount of goodwill and other relevant net assets allocated to the Engines and Structures groups of CGUs for the year ended 31 December 2024. The calculation uses the latest approved forecasts extrapolated into perpetuity with growth rates shown below, which do not exceed the long-term growth rate for the relevant market.

Based on the impairment testing completed, no impairment was identified in respect of either of the groups of CGUs. No sensitivity analysis has been provided as there is no reasonably possible change in key assumptions that could result in an impairment in either the Engines or Structures groups of CGUs.

The basis of impairment tests and the key assumptions are set out in the tables below:

	31 December 2024		
Groups of CGUs – value in use	Pre-tax discount rates	Long-term growth rates	Years in forecast
Engines	**10.25%**	**3.3%**	**5**
Structures	**10.50%**	**3.3%**	**5**

	31 December 2023		
Groups of CGUs – value in use	Pre-tax discount rates	Long-term growth rates	Years in forecast
Engines	12.25%	3.4%	5
Structures	12.50%	3.4%	5

Risk adjusted discount rates

Cash flows within the Engines and Structures groups of CGUs are discounted using a pre-tax discount rate specific to each group of CGUs. Discount rates reflect the current market assessments of the time value of money and the territories in which the group of CGUs operates. In determining the cost of equity, the Capital Asset Pricing Model ("CAPM") has been used. Under CAPM, the cost of equity is determined by adding a risk premium, based on an industry adjustment ("Beta"), to the expected return of the equity market above the risk-free return. The relative risk adjustment reflects the risk inherent in each group of CGUs relative to all other sectors and geographies on average.

The cost of debt is determined using a risk-free rate based on the cost of government bonds, and an interest rate premium equivalent to a corporate bond with a similar credit rating to the Group.

Assumptions applied in financial forecasts

The Group prepares cash flow forecasts derived from financial budgets and medium-term forecasts. Each forecast has been prepared using a five-year cash flow period. The key assumptions used in forecasting cash flows relate to future budgeted revenue and operating margins likely to be achieved and the expected rates of long-term growth by sector. Underlying factors in determining the values assigned to each key assumption are shown below.

Impairment testing has considered the impact of climate scenarios used by the Group to assess climate-related risks and opportunities. Demand for the Group's products may be impacted by the different scenarios over the medium to long-term. Whilst recognising these scenarios contain major assumptions, the modelling indicates no material impact on existing revenue assumptions, with any potential reduction in Melrose's existing products being offset by the Group's transition plan into lower-carbon products under existing financial planning. The potential of transition risks such as the transitioning of carbon intensive machinery to more carbon efficient or electric models also did not indicate a material impact on the existing financial cost in the short to medium-term forecasting. The impairment testing also considers the potential costs from climate-related risks under physical scenarios RCP 2.6 and 8.5. Risks such as flooding and storm events were predicted to not have a material impact on cost within the financial forecasting horizon.

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11. Goodwill and other intangible assets continued

Revenue growth and operating margins:

Revenue growth assumptions in the forecast period are based on financial budgets and five-year term forecasts by management, taking into account industry growth rates and management's historical experience in the context of wider industry and economic conditions. Projected revenue is built up with reference to markets and product categories. They incorporate past performance, historical growth rates, projections of developments in key markets, secured orders and orders forecast to be achieved in the short to medium-term given trends in the relevant market sector. Revenue assumptions are made using external market data, where available.

Operating margins have been forecast based on historical levels achieved considering the likely impact of changing economic environments and competitive landscapes on volumes and revenues and the impact of management actions on costs. Forecasts for operating costs are based on inflation forecasts and supply and demand factors, which take account of climate change implications for affected markets. Impairment testing includes short to medium-term planning (five years) for both of the groups of CGUs, which will address known risks from climate change and other environmental factors impacting forecast costs as well as the opportunities in associated markets as they prepare for changes which impact revenues.

The key drivers for growth in revenue and operating margins are global demand for commercial and military aircraft. Consumer spending, passenger load factors, raw material input costs, market expectations for aircraft production requirements, technological advancements, and other macro-economic factors influence demand for these products.

Long-term growth rates:

Long-term growth rates are determined using long-term growth rate forecasts that take into account the international presence and the markets in which each business operates.

Allocation of significant intangible assets

The allocation of significant customer relationships and contracts, brands, intellectual property and other is as follows:

	Customer relationships and contracts				Brands, intellectual property and other			
	Remaining amortisation period		Net book value		Remaining amortisation period		Net book value	
	31 December 2024 years	31 December 2023 years	31 December 2024 £m	31 December 2023 £m	31 December 2024 years	31 December 2023 years	31 December 2024 £m	31 December 2023 £m
Engines	**14**	15	**1,259**	1,355	**14**	15	**138**	149
Structures	**4**	5	**262**	333	**14**	15	**249**	308
Total			**1,521**	1,688			**387**	457

12. Investments

Investments, carried at fair value	31 December 2024 £m	31 December 2023 £m
Shares	**69**	114

The Group holds a 10% equity share in HiiROC Limited, a hydrogen technology company, a 3% investment in PW1100G-JM Engine Leasing LLC, an engine leasing business, and a 1% investment in Dowlais Group plc which was retained following the demerger in 2023.

There was a loss on remeasurement to fair value of £47 million (2023: gain of £35 million) and a foreign exchange translation gain of £2 million (2023: loss of £3 million). A dividend of £5 million (2023: £5 million) was received during the year which was recorded within operating profit.

Certain of the investments are measured as a level 3 fair value under the IFRS 13 fair value hierarchy. To calculate the value at 31 December 2024, the expected dividend flow was discounted to net present value using a discount rate of 10.5%. If the discount rate changed from 10.5% to 9.5% the fair value would increase by £7 million.

13. Disposals and discontinued operations

On 1 March 2024, the Group completed the disposal of its Fuel Systems business, which was previously classified as held for sale, for consideration of £50 million. The costs charged to the Income Statement associated with the disposal were £4 million and were recognised during the prior year, but paid during the year. Net assets disposed were £11 million and the profit on disposal in the year was £39 million after the recycling of cumulative translational gains of £nil.

On 25 April 2024, the Group completed the disposal of its St. Louis operation with total consideration payable of £58 million, of which £39 million remains outstanding at 31 December 2024. The costs charged to the Income Statement associated with the disposal were £1 million and an additional net liability of £25 million was crystallised relating to the withdrawal from a multi-employer post-retirement pension scheme. Net assets disposed were £9 million and the loss on disposal was £90 million after the recycling of cumulative translational gains of £3 million.

On 28 June 2024, the Group completed the disposal of its Orangeburg operation for consideration of £34 million. The costs charged to the Income Statement associated with the disposal were £nil. Net assets disposed were £29 million and the profit on disposal was £8 million after the recycling of cumulative translational gains of £3 million.

Notes to the Consolidated Financial Statements continued

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13. Disposals and discontinued operations continued

The results of the three non-core businesses disposed during the year are not classified within discontinued operations as they do not meet the criteria of being a major separate line of business.

On 30 March 2023, shareholders approved the demerger of the GKN Automotive, GKN Powder Metallurgy and GKN Hydrogen businesses through the flotation of Dowlais Group plc ("Dowlais") on the London Stock Exchange. On 20 April 2023, the Group completed the demerger of Dowlais and its results were classified within discontinued operations. A demerger distribution of £1,973 million was measured at fair value. Total demerger costs were £64 million.

Classes of assets and liabilities disposed of during the year were as follows:

	£m
Property, plant and equipment	32
Inventories	56
Trade and other receivables	5
Assets classified as held for sale	21
Total assets	**114**
Trade and other payables	22
Current and deferred tax	13
Provisions	20
Liabilities associated with assets held for sale	10
Total liabilities	**65**
Net assets	**49**
Consideration, net of costs[1]	25
Liabilities crystallised on disposal	(25)
Cumulative translation difference recycled on disposal	6
Loss on disposal of businesses	(43)
Net cash inflow arising on disposal	
Consideration received in cash and cash equivalents, net of costs[2]	60
Less: cash and cash equivalents disposed[3]	(5)
	55

(1) Consideration of £26 million net of £1 million of disposal costs. Included within consideration is a deferred amount payable of £39 million accrued at 31 December 2024, with the cash outflow expected in two equal instalments in the years ending 31 December 2025 and 31 December 2026 respectively.
(2) Cash consideration of £65 million net of £5 million of disposal costs paid in the year, of which £4 million were accrued at 31 December 2023.
(3) Included within assets classified as held for sale.

Financial performance of discontinued operations:

	Year ended 31 December 2024 £m	Year ended 31 December 2023 £m
Revenue	–	1,582
Operating costs	–	(1,550)
Operating profit	–	32
Net finance costs	–	(7)
Profit before tax	–	25
Tax	–	(28)
Loss after tax	–	(3)
Loss on disposal of net assets of discontinued operations, net of recycled cumulative translation differences but before transaction costs	–	(978)
Demerger transaction costs[1]	–	(39)
Loss for the year from discontinued operations attributable to owners of the parent	–	(1,020)

(1) Demerger transaction costs of £39 million comprised total cash costs incurred of £58 million, offset by a non-cash contribution from Dowlais of £19 million.

Cash flow information relating to discontinued operations is shown in note 27.

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14. Property, plant and equipment

	Land and buildings £m	Plant and equipment £m	Total £m
Cost			
At 1 January 2023	1,169	3,128	4,297
Additions	34	150	184
Right-of-use asset reassessments	2	–	2
Disposals	(3)	(37)	(40)
Disposal of businesses[1]	(641)	(2,102)	(2,743)
Transfer to held for sale[2]	(8)	(12)	(20)
Exchange adjustments	(30)	(100)	(130)
At 31 December 2023	523	1,027	1,550
Additions	83	90	173
Right-of-use asset reassessments	8	–	8
Disposals	(3)	(35)	(38)
Disposal of businesses[1]	(36)	(54)	(90)
Exchange adjustments	3	8	11
At 31 December 2024	**578**	**1,036**	**1,614**
Accumulated depreciation and impairment			
At 1 January 2023	(330)	(1,368)	(1,698)
Charge for the year	(38)	(111)	(149)
Disposals	2	34	36
Disposal of businesses[1]	120	834	954
Transfer to held for sale[2]	7	9	16
Impairments	(1)	–	(1)
Exchange adjustments	10	59	69
At 31 December 2023	(230)	(543)	(773)
Charge for the year	(33)	(68)	(101)
Disposals	3	31	34
Disposal of businesses[1]	17	41	58
Reclassification to intangible assets[3]	–	(2)	(2)
Impairments[4]	(3)	–	(3)
Exchange adjustments	(1)	(5)	(6)
At 31 December 2024	**(247)**	**(546)**	**(793)**
Net book value			
At 31 December 2024	**331**	**490**	**821**
At 31 December 2023	293	484	777

(1) Disposal of businesses in 2024 relates to the sale of non-core businesses in the Structures segment. Disposal of businesses in 2023 related to the demerger of the GKN Automotive, GKN Powder Metallurgy and GKN Hydrogen businesses (see note 1).
(2) Transfer to held for sale in 2023 related to the contractually agreed sale of a non-core business in the Structures segment (see note 1).
(3) Depreciation charge reclassified to development costs within intangible assets (see note 11).
(4) Impairments in 2024 are shown as an adjusting item as they relate to a significant restructuring project (see note 6).

Assets under the course of construction at 31 December 2024 totalled £145 million (31 December 2023: £126 million).

Notes to the Consolidated Financial Statements continued

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14. Property, plant and equipment continued

Property, plant and equipment includes the net book value of right-of-use assets as follows:

Right-of-use asset	Land and buildings £m	Plant and equipment £m	Total £m
At 1 January 2023	265	46	311
Additions	21	10	31
Right-of-use asset reassessments	2	–	2
Depreciation	(23)	(8)	(31)
Transfer to held for sale[1]	(1)	–	(1)
Disposal of businesses[2]	(117)	(28)	(145)
Impairments	(1)	–	(1)
Exchange adjustments	(6)	(1)	(7)
At 31 December 2023	140	19	159
Additions	65	5	70
Right-of-use asset reassessments	8	–	8
Depreciation	(20)	(5)	(25)
Disposal of businesses[2]	(1)	–	(1)
Impairments[3]	(3)	–	(3)
Exchange adjustments	(1)	–	(1)
At 31 December 2024	**188**	**19**	**207**

(1) Transfer to held for sale in 2023 related to the contractually agreed sale of a non-core business in the Structures segment (see note 1).
(2) Disposal of businesses in 2024 relates to the sale of non-core businesses in the Structures segment. Disposal of businesses in 2023 related to the demerger of the GKN Automotive, GKN Powder Metallurgy and GKN Hydrogen businesses (see note 1).
(3) Impairments in 2024 are shown as an adjusting item as they relate to a significant restructuring project (see note 6).

15. Equity accounted investments

	31 December 2024 £m	31 December 2023 £m
Aggregated amounts relating to equity accounted investments:		
Share of current assets	4	4
Share of non-current assets	11	9
Share of current liabilities	(5)	(6)
Share of non-current liabilities	(2)	–
Interests in equity accounted investments	**8**	**7**

Group share of equity accounted investments	Year ended 31 December 2024 £m	Year ended 31 December 2023 £m
At 1 January	7	435
Share of results of equity accounted investments	(2)	4
Additions	3	–
Disposals	–	(3)
Disposal of businesses[1]	–	(417)
Exchange adjustments	–	(12)
At 31 December	**8**	**7**

(1) Disposal of businesses in 2023 related to the demerger of the GKN Automotive, GKN Powder Metallurgy and GKN Hydrogen businesses (see note 1).

16. Inventories

	31 December 2024 £m	Restated[1] 31 December 2023 £m
Raw materials	249	235
Work in progress	209	198
Finished goods	70	80
	528	513

(1) Work in progress has been restated (see note 1).

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16. Inventories continued

In 2024, the write down of inventories in continuing businesses to net realisable value amounted to £58 million (2023: £53 million). The reversal of write downs in continuing businesses amounted to £46 million (2023: £44 million). Write downs and reversals in both years relate to ongoing assessments of inventory obsolescence, excess inventory holding and inventory resale values across all of the Group's businesses.

Climate change may impact the demand from customers for certain products, however given the speed of inventory turnover the Directors consider that there is no material impact and inventory is appropriately valued.

The Directors consider that there is no material difference between the net book value of inventories and their replacement cost.

17. Trade and other receivables

Current	31 December 2024 £m	Restated[1] 31 December 2023 £m
Trade receivables	407	430
Allowance for expected credit loss	(7)	(10)
Other receivables	255	162
Prepayments	33	33
Contract assets	261	200
	949	815

(1) Contract assets have been restated (see note 1).

Trade receivables are non interest-bearing. Credit terms offered to customers vary upon the country of operation but are generally between 30 and 90 days.

Non-current	31 December 2024 £m	Restated[1] 31 December 2023 £m
Other receivables	8	21
Contract assets	1,193	838
	1,201	859

(1) Contract assets have been restated (see note 1).

As described in note 25, certain businesses participate in receivables working capital programmes and have the ability to choose whether to receive payment earlier than the normal due date, for specific customers on a non-recourse basis. As at 31 December 2024, eligible receivables under these programmes have been factored and derecognised in line with the derecognition criteria of IFRS 9: Financial Instruments. All receivables are solely payments of principal and interest and are held to collect.

An allowance has been made for expected lifetime credit losses with reference to past default experience and management's assessment of credit worthiness over trade receivables, an analysis of which is as follows:

	Engines £m	Structures £m	Discontinued operations £m	Total £m
At 1 January 2023	4	3	13	20
Income Statement charge	1	5	1	7
Utilised	(2)	(1)	–	(3)
Disposal of businesses[1]	–	–	(13)	(13)
Exchange adjustments	–	–	(1)	(1)
At 31 December 2023	3	7	–	10
Income Statement charge/(credit)	2	(3)	–	(1)
Utilised	(2)	–	–	(2)
Exchange adjustments	–	–	–	–
At 31 December 2024	**3**	**4**	**–**	**7**

(1) Disposal of businesses in 2023 related to the demerger of the GKN Automotive, GKN Powder Metallurgy and GKN Hydrogen businesses (see note 1).

The concentration of credit risk is limited due to the large number of unrelated customers. Credit control procedures are implemented to ensure that sales are only made to organisations that are willing and able to pay for them. Such procedures include the establishment and review of customer credit limits and terms. The Group does not hold any collateral or any other credit enhancements over any of its trade receivables nor does it have a legal right of offset against any amounts owed by the Group to the counterparty.

Notes to the Consolidated Financial Statements continued

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17. Trade and other receivables continued

The ageing of impaired trade receivables past due is as follows:

	31 December 2024 £m	31 December 2023 £m
0 – 30 days	–	–
31 – 60 days	2	–
60+ days	5	10
	7	10

Included in the Group's trade receivables balance are overdue trade receivables with a gross carrying amount of £17 million (31 December 2023: £19 million) against which a provision of £7 million (31 December 2023: £10 million) is held.

There are no amounts provided against balances that are not overdue as these are deemed recoverable, following an assessment for impairment in accordance with policies described in note 2.

The ageing of the balance deemed recoverable of £10 million (31 December 2023: £9 million) is as follows:

	31 December 2024 £m	31 December 2023 £m
0 – 30 days	10	9
31 – 60 days	–	–
60+ days	–	–
	10	9

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value.

The Group's contract assets comprise the following:

	Participation fees £m	Unbilled receivables £m	Unbilled work done £m	Other £m	Total £m
At 1 January 2023 (restated)[1]	204	232	450	85	971
Additions	8	962	193	–	1,163
Utilised	(17)	(983)	(20)	(12)	(1,032)
Disposal of businesses[2]	(9)	–	–	(10)	(19)
Transfer to held for sale[3]	–	(1)	–	–	(1)
Exchange adjustments	(10)	(4)	(28)	(2)	(44)
At 31 December 2023 (restated)[1]	176	206	595	61	1,038
Additions	8	1,016	298	5	1,327
Utilised	(11)	(935)	(24)	(1)	(971)
Settlements[4]	–	–	35	–	35
Exchange adjustments	3	4	18	–	25
At 31 December 2024	**176**	**291**	**922**	**65**	**1,454**

(1) Unbilled receivables and other contract assets have been restated (see note 1).
(2) Disposal of businesses in 2023 related to the demerger of the GKN Automotive, GKN Powder Metallurgy and GKN Hydrogen businesses (see note 1).
(3) Transfer to held for sale in 2023 related to the contractually agreed sale of a non-core business in the Structures segment.
(4) Settlements principally relate to utilisation of provision balances held, as commercial matters are resolved.

An assessment for impairment of contract assets has been performed in accordance with policies described in note 2. No such impairment has been recorded.

Climate change and the effect on customers' ability to pay is considered in the allowance for expected credit losses. Climate-related considerations have been taken into account in the forecasting of revenues and costs in respect of RRSP contracts in a similar manner to those described in the impairment testing section (note 11). The Directors have concluded that climate change related impacts are not material in the recoverability of trade receivables and contract assets related to unbilled work done on risk and revenue sharing partnerships.

Participation fees
Participation fees are described in the accounting policies (note 2) and are considered to be a reduction in revenue for the related customer contract. Amounts are capitalised and 'amortised' to match to the related performance obligation.

Unbilled receivables for over time recognition
Unbilled receivables for over time recognition represent work completed with associated margins where contracts contain a legal right to compensation for work completed, including a margin, and there is no alternative use for the customer's asset.

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17. Trade and other receivables continued

Unbilled work done

Unbilled work done only has a material impact on one entity in the Group, exclusively relating to certain RRSP arrangements in the Engines segment. During the year ended 31 December 2024, the net impact of additions and amounts utilised of £274 million (2023: £173 million) was recorded in revenue.

Where the Group has a contractual right to aftermarket revenue, IFRS 15 requires that the total contract revenue is allocated to the performance obligations. The principal contractual term that determines the existence of unbilled work done is the absence of a termination clause that the customer can unilaterally exercise and which results in future purchases being considered optional. Where there is such a termination clause and the Group commercially relies on economic compulsion of the contracting parties, the two phases of activity are treated as distinct and no unbilled work done contract asset is recognised. In the absence of such a term, there is a contractual link between the sale of OE components and aftermarket, which results in unbilled work done, and the total contract revenue is allocated to the distinct performance obligations.

Unbilled work done is measured using a weighted average unit method, taking account of an estimate of stand-alone selling price for individual performance obligations and is recognised when control of the OE component passes to the customer (the engine manufacturer). Due to the long-term nature of agreements, calculation of the total programme revenues is inherently imprecise and as set out in note 3c requires significant estimates, including an assessment of the aftermarket revenue per engine which reflects the pattern of future maintenance activity and associated costs to be incurred. In order to address the future uncertainties, risk adjustments as well as constraints have been applied to the expected level of revenue as appropriate and these are reviewed annually. This approach best represents the value of goods and services supplied taking account of the performance obligations, risk and overall contract revenues.

As a consequence of allocating additional revenue to the sale of OE components, an unbilled work done contract asset has been recognised which will be satisfied through cash receipt during the aftermarket phase. The constraints applied to unbilled work done are reassessed at each period end, and will unwind as risks reduce and when uncertainties are resolved. This is expected to lead to additional revenue recognition in future periods in relation to items sold in the current and preceding periods. Further information is provided in note 4.

18. Cash and cash equivalents

	31 December 2024 £m	31 December 2023 £m
Cash and cash equivalents	88	58

Cash and cash equivalents comprises cash at bank and in hand which earns interest at floating rates based on daily bank deposit rates and short-term deposits which are made for varying periods of between one day and one month. The carrying amount of these assets is considered to be equal to their fair value.

19. Trade and other payables

Current	31 December 2024 £m	Restated[1] 31 December 2023 £m
Trade payables	580	501
Other payables	81	110
Customer advances and contract liabilities	509	353
Other taxes and social security	51	56
Government refundable advances	6	5
Funded development costs	80	64
Accruals	190	183
Deferred government grants	13	14
	1,510	1,286

(1) Customer advances and contract liabilities have been restated (see note 1).

Notes to the Consolidated Financial Statements continued

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19. Trade and other payables continued

As at 31 December 2024, and as described in note 25, included within trade payables were drawings on supplier finance facilities of £80 million (31 December 2023: £86 million). Trade payables are non-interest-bearing. Normal settlement terms vary by country and the average credit period taken for trade and other payables is 73 days (31 December 2023: 91 days).

Non-current	31 December 2024 £m	Restated[1] 31 December 2023 £m
Other payables	**51**	–
Customer advances and contract liabilities	**316**	293
Other taxes and social security	**2**	1
Government refundable advances	**45**	44
Funded development costs	**17**	49
Accruals	**18**	16
Deferred government grants	**20**	23
	469	426

(1) Customer advances and contract liabilities have been restated (see note 1).

The Directors consider that the carrying amount of trade and other payables approximates to their fair value.

Non-current amounts; other payables, other taxes and social security and accruals fall due for payment within one to two years; government refundable advances are forecast to fall due for repayment between 2025 and 2055 and the deferred government grants will be utilised over the next five years.

Funded development costs

When the Group is awarded design and development work as part of a related serial production of components contract, management assesses whether the two phases of work are distinct under IFRS 15: Revenue from contracts with customers.

Where it is considered there is only one performance obligation under the contract, being the delivery of manufactured product, any cash received from customers which contributes to 'funding' the up-front design and development expenditure incurred, is deferred on the Balance Sheet as an obligation and released to revenue in the Income Statement based on satisfaction of performance obligations, being the delivery of product.

Customer advances and contract liabilities include cash receipts from customers in advance of the Group completing its performance obligations and are generally utilised as product is delivered. Non-current amounts in respect of customer advances and contract liabilities will be utilised as follows: one to two years £101 million, two to five years £122 million and over five years £94 million (31 December 2023: one to two years £118 million, two to five years £22 million and over five years £85 million).

The Group's Customer advances and contract liabilities comprise the following:

	31 December 2024 £m	Restated[1] 31 December 2023 £m
Customer cash advances	**211**	132
Material rights given	**23**	30
RRSP related obligations	**591**	484
	825	646

(1) Customer cash advances and RRSP related obligations have been restated (see note 1).

Customer cash advances

There are a discrete number of contracts with customers, where commercial terms lead to customer advances relating to serial production of components. Where cash is received in advance of performance, this usually addresses non-standard commercial impacts on the Group such as long lead times on inventory.

Customer cash advances, received before the Group delivers product, are deferred on the Balance Sheet as an obligation and released to revenue based on satisfaction of performance obligations.

Material rights given

Where the Group has agreed contracts with customers that contain any unusual pricing features, these are assessed to determine if material rights have been transferred to the customer. A material right could occur when there is a material step down in price or if contracts are modified with lump sum cash receipts offset by a reduction in future pricing.

If a material right has transferred to the customer, any cash received in advance of the Group performing its obligations under a contract is deferred on the Balance Sheet and released to revenue in the Income Statement based on the terms of the contract.

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19. Trade and other payables continued

RRSP related obligations

As detailed in the accounting policies (note 2), significant estimates disclosure (note 3), revenue disclosures (note 4) and contract asset disclosure (note 17), the Group has certain RRSP arrangements, with more complex revenue recognition considerations. Whilst the Group has an unbilled work done contract asset of £922 million (31 December 2023: £595 million), detailed in note 17, which represents the Group having completed certain of its performance obligations in advance of cash receipt, it also has contract liabilities.

These include:

- Cash received for a 'stand ready' obligation (described in note 4) of £158 million (31 December 2023 – restated: £134 million) to contribute to aftermarket activities of certain RRSPs, which typically results in the provision of services such as technical and other programme support activities over the whole life of the engine. This will be recognised over time in line with the engine manufacturer's actual maintenance, repair and overhaul costs.
- A pricing rebate provision for estimated discounts provided by engine manufacturers on the sale of OE of £72 million (31 December 2023: £68 million).
- Cash received to compensate where the production cost incurred on an RRSP contract is in excess of the Group's share of the programme, totalling £29 million (31 December 2023 – restated: £29 million). This will be released to the Income Statement when the Group has satisfied its performance obligations.
- Cash received in respect of RRSP contract amendments of £94 million (31 December 2023: £59 million). This will be released over the life of the contract in accordance with the original terms of the contract.
- A provision for engineering and warranty commitments in respect of RRSP contracts of £35 million (31 December 2023: £30 million). This is expected to be utilised over the warranty terms of the contracts.
- Other contract liabilities of £203 million (31 December 2023 – restated: £164 million).

20. Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. Details of the Group's exposure to credit, liquidity, interest rate and foreign currency risk are included in note 25.

	Current		Non-current		Total	
	31 December 2024 £m	31 December 2023 £m	31 December 2024 £m	31 December 2023 £m	31 December 2024 £m	31 December 2023 £m
Floating rate obligations						
Bank borrowings – US dollar loan	–	–	1,131	467	1,131	467
Bank borrowings – Sterling loan	–	–	16	1	16	1
Bank borrowings – Euro loan	–	–	261	106	261	106
Other loans	–	53	–	–	–	53
Bank overdrafts	8	1	–	–	8	1
Fixed rate obligations						
2032 bond	–	–	–	10	–	10
	8	54	1,408	584	1,416	638
Unamortised finance costs	–	–	(7)	(8)	(7)	(8)
Total interest-bearing loans and borrowings	8	54	1,401	576	1,409	630

At 31 December 2023, the Group had committed multi-currency term loans and revolving credit facilities of US$1,240 million, €400 million and £300 million. During the year, the US$ facilities increased by US$399 million and all facilities were set to mature in April 2026, with the potential to be extended for two additional one-year periods at the Group's option. As at 31 December 2024, the Group has committed multi-currency term loans and revolving credit facilities totalling US$1,639 million, €400 million and £300 million.

Subsequent to 31 December 2024, the Group has arranged additional committed bank facilities of €355 million maturing in January 2027 and facilities totalling US$70 million and £50 million maturing in January 2026.

At 31 December 2024, drawings under the facilities were US$1,416 million, €316 million and £16 million. Applying the exchange rates at 31 December 2024, the headroom equated to £532 million. There are also a number of uncommitted overdraft, guarantee and borrowing facilities made available to the Group.

Costs of refinancing of £3 million (2023: £11 million) were capitalised during the year and £4 million (2023: £6 million) of amortisation of finance costs were charged to the Income Statement.

Throughout the year, the Group remained compliant with all covenants under the facilities disclosed above. A number of Group companies are guarantors under the bank facilities. Further details on covenant compliance for the year ended 31 December 2024 are contained in note 25.

Notes to the Consolidated Financial Statements continued

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20. Interest-bearing loans and borrowings continued

The bank margins on the bank facility depend on the Group leverage and were as follows:

	31 December 2024		31 December 2023	
	Margin	Range	Margin	Range
Facility:				
Term loan	**1.40%**	**1.0% – 2.3%**	1.30%	0.9% – 2.2%
Revolving credit facilities	**1.40% – 1.55%**	**1.0% – 2.4%**	1.30% – 1.55%	0.9% – 2.4%

At the start of the year the Group held capital market borrowings with an outstanding nominal value of £10 million from an original £300 million bond, issued in May 2017 and due to mature in May 2032. During the year, an agreement was reached with remaining bondholders that resulted in the outstanding nominal value being bought back and cancelled for a total cost of £10 million.

Maturity of financial liabilities (excluding currency contracts and lease obligations)

The table below shows the maturity profile of anticipated future cash flows, including interest, on an undiscounted basis in relation to the Group's financial liabilities (other than those associated with currency risk, which are shown in note 25, and lease obligations which are shown in note 28). The amounts shown therefore differ from the carrying value and fair value of the Group's financial liabilities.

	Interest-bearing loans and borrowings £m	Interest rate derivative financial liabilities £m	Other financial liabilities £m	Total financial liabilities £m
Within one year	82	1	857	940
In one to two years	1,432	1	44	1,477
In two to five years	–	–	12	12
After five years	–	–	76	76
Effect of financing rates	(105)	–	(18)	(123)
31 December 2024	**1,409**	**2**	**971**	**2,382**
Within one year	88	–	799	887
In one to two years	45	–	21	66
In two to five years	565	–	7	572
After five years	11	–	32	43
Effect of financing rates	(79)	–	–	(79)
31 December 2023	630	–	859	1,489

21. Provisions

	Loss-making contracts £m	Property related costs £m	Environmental and litigation £m	Warranty related costs £m	Restructuring £m	Other £m	Total £m
At 1 January 2024	58	23	54	27	59	65	286
Utilised	(23)	–	(10)	(4)	(118)	(11)	(166)
Charge to operating profit[1]	12	3	18	3	86	8	130
Release to operating profit[2]	–	(1)	(10)	(1)	(1)	(1)	(14)
Disposal of businesses[3]	(18)	–	(2)	–	–	–	(20)
Transfers[4]	–	–	–	–	–	(31)	(31)
Exchange adjustments	(1)	–	–	(1)	1	–	(1)
At 31 December 2024	**28**	**25**	**50**	**24**	**27**	**30**	**184**
Current	15	9	25	11	25	23	108
Non-current	13	16	25	13	2	7	76
	28	**25**	**50**	**24**	**27**	**30**	**184**

(1) Includes £96 million of adjusting items and £34 million recognised in adjusted operating profit.
(2) Includes £3 million of adjusting items and £11 million recognised in adjusted operating profit.
(3) Disposal of businesses relates to the sale of non-core businesses in the Structures segment (see note 1).
(4) Transfer to accruals following certainty of the timing and value of employer tax on equity-settled compensation schemes.

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21. Provisions continued

Loss-making contracts

Provisions for loss-making contracts are considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations exceed the economic benefits expected to be received under it. This obligation has been discounted and will be utilised over the period of the respective contracts, which is up to 15 years.

Calculation of loss-making contract provisions is based on contract documentation and delivery expectations, along with an estimate of directly attributable costs and represents management's best estimate of the unavoidable costs of fulfilling the contract.

Utilisation in continuing operations during the year of £23 million has benefitted adjusted operating profit. In addition, £12 million has been charged (2023: £21 million) on a net basis, of which £10 million (2023: £21 million) is shown as an adjusting item (see note 6).

Property related costs

The provision for property related costs represents dilapidation costs for ongoing leases and is expected to result in cash expenditure over the next eight years. Calculation of dilapidation obligations are based on lease agreements with landlords and external quotes, or in the absence of specific documentation, management's best estimate of the costs required to fulfil obligations.

Environmental and litigation

There are environmental provisions amounting to £8 million (31 December 2023: £7 million) relating to the estimated remediation costs of pollution, soil and groundwater contamination at certain sites and estimated future costs and settlements in relation to legal claims and associated insurance obligations amounting to £42 million (31 December 2023: £47 million). Liabilities for environmental costs are recognised when environmental assessments are probable and the associated costs can be reasonably estimated.

The Group has on occasion been required to take legal or other actions to defend itself against proceedings brought by other parties. Provisions are made for the expected costs associated with such matters, based on past experience of similar items and other known factors, considering professional advice received. This represents management's best estimate of the likely outcome. The timing of utilisation of these provisions is frequently uncertain, reflecting the complexity of issues and the outcome of various court proceedings and negotiations. Contractual and other provisions represent management's best estimate of the cost of settling future obligations and reflect management's assessment of the likely settlement method, which may change over time. However, no provision is made for proceedings which have been, or might be, brought by other parties against Group companies unless management, considering professional advice received, assess that it is more likely than not that such proceedings may be successful.

Warranty related costs

Provisions for the expected cost of warranty obligations under local sale of goods legislation are recognised at the date of sale of the relevant products and subsequently updated for changes in estimates as necessary. The provision for warranty related costs represents the best estimate of the expenditure required to settle the Group's obligations, based on past experience, recent claims and current estimates of costs relating to specific claims. Warranty terms are, on average, between one and five years.

Restructuring

Restructuring provisions relate to committed costs in respect of restructuring programmes, as described in note 6, usually resulting in cash spend within one to two years. A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by either starting to implement the plan or by announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are necessarily entailed by the restructuring programmes.

Other

Other provisions include indemnities and the employer tax on equity-settled incentive schemes which are expected to result in cash expenditure during the next two years.

Where appropriate, provisions have been discounted using discount rates between 0% and 5% (31 December 2023: 0% and 7%) depending on the territory in which the provision resides and the length of its expected utilisation.

Notes to the Consolidated Financial Statements continued

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22. Deferred tax

The following are the major deferred tax assets and liabilities recognised by the Group and movements thereon during the current and prior year.

	Deferred tax assets	Deferred tax liabilities			
	Tax losses and other assets £m	Deferred tax in relation to revenue recognition and other liabilities[1] £m	Deferred tax on intangible assets £m	Total deferred tax liabilities £m	Total net deferred tax £m
At 1 January 2023	373	(150)	(469)	(619)	(246)
Income Statement credit/(charge)	55	(85)	73	(12)	43
Credit to equity[2]	43	–	–	–	43
Disposal of businesses[3]	(189)	31	347	378	189
Transfer to held for sale[4]	(1)	–	–	–	(1)
Exchange adjustments	(18)	10	25	35	17
Movement in set off of assets and liabilities[5]	264	(18)	(246)	(264)	–
At 31 December 2023	527	(212)	(270)	(482)	45
Income Statement credit/(charge)	95	(82)	59	(23)	72
Credit to equity[2]	9	–	–	–	9
Disposal of businesses[3]	21	–	–	–	21
Exchange adjustments	(3)	(7)	(3)	(10)	(13)
Movement in set off of assets and liabilities[5]	2	39	(41)	(2)	–
At 31 December 2024	**651**	**(262)**	**(255)**	**(517)**	**134**

(1) Includes accelerated capital allowances.
(2) Includes a tax credit of £14 million (2023: £22 million) recognised directly in equity in respect of equity-settled share-based payments and a charge of £5 million (2023: credit of £21 million) recognised within other comprehensive income.
(3) Disposal of businesses in 2024 relates to the sale of non-core businesses in the Structures segment, and includes deferred tax of £8 million in respect of liabilities crystallised on disposal. Disposal of businesses in 2023 related to the demerger of the GKN Automotive, GKN Powder Metallurgy and GKN Hydrogen businesses (see note 1).
(4) Transfer to held for sale in 2023 related to the contractually agreed sale of a non-core business in the Structures segment.
(5) Set off of deferred tax assets and liabilities in accordance with IAS 12 within territories with a right of set off.

As at 31 December 2024, the Group had gross unused corporate income tax losses of £2,327 million (31 December 2023: £2,039 million) available for offset against future profits. A deferred tax asset of £522 million (31 December 2023: £446 million) has been recognised in respect of £2,160 million (31 December 2023: £1,799 million) of these gross losses. The movement in deferred tax assets relating to tax losses arises primarily through the Income Statement. There is also a credit of £3 million (2023: £nil) included within other comprehensive income. No asset has been recognised in respect of the remaining losses due to the divisional and geographic split of anticipated future profit streams. Most of these losses may be carried forward indefinitely subject to certain continuity of business requirements. Where losses are subject to time expiry, a deferred tax asset is recognised to the extent that sufficient future profits are anticipated to utilise these losses. The Group continues to recognise deferred tax assets as it is confident that it will have future taxable profits against which the deferred tax assets will be realised. In addition to the corporate income tax losses included above, a deferred tax asset of £38 million (31 December 2023: £33 million) has been recognised on tax credits (primarily US) and US state tax losses.

Deferred tax assets have also been recognised on Group retirement benefit obligations at £3 million (31 December 2023: £7 million) and on other temporary differences at £305 million (31 December 2023: £261 million). The gross deferred tax assets therefore amount to £868 million (31 December 2023: £747 million).

Deferred tax liabilities have been recognised on intangible assets at £423 million (31 December 2023: £479 million) and in relation to revenue recognition and other temporary differences at £311 million (31 December 2023: £223 million). The gross deferred tax liabilities therefore amount to £734 million (31 December 2023: £702 million).

Of the total net deferred tax asset of £134 million (31 December 2023: £45 million), after offset of deferred tax liabilities in relation to other intangible assets, £277 million (31 December 2023: £237 million) relates to the UK. This is made up primarily of tax losses and fixed asset temporary differences. Deferred tax assets are recognised only to the extent it is probable that future taxable profits will be available against which the assets can be utilised. A recoverability assessment has been undertaken using the Group's latest profit forecasts to assess the level of future taxable profits. These profit forecasts reflect industry growth rates and supply and demand factors, which take account of climate change implications for affected markets, as discussed in note 11.

The assessment takes both positive and negative evidence into account, and sensitivity analysis has been undertaken assessing the impact of lower growth rates and levels of operating profit. The assessment reflects the fact that, under UK tax law, the amount of both UK capital allowances (tax depreciation) that can be claimed, and brought forward tax losses that can be utilised are restricted; use of tax losses is restricted to broadly 50% of current year taxable profits. It is noted that there are UK tax losses pre-dating 1 April 2017 that are not recognised as the utilisation of these is further limited under UK tax law.

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22. Deferred tax continued

Based on work performed, positive evidence outweighs the negative evidence and so continued recognition is supported as it is probable that the UK business will generate taxable income and tax liabilities in the future against which these losses and other tax assets can be utilised. The business is long-term in nature, with typical Structures programme life-cycles of 25 to 35 years, and the period over which the deferred tax asset will be utilised is consistent with this.

Any future changes in tax law or the structure of the Group could impact the use of losses and other deductible temporary differences, including the period over which they can be used. In view of this, and the significant estimation involved, management continually monitors the position (see note 3).

Other significant deferred tax assets, after offset of deferred tax liabilities in relation to other intangible assets, relate to the Netherlands, £158 million (31 December 2023: £110 million), and the US, £193 million (31 December 2023: £150 million). These assets also arise primarily from tax losses, and similar assessments have been undertaken in relation to future forecast profits being generated in these territories. Using similar forecasting considerations to those discussed in note 11, climate change is deemed not to have a material impact on the future taxable profits of the Group and its ability to utilise unused tax losses and deductible temporary differences.

There are no material unrecognised deferred tax assets at either 31 December 2024 or 31 December 2023, other than the losses referred to above. No deferred tax is recognised on the unremitted earnings of overseas subsidiaries except where the distribution of such profits is planned. If these earnings were remitted in full, tax of £1 million (31 December 2023: £2 million) would be payable.

23. Share-based payments

The Melrose 2020 Employee Share Plan ("the MESP")

On 3 June 2024, the MESP crystallised as expected resulting in 54,346,536 shares being awarded to plan participants. Prior to crystallisation, the Remuneration Committee determined that 25,498,465 shares would be withheld by the Company in exchange for an equivalently valued £157 million cash payment, being sufficient to allow the holders to meet their income tax and employee national insurance liabilities in respect of the MESP. The remaining 28,848,071 shares were converted into Ordinary shares and issued to participants. A further 3,875,954 nil cost options, held by an Executive Director, remain outstanding as at 31 December 2024 and are exercisable in 2025 and 2026.

During the year, the Group recognised a charge of £14 million (2023: £35 million) in respect of the MESP, inclusive of a £14 million charge in respect of related national insurance (2023: £28 million), recognised in adjusting items (note 6). Further details in respect of the MESP are set out in the Directors' Remuneration Report on page 142.

Melrose Performance Share Plan ("the PSP")

On 2 May 2024, at the Annual General Meeting, shareholders approved the creation of the PSP. On 11 June 2024, 798,965 options were granted to eligible participants under the terms of the PSP. The options will vest on 11 June 2027, subject to the achievement of a number of vesting conditions, with each vested option converting into one Ordinary share of the Company. Further details are set out in the Directors' Remuneration Report on page 141.

During the year, the Group recognised a charge of £1 million in respect of the PSP, inclusive of a £nil charge in respect of related national insurance which is recognised within adjusted operating profit. A summary of the movements of the Group's PSP share-based payment plans during the year is shown below:

	Number of options
Outstanding at 1 January 2024	–
Granted during the year	798,965
Forfeited during the year	–
Exercised during the year	–
Outstanding at 31 December 2024	**798,965**

All outstanding options have an exercise price of nil pence and have an exercise date of 11 June 2027.

Notes to the Consolidated Financial Statements continued

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24. Retirement benefit obligations

Defined contribution plans

The Group operates defined contribution plans for qualifying employees across several jurisdictions. The assets of the plans are held separately from those of the Group in funds under the control of Trustees.

The total costs charged in relation to the continuing businesses during the year of £60 million (2023: £58 million) represent contributions payable to these plans by the Group at rates specified in the rules of the plans.

Defined benefit plans

The Group sponsors defined benefit plans for qualifying employees of certain subsidiaries. The funded defined benefit plans are administered by separate funds that are legally separated from the Group. The Trustees of the funds are required by law to act in the interest of the fund and of all relevant stakeholders in the plans. The Trustees of the pension funds are responsible for the investment policy with regard to the assets of the fund.

During the prior year, £439 million of net retirement benefit obligations were disposed with the demerger of the GKN Automotive, GKN Powder Metallurgy and GKN Hydrogen businesses (note 1).

Also during 2023, a buy-in policy was purchased for £45 million which fully insured pensioner members who were in the GKN Group Pension Scheme Number 4. The present value of funded defined benefit obligations for GKN Group Pension Scheme Number 4 was actuarially calculated and the plan asset was set equal.

The most significant defined benefit pension plans in the Group at 31 December 2024 were:

GKN Group Pension Schemes (Numbers 1 and 4)
The GKN Group Pension Schemes (Numbers 1 and 4) are funded plans closed to new members and were closed to future accrual in 2017. The valuation of the plans was based on a full actuarial valuation as of 5 April 2022, updated to 31 December 2024 by independent actuaries.

In June 2023, the UK High Court ruled that certain historical amendments for contracted-out defined benefit pension schemes were invalid if they were not accompanied by the correct actuarial confirmation. The ruling was subject to appeal with a judgment upheld on 25 July 2024. The Group is in the process of evaluating the impact with the Trustees and is monitoring developments in relation to this matter.

GKN US Consolidated Pension Plan
The GKN US Consolidated Pension Plan is a funded plan, closed to new members and closed to future accrual. The US Pension Plan valuation was based on a full actuarial valuation as of 1 January 2024, updated to 31 December 2024 by independent actuaries.

The cost of the Group's defined benefit plans is determined in accordance with IAS 19 (revised): Employee benefits using the advice of independent professionally qualified actuaries on the basis of formal actuarial valuations and using the projected unit credit method. In line with normal practice, these valuations are undertaken triennially in the UK and annually in the US.

Contributions

The Group contributed £20 million (2023: £72 million) to defined benefit pension plans and post-employment plans in the year ended 31 December 2024. The Group expects to contribute approximately £27 million in 2025.

Actuarial assumptions

The major assumptions used by the actuaries in calculating the Group's pension liabilities are as set out below:

	Rate of increase of pensions in payment % per annum	Discount rate %	Price inflation (RPI/CPI) %
31 December 2024			
GKN Group Pension Schemes (Numbers 1 and 4)	**2.7**	**5.5**	**3.0/2.6**
GKN US plans	**n/a**	**5.5**	**n/a**
31 December 2023			
GKN Group Pension Schemes (Numbers 1 and 4)	2.6	4.5	2.9/2.5
GKN US plans	n/a	4.8	n/a

Mortality

GKN Group Pension Schemes (Numbers 1 and 4)
The GKN Group Pension Schemes (Numbers 1 and 4) use the SAPS 'S3PA' base tables with scheme-specific adjustments. The base table mortality assumption for each of the UK plans reflects best estimate results from the most recent mortality experience analyses for each scheme. Scaling factors vary by scheme.

Future improvements for all UK plans are in line with the 2023 Continuous Mortality Investigation ("CMI") core projection model (Sk = 7.0, A = 0%, w2022 = w2023 = 15%) with a long-term rate of improvement of 1.25% p.a. for both males and females.

GKN US Consolidated Pension Plan
GKN US Pension and Medical Plans use base mortality tables in line with PRI – 2012 tables. Future improvements for all US plans are in line with MP2021.

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24. Retirement benefit obligations continued

The following table shows the future life expectancy of individuals age 65 at the year end and the future life expectancy of individuals aged 65 in 20 years' time.

	GKN Group Pension Schemes (Numbers 1 and 4) years	GKN US Consolidated Pension Plan years
Male today	21.5	19.7
Female today	23.7	21.7
Male in 20 years' time	22.7	21.2
Female in 20 years' time	25.1	23.1

Balance Sheet disclosures

The amounts recognised in the Consolidated Balance Sheet in respect of defined benefit plans were as follows:

	31 December 2024 £m	31 December 2023 £m
Present value of funded defined benefit obligations	**(1,022)**	(1,193)
Fair value of plan assets	**986**	1,118
Funded status	**(36)**	(75)
Present value of unfunded defined benefit obligations	**(23)**	(24)
Net liabilities	**(59)**	(99)

The plan assets and liabilities at 31 December 2024 were as follows:

	UK Plans £m	US Plans £m	Other Plans £m	Total £m
Plan assets	955	31	–	**986**
Plan liabilities	(983)	(54)	(8)	**(1,045)**
Net liabilities	(28)	(23)	(8)	**(59)**

(1) Includes a liability in respect of the GKN post-employment medical plans of £6 million and a net deficit in respect of the GKN Group Pension Scheme (Numbers 1 and 4) of £22 million.

The major categories and fair values of plan assets at the end of the year for each category were as follows:

	31 December 2024 £m	31 December 2023 £m
Government bonds	**276**	363
Corporate bonds	**59**	60
Property	**5**	9
Insurance contracts	**378**	439
Multi-strategy/Diversified growth funds	**202**	130
Private equity	**13**	24
Other[1]	**53**	93
Total	**986**	1,118

(1) Primarily consists of cash collateral and liability driven investments.

Excluding the insurance contracts purchased in respect of GKN Group Pension Scheme Number 4, the assets were well diversified and the majority of plan assets had quoted prices in active markets. All government bonds were issued by reputable governments and were generally AA-rated or higher. Interest rate and inflation rate swaps were also employed to complement the role of fixed and index-linked bond holdings for liability risk management.

The Trustees continually review whether the chosen investment strategy is appropriate with a view to providing the pension benefits and to ensure appropriate matching of risk and return profiles. The main strategic policies included maintaining an appropriate asset mix, managing interest rate sensitivity and maintaining an appropriate equity buffer. Investment results are regularly reviewed.

Notes to the Consolidated Financial Statements continued

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24. Retirement benefit obligations continued

Movements in the present value of defined benefit obligations during the year:

	Year ended 31 December 2024 £m	Year ended 31 December 2023 £m
At 1 January	**1,217**	2,429
Current service cost	**–**	2
Interest cost on obligations	**53**	71
Remeasurement gains – demographic	**(12)**	–
Remeasurement (gains)/losses – financial	**(132)**	3
Remeasurement losses – experience	**2**	23
Benefits paid out of plan assets	**(70)**	(79)
Benefits paid out of Group assets for unfunded plans	**(3)**	(7)
Settlements	**(12)**	–
Disposal of businesses[1]	**–**	(1,214)
Exchange adjustments	**2**	(11)
At 31 December	**1,045**	1,217

(1) Disposal of businesses in 2023 related to the demerger of the GKN Automotive, GKN Powder Metallurgy and GKN Hydrogen businesses (see note 1).

The defined benefit plan liabilities were 11% (31 December 2023: 13%) in respect of active plan participants, 26% (31 December 2023: 27%) in respect of deferred plan participants and 63% (31 December 2023: 60%) in respect of pensioners.

The weighted average duration of the defined benefit plan liabilities at 31 December 2024 was 12.4 years (31 December 2023: 12.7 years).

Movements in the fair value of plan assets during the year:

	Year ended 31 December 2024 £m	Year ended 31 December 2023 £m
At 1 January	**1,118**	1,941
Interest income on plan assets	**49**	66
Return on plan assets, excluding interest income	**(115)**	(93)
Contributions	**17**	65
Benefits paid out of plan assets	**(70)**	(79)
Plan administrative costs	**(2)**	(4)
Settlements	**(13)**	–
Disposal of businesses[1]	**–**	(775)
Exchange adjustments	**2**	(3)
At 31 December	**986**	1,118

(1) Disposal of businesses in 2023 related to the demerger of the GKN Automotive, GKN Powder Metallurgy and GKN Hydrogen businesses (see note 1).

The actual return on plan assets was a loss of £66 million (2023: £27 million).

Income Statement disclosures

Amounts recognised in the Consolidated Income Statement in respect of these defined benefit plans were as follows:

Continuing operations	Year ended 31 December 2024 £m	Year ended 31 December 2023 £m
Included within operating (loss)/profit:		
– plan administrative costs	**2**	4
– settlement loss	**1**	–
Included within net finance costs:		
– interest cost on defined benefit obligations	**53**	56
– interest income on plan assets	**(49)**	(55)

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24. Retirement benefit obligations continued

Discontinued operations	Year ended 31 December 2024 £m	Year ended 31 December 2023 £m
Included within operating profit:		
– current service cost	–	2
Included within net finance costs:		
– interest cost on defined benefit obligations	–	15
– interest income on plan assets	–	(11)

Statement of Comprehensive Income disclosures

Amounts recognised in the Consolidated Statement of Comprehensive Income in respect of these defined benefit plans were as follows:

	Year ended 31 December 2024 £m	Year ended 31 December 2023 £m
Return on plan assets, excluding interest income	(115)	(93)
Remeasurement gains arising from changes in demographic assumptions	12	–
Remeasurement gains/(losses) arising from changes in financial assumptions	132	(3)
Remeasurement losses arising from experience adjustments	(2)	(23)
Net remeasurement gain/(loss) on retirement benefit obligations	27	(119)

Risks and sensitivities

The defined benefit plans expose the Group to actuarial risks, such as longevity risk, inflation risk, interest rate risk and market (investment) risk. The Group is not exposed to any unusual, entity specific or plan specific risks.

A sensitivity analysis on the principal assumptions used to measure the plan liabilities at the year end was as follows:

	Change in assumption	Decrease/(increase) to plan liabilities £m	Increase/(decrease) to profit before tax £m
Discount rate	Increase by 0.5 ppts	58	(2)
	Decrease by 0.5 ppts	(63)	2
Inflation assumption[1]	Increase by 0.5 ppts	(34)	n/a
	Decrease by 0.5 ppts	37	n/a
Assumed life expectancy at age 65 (rate of mortality)	Increase by 1 year	(38)	n/a
	Decrease by 1 year	39	n/a

(1) The inflation sensitivity encompasses the impact on pension increases, where applicable.

The sensitivity analysis above was determined based on reasonably possible changes to the respective assumptions, while holding all other assumptions constant. There has been no change in the methods or assumptions used in preparing the sensitivity analysis from prior years. Sensitivities are based on the relevant assumptions and membership profile as at 31 December 2024 and are applied to obligations at the end of the reporting period. Whilst the analysis does not take account of the full distribution of cash flows expected, it does provide an approximation to the sensitivity of assumptions shown. Extrapolation of these results beyond the sensitivity figures shown may not be appropriate and the sensitivity analysis presented may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Notes to the Consolidated Financial Statements continued

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25. Financial instruments and risk management

The table below sets out the Group's accounting classification of each category of financial assets and liabilities and their carrying values at 31 December 2024 and 31 December 2023:

	Engines £m	Structures £m	Corporate £m	Total £m
31 December 2024				
Financial assets				
Classified as amortised cost:				
Cash and cash equivalents	–	–	88	88
Net trade receivables	205	195	–	400
Classified as fair value:				
Investments	59	–	10	69
Derivative financial assets				
Foreign currency forward contracts	–	–	8	8
Interest rate derivatives	–	–	8	8
Embedded derivatives[1]	–	6	–	6
Financial liabilities				
Classified as amortised cost:				
Interest-bearing loans and borrowings	–	–	(1,409)	(1,409)
Government refundable advances	(48)	(3)	–	(51)
Lease obligations	(79)	(150)	(8)	(237)
Other financial liabilities	(380)	(477)	(63)	(920)
Classified as fair value:				
Derivative financial liabilities				
Foreign currency forward contracts	–	–	(182)	(182)
Interest rate derivatives	–	–	(2)	(2)
Embedded derivatives[1]	–	(3)	–	(3)
31 December 2023				
Financial assets				
Classified as amortised cost:				
Cash and cash equivalents	–	–	58	58
Net trade receivables	168	252	–	420
Classified as fair value:				
Investments	57	–	57	114
Derivative financial assets				
Foreign currency forward contracts	–	–	47	47
Interest rate derivatives	–	–	3	3
Embedded derivatives[1]	–	9	–	9
Financial liabilities				
Classified as amortised cost:				
Interest-bearing loans and borrowings	–	–	(630)	(630)
Government refundable advances	(43)	(6)	–	(49)
Lease obligations	(35)	(150)	(7)	(192)
Other financial liabilities	(345)	(419)	(46)	(810)
Classified as fair value:				
Derivative financial liabilities				
Foreign currency forward contracts	–	–	(102)	(102)
Embedded derivatives[1]	–	(4)	–	(4)

(1) The embedded derivative is measured as a level 3 fair value under the IFRS 13 fair value hierarchy.

Reconciliation of liabilities arising from financing activities

As at 31 December 2023, liabilities arising from financing activities, as defined by IAS 7, totalled £821 million comprising: external debt of £629 million (excluding £1 million of bank overdrafts) and lease obligations of £192 million. During the year a cash outflow in those liabilities totalled £725 million as follows: net drawdown of external debt of £757 million (note 27) and repayment of principal on lease obligations of £32 million (note 28). There is also an increase to liabilities arising from financing activities relating to non-cash items totalling £92 million comprising: an increase in external debt of £15 million due to changes in foreign exchange rates and other non-cash movements and an increase in respect of lease obligations of £77 million.
As at 31 December 2024, liabilities arising from financing activities, as defined by IAS 7, totalled £1,638 million comprising: external debt of £1,401 million (excluding £8 million of bank overdrafts), and lease obligations of £237 million.

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25. Financial instruments and risk management continued

Liabilities arising from financing activities, as defined by IAS 7, totalled £1,799 million at 31 December 2022 comprising: external debt of £1,433 million (excluding £63 million of bank overdrafts) and lease obligations of £366 million. During the year ended 31 December 2023 a cash outflow in those liabilities totalled £781 million as follows: net drawdown of external debt of £462 million, net repayment of external debt of £1,205 million following the demerger of the GKN Automotive, GKN Powder Metallurgy and GKN Hydrogen businesses and repayment of principal on lease obligations of £38 million (note 28). There is also a decrease to liabilities arising from financing activities relating to non-cash items totalling £197 million comprising: a decrease in external debt of £61 million due to changes in foreign exchange rates and other non-cash movements (including costs of £11 million (note 20) of raising debt finance) and a decrease in respect of lease obligations of £136 million. As at 31 December 2023, liabilities arising from financing activities, as defined by IAS 7, totalled £821 million comprising: external debt of £629 million (excluding £1 million of bank overdrafts) and lease obligations of £192 million.

Fair values

As at 31 December 2024, there were no bonds outstanding. At 31 December 2023, the bond maturing in 2032 had a carrying value of £10 million and a fair value of £9 million.

The Directors consider that the carrying amount of other financial assets and liabilities approximate to their fair values.

Credit risk

The Group's principal financial assets were cash and cash equivalents, trade receivables and derivative financial assets which represented the Group's maximum exposure to credit risk in relation to financial assets.

The Group's credit risk on cash and cash equivalents and derivative financial assets was limited because the counterparties were banks with strong credit ratings assigned by international credit rating agencies (investment grade). Exposure is managed on the basis of risk rating and counterparty limits. The value of credit risk in derivative assets has been modelled using publicly available inputs as part of their fair value.

The Group's credit risk was therefore primarily attributable to its trade receivables. The amounts presented in the Consolidated Balance Sheet were net of allowance for expected credit loss, estimated by the Group's management based on prior experience and their assessment of the current economic environment. Note 17 provides further details regarding the recoverability of trade receivables.

The following financial assets and liabilities are subject to offsetting, enforceable master netting arrangements and similar agreements:

31 December 2024	Gross amounts of recognised financial assets/(liabilities) £m	Gross amounts of recognised financial assets/(liabilities) set off in the Balance Sheet £m	Net amounts of financial assets/(liabilities) presented in the Balance Sheet £m	Related amounts of financial instruments not set off in the Balance Sheet £m	Net amount £m
Cash and cash equivalents	88	–	88	(35)	**53**
Derivative financial assets	22	–	22	(16)	**6**
Financial assets subject to master netting arrangements	**110**	**–**	**110**	**(51)**	**59**
Interest-bearing loans and borrowings	(1,409)	–	(1,409)	(133)	**(1,542)**
Derivative financial liabilities	(187)	–	(187)	184	**(3)**
Financial liabilities subject to master netting arrangements	**(1,596)**	**–**	**(1,596)**	**51**	**(1,545)**

31 December 2023	Gross amounts of recognised financial assets/(liabilities) £m	Gross amounts of recognised financial assets/(liabilities) set off in the Balance Sheet £m	Net amounts of financial assets/(liabilities) presented in the Balance Sheet £m	Related amounts of financial instruments not set off in the Balance Sheet £m	Net amount £m
Cash and cash equivalents	58	–	58	(12)	46
Derivative financial assets	59	–	59	(50)	9
Financial assets subject to master netting arrangements	117	–	117	(62)	55
Interest-bearing loans and borrowings	(630)	–	(630)	(40)	(670)
Derivative financial liabilities	(106)	–	(106)	102	(4)
Financial liabilities subject to master netting arrangements	(736)	–	(736)	62	(674)

Notes to the Consolidated Financial Statements continued

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25. Financial instruments and risk management continued

Capital risk

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern.

The capital structure of the Group as at 31 December 2024 consists of net debt, as disclosed in note 27, and equity attributable to the owners of the parent, comprising issued share capital, reserves and retained earnings as disclosed in the Consolidated Statement of Changes in Equity.

Liquidity risk management

Overview of banking facilities

The Group's facilities consist of multi-currency term loans and revolving credit facilities, as detailed in note 20.

In addition to the headroom on the multi-currency committed revolving credit facility, cash, deposits and marketable securities, net of overdrafts, in the Group amounted to £80 million at 31 December 2024 (31 December 2023: £57 million) and are offset to arrive at the Group net debt position of £1,321 million (31 December 2023: £572 million). The combination of this cash, the headroom on the revolving credit facility, and the additional facilities taken out subsequent to 31 December 2024, allows the Directors to consider that the Group has sufficient access to liquidity for its current needs. The Board takes careful consideration of counterparty risk with banks when deciding where to place cash on deposit.

Covenants

The committed bank funding has two financial covenants, being a net debt to adjusted EBITDA covenant and an interest cover covenant, both of which are tested half-yearly in June and December. The net debt to adjusted EBITDA covenant test level is 3.5x and the interest cover covenant is set at 4.0x.

At 31 December 2024, the Group net debt to adjusted EBITDA covenant was 2.1x and interest cover was 7.4x.

Working capital

The Group has a small number of uncommitted working capital programmes that provide favourable financing terms on eligible customer receipts and competitive financing terms to suppliers on eligible supplier payments.

Businesses which participate in these customer related finance programmes have the ability to choose whether to receive payment earlier than the normal due date, for specific customers on a non-recourse basis. As at 31 December 2024, the drawings on these facilities amounted to £338 million (31 December 2023: £268 million). No new schemes were added during the year and the increase in the amount factored represents year-over-year revenue growth and the reversion of terms to pre-COVID levels for one key customer.

In addition, some suppliers have access to utilise the Group's supplier finance programmes to accelerate the payment of their invoices. The programmes are provided by a small number of the Group's banks, with any financing cost incurred for early payment borne by the supplier. The Group continues to pay the invoice on its original due date and no security is provided under the terms of these programmes. The range of payment due dates for those liabilities that are part of these arrangements is 90 to 180 days after the invoice date, with the range of payment due dates for comparable trade payables that are not part of these arrangements being 0 to 180 days. If the Group exited these arrangements there could be a potential impact of up to £43 million (31 December 2023: £42 million) on the Group's cash flow. The amounts owed to the banks are presented in trade payables on the Balance Sheet and the cash flows are presented in cash flows from operating activities. As at 31 December 2024, total facilities were £173 million (31 December 2023: £143 million) with drawings of £80 million (31 December 2023: £86 million). The arrangements do not change the timing of the Group's cash outflows.

Hedge of net investments in foreign entities using loans and derivatives

Interest-bearing loans and borrowings are designated as hedges of net investments in most of the Group's subsidiaries in the US and Europe to reduce the exposure to the related foreign exchange risks.

The value of these were as follows:

	31 December 2024 £m	31 December 2023 £m
Local borrowing currency:		
US dollar	**1,131**	467
Euro	**261**	106

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25. Financial instruments and risk management continued

The foreign exchange movement on the local currency borrowings, which is recorded in currency translation on net investments within other comprehensive income, was a loss of £14 million (2023: gain of £43 million). As at 31 December 2024, the cumulative loss in the foreign currency translation reserve for continuing hedges on net investments using borrowings was £39 million (31 December 2023: £25 million).

Finance cost risk management

The bank margin on the bank facility depends on the Group leverage, see note 20 for details.

The Group uses interest rate derivatives to fix a proportion of the floating rate exposures of the Group's borrowings.

The interest rate derivatives are designated as cash flow hedges and were highly effective throughout 2024. The fair value of the contracts as at 31 December 2024 was a net asset of £6 million (31 December 2023: £3 million). The movement of £3 million for the year ended 31 December 2024 (2023: £6 million) comprised a credit of £3 million (2023: £2 million) booked to derivatives gains on hedge relationships within other comprehensive income, and a £nil (2023: £4 million) reduction in the interest accrual.

Interest rate sensitivity analysis

Assuming the net debt, inclusive of interest rate derivatives, held as at the balance sheet date was outstanding for the whole year, a one percentage point rise in market interest rates for all currencies would decrease profit before tax by the following amounts:

	Year ended 31 December 2024 £m	Year ended 31 December 2023 £m
Sterling	–	–
US dollar	(3)	(1)
Euro	–	(1)

On the basis of the floating-to-fixed interest rate derivatives in place at the balance sheet date, a one percentage point fall in market interest rates for all currencies would decrease Group equity by £26 million at 31 December 2024 (31 December 2023: £9 million).

Exchange rate risk management

The Group trades in various countries around the world and is exposed to movements in a number of foreign currencies.

The Group therefore carries exchange rate risk that can be categorised into two types: transaction and translation risk, as described in the paragraphs below. The Group's policy is designed to protect against the majority of the cash risks but not the non-cash risks.

The most common exchange rate risk is the transaction risk the Group takes when it invoices a customer or purchases from suppliers in a different currency to the underlying functional currency of the relevant business. The Group's policy is to review transactional foreign exchange exposures, and place necessary hedging contracts, quarterly on a rolling basis. To the extent the cash flows associated with a transactional foreign exchange risk are committed, the Group will hedge 100% at the time the cash flow becomes committed. For forecast and variable cash flows, the Group hedges a proportion of the expected cash flows, with the percentage being hedged lowering as the time horizon lengthens. The Group hedges on a sliding scale, typically hedging around 90% of foreign exchange exposures expected over the next twelve months, with the percentage decreasing by approximately 10 percentage points for each subsequent year. This policy does not eliminate the cash risk but does bring some certainty to it.

The translation rate risk is the effect on the Group results in the period due to the movement of exchange rates used to translate foreign results into Sterling from one period to the next. No specific exchange instruments are used to protect against the translation risk because it is a non-cash risk to the Group, until foreign currency is subsequently converted to Sterling. However, the Group utilises its multi-currency banking facilities, where relevant, to maintain an appropriate mix of debt in each currency. The hedge of having debt drawn in these currencies funding the trading units with US dollars or Euro functional currencies protects against some of the Balance Sheet and banking covenant translation risk.

Notes to the Consolidated Financial Statements continued

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25. Financial instruments and risk management continued

As at 31 December 2024, the Group held foreign exchange forward contracts to mitigate expected exchange rate fluctuations on future cash flows from sales to customers and purchases from suppliers. The fair value of all foreign exchange forward contracts across the Group was a net liability at 31 December 2024 of £174 million (31 December 2023: £55 million). There were no foreign exchange contracts where hedge accounting was applied as at 31 December 2024 (31 December 2023: no contracts where hedge accounting was applied).

The following table shows the maturity profile of undiscounted contracted gross cash outflows of derivative financial liabilities used to manage currency risk, being foreign exchange forward contracts used to manage transaction exchange rate risk:

	0–1 year £m	1–2 years £m	2–5 years £m	5+ years £m	Total £m
Year ended 31 December 2024					
Foreign exchange forward contracts	**912**	**618**	**1,287**	**138**	**2,955**
Year ended 31 December 2023					
Foreign exchange forward contracts	549	370	464	58	1,441

Foreign currency sensitivity analysis

Currency risks are defined by IFRS 7: Financial instruments: Disclosures as the risk that the fair value or future cash flows of a financial asset or liability will fluctuate because of changes in foreign exchange rates.

The following table details the transactional impact of hypothetical changes in foreign exchange rates on financial assets and liabilities at the balance sheet date, illustrating the (decrease)/increase in Group operating profit caused by a 10% strengthening of the US dollar and Euro against Sterling compared to the year-end spot rate. The analysis assumes that all other variables, in particular other foreign currency exchange rates, remain constant. The Group operates in a range of different currencies, and those with a notable impact are shown below:

Impact on operating profit	Year ended 31 December 2024 £m	Year ended 31 December 2023 £m
US dollar	**(20)**	2
Euro	**2**	(5)

The following table details the impact of hypothetical changes in foreign exchange rates on financial assets and liabilities at the balance sheet date, illustrating the increase/(decrease) in Group equity caused by a 10% strengthening of the US dollar and Euro against Sterling. The analysis assumes that all other variables, in particular other foreign currency exchange rates, remain constant.

Impact on Group equity	31 December 2024 £m	31 December 2023 £m
US dollar	**(5)**	–
Euro	**(2)**	(1)

In addition, the change in equity due to a 10% strengthening of the US dollar against Sterling for the translation of net investment hedging instruments would be a decrease of £113 million (2023: £47 million) and for the Euro, a decrease of £25 million (2023: £11 million). However, there would be no overall effect on equity because there would be an offset in the currency translation of the foreign operation.

Fair value measurements recognised in the Balance Sheet

Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching the maturities of the contracts.

Interest rate swap contracts are measured using yield curves derived from quoted interest and foreign exchange rates.

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25. Financial instruments and risk management continued

Hedge accounted derivatives

The following table sets out details of the Group's material hedging instruments where hedge accounting is applied at the balance sheet date:

	Average fixed rate		Notional principal		Fair value of net assets	
Hedging instruments	31 December 2024 %	31 December 2023 %	31 December 2024 £m	31 December 2023 £m	31 December 2024 £m	31 December 2023 £m
Pay fixed, receive floating interest rate derivatives						
Within one year	**3.51%**	3.49%	**1,062**	414	**–**	–
In one to two years	**3.55%**	3.49%	**820**	414	**2**	–
In two to five years	**3.51%**	3.49%	**438**	414	**4**	3
Total					**6**	3

During the year, the Group entered into pay fixed, receive floating interest rate derivatives totalling US$625 million and €175 million, which were outstanding as at 31 December 2024. Pay fixed, receive floating derivatives, which totalled US$440 million and €80 million, that were outstanding at 31 December 2023 were still outstanding as at 31 December 2024.

Derivative and financial assets and liabilities are presented within the Balance Sheet as:

	31 December 2024 £m	31 December 2023 £m
Non-current assets	**12**	46
Current assets	**10**	13
Current liabilities	**(72)**	(42)
Non-current liabilities	**(115)**	(64)

All hedging instruments are booked in the Balance Sheet as derivative financial assets or derivative financial liabilities.

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

The following table sets out details of the Group's material hedged items at the balance sheet date where hedge accounting is applied:

	Change in fair value for calculating ineffectiveness		Balance in translation and hedging reserve for continuing hedges		Balance in translation and hedging reserve for discontinued hedges	
	31 December 2024 £m	31 December 2023 £m	31 December 2024 £m	31 December 2023 £m	31 December 2024 £m	31 December 2023 £m
Hedged items						
Floating rate borrowings – interest risk	**(3)**	(2)	**(5)**	(2)	**–**	–

There is no balance held in the cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applied.

26. Issued share capital and reserves

Share capital	31 December 2024 £m	31 December 2023 £m
Allotted, called-up and fully paid		
1,351,475,321 (31 December 2023: 1,351,475,321) Ordinary Shares of 0.1 pence (31 December 2023: 160/7 pence) each	**1**	309
	1	309

On 19 April 2023, a share consolidation took place whereby shareholders received one new share in the Company for every three existing shares held.

On 2 October 2023, the Group commenced a £500 million share buyback programme which completed in September 2024. During the year ended 31 December 2024, 70,967,661 shares (2023: 18,761,840 shares) were purchased. These are held as treasury shares and the total costs of the purchase have been recognised in retained earnings.

Notes to the Consolidated Financial Statements continued

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26. Issued share capital and reserves continued

On 1 October 2024, the Group commenced a £250 million share buyback programme which is expected to complete by the end of March 2026. During the year, 4,173,411 shares were purchased. These are held as treasury shares and the total costs of the purchase have been recognised in retained earnings. A liability of £18 million has also been recognised in respect of the share buyback programme to reflect an element that was irrevocable, during the Group's close period, as at 31 December 2024.

On 3 June 2024, the Melrose Employee Share Plan ("MESP") crystallised. Of the 54,346,536 shares awarded, 25,498,465 were withheld by the Company in exchange for a cash payment sufficient to allow holders to meet their income tax and employee national insurance liabilities in respect of the MESP. The 28,848,071 shares issued to participants were issued from treasury shares.

The total number of shares held in treasury at 31 December 2024 is 65,054,841 (31 December 2023: 18,761,840).

Following approval from shareholders on 2 May 2024, the Group undertook a capital reduction on 11 July 2024. This reduced share capital by £308 million (by reducing the nominal value of a share from 160/7 pence to 0.1 pence), the share premium account by £2,271 million and the capital redemption reserve by £753 million. Retained earnings increased by a corresponding £3,332 million.

The rights associated with each class of share are described in the Directors' Report.

Merger reserve and Other reserves

The Merger reserve represents the excess of fair value over nominal value of shares issued in consideration for the acquisition of subsidiaries. Other reserves comprise accumulated adjustments in respect of Group reconstructions.

Translation and hedging reserve

In order to provide useful information about the Group's hedging arrangements, the translation reserve and hedging reserve are combined. Including the different components of hedging in one place enables a clearer explanation of the two components of hedging. These components are disaggregated with movements within other comprehensive income/(expense) during the year shown below and further explanation provided in note 25.

	Cash flow hedge reserve £m	Foreign currency translation reserve £m	Translation and hedging reserve £m
At 1 January 2023	–	638	638
Movements within other comprehensive expense:			
Retranslation of net assets	–	(250)	(250)
Associated deferred tax	–	(7)	(7)
Foreign exchange differences on borrowings hedging net assets	–	43	43
Associated deferred tax	–	–	–
Change in fair value of derivatives designated in cash flow hedges	2	–	2
Associated deferred tax	(1)	–	(1)
Amounts reclassified to the Income Statement	–	(152)	(152)
At 31 December 2023	1	272	273
Movements within other comprehensive income:			
Retranslation of net assets	–	31	31
Associated deferred tax	–	–	–
Foreign exchange differences on borrowings hedging net assets	–	(14)	(14)
Associated deferred tax	–	–	–
Change in fair value of derivatives designated in cash flow hedges	3	–	3
Associated deferred tax	(1)	–	(1)
Amounts reclassified to the Income Statement	–	(6)	(6)
At 31 December 2024	**3**	**283**	**286**

The cash flow hedge reserve represents the cumulative fair value gains and losses on derivatives for which cash flow hedge accounting has been applied. Movements and balances on derivatives designated in net investment hedges are shown as part of the foreign currency translation reserve.

The foreign currency translation reserve contains exchange differences on the translation of subsidiaries with a functional currency other than Sterling, together with gains and losses on the translation of liabilities and cumulative fair value gains and losses on derivatives that hedge the Company's net investment in foreign subsidiaries.

Amounts reclassified to the Income Statement during the year includes a credit of £6 million (2023: £152 million) following the disposal of businesses.

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27. Cash flow statement

	Notes	Year ended 31 December 2024 £m	Restated[1] Year ended 31 December 2023 £m
Reconciliation of operating (loss)/profit to net cash used in operating activities generated by continuing operations			
Operating (loss)/profit		(4)	57
Adjusting items	6	544	333
Adjusted operating profit	6	540	390
Adjustments for:			
Depreciation of property, plant and equipment		101	100
Amortisation of computer software and development costs		41	42
Restructuring costs paid and movements in provisions		(135)	(160)
Defined benefit pension contributions paid[2]		(20)	(67)
Change in inventories		(71)	(10)
Change in receivables[3]		(449)	(123)
Change in payables		191	(13)
Tax paid		(10)	(17)
Interest paid on loans and borrowings[4]		(84)	(79)
Interest paid on lease obligations		(6)	(5)
Acquisition and disposal costs		(1)	(65)
Divisional management incentive scheme related payments		(20)	–
Melrose equity-settled compensation scheme related payments		(198)	–
Net cash used in operating activities		(121)	(7)

(1) Inventories, trade and other receivables and trade and other payables have been restated (see note 1).
(2) The year ended 31 December 2023 included £45 million for the purchase of a buy-in policy for GKN Group Pension Scheme Number 4 (see note 24).
(3) Change in receivables includes increases to unbilled work done contract assets of £309 million (2023: £173 million).
(4) The year ended 31 December 2023 included £17 million of finance costs on the proportion of the Group's net debt strategically allocated to demerged businesses and settled on demerger (see note 6).

Reconciliation of cash and cash equivalents, net of bank overdrafts	31 December 2024 £m	31 December 2023 £m
Cash and cash equivalents per Balance Sheet	88	58
Bank overdrafts included within current interest-bearing loans and borrowings (note 20)	(8)	(1)
Cash and cash equivalents, net of bank overdrafts per Statement of Cash Flows	80	57

Cash flow information relating to discontinued operations is as follows:

Cash flow from discontinued operations	Year ended 31 December 2024 £m	Year ended 31 December 2023 £m
Net cash from discontinued operations	–	54
Defined benefit pension contributions paid	–	(5)
Tax paid	–	(8)
Interest paid on lease obligations	–	(3)
Interest paid on loans and borrowings	–	(2)
Net cash from operating activities from discontinued operations	–	36
Purchase of property, plant and equipment	–	(62)
Purchase of computer software and capitalised development costs	–	(5)
Net cash used in investing activities from discontinued operations	–	(67)
Repayment of principal under lease obligations	–	(6)
Net cash used in financing activities from discontinued operations	–	(6)

Net debt reconciliation

Net debt consists of interest-bearing loans and borrowings and cash and cash equivalents.

Notes to the Consolidated Financial Statements continued

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27. Cash flow statement continued

Net debt is considered to be an alternative performance measure as it is not defined in IFRS. The most directly comparable IFRS measure is the aggregate of interest-bearing loans and borrowings (current and non-current) and cash and cash equivalents. A reconciliation from the most directly comparable IFRS measure to net debt, used as a basis for banking covenant calculations, is given below:

	31 December 2024 £m	31 December 2023 £m
Interest-bearing loans and borrowings – due within one year	(8)	(54)
Interest-bearing loans and borrowings – due after one year	(1,401)	(576)
External debt	(1,409)	(630)
Less:		
Cash and cash equivalents	88	58
Net debt	**(1,321)**	(572)

The table below shows the key components of the movement in net debt:

	At 1 January 2024 £m	Cash flow £m	Acquisitions and disposals £m	Other non-cash movements £m	Effect of foreign exchange £m	At 31 December 2024 £m
External debt (excluding bank overdrafts)	(629)	(757)	–	(1)	(14)	**(1,401)**
Cash and cash equivalents, net of bank overdrafts	57	(21)	51	–	(7)	**80**
Net debt	(572)	(778)	51	(1)	(21)	**(1,321)**

28. Commitments

Amounts payable under lease obligations:

Minimum lease payments	31 December 2024 £m	31 December 2023 £m
Amounts payable:		
Within one year	39	45
After one year but within five years	120	102
Over five years	146	75
Less: future finance charges	(68)	(30)
Present value of lease obligations	237	192
Analysed as:		
Amount due for settlement within one year	33	40
Amount due for settlement after one year	204	152
Present value of lease obligations	237	192

It is the Group's policy to lease certain of its property, plant and equipment. The average lease term is 13 years. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Group's obligations under lease arrangements are secured by the lessors' rights over the leased assets.

Certain leases within the Group contain extension or termination options to allow for flexibility within these lease agreements. Where these options are not reasonably certain to be exercised, they are not included in the lease obligation. The value of these associated undiscounted cash flows is £43 million (31 December 2023: £179 million).

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28. Commitments continued

The table below shows the key components in the movement in lease obligations.

	Year ended 31 December 2024 £m	Year ended 31 December 2023 £m
At 1 January	192	366
Additions	70	31
Interest charge	6	8
Reassessment of lease obligation	8	2
Payment of principal	(32)	(38)
Payment of interest	(6)	(8)
Disposal of businesses[1]	–	(158)
Transfer to held for sale[2]	–	(1)
Exchange adjustments	(1)	(10)
At 31 December	237	192

(1) Disposal of businesses in 2024 relates to the sale of non-core businesses within the Structures segment. Disposal of businesses in 2023 related to the demerger of the GKN Automotive, GKN Powder Metallurgy and GKN Hydrogen businesses (see note 1).
(2) Transfer to held for sale in 2023 related to the contractually agreed sale of a non-core business in the Structures segment.

Capital commitments

At 31 December 2024, there were commitments of £74 million (31 December 2023: £115 million) relating to the acquisition of new property, plant and equipment.

29. Related parties

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Sales to and purchases from Group companies are priced on an arm's length basis and generally are settled on 30 day terms.

During the year ended 31 December 2023, £417 million of equity accounted investments were disposed with the demerger of the GKN Automotive, GKN Powder Metallurgy and GKN Hydrogen businesses into Dowlais, who became a related party upon demerger.

During the year ended 31 December 2023, the Group entered into a Transitional Services Agreement with Dowlais to provide services and support to ensure continuity immediately following the demerger. As a result, income of £1 million was recognised in the Income Statement for continuing operations during the year ended 31 December 2023.

Remuneration of key management personnel

The remuneration of the Directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24: Related party disclosures. Further information about the remuneration of individual Directors is provided in the audited part of the Directors' Remuneration Report on pages 139 and 151.

	Year ended 31 December 2024 £m	Year ended 31 December 2023 £m
Short-term employee benefits	5	5
Share-based payments	1	5
Termination benefits	2	–
	8	10

30. Contingent liabilities

As a result of acquisitions made by the Group, certain contingent legal and warranty liabilities were identified as part of the fair value review of these acquisition balance sheets. Whilst it is difficult to reasonably estimate the timing and ultimate outcome of these claims, the Directors' best estimate has been included in the Balance Sheet where they existed at the time of acquisition and hence were recognised in accordance with IFRS 3: Business combinations. Where a provision has been recognised, information regarding the different categories of such liabilities and the amount and timing of outflows is included within note 21.

Given the nature of the Group's business many of the Group's products have a large installed base, and any reworks related to such products could be particularly costly. The costs of product reworks are not always covered by insurance. Reworks may have a material adverse effect on the Group's financial condition, results of operations and cash flows.

The Group has contingent liabilities representing guarantees and contract bonds given in the ordinary course of business on behalf of trading subsidiaries. No losses are anticipated to arise on these contingent liabilities. The Group does not have any other significant contingent liabilities.

Company Balance Sheet for Melrose Industries PLC

	Notes	31 December 2024 £m	31 December 2023 £m
Fixed assets			
Investments	3	**10,602**	10,608
Debtors:			
Amounts falling due after one year	4	**569**	549
Creditors:			
Amounts falling due within one year	5	**(5,840)**	(4,893)
Net current liabilities		**(5,271)**	(4,344)
Total assets less current liabilities		**5,331**	6,264
Provisions	6	**(4)**	(22)
Net assets		**5,327**	6,242
Capital and reserves			
Issued share capital	7	**1**	309
Share premium account		**1,000**	3,271
Merger reserve		**109**	109
Capital redemption reserve		**–**	753
Retained earnings		**4,217**	1,800
Shareholders' funds		**5,327**	6,242

The Company reported a loss for the financial year ended 31 December 2024 of £246 million (2023: profit of £737 million).

The financial statements were approved by the Board of Directors on 6 March 2025 and were signed on its behalf by:

Matthew Gregory



Chief Financial Officer
6 March 2025

Peter Dilnot



Chief Executive Officer
6 March 2025

Registered number: 09800044

Company Statement of Changes in Equity

	Issued share capital £m	Share premium account £m	Merger reserve £m	Capital redemption reserve £m	Retained earnings £m	Shareholders' funds £m
At 1 January 2023	309	3,271	109	753	3,191	7,633
Profit for the year (note 2)	–	–	–	–	737	737
Other comprehensive expense	–	–	–	–	(5)	(5)
Total comprehensive income	–	–	–	–	732	732
Purchase of own shares[1]	–	–	–	–	(93)	(93)
Dividends paid	–	–	–	–	(81)	(81)
Demerger distribution	–	–	–	–	(1,973)	(1,973)
Equity-settled share-based payments	–	–	–	–	2	2
Deferred tax on equity-settled share-based payments	–	–	–	–	22	22
At 31 December 2023	309	3,271	109	753	1,800	6,242
Loss for the year (note 2)	–	–	–	–	(246)	(246)
Other comprehensive expense	–	–	–	–	(6)	(6)
Total comprehensive expense	–	–	–	–	(252)	(252)
Capital reduction[1]	(308)	(2,271)	–	(753)	3,332	–
Purchase of own shares[1]	–	–	–	–	(449)	(449)
Dividends paid	–	–	–	–	(72)	(72)
Equity-settled incentive scheme related[1]	–	–	–	–	(157)	(157)
Equity-settled share-based payments	–	–	–	–	1	1
Deferred tax on equity-settled share-based payments	–	–	–	–	14	14
At 31 December 2024	**1**	**1,000**	**109**	**–**	**4,217**	**5,327**

(1) Further information is set out in note 1.

Refer to the Section 172 statement in the Strategic Report on pages 45 to 50 for further details on the Company's Distribution Policy.

Notes to the Company Balance Sheet

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1. Material accounting policies

Basis of accounting

Melrose Industries PLC ("the Company") is a public company limited by shares. The Company is incorporated in the United Kingdom under the Companies Act 2006 and registered in England and Wales. The address of the registered office is given on the back cover. The nature of the Group's operations and its principal activities are set out in the Strategic Report on pages 1 to 101.

The Financial Statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The functional currency of Melrose Industries PLC is considered to be pounds Sterling because that is the currency of the primary economic environment in which the Company operates.

On 2 October 2023, the Company commenced a £500 million share buyback programme which completed in September 2024. During the year ended 31 December 2024, 70,967,661 shares (2023: 18,761,840 shares) were purchased at an average price of 571 pence (2023: 494 pence) per share with cash spent of £411 million (2023: £93 million), inclusive of costs of £5 million (2023: £1 million). These are held as treasury shares and the total costs of the purchase have been recognised in retained earnings.

On 1 October 2024, the Company commenced a £250 million share buyback programme which is expected to complete by the end of March 2026. During the year ended 31 December 2024, 4,173,411 shares were purchased at an average price of 484 pence per share for total consideration of £20 million, inclusive of costs of £nil. These are held as treasury shares and the total costs of the purchase have been recognised in retained earnings. A liability of £18 million has also been recognised in respect of the shares expected to be purchased under the share buyback programme during the close period, as there was an irrevocable instruction to contracted financial institutions to complete purchases at 31 December 2024.

On 3 June 2024, the Melrose Employee Share Plan ("MESP") crystallised. Of the 54,346,536 shares awarded, 25,498,465 were withheld by the Company in exchange for a cash payment sufficient to allow holders to meet their income tax and employee national insurance liabilities in respect of the MESP. In accordance with IFRS 2: Share-based Payment, £157 million has been recognised in retained earnings.

Following approval from shareholders on 2 May 2024, the Company undertook a capital reduction on 11 July 2024. This reduced share capital by £308 million, the share premium account by £2,271 million and the capital redemption reserve by £753 million.

Melrose Industries PLC meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate Financial Statements. Melrose Industries PLC is consolidated in its Group Financial Statements. Exemptions have been taken in these separate Company Financial Statements in relation to share-based payments, presentation of a cash flow statement, the remuneration of key management personnel and financial instruments.

The principal accounting policies are consistent with the prior year and are summarised below.

Going concern

The Financial Statements have been prepared on a going concern basis as the Directors consider that adequate resources exist for the Company to continue in operational existence for the foreseeable future, being 12 months from the date of this report (the relevant period).

The Company is a guarantor of the Group's committed multi-currency term loans and revolving credit facilities and at 31 December 2024 these totalled; US$1,639 million, €400 million and £300 million. The Group's liquidity and funding arrangements are described in the Chief Financial Officer's Review. There is significant liquidity headroom of £0.5 billion at 31 December 2024 and sufficient headroom throughout the going concern forecast period. Forecast covenant compliance is considered further below.

Covenants

The Group's banking facility has two financial covenants being a net debt to adjusted EBITDA covenant and an interest cover covenant, both of which are tested half-yearly in June and December. Covenant calculations are detailed in the glossary to these Consolidated Financial Statements.

The financial covenants during the period of assessment for going concern are as follows:

	31 December 2024	30 June 2025	31 December 2025
Net debt to adjusted EBITDA (banking covenant leverage)	**3.5x**	3.5x	3.5x
Interest cover	**4.0x**	4.0x	4.0x

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1. Material accounting policies continued

Testing

The Group has modelled two scenarios in its assessment of going concern. A base case and a severe but plausible downside case.

The base case takes into account end markets and operational factors, including supply chain challenges, throughout the going concern period and has been monitored against the actual results and cash generation in the period since 1 January 2025. Climate scenario analysis was used to model the impact of climate change on the Group's cash flow position. Climate change is deemed to not have a material impact over the period of 12 months for the assessment of going concern or 36 months for the assessment of viability of the Group.

The severe but plausible downside case models more conservative revenue assumptions for 2025 and the first half of 2026. The sensitised assumptions are specific to each business taking into account their markets, but on average represent a c.10% reduction to the Group's forecast revenue in 2025, and a c.5% reduction in the first half of 2026. The sensitised revenues have had a consequential impact on profit and cash flow, along with a further downside sensitivity applied to increase working capital by approximately 2% of revenue. Given that there is liquidity headroom of £0.5 billion and the Group's banking covenant leverage was 2.1x, comfortably below the covenant test at 31 December 2024, no further sensitivity detail is provided.

Under the severe but plausible downside case, even with significant reductions, no covenant is breached at the forecast testing dates being 30 June 2025 and 31 December 2025. Testing at 30 June 2026 is also favourable, assuming arrangements similar in nature to existing agreements.

Investments

Investments in subsidiaries are measured at cost less impairment.

For investments in subsidiaries acquired for consideration, including the issue of shares qualifying for merger relief, cost is measured by reference to the nominal value of the shares issued plus fair value of other consideration. Any premium is ignored.

The Company has an investment in listed shares, which are classified as financial assets, measured at fair value. Fair value is by reference to quoted market price. Any changes to fair value are recognised in other comprehensive income and accumulated in retained earnings in accordance with IFRS 9: Financial Instruments. Dividends received from investments are recognised in the Income Statement when the Company's right to receive the dividend is established.

Impairment of assets

Assets, other than those held at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

For amounts owed by Group undertakings, the Company recognises lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to one year's expected credit losses.

Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are classified according to the substance of the contractual arrangements entered into.

Financial assets and liabilities

All financial assets and liabilities are initially measured at fair value, which is the transaction price (including transaction costs). After initial recognition, amounts owed to/from Group undertakings are subsequently measured at amortised cost using the effective interest rate method.

Financial assets and liabilities are only offset in the Balance Sheet when, and only when, there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when, and only when, a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Notes to the Company Balance Sheet continued

1. Material accounting policies continued

Share-based payments

The Company issues equity-settled share-based payments to certain employees. The required disclosures are included in the Group Consolidated Financial Statements.

Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of the shares that will eventually vest and is reviewed at the end of each reporting period with the charge being adjusted to reflect actual and estimated levels of vesting.

Fair value is measured by use of option pricing models. The expected life used in the models is adjusted, based on the Directors' best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Where equity-settled share-based payments are made available to employees of the Company's subsidiaries, these are treated as increases in equity over the vesting period of the award with a corresponding increase in the Company's investment in subsidiaries.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred. Timing differences are differences between the Company's taxable profits and its results as stated in the Financial Statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the Financial Statements.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a rate that reflects the current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Critical accounting judgements and key sources of estimation uncertainty

There were no critical accounting judgements that would have a significant effect on the amounts recognised in the Parent Company Financial Statements or key sources of estimation uncertainty at the balance sheet date that would have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

2. Result for the year

As permitted by section 408 of the Companies Act 2006, the Company has elected not to present its own Profit and Loss Account for the year. Melrose Industries PLC reported a loss for the financial year ended 31 December 2024 of £246 million (2023: profit of £737 million).

The auditor's remuneration for audit services to the Company is disclosed in note 7 to the Group Consolidated Financial Statements.

Directors' remuneration is disclosed in the Directors' Remuneration Report on pages 136 to 155. There were no other employees of the Company in the year (2023: none).

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3. Investments

	External investments £m	Investments in subsidiaries £m	Total £m
At 1 January 2024	15	10,593	10,608
Revaluations	(6)	–	(6)
At 31 December 2024	**9**	**10,593**	**10,602**

External investments represent a 1% investment in Dowlais Group plc which was retained following demerger on 20 April 2023. This investment was remeasured to fair value at 31 December 2024 of £9 million.

The Company evaluates its investments in subsidiary undertakings annually for any indicators of impairment. The Company considers the relationship between its market capitalisation and the carrying value of its investments, among other factors, when reviewing for indicators of impairment. As at 31 December 2024, the market capitalisation of the Company of £7,124 million was in excess of the carrying value of its investments (£10,602 million) net of intercompany positions (£5,314 million).

The recoverable amount of the investments in subsidiaries has been determined using the information set out in note 11 to the Group Consolidated Financial Statements and is in excess of its carrying value, therefore no impairment has been recognised.

The following subsidiaries and significant holdings were owned by the Company as at 31 December 2024:

	Equity interest %	Class of share held
Canada		
600-1134 Grande Allée Ouest, Quebec, G1S 1E5		
Fokker Elmo Canada Inc.	100	Ordinary
China		
No 71 Xiangyun Road, Langfang Economic & Technical Development Zone, Langfang		
Fokker Elmo (Langfang) Electrical Systems Co. Ltd	100	Registered investment
1 Xinwang Road, Jingjiang Economic and Technic Development Zone, Jingjiang, Jiangsu		
GKN Aerospace (Jingjiang) Co., Ltd	100	Registered investment
Unit 03, Floor 7, Block B, No.899 Yaohua Road, Pudong New District, Shanghai		
GKN Aerospace (Shanghai) Co., Ltd	100	Ordinary
No. 3, Wanfugang Road, Jingjiang Economic and Technological Development Zone, Jingjiang City, Jiangsu Province		
Kaifei Aerospace Manufacturing Co., Ltd	40	Ordinary
France		
Boulevard De L Europe, BP 177 91006 Evry-Courcouronnes CEDEX		
Arianespace Participation S.A.	1.6320	Ordinary
765 rue Albert Einstein, CS 70402, 13591 Aix-en-Provence Cedex 3		
NH Industries SAS	5.5	Ordinary
20 rue Lavoisier, 95300 Pontoise		
GKN Aerospace France SARL	100	Ordinary
Germany		
Brunhamstr. 21, 81249, Munich		
GKN Aerospace Deutschland GmbH	100	Ordinary
India		
Block 2A No. 311, NPR Complex. Survey No 197, Hoody Village, K R Puram Hobli, Whitefield Road, Bangalore – 560048, Karnataka		
Fokker Elmo SASMOS Interconnection Systems Limited	49	Ordinary
Shop No. 002, Lumkad Sky Vista, S. No. 230/AViman Naga/3/2, Viman Nagar, Pune, Maharashtra, 411014		
GKN Fokker Elmo India Private Limited	100	Ordinary
135, 2nd Floor, RMZ Titanium, Old Airport Road, Bengaluru, 560 017		
GKN Aerospace Engine Systems India Private Limited	100	Ordinary
Jersey		
JTC House, 28 The Esplanade, St. Helier, JE2 3QA		
GKN Finance Limited	100	Ordinary

Notes to the Company Balance Sheet continued

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3. Investments continued

	Equity interest %	Class of share held
Malaysia		
10th Floor, Menara Hap Seng, No.1 & 3, Jalan P. Ramless, 50250 Kuala Lumpur		
GKN Engine Systems Component Repair Sdn Bhd	100	Ordinary
Mexico		
Ave. Washington 3701 Ed. 18, Parque Industrial Las Americas, Chihuahua, 31200		
FAE Aerostructures SA de CV	100	Ordinary
The Netherlands		
Singel 126-130, 1015 AE, Amsterdam		
Ridderkerk Property 1 BV	100	Ordinary
Markt 22, 3351 PB, Papendrecht		
Fabriek Slobbengors Beheer B.V.	49	Ordinary
Fabriek Slobbengors C.V.	49	Ordinary[1]
Hoofdkantoor Slobbengors Beheer B.V.	49	Ordinary
Kantoor Industrieweg C.V.	49	Ordinary[1]
Anthony Fokkerweg 4, 3351 NL, Papendrecht		
Fokker Elmo B.V.	100	Ordinary
Fokker Elmo Holding B.V.	100	Ordinary
Cooperative Delivery of Retrokits (CDR) V.O.F.	50	Ordinary
Fokker Technologies Group B.V.	100	Ordinary
GKN Aerospace Netherlands B.V.	100	Ordinary
GKN Fokker Aerospace B.V.	100	Ordinary
Fokker (CDR) B.V.	100	Ordinary
Grasbeemd 28, 5705 DG, Helmond		
SFT Helmond B.V.	100	Ordinary
Norway		
Kirkegårdsveien 45, 3616 Kongsberg		
GKN Aerospace Norway AS	100	Ordinary
Kongsberg Technology Training Centre AS	33.33	Ordinary
Kongsberg Terotech AS	50	Ordinary
Romania		
Str. Condorilor 9, 600302, Bacau		
FOAR S.R.L.	49	Ordinary
5-7 Dimitrie Pompeiu Blvd, Hermes Business Campus, Building 2, 3rd Floor, 2nd District, Bucharest, 020337		
Fokker Engineering Romania S.R.L.	100	Ordinary
Sweden		
SE – 461 81, Trollhättan		
GKN Aerospace Sweden AB	100	Ordinary
GKN Sweden Holdings AB	100	Ordinary
Kryptongatan 11, 431 53 Mölndal		
Permanova Lasersystem AB	100	Ordinary
Thailand		
9/21 Moo 5, Phaholyothin Road Klong 1, Klong Luang, Patumthanee, 12120		
GKN Aerospace Transparency Systems (Thailand) Limited	100	Ordinary
Turkey		
Ege Serbest Bölgesi, SADI Sok. No:10, 35410 Gaziemir, Izmir		
Fokker Elmo Havacilik Sanayi Ve Ticaret Limited Sirketi	100	Ordinary

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3. Investments continued

	Equity interest %	Class of share held
United Kingdom		
11th Floor, The Colmore Building, 20 Colmore Circus Queensway, Birmingham, B4 6AT		
Alcester Capricorn	100	Ordinary
Alcester EP1 Limited	100	Ordinary
Alcester Number 1 Limited	100	Ordinary
Alder Miles Druce Limited	100	Ordinary
Birfield Limited	100	Ordinary
British Hovercraft Corporation Limited	100	Ordinary
Brush Holdings Limited	100	Ordinary
Colmore Lifting Limited	100	Ordinary
Colmore Overseas Holdings Limited	100	Ordinary
Eachairn Aerospace Holdings Limited	100	Ordinary
Falcon Works Property Limited	100	Ordinary
Firth Cleveland Limited	100	Ordinary
GKN Aerospace Civil Services Holdings Limited	100	Ordinary
GKN Aerospace Civil Services Limited	100	Ordinary
GKN Aerospace (FFT) Limited	100	Ordinary
GKN Aerospace Services Limited	100	Ordinary
GKN Aerospace Holdings Limited	100	Ordinary
GKN Aerospace Transparency Systems (Kings Norton) Limited	100	Ordinary
GKN Aerospace Transparency Systems (Luton) Limited	100	Ordinary
GKN Bound Brook Limited	100	Ordinary
GKN Building Services Europe Limited	100	Ordinary
GKN CEDU Limited	100	Ordinary
GKN Composites Limited	100	Ordinary
GKN Computer Services Limited	100	Ordinary
GKN Defence Holdings Limited	100	Ordinary
GKN Defence Limited	100	Ordinary
GKN Enterprise Limited	100	Ordinary
GKN Export Services Limited	100	Ordinary
GKN Fasteners Limited	100	Ordinary
GKN Finance (UK) Limited	100	Ordinary
GKN Hardy Spicer Limited	100	Ordinary
GKN Holdings Limited	100	Ordinary and deferred
GKN Limited	100	Ordinary
GKN Pistons Limited	100	Ordinary
GKN Quest Trustee Limited	100	Ordinary
GKN Sankey Finance Limited	100	Ordinary and deferred[2]
GKN SEK Investments Limited	100	Ordinary
GKN Technology Limited	100	Ordinary
GKN Trading Limited	100	Ordinary
GKN Westland Aerospace (Avonmouth) Limited	100	Ordinary
GKN Westland Aerospace Advanced Materials Limited	100	Ordinary and convertible preference
GKN Westland Aerospace Aviation Support Limited	100	Ordinary
GKN Westland Aerospace Holdings Limited	100	Ordinary
GKN Westland Design Services Limited	100	Ordinary
GKN Westland Limited	100	Ordinary
GKN Westland Overseas Holdings Limited	100	Ordinary
GKN Westland Services Limited	100	Ordinary
GKN 1 Trustee 2018 Limited	100	Ordinary
GKN 4 Trustee 2018 Limited	100	Ordinary
Guest, Keen and Nettlefolds, Limited	100	Ordinary
Laycock Engineering Limited	100	Ordinary
McKechnie 2005 Pension Scheme Trustee Limited	100	Ordinary
Melrose Aerospace Limited	100	Ordinary
Melrose Euro Investments Limited	100	Ordinary
Melrose GBP Investments Limited	100	Ordinary
Melrose Intermediate Limited	100	Ordinary
Melrose NOK Investments Limited	100	Ordinary

Notes to the Company Balance Sheet continued

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3. Investments continued

	Equity interest %	Class of share held
United Kingdom continued		
11th Floor, The Colmore Building, 20 Colmore Circus Queensway, Birmingham, B4 6AT continued		
Melrose PLC	100	Ordinary
Melrose USD 1 Limited	100	Ordinary
Nevada UK Holding Limited	100	Ordinary
P.F.D. Limited	100	Ordinary
Raingear Limited	100	Ordinary
Rigby Metal Components Limited	100	Ordinary
Rzeppa Limited	100	Ordinary
Sageford UK Limited	100	Ordinary
Sheepbridge Stokes Limited	100	Ordinary and redeemable preference
Westland Group PLC	100	Ordinary
Westland Group Services Limited	100	Ordinary
Westland System Assessment Limited	100	Ordinary
Capital Square, 58 Morrison Street, Edinburgh, Scotland, EH3 8BP		
A. P. Newall & Company Limited	100	Ordinary
GKN Investments II GP Limited	100	Ordinary
GKN Investments II LP (this partnership is controlled by, and its results are consolidated by, the Group and as such advantage has been taken of the exemption set out in regulation 7 of the Partnerships (Accounts) Regulations 2008)	100	Membership interest
2nd Floor, Nova North, 11 Bressenden Place, London, SW1E 5BY		
Dowlais Group plc	1	Ordinary
Number 22 Mount Ephraim, Tunbridge Wells, England, TN4 8AS		
HiiROC Limited	10.21	Ordinary
USA		
2 Sun Court, Suite 400, Peachtree Corners, Georgia, 30092		
Fokker Elmo Inc.	100	Common stock
1209 Orange Street, Wilmington, Delaware, 19801		
Melrose North America, Inc	100	Common
PW1100G-JM Engine Leasing, LLC	2.76	Class C unit
2710 Gateway Oaks Drive, Suite 150 N, Sacramento, California, 95833		
GENIL, Inc.	100	Ordinary
GKN Aerospace Camarillo, Inc.	100	Ordinary
GKN Aerospace Chem-tronics Inc.	100	Ordinary
GKN Aerospace Transparency Systems, Inc	100	Common stock
251 Little Falls Drive, Wilmington, Delaware, 19808		
GKN Aerospace Aerostructures, Inc	100	Common
GKN Aerospace GTC LLC	100	Membership interest
GKN Aerospace Florida LLC	100	Membership interest
GKN Aerospace, Inc.	100	Common stock
GKN Aerospace New England, Inc.	100	Ordinary
GKN Aerospace Newington LLC	100	Membership interest
GKN Aerospace St. Louis LLC	100	Membership interest
GKN Aerospace Precision Machining, Inc.	100	Ordinary
GKN Aerospace Services Structures LLC	100	Membership interest
GKN Aerospace South Carolina, Inc.	100	Common stock
GKN Aerospace US Holdings LLC	100	Membership interest
GKN Westland Aerospace, Inc.	100	Common stock
80 State Street, Albany, New York, 12207		
GKN Aerospace Monitor, Inc.	100	Common
135 North Pennsylvania Street, Suite 1610, Indianapolis, Indiana, 46204		
GKN Aerospace Muncie, Inc.	100	Common

Each of the subsidiaries and significant holdings listed are included in the Consolidated Financial Statements of the Company and are held in each case by a subsidiary undertaking, except for Melrose Aerospace Limited, GKN Limited and Dowlais Group plc, for which the applicable share interests are held directly by Melrose Industries PLC.

Notes
(1) The Group owns 49% directly with a total effective ownership of 49.98% in the company.
(2) The Group has a direct interest in 100% of the issued ordinary share capital. The deferred shares are held by third parties.

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4. Debtors

	31 December 2024 £m	31 December 2023 £m
Amounts falling due after one year:		
Amounts owed by Group undertakings	505	475
Deferred tax	64	74
	569	549

Amounts owed by Group undertakings are either interest-bearing or non interest-bearing depending on the type and duration of the receivable relationship. They are unsecured, accumulate interest in a range between 0% and 6% and are due to mature in April 2028. At 31 December 2024, the amount receivable of £505 million (31 December 2023: £475 million) has been classified as an amount falling due after one year in accordance with the expectations of management that it will not be settled within the next year.

The Directors consider that amounts owed by Group undertakings approximate to their fair value.

The deferred tax included in the Balance Sheet is as follows:

	31 December 2024 £m	31 December 2023 £m
Tax losses available for carry forward	57	36
Other timing differences	7	38
	64	74

The tax losses may be carried forward indefinitely. Further details in relation to the recoverability of the deferred tax assets are disclosed in note 22 of the Group Consolidated Financial Statements.

5. Creditors

	31 December 2024 £m	31 December 2023 £m
Amounts falling due within one year:		
Amounts owed to Group undertakings	5,819	4,890
Accruals and other creditors	21	3
	5,840	4,893

Amounts owed to Group undertakings are unsecured, accumulate interest in a range between 0% and 6%, have no fixed date of repayment and are repayable on demand.

The Directors consider that amounts owed to Group undertakings approximate to their fair value.

6. Provisions

	Incentive plan related £m
At 1 January 2024	22
Charge to profit and loss account	3
Utilised	(21)
At 31 December 2024	4

The incentive plan related costs are expected to be utilised within one to two years.

Notes to the Company Balance Sheet continued

7. Issued share capital

Share capital	31 December 2024 £m	31 December 2023 £m
Allotted, called-up and fully paid		
1,351,475,321 (31 December 2023: 1,351,475,321) Ordinary Shares of 0.1 pence (31 December 2023: 160/7 pence) each	1	309
	1	309

On 19 April 2023, a share consolidation took place whereby shareholders received one new share in the Company for every three existing shares held.

On 2 October 2023, the Company commenced a £500 million share buyback programme which completed in September 2024. During the year ended 31 December 2024, 70,967,661 shares (2023: 18,761,840 shares) were purchased. These are held as treasury shares and the total costs of the purchase have been recognised in retained earnings.

On 1 October 2024, the Company commenced a £250 million share buyback programme which is expected to complete by the end of March 2026. During the year, 4,173,411 shares were purchased. These are held as treasury shares and the total costs of the purchase have been recognised in retained earnings. A liability of £18 million has also been recognised in respect of the share buyback programme to reflect an element that was irrevocable, during the Group's close period, as at 31 December 2024.

On 3 June 2024, the Melrose Employee Share Plan ("MESP") crystallised. Of the 54,346,536 shares awarded, 25,498,465 were withheld by the Company in exchange for a cash payment sufficient to allow holders to meet their income tax and employee national insurance liabilities in respect of the MESP. The 28,848,071 shares issued to participants were issued from treasury shares.

The total number of shares held in treasury at 31 December 2024 is 65,054,841 (31 December 2023: 18,761,840).

Following approval from shareholders on 2 May 2024, the Company undertook a capital reduction on 11 July 2024. This reduced share capital by £308 million (by reducing the nominal value of a share from 160/7 pence to 0.1 pence), the share premium account by £2,271 million and the capital redemption reserve by £753 million. Retained earnings increased by a corresponding £3,332 million.

The rights associated with each class of share are described in the Directors' Report.

8. Related party transactions

The Company has taken the exemption in FRS 102.33: Related party information not to disclose intercompany balances and transactions in the year with fully owned subsidiary undertakings.

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Alternative Performance Measures ("APMs")

In accordance with the Guidelines on APMs issued by the European Securities and Markets Authority ("ESMA"), additional information is provided on the APMs used by the Group below.

In the reporting of financial information, the Group uses certain measures that are not required under IFRS. These additional measures (commonly referred to as APMs) provide additional information on the performance of the business and trends to stakeholders. These measures are consistent with those used internally, and are considered important to understanding the financial performance and financial health of the Group. APMs are considered to be an important measure to monitor how the businesses are performing because this provides a meaningful comparison of how the business is managed and measured on a day-to-day basis and achieves consistency and comparability between reporting periods.

These APMs may not be directly comparable with similarly titled measures reported by other companies and they are not intended to be a substitute for, or superior to, IFRS measures. All Income Statement and cash flow measures are provided for continuing operations unless otherwise stated.

Income Statement measures

APM
Adjusting items

Closest equivalent statutory measure
None

Reconciling items to statutory measure
Adjusting items (note 6)

Definition and purpose
Those items which the Group excludes from its adjusted profit metrics in order to present a further measure of the Group's performance.

These include items which are significant in size or volatility, or by nature are non-trading or non-recurring or the net change in fair value items booked on an acquisition.

This provides a meaningful comparison of how the business is managed and measured on a day-to-day basis and provides consistency and comparability between reporting periods.

APM
Adjusted operating profit

Closest equivalent statutory measure
Operating (loss)/profit[1]

Reconciling items to statutory measure
Adjusting items (note 6)

Definition and purpose
The Group uses adjusted profit measures to provide a useful and more comparable measure of the ongoing performance of the Group. Adjusted measures are reconciled to statutory measures by removing adjusting items, the nature of which are disclosed above and further detailed in note 6.

Adjusted operating profit	Year ended 31 December 2024 £m	Year ended 31 December 2023 £m
Operating (loss)/profit	(4)	57
Adjusting items to operating (loss)/profit (note 6)	544	333
Adjusted operating profit	540	390

APM
Adjusted operating margin

Closest equivalent statutory measure
Operating margin[2]

Reconciling items to statutory measure
Adjusting items (note 6)

Definition and purpose
Adjusted operating margin represents Adjusted operating profit as a percentage of revenue. The Group uses adjusted profit measures to provide a useful and more comparable measure of the ongoing performance of the Group.

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APM
Adjusted profit before tax

Closest equivalent statutory measure
Loss before tax

Reconciling items to statutory measure
Adjusting items (note 6)

Definition and purpose
Loss before the impact of adjusting items and tax. As discussed above, adjusted profit measures are used to provide a useful and more comparable measure of the ongoing performance of the Group. Adjusted measures are reconciled to statutory measures by removing adjusting items, the nature of which are disclosed above and further detailed in note 6.

Adjusted profit before tax	Year ended 31 December 2024 £m	Year ended 31 December 2023 £m
Loss before tax	(106)	(8)
Adjusting items to loss before tax (note 6)	544	339
Adjusted profit before tax	**438**	331

APM
Adjusted profit after tax

Closest equivalent statutory measure
(Loss)/profit after tax

Reconciling items to statutory measure
Adjusting items (note 6)

Definition and purpose
(Loss)/profit after tax but before the impact of adjusting items. As discussed above, adjusted profit measures are used to provide a useful and more comparable measure of the ongoing performance of the Group. Adjusted measures are reconciled to statutory measures by removing adjusting items, the nature of which are disclosed above and further detailed in note 6.

Adjusted profit after tax	Year ended 31 December 2024 £m	Year ended 31 December 2023 £m
(Loss)/profit after tax	(49)	1
Adjusting items to (loss)/profit after tax (note 6)	399	262
Adjusted profit after tax	**350**	263

APM
Constant currency

Closest equivalent statutory measure
Income Statement, which is reported using actual average foreign exchange rates

Reconciling items to statutory measure
Constant currency foreign exchange rates

Definition and purpose
The Group uses GBP based constant currency models to measure performance. These are calculated by applying 2024 average exchange rates to local currency reported results for the current and prior year. This gives a GBP denominated Income Statement which excludes any variances attributable to foreign exchange rate movements.

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APM
Adjusted EBITDA and Adjusted EBITDA for banking covenant leverage purposes

Closest equivalent statutory measure
Operating (loss)/profit[1]

Reconciling items to statutory measure
Adjusting items (note 6), depreciation of property, plant and equipment and amortisation of computer software and development costs. Adjusted EBITDA for banking covenant leverage purposes also includes an imputed lease charge and other adjustments required for banking covenant leverage purposes[3]

Definition and purpose
Adjusted operating profit for 12 months prior to the reporting date, before depreciation of property, plant and equipment and before the amortisation of computer software and development costs.

Adjusted EBITDA and Adjusted EBITDA for banking covenant leverage purposes are measures used by external stakeholders to measure performance.

Adjusted EBITDA and Adjusted EBITDA for banking covenant leverage purposes	Year ended 31 December 2024 £m	Year ended 31 December 2023 £m
Adjusted operating profit	**540**	390
Depreciation of property, plant and equipment and amortisation of computer software and development costs	**142**	142
Adjusted EBITDA	**682**	532
Imputed lease charge	**(38)**	(37)
Other adjustments required for banking covenant leverage purposes[3]	**(15)**	20
Adjusted EBITDA for banking covenant leverage purposes	**629**	515

APM
Adjusted tax rate

Closest equivalent statutory measure
Effective tax rate

Reconciling items to statutory measure
Adjusting items, adjusting tax items and the tax impact of adjusting items (note 6 and note 8)

Definition and purpose
The income tax charge for the Group excluding adjusting tax items, and the tax impact of adjusting items, divided by adjusted profit before tax.

This measure is a useful indicator of the ongoing tax rate for the Group.

Adjusted tax rate	Year ended 31 December 2024 £m	Year ended 31 December 2023 £m
Tax credit per Income Statement	**57**	9
Adjusted for:		
Tax impact of adjusting items	**(128)**	(77)
Tax impact of significant restructuring	**(17)**	–
Adjusted tax charge	**(88)**	(68)
Adjusted profit before tax	**438**	331
Adjusted tax rate	**20.1%**	20.5%

APM
Adjusted basic earnings per share

Closest equivalent statutory measure
Basic earnings per share

Reconciling items to statutory measure
Adjusting items (note 6 and note 10)

Definition and purpose
Profit after tax attributable to owners of the parent and before the impact of adjusting items, divided by the weighted average number of ordinary shares in issue during the financial year.

The Board considers this to be a key measure of performance when all businesses are held for the complete reporting period.

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APM
Adjusted diluted earnings per share

Closest equivalent statutory measure
Diluted earnings per share

Reconciling items to statutory measure
Adjusting items (note 6 and note 10)

Definition and purpose
Profit after tax attributable to owners of the parent and before the impact of adjusting items, divided by the weighted average number of ordinary shares in issue during the financial year adjusted for the effects of any potentially dilutive options.

The Board considers this to be a key measure of performance when all businesses are held for the complete reporting period.

APM
Interest cover

Closest equivalent statutory measure
None

Reconciling items to statutory measure
Not applicable

Definition and purpose
Adjusted EBITDA calculated for banking covenant leverage purposes (including adjusted EBITDA from businesses disposed) as a multiple of net interest payable on bank loans and overdrafts.

This measure is used for bank covenant testing.

Interest cover	Year ended 31 December 2024 £m
Adjusted EBITDA for banking covenant leverage purposes	629
Adjusted EBITDA from businesses disposed in the year	20
Adjusted EBITDA for interest cover	**649**
Interest on bank loans and overdrafts	91
Finance income	(3)
Net finance charges for covenant purposes	**88**
Interest cover	**7.4x**

Balance Sheet measures

APM
Working capital

Closest equivalent statutory measure
Inventories, trade and other receivables less trade and other payables

Reconciling items to statutory measure
Not applicable

Definition and purpose
Working capital comprises inventories, current trade and other receivables, non-current other receivables, current trade and other payables and non-current other payables.

This measure provides additional information in respect of working capital management.

APM
Net debt

Closest equivalent statutory measure
Cash and cash equivalents less interest-bearing loans and borrowings

Reconciling items to statutory measure
Reconciliation of net debt (note 27)

Definition and purpose
Net debt comprises cash and cash equivalents and interest-bearing loans and borrowings.

Net debt is one measure that could be used to indicate the strength of the Group's Balance Sheet position and is a useful measure of the indebtedness of the Group.

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APM
Bank covenant definition of net debt at average rates and banking covenant leverage

Closest equivalent statutory measure
Cash and cash equivalents less interest-bearing loans and borrowings

Reconciling items to statutory measure
Impact of foreign exchange

Definition and purpose
Net debt (as above) is presented in the Balance Sheet translated at year end exchange rates.

For bank covenant testing purposes net debt is converted using average exchange rates for the previous 12 months.

Leverage is calculated as the bank covenant definition of net debt divided by adjusted EBITDA for banking covenant leverage purposes. This measure is used for bank covenant testing.

Bank covenant definition of net debt at average rates and banking covenant leverage	31 December 2024 £m	31 December 2023 £m
Net debt at closing rates (note 27)	1,321	572
Impact of foreign exchange	(16)	12
Bank covenant definition of net debt at average rates	1,305	584
Banking covenant leverage	2.1x	1.1x

APM
Leverage

Closest equivalent statutory measure
Cash and cash equivalents less interest-bearing loans and borrowings

Reconciling items to statutory measure
None

Definition and purpose
Leverage is calculated as net debt at average rates (as above) divided by adjusted EBITDA.

This measure is used by external stakeholders to assess the financial stability of the Group.

Leverage	31 December 2024 £m	31 December 2023 £m
Leverage	1.9x	1.1x

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Cash Flow measures

APM
Adjusted operating cash flow (pre-capex)

Closest equivalent statutory measure
Net cash (used in)/from operating activities

Reconciling items to statutory measure
Non-working capital items (note 27)

Definition and purpose
Adjusted operating cash flow (pre-capex) is calculated as net cash from operating activities before net cash from operating activities from discontinued operations, restructuring costs paid and movements in provisions, defined benefit pension contributions paid, tax paid, interest paid on loans and borrowings, interest paid on lease obligations, acquisition and disposal costs, divisional management incentive scheme related payments, Melrose equity-settled compensation scheme related payments and the repayment of principal under lease obligations.

This measure provides additional useful information in respect of cash generation and is consistent with how business performance is measured internally.

Adjusted operating cash flow (pre-capex)	Year ended 31 December 2024 £m	Year ended 31 December 2023 £m
Net cash (used in)/from operating activities	**(121)**	29
Operating activities:		
Net cash from operating activities from discontinued operations	**–**	(36)
Restructuring costs paid and movements in provisions[4]	**112**	137
Defined benefit pension contributions paid	**20**	67
Tax paid	**10**	17
Interest paid on loans and borrowings	**84**	79
Interest paid on lease obligations	**6**	5
Acquisition and disposal costs	**1**	65
Divisional management incentive scheme related payments	**20**	–
Melrose equity-settled compensation scheme related payments	**198**	–
Debt related:		
Repayment of principal under lease obligations	**(32)**	(32)
Adjusted operating cash flow (pre-capex)	**298**	331

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APM
Free cash flow

Closest equivalent statutory measure
Net increase/decrease in cash and cash equivalents (net of bank overdrafts)

Reconciling items to statutory measure
Acquisition and disposal related cash flows, dividends paid to owners of the parent, transactions in own shares, payments made in respect of equity-settled compensation schemes and movements on borrowing facilities

Definition and purpose
Free cash flow represents cash generated after all trading costs including restructuring, pension contributions, tax and interest payments.

This measure provides additional useful information in respect of cash generation and is consistent with how business performance is measured internally.

Free cash flow	Year ended 31 December 2024 £m	Year ended 31 December 2023 £m
Net increase/(decrease) in cash and cash equivalents (net of bank overdrafts)	**30**	(216)
Debt related:		
Repayment of borrowings	**10**	1,371
Drawings on borrowing facilities	**(767)**	(628)
Costs of raising debt finance	**3**	11
Equity related:		
Dividends paid to owners of the parent	**72**	81
Purchase of own shares, including associated costs	**431**	93
Melrose equity-settled compensation scheme related payments	**198**	–
Acquisition and disposal related:		
Disposal of businesses, net of cash disposed	**(55)**	320
Settlement receipt from loans held with demerged entities	**–**	(1,205)
Equity accounted investments additions	**3**	–
Disposal of equity accounted investments	**–**	(3)
Cash flows from discontinued operations	**–**	37
Acquisition and disposal costs	**1**	65
Finance costs on demerger settled net debt	**–**	17
GKN UK pension plan buy-in	**–**	45
Free cash flow	**(74)**	(12)

APM
Adjusted free cash flow

Closest equivalent statutory measure
Net increase/(decrease) in cash and cash equivalents (net of bank overdrafts)

Reconciling items to statutory measure
Free cash flow, as defined above, adjusted for restructuring cash flows

Definition and purpose
Adjusted free cash flow represents free cash flow adjusted for restructuring cash flows.

This measure provides additional useful information in respect of cash generation and is consistent with how business performance is measured internally.

Adjusted free cash flow	Year ended 31 December 2024 £m	Year ended 31 December 2023 £m
Free cash flow	**(74)**	(12)
Restructuring costs paid	**126**	125
Adjusted free cash flow	**52**	113

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APM
Free cash flow pre-interest and tax

Closest equivalent statutory measure
Net increase/(decrease) in cash and cash equivalents (net of bank overdrafts)

Reconciling items to statutory measure
Free cash flow, as defined above, adjusted for interest and tax cash flows excluding finance costs on demerger settled net debt

Definition and purpose
Free cash flow pre-interest and tax represents free cash flow adjusted for interest and tax and excluding finance costs on demerger settled net debt.

This measure provides additional useful information in respect of cash generation and is consistent with how business performance is measured internally.

Free cash flow pre-interest and tax	Year ended 31 December 2024 £m	Year ended 31 December 2023 £m
Free cash flow	**(74)**	(12)
Tax paid	**10**	17
Interest paid on loans and borrowings	**84**	79
Interest paid on lease obligations	**6**	5
Interest received	**(3)**	(2)
Finance costs on demerger settled net debt	**–**	(17)
Free cash flow pre-interest and tax	**23**	70

APM
Capital expenditure (capex)

Closest equivalent statutory measure
None

Reconciling items to statutory measure
Not applicable

Definition and purpose
Calculated as the purchase of owned property, plant and equipment and computer software and expenditure on capitalised development costs during the year, excluding any assets acquired as part of a business combination.

Net capital expenditure is capital expenditure net of proceeds from disposal of property, plant and equipment.

APM
Capital expenditure to depreciation ratio

Closest equivalent statutory measure
None

Reconciling items to statutory measure
Not applicable

Definition and purpose
Net capital expenditure divided by depreciation of owned property, plant and equipment and amortisation of computer software and development costs.

APM
Dividend per share

Closest equivalent statutory measure
Dividend per share

Reconciling items to statutory measure
Not applicable

Definition and purpose
Amounts payable by way of dividends in terms of pence per share.

(1) Operating (loss)/profit is not defined within IFRS but is a widely accepted profit measure being (loss)/profit before finance costs, finance income and tax.
(2) Operating margin is not defined within IFRS but is a widely accepted profit measure being derived from operating (loss)/profit[1] divided by revenue.
(3) Included within other adjustments required for banking covenant leverage purposes in the year ended 31 December 2024 are unrealised annual savings from spend incurred in the year on restructuring projects of £5 million (2023: £20 million) offset by the elimination of EBITDA from sites disposed in the year of £20 million (2023: £nil).
(4) Excludes non-cash utilisation of loss-making contract provisions of £23 million (2023: £23 million).

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The Annual General Meeting of Melrose Industries PLC (the "Company") will be held at 12.00 pm on Wednesday 30 April 2025 at The Royal Aeronautical Society, 4 Hamilton Place, London W1J 7BQ.

This document is important and requires your immediate attention. If you are in any doubt as to the action you should take, you should consult your stockbroker, bank, solicitor, accountant, fund manager or other independent financial advisor 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 advisor.

If you have sold or otherwise transferred or sell or otherwise transfer all of your shares in the Company, please send this document, together with the accompanying form of proxy, as soon as possible to the purchaser or transferee or to the agent through whom the sale or transfer was effected for delivery to the purchaser or transferee.

Notice is given that the Annual General Meeting of the Company will be held at The Royal Aeronautical Society, 4 Hamilton Place, London W1J 7BQ at 12.00 pm on Wednesday 30 April 2025 for the purposes set out below. Resolutions 1 to 14 (inclusive) will be proposed as ordinary resolutions and resolutions 15 to 18 (inclusive) as special resolutions.

Ordinary resolutions

1. To receive the Company's audited financial statements for the financial year ended 31 December 2024, together with the Directors' report, the Strategic Report and the Auditor's report on those financial statements.

2. To approve the Directors' Remuneration Report for the year ended 31 December 2024, as set out on pages 136 to 155 of the Company's 2024 Annual Report.

3. To approve a final dividend of 4.0 pence per ordinary share for the year ended 31 December 2024.

4. To re-elect Peter Dilnot as a Director of the Company.

5. To re-elect Matthew Gregory as a Director of the Company.

6. To re-elect David Lis as a Director of the Company.

7. To re-elect Charlotte Twyning as a Director of the Company.

8. To re-elect Heather Lawrence as a Director of the Company.

9. To re-elect Gillian Elcock as a Director of the Company.

10. To elect Chris Grigg as a Director of the Company.

11. To elect Ian Barkshire as a Director of the Company.

12. To re-appoint PricewaterhouseCoopers LLP as auditor of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company at which accounts are laid.

13. To authorise the Audit Committee to determine the remuneration of the auditor of the Company.

14. That, in accordance with section 551 of the Companies Act 2006 (the "Act"), the directors of the Company (the "Directors") be and are generally and unconditionally authorised to allot shares in the Company, or to grant rights to subscribe for or to convert any security into shares in the Company ("Rights"):

    (A) up to an aggregate nominal amount of £426,200; and

    (B) comprising equity securities (as defined in section 560 of the Act) up to an aggregate nominal amount of £852,401 (such amount to be reduced by the aggregate nominal amount of any allotments or grants made under paragraph (A) of this resolution) in connection with a fully pre-emptive offer:

        (i) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and

        (ii) to holders of other equity securities as required by the rights of those securities or, subject to such rights, as the Directors otherwise consider necessary,

and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter, such authorities to expire at the conclusion of the Company's next Annual General Meeting after this resolution is passed or, if earlier, at the close of business on 30 June 2026, but, in each case, so that the Company may make offers or agreements before the authority expires which would or might require shares to be allotted or Rights to be granted after the authority expires, and so that the Directors may allot shares or grant Rights in pursuance of any such offer or agreement notwithstanding that the authority conferred by this resolution has expired.

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Special resolutions

15. That, subject to the passing of resolution 14, the Directors be and are generally empowered to allot equity securities (as defined in section 560 of the Act) for cash pursuant to the authorities granted by resolution 14 and/or to sell ordinary shares held by the Company as treasury shares for cash, in each case as if section 561 of the Act did not apply to any such allotment or sale, provided that this power shall be limited:

(A) to the allotment of equity securities in connection with an offer of equity securities (but in the case of an allotment pursuant to the authority granted under paragraph (B) of resolution 14, such power shall be limited to the allotment of equity securities in connection with a fully pre-emptive offer):

(i) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and

(ii) to holders of other equity securities, as required by the rights of those securities or, subject to such rights, as the Directors otherwise consider necessary, and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter;

(B) to the allotment (otherwise than in circumstances set out in paragraph (A) of this resolution) of equity securities pursuant to the authority granted by paragraph (A) of this resolution or sale of treasury shares up to an aggregate nominal amount of £63,930; and

(C) to the allotment of equity securities or sale of treasury shares (otherwise than under paragraph (A) or paragraph (B) of this resolution) up to an aggregate nominal amount equal to 20% of any allotment of equity securities or sale of treasury shares from time to time under paragraph (B) above, such authority to be used only for the purposes of making a follow-on offer which the Directors determine to be of a kind contemplated by paragraph 3 of Section 2B of the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice,

such powers to expire at the conclusion of the Company's next Annual General Meeting after this resolution is passed or, if earlier, at the close of business on 30 June 2026, but, in each case, so that the Company may make offers or agreements before the power expires which would or might require equity securities to be allotted (and/or treasury shares sold) after the power expires and so that the Directors may allot equity securities (and/or sell treasury shares) in pursuance of any such offer or agreement notwithstanding that the power conferred by this authority has expired.

16. That, subject to the passing of resolution 14 and in addition to any power granted under resolution 15, the Directors be and are generally empowered to allot equity securities (as defined in section 560 of the Act) for cash pursuant to the authorities granted by resolution 14 and/or to sell ordinary shares held by the Company as treasury shares for cash, in each case as if section 561 of the Act did not apply to any such allotment or sale, provided that this power shall be:

(A) limited to the allotment of equity securities pursuant to the authority granted by paragraph (A) of resolution 14 or sale of treasury shares up to a nominal amount of £63,930 such authority to be used only for the purposes of financing (or refinancing, if the authority is to be used within 12 months of the original transaction) a transaction which the Directors determine to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice; and

(B) limited to the allotment of equity securities or sale of treasury shares (otherwise than under paragraph (A) of this resolution) up to an aggregate nominal amount equal to 20% of any allotment of equity securities or sale of treasury shares from time to time under paragraph (A) above, such authority to be used only for the purposes of making a follow-on offer which the Directors determine to be of a kind contemplated by paragraph 3 of Section 2B of the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice,

such powers to expire at the conclusion of the Company's next Annual General Meeting after this resolution is passed or, if earlier, at the close of business on 30 June 2026, but, in each case, so that the Company may make offers or agreements before the power expires which would or might require equity securities to be allotted (and/or treasury shares sold) after the power expires and so that the Directors may allot equity securities (and/or sell treasury shares) in pursuance of any such offer or agreement notwithstanding that the power conferred by this authority has expired.

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17. That the Company be and is generally and unconditionally authorised for the purpose of section 701 of the Act to make one or more market purchases (within the meaning of section 693(4) of the Act) of ordinary shares in the capital of the Company provided that:

(A) the maximum aggregate number of ordinary shares authorised to be purchased is 191,662,555;

(B) the minimum price which may be paid for an ordinary share is the nominal value of an ordinary share at the time of such purchase;

(C) the maximum price which may be paid for an ordinary share is not more than the higher of:

(i) 105% of the average of the middle-market quotation for an ordinary share as derived from the Daily Official List of the London Stock Exchange for the five business days immediately preceding the day on which the ordinary share is purchased; and

(ii) the higher of the price of the last independent trade and the highest current independent bid on the trading venue where the purchase is carried out, in each case, exclusive of expenses;

(D) this authority shall expire at the conclusion of the Company's next Annual General Meeting after this resolution is passed or, if earlier, at the close of business on 30 June 2026;

(E) the Company may make a contract of purchase of ordinary shares under this authority which would or might be executed wholly or partly after the expiry of this authority, and may make a purchase of ordinary shares in pursuance of any such contract; and

(F) any ordinary shares purchased pursuant to this authority may either be held as treasury shares or cancelled by the Company, depending on which course of action is considered by the Directors to be in the best interests of shareholders at the time.

18. That a general meeting other than an Annual General Meeting may be called on not less than 14 clear days' notice.

Recommendation

The Board believes that each of the resolutions to be proposed at the Annual General Meeting is in the best interests of the Company and its shareholders as a whole. Accordingly, the Directors unanimously recommend that ordinary shareholders vote in favour of all of the resolutions proposed, as the Directors intend to do in respect of their own beneficial holdings.

By order of the Board:



Warren Fernandez
Company Secretary

31 March 2025

Registered Office:
11th Floor The Colmore Building
20 Colmore Circus Queensway
Birmingham
West Midlands
B4 6AT

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Explanatory notes to the proposed resolutions

Resolutions 1 to 14 (inclusive) are proposed as ordinary resolutions, which means that for each of those resolutions to be passed, more than half the votes cast must be cast in favour of the resolution. Resolutions 15 to 18 (inclusive) are proposed as special resolutions, which means that for each of those resolutions to be passed, at least three-quarters of the votes cast must be cast in favour of the resolution.

Resolution 1 – Receipt of 2024 Annual Report and Financial Statements

The Directors are required to lay the Company's financial statements, the Strategic Report and the Directors' and Auditor's reports on those financial statements (collectively, the "2024 Annual Report") before shareholders each year at the Annual General Meeting ("AGM").

Resolution 2 – Approval of Directors' remuneration report

The Directors' remuneration report (the "Directors' Remuneration Report") is presented in two sections:

- the annual statement from the Chair of the Remuneration Committee; and
- the annual report on remuneration.

The annual statement from the Chair of the Remuneration Committee, set out on pages 136 and 137 (inclusive) of the 2024 Annual Report, summarises, for the year ended 31 December 2024, the major decisions taken on Directors' remuneration, any substantial changes relating to Directors' remuneration made during the year, and the context in which those changes occurred and decisions have been taken.

The annual report on remuneration, set out on pages 138 to 155 (inclusive) of the 2024 Annual Report, provides details of the remuneration paid to Directors in respect of the year ended 31 December 2024, including base salary, taxable benefits, short-term incentives, long-term incentives vested in the year, pension-related benefits, any other items in the nature of remuneration and any sum(s) recovered or withheld during the year in respect of amounts paid in earlier years.

The Company's auditors for the financial year ended 31 December 2024, PricewaterhouseCoopers LLP ("PwC"), have audited those parts of the Directors' Remuneration Report which are required to be audited and their report may be found on pages 158 to 167 of the 2024 Annual Report.

The Directors' Remuneration Report is subject to an annual advisory shareholder vote by way of an ordinary resolution. Resolution 2 is to approve the Directors' Remuneration Report and will not affect the way in which the Directors' remuneration policy has been implemented.

Resolution 3 – Declaration of final dividend

The Board is recommending, and shareholders are being asked to approve, the declaration of a final dividend of 4.0 pence per ordinary share for the year ended 31 December 2024. The final dividend will, subject to shareholder approval, be paid on 9 May 2025 to the holders of ordinary shares whose names are recorded on the register of members of the Company at the close of business on 28 March 2025.

Resolutions 4 to 11 (inclusive) – Re-election and election of Directors

In accordance with the UK Corporate Governance Code (the "Code") and the Company's Articles of Association (the "Articles"), every Director will stand for re-election at each AGM.

The Board considers that the contribution of each Director who is standing for re-election is, and continues to be, important to the sustainable success of the Company for the following reasons:

- Peter Dilnot, Chief Executive Officer, is standing for re-election due to his considerable public company and industrial business experience. Peter joined Melrose in April 2019, serving as both an Executive Director and Chief Operating Officer during that time, in addition to fulfilling the role of Chief Executive Officer of GKN Aerospace for periods during his tenure. In parallel, Peter served as a Non-executive Director at Rotork plc for seven years, including three years as Senior Independent Director until he left the board in December 2023. Peter was previously the Chief Executive Officer of international recycling company Renewi PLC (formerly Shanks Group PLC) and a senior executive at Danaher Corporation. He also spent seven years at the Boston Consulting Group in London and Chicago, working primarily with industrial businesses. Peter has an engineering and aviation background and started his career as a helicopter pilot in the British Armed Forces. He also holds a degree in Mechanical Engineering.
- Matthew Gregory, Chief Financial Officer, is standing for re-election due to his extensive knowledge of GKN Aerospace, having served as Chief Financial Officer for the business since September 2022. Matthew is a seasoned Chief Financial Officer with considerable public company leadership experience, having served as both Chief Executive Officer and Chief Financial Officer of FirstGroup plc and Chief Financial Officer of Essentra plc. Matthew has strong strategic and operational expertise, including in driving strategy and operational turnaround in complex multinational listed manufacturing and transportation companies, alongside international and corporate development experience. Matthew is a qualified chartered accountant, having started his career at Ernst & Young, working in London and Milan.
- David Lis, Senior Independent Director, has held several senior roles in investment and fund management. He brings to the Board extensive financial experience and deep insight into the expectations of Melrose's institutional investor base. While David will have served on the Board for nine years in May 2025, the Nomination Committee and the Board have approved an extension of David's tenure as a Director and Senior Independent Director to 31 December 2025 in order to facilitate and implement the effective succession of the Non-executive Chairman, to assist with succession planning of key Board roles thereafter (including a successor Senior Independent Director), and to maintain an important degree of continuity among senior Board positions within the Company as it emerges from a transformational period that will have seen changes to its top three director roles of Chief Executive Officer, Chief Financial Officer and Chairman.

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- Charlotte Twyning, Non-executive Director, is standing for re-election due to her diverse range of experience and commercial acumen as well as her deep understanding of the Melrose business as she enters her third three-year term. Charlotte was appointed as a Non-executive Director on 1 October 2018 and has chaired the Nomination Committee since 1 January 2022. After a successful legal career specialising in competition and M&A law in the City, Charlotte has held various senior positions across a number of sectors, most recently in aviation and transportation. Charlotte has proven executive leadership and operational skills in large, complex organisations and has consistently succeeded in driving performance, leading large-scale sustainable transformations and building the foundations for growth throughout her career. She now enjoys a portfolio career, comprising a number of non-executive, trustee and advisory roles.
- Heather Lawrence, Non-executive Director, is standing for re-election due to her diverse range of experience across the industrials and transportation sectors, having held senior roles within corporate finance and investment banking, as well as having the necessary expertise required to perform the role of Chair of the Audit Committee. Heather was appointed as a Non-executive Director on 1 June 2021 and has chaired the Audit Committee since 5 May 2022. Heather originally qualified as a chartered accountant and subsequently spent well over a decade working in senior roles within corporate finance and investment banking where she honed her experience across industrials and transportation businesses. Heather has significant non-executive experience, including as a Non-executive Director of Antofagasta PLC.
- Gillian Elcock, Non-executive Director, is standing for re-election due to her extensive asset management and investment research experience, including covering the aerospace and defence sector. Gillian is the founder and former Managing Director of Denny Ellison, an independent investment research and training company. Prior to this, she worked as an equity research analyst for several years at Putnam Investments and Insight Investment. She also brings insight gained from several other non-executive director roles. She has two engineering degrees from MIT and an MBA from the Harvard Business School.

In accordance with the Articles:

- Chris Grigg, Non-executive Director, is standing for election as a Director of the Company following his appointment to the Board on 1 October 2024. Chris will assume the position of Chairman from 30 March 2025. Chris has extensive senior executive experience as a former FTSE Chief Executive Officer, and within the aerospace and defence sector. He was a Non-executive Director of BAE Systems plc for 10 years until December 2023, latterly serving as its Senior Independent Director. In his executive career, Chris was Chief Executive of British Land from January 2009 and left the board in December 2020. Earlier in his career, Chris was Chief Executive of Barclays Commercial Bank, and Treasurer of Barclays Bank plc. Prior to Barclays, he spent 20 years at Goldman Sachs, latterly as a partner, having started his career at Morgan Grenfell. Chris is currently Chair of the National Wealth Fund (formerly known as the UK Infrastructure Bank) and its nominations committee, having served in those roles since April 2021. He is also Chair of Evelyn Partners and its nominations committee, having served in those roles since February 2022, prior to which he served as a Non-executive Director, and serves as a member of the FTSE Women Leaders Review's independent steering body.
- Dr Ian Barkshire, Non-executive Director, is standing for election as a Director of the Company following his appointment to the Board on 1 October 2024. Ian brings a wealth of executive experience to the Board, having spent most of his career driving the development, commercialisation and delivery of innovative technologies and specialised products to the world's leading industrial companies. Ian was the Chief Executive Officer of Oxford Instruments plc between 2016 and 2023, spending over 20 years at the company in a number of leadership positions, including Chief Operating Officer, Group Technical Director and Divisional Head. Earlier in his career, Ian was Senior Principal Scientist at GEC-Marconi Materials, before which he was a Research Fellow at the University of York. Ian is a Fellow of the Royal Academy of Engineering and is currently a member of the Strategic Advisory Board of the UK National Quantum Technologies Programme as well as Chair of Illumion Limited, a technology start-up company.

Biographical details of each Director standing for re-election or election (as applicable) can be found on pages 108 and 109 (inclusive) of the 2024 Annual Report. All of the Non-executive Directors standing for re-election or election (as applicable) are currently considered independent under the Code.

Resolution 12 – Re-appointment of auditor

The Company is required to appoint an auditor at each general meeting at which accounts are laid before shareholders, to hold office until the next such meeting.

The Audit Committee has reviewed the effectiveness, performance, independence and objectivity of the existing external auditor, PwC, on behalf of the Board, and concluded that the external auditor was in all respects effective.

This resolution proposes the re-appointment of PwC until the conclusion of the next AGM of the Company at which accounts are laid.

Resolution 13 – Authority to agree auditor's remuneration

This resolution seeks authority for the Audit Committee to determine the level of the auditor's remuneration.

Resolution 14 – Authority to allot shares

This resolution seeks shareholder approval to grant the Directors the authority to allot shares in the Company, or to grant rights to subscribe for or convert any securities into shares in the Company ("Rights"), pursuant to section 551 of the Act (the "Section 551 authority"). The authority contained in paragraph (A) of the resolution will be limited to an aggregate nominal amount of £426,200, being approximately one-third of the Company's issued ordinary share capital (excluding treasury shares) as at 26 March 2025 (being the latest practicable date prior to the publication of this notice).

In line with guidance issued by the Investment Association, paragraph (B) of this resolution would give the Directors authority to allot shares in the Company or grant Rights in connection with a fully pre-emptive offer up to an aggregate nominal amount of £852,401, representing approximately two-thirds of the Company's issued ordinary share capital (excluding treasury shares) as at 26 March 2025 (being the latest practicable date prior to the publication of this notice). This resolution provides that such amount shall be reduced by the aggregate nominal amount of any allotments or grants under paragraph (A) of this resolution.

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As at 26 March 2025, the Company held 32,872,550 ordinary shares in treasury, representing approximately 2.57% of the Company's issued ordinary share capital (excluding treasury shares) as at such date.

If approved, the Section 551 authority shall, unless renewed, revoked or varied by the Company, expire at the end of the Company's next AGM after the resolution is passed or, if earlier, at the close of business on 30 June 2026. The exception to this is that the Directors may allot shares or grant Rights after the authority has expired in connection with an offer or agreement made or entered into before the authority expired. The Directors have no present intention to exercise the Section 551 authority.

Resolutions 15 to 16 – Partial disapplication of pre-emption rights

If the Directors wish to allot new shares or other equity securities or sell treasury shares for cash (other than in connection with an executive or employee share scheme), company law requires that these shares are offered first to shareholders in proportion to their existing holdings. The statutory pre-emption rights may be disapplied by shareholders.

The purpose of resolution 15 is to authorise the Directors to allot new shares and other equity securities of the Company or sell shares held in treasury for cash: (a) in connection with a fully pre-emptive offer, subject to any arrangements that the Directors consider appropriate to deal with fractions and overseas requirements; (b) otherwise than pursuant to (a) up to an aggregate nominal value of £63,930, without first making an offer under company law to existing shareholders in proportion to their existing holdings; and (c) otherwise than pursuant to (a) and (b), 20% of the amount referred to in (b) for the purposes of making a follow-on offer which the Directors determine to be of a kind contemplated by paragraph 3 of Section 2B of the Pre-emption Group's Statement of Principles (the "Pre-Emption Group Principles"). The limit of £63,930 is equivalent to 5% of the total issued ordinary share capital of the Company (excluding treasury shares) as at 26 March 2025, being the latest practicable date prior to publication of this Notice.

Resolution 16 is being proposed as a separate resolution to authorise the Directors to allot additional shares and other equity securities or sell shares held in treasury for cash up to a maximum nominal value of £63,930 (representing a further 5% of the issued ordinary share capital of the Company (excluding treasury shares) as at 26 March 2025, being the latest practicable date prior to publication of this Notice) otherwise than in connection with a pre-emptive offer to existing shareholders (the "Acquisition/SCI Disapplication"). This authority is limited to allotments and sales for the purposes of financing acquisitions or specified capital investments contemplated by the Pre-Emption Group Principles (or refinancing any such acquisition or investment within 12 months after the original transaction). The Directors intend to use this authority only in connection with an acquisition or specified capital investment which is announced contemporaneously with the issue or which has taken place in the preceding 12-month period and is disclosed in the announcement of the issue. The resolution also disapplies pre-emption rights in relation to a further 20% of the amount subject to the Acquisition/SCI Disapplication for the purposes of making a follow-on offer which the Directors determine to be of a kind contemplated by paragraph 3 of Section 2B of the Pre-Emption Group Principles.

The Board acknowledges the provisions of the Pre-Emption Group Principles and confirms that it will follow the general principles set out therein. Having taking into consideration shareholder feedback, the Board has opted for a limit of 5% of the issued ordinary share capital of the Company (excluding treasury shares) in resolutions 15 and 16, rather than the limit of 10% set out in the Pre-Emption Group Principles, in order to seek alignment with shareholder preferences, balanced with the Board's belief that the 5% limit provides sufficient flexibility to the Company at this time. The Directors believe that it is appropriate to seek these authorities to give the Company the flexibility to raise further equity funding and to pursue acquisition opportunities as and when they arise, and to seek authority to make the follow-on offers so as to ensure that pre-emption is respected.

If approved, these powers shall apply until the end of the Company's next AGM after the resolutions are passed or, if earlier, until the close of business on 30 June 2026. The exception to this is that the Directors may allot equity securities after the power has expired in connection with an offer or agreement made or entered into before the power expired. The Directors have no present intention to exercise these powers and if ever used, the Directors intend to follow the shareholder protections and approach to follow-on offers as set out in paragraphs 1 and 3, respectively, of Section 2B of the Pre-Emption Group Principles.

Resolution 17 – Authority to purchase own shares

This resolution seeks shareholder approval to grant the Company the authority to purchase its own shares pursuant to sections 693 and 701 of the Act.

This authority is limited to an aggregate maximum number of 191,662,555 ordinary shares, representing approximately 14.99% of the Company's issued ordinary share capital (excluding treasury shares) as at 26 March 2025 (being the latest practicable date prior to the publication of this notice).

The maximum price which may be paid for an ordinary share will be an amount which is not more than the higher of: (i) 5% above the average of the middle market quotation for an ordinary share as derived from the Daily Official List of the London Stock Exchange for the five business days immediately preceding the day on which the ordinary share is purchased; and (ii) the higher of the price of the last independent trade and the highest current independent bid on the trading venue where the purchase is carried out (in each case, exclusive of expenses).

If approved, the authority shall, unless varied, revoked or renewed, expire at the end of the Company's next AGM after the resolution is passed or, if earlier, at the close of business on 30 June 2026. The Directors intend to exercise their authority to continue the share buyback programme commenced by the Company at the beginning of October 2024.

Any shares purchased in the market under this authority may be either cancelled or held as treasury shares. No dividends are paid on shares while they are in treasury and no voting rights attach to treasury shares.

The Company does not have any outstanding share warrants.

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Resolution 18 – Notice period for general meetings other than AGMs

This resolution seeks shareholder approval to allow the Company to continue to call general meetings (other than AGMs) on 14 clear days' notice. In accordance with the Act, as amended by the Companies (Shareholders' Rights) Regulations 2009, the notice period required for general meetings of the Company is 21 clear days unless shareholders approve a shorter notice period (subject to a minimum period of 14 clear days). In accordance with the Act, the Company must make a means of electronic voting available to all shareholders for that meeting in order to be able to call a general meeting on less than 21 clear days' notice.

The Company intends to only use the shorter notice period where this flexibility is merited by the purpose of the meeting and is considered to be in the interests of shareholders generally, and not as a matter of routine. AGMs will continue to be held on at least 21 clear days' notice.

The approval will be effective until the Company's next AGM, when it is intended that a similar resolution will be proposed.

Explanatory notes as to the proxy, voting and attendance procedures at the AGM

1. The holders of ordinary shares in the Company are entitled to attend the AGM and are entitled to vote. A member entitled to attend, speak and vote at the AGM is also entitled to appoint a proxy to exercise all or any of his/her rights to attend, speak and vote (both on a show of hands and a poll) at the AGM in his/her place. Such a member may appoint more than one proxy, provided that each proxy is appointed to exercise the rights attached to different shares. When two or more valid but different appointments of proxy are delivered or received for the same share for us at the AGM, the one which is last validly delivered or received (regardless of its date or the date of execution) shall be treated as replacing or revoking the other or others as regards that share). If the Company is unable to determine which appointment was last validly delivered or received, none of them shall be treated as valid in respect of that share. A proxy need not be a member of the Company.

2. A form of proxy which may be used to appoint and give proxy instructions for use at the AGM is enclosed with this notice. To be effective, a 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 registrar at the address specified on the form of proxy not less than 48 hours (excluding any part of a day that is not a working day) before the stated time for holding the meeting (or, in the event of an adjournment, not less than 48 hours before the stated time of the adjourned meeting (excluding any part of a day which is not a working day)). Returning a completed form of proxy will not preclude a member from attending the meeting and voting in person.

3. In the case of joint registered holders, the signature of one holder will be accepted and the vote of the senior who tenders a vote, whether in person or proxy, shall be accepted to the exclusion of the votes of the other joint holder or holders. For this purpose, seniority shall be determined by the order in which the names stand in the register.

4. Any person to whom this notice is sent who is a person nominated under section 146 of the Act 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 AGM. 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 in notes 1 and 2 above does not apply to Nominated Persons. The rights described in notes 1 and 2 can only be exercised by the holders of ordinary shares in the Company.

5. To be entitled to attend and vote at the AGM (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 6.30 pm (BST) on 28 April 2025 (or, in the event of an adjournment, on the date which is two days, excluding any day which 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.

6. As at 26 March 2025 (being the latest practicable date prior to the publication of this notice), the Company's issued ordinary share capital consists of 1,278,602,771 ordinary shares of £0.001 pence each (excluding treasury shares), carrying the right to one vote each. Therefore, the total number of voting rights in the Company on 26 March 2025 was 1,278,602,771.

7. 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 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.

8. 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 12.00 pm (BST) on 28 April 2025. 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.

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9. 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/her 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.

10. 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.

11. If you are an institutional investor you may be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by the Company's registrar. For further information regarding Proxymity, please go to www.proxymity.io. Your proxy must be lodged by 12.00 pm (BST) on 28 April 2025 in order to be considered valid. Before you can appoint a proxy via this process you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy.

12. 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.

13. Under section 527 of the Act, members meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the AGM; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Act. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Act. Where the Company is required to place a statement on a website under section 527 of the Act, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required under section 527 of the Act to publish on a website.

14. Any member holding ordinary shares attending the meeting has the right to ask questions. The Company must answer any such questions relating to the business being dealt with at the meeting but no such answer need be given if: (i) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information; (ii) the answer has already been given on a website in the form of an answer to a question; and/or (iii) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

15. Voting at the AGM will be by poll. The Chairman of the AGM will invite each shareholder, corporate representative and proxy present at the meeting to complete a poll card indicating how they wish to cast their votes in respect of each resolution. In addition, the Chairman of the AGM will cast the votes for which he has been appointed as proxy. Poll cards will be collected during the meeting. Once the results have been verified by the Company's registrar, Equiniti, they will be notified to the Financial Conduct Authority, announced through a Regulatory Information Service and will be available to view on the Company's website.

16. A copy of this notice, and other information required by section 311A of the Act, can be found at www.melrosepIc.net/investors/shareholder-meetings.

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

18. The following documents will be available for inspection upon request at the Company's registered office during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this notice up to and including the date of the AGM and at the place of the AGM for 15 minutes prior to and during the meeting:

    (A) copies of all service agreements under which Directors of the Company are employed by the Company or any subsidiaries; and

    (B) a copy of the terms of appointment of the Non-executive Directors of the Company.

19. You may register your vote online by visiting Equiniti's website at www.shareview.co.uk. In order to register your vote online, you will need to create an online portfolio using your Shareholder Reference Number which is set out on the enclosed form of proxy. Once signed up and logged in simply click "View" on the "My Investments" page and follow the on-screen instructions. The return of the form of proxy by post or registering your vote online will not prevent you from attending the AGM and voting in person, should you 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 using your usual user ID and password. Once logged in simply click "View" on the "My Investments" page, click on the link to vote then follow the on-screen instructions. A proxy appointment made electronically will not be valid if sent to any address other than those provided or if received after 12.00 pm (BST) on 28 April 2025.

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As at 31 December 2024, there were 14,785 holders of ordinary shares of £0.001[1] pence each in the Company. An analysis of these shareholdings as at 31 December 2024 is set out in the table below[2]

Shareholder analysis

Balance Ranges	Total number of holdings	Percentage of holders	Total number of shares	Percentage issued capital
1–5,000	13,474	91.13%	8,703,666	0.64%
5,001–50,000	795	5.38%	11,076,242	0.82%
50,001–500,000	306	2.07%	52,769,233	3.90%
Over 500,000	210	1.42%	1,278,926,180	94.63%
Total	**14,785**	**100.00%**	**1,351,475,321**	**100.00%**
Held by				
Individuals	13,617	92.10%	13,016,552	0.96%
Institutions	1,168	7.90%	1,338,458,769	99.04%
Total	**14,785**	**100.00%**	**1,351,475,321**	**100.00%**

Financial calendar	
Ex-dividend date for final dividend	27 March 2025
Record date for final dividend	28 March 2025
Annual General Meeting	30 April 2025
Payment date of final dividend	9 May 2025
Announcement of interim results	31 July 2025
Intended payment of interim dividend	15 September 2025
Expected preliminary announcement of 2025 results	March 2026

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If you require any help or need to contact Equiniti, please visit www.shareview.co.uk.

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Bank of America Europe Designated Activity Company

Bank of China Limited, London Branch

Barclays Bank plc

BNP Paribas Fortis SA/NV

Citibank, N.A., London Branch

Commerzbank Aktiengesellschaft, London Branch

Coöperatieve Rabobank U.A.

Crédit Agricole Corporate and Investment Bank

Crédit Industriel et Commercial

Deutsche Bank Luxembourg S.A.

HSBC Bank plc

Industrial and Commercial Bank of China Limited, London Branch

ING Bank N.V., London Branch

J.P. Morgan Chase Bank N.A., London Branch

MUFG Bank, Ltd.

National Westminster Bank plc

Royal Bank of Canada

Skandinaviska Enskilda Banken AB (publ)

UniCredit Bank AG

Wells Fargo Bank, N.A., London Branch

A range of shareholder information is available at Equiniti's online portfolio service www.shareview.co.uk, where you can register for a Shareview Portfolio to access information about your holding and undertake a number of activities, including appointing a proxy, changing a dividend mandate and updating your address. To register, you will need your 11-digit Shareholder Reference Number ("SRN"), which can be found on your proxy form or dividend voucher.

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(1) A share capital reduction, including a reduction of the nominal value of each ordinary share from 160/7 pence each to £0.001 each, became effective on 11 July 2024.
(2) Based on the total number of ordinary shares in issue as at 31 December 2024, inclusive of treasury shares.