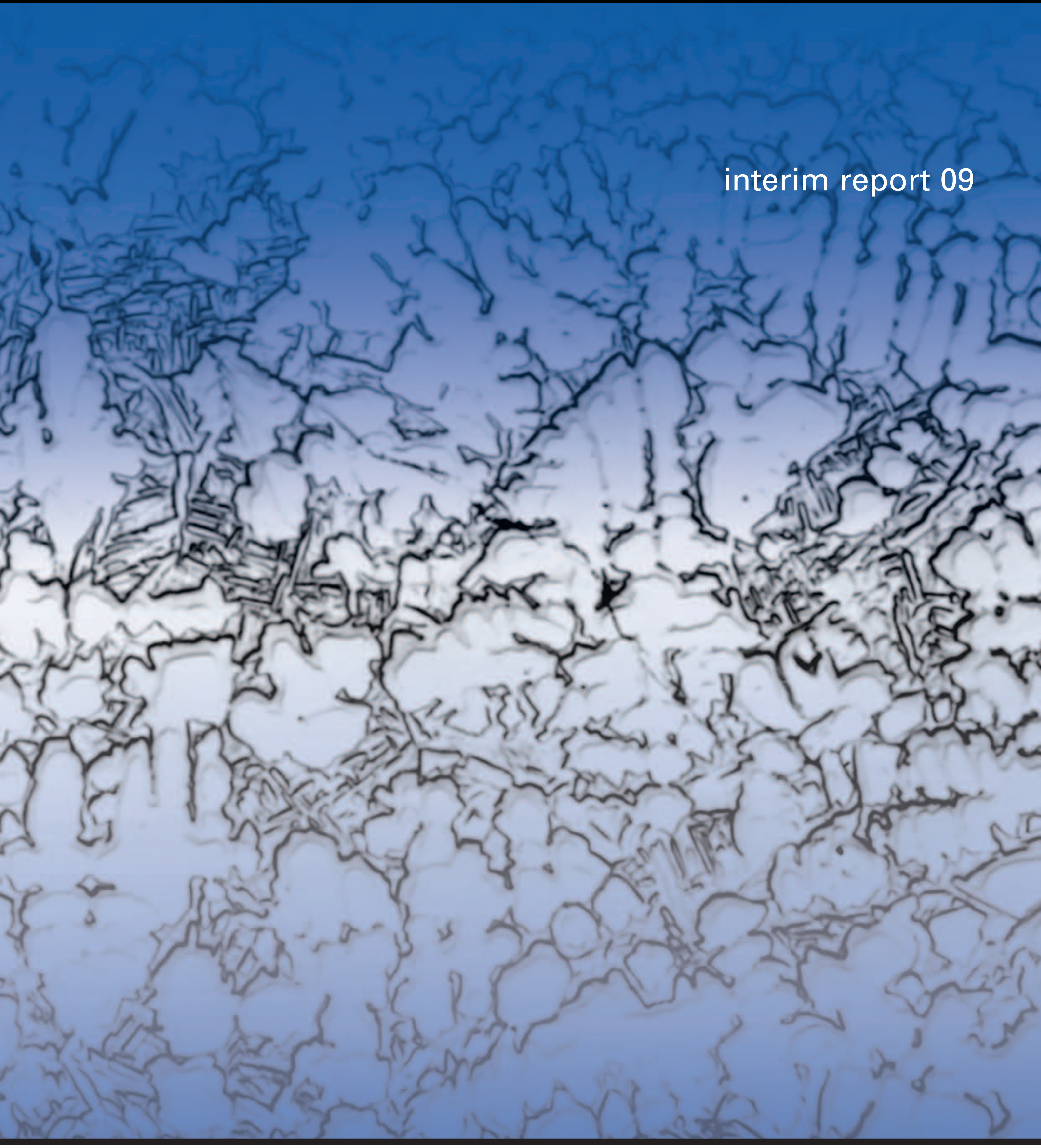
interim report 09



Bodycote

www.bodycote.com/audiocast

Bodycote continually improves the website offerings for both customers and investors. The most recent is the addition of an audio webcast of Bodycote's 2009 Interim Results presentation in the Investor Relations section of the website. We invite you to view and to listen by visiting www.bodycote.com/audiocast

Cover image

This eye-catching photograph shows the microstructure of a gas nitrided sample of Titanium. Nitriding of Titanium is a process that is used to improve the wear properties of the material, which increases the life of Titanium components in service.

Financial Highlights

Bodycote

	Half year to 30 June 2009	Half year to 30 June 2008
Revenue – continuing operations	**£227.9m**	£282.8m
Headline Operating (Loss)/Profit[1] – continuing operations	**£(1.7)m**	£41.0m
Operating (Loss)/Profit – continuing operations	**£(50.8)m**	£40.3m
Headline (Loss)/Profit Before Taxation[1]	**£(4.0)m**	£38.8m
(Loss)/Profit Before Taxation	**£(53.1)m**	£38.2m
Operating Cash Flow[2]	**£14.5m**	£29.0m
Basic Headline (Loss)/Earnings Per Share[3]	**(0.2)p**	9.1p
Basic (Loss)/Earnings Per Share	**(23.9)p**	10.3p
Interim Dividend Per Share	**2.95p**	2.95p
Net Debt	**£88.7m**	£239.3m

CONTENTS

1 Financial Highlights

2 Interim Statement

7 Unaudited Condensed Consolidated Income Statement

8 Unaudited Condensed Consolidated Balance Sheet

9 Unaudited Condensed Consolidated Cash Flow Statement

9 Unaudited Condensed Consolidated Statement of Recognised Income and Expense

10 Unaudited Condensed Consolidated Statement of Changes in Equity

11 Notes to the Condensed Consolidated Financial Information

19 Independent Review Report

20 Shareholder Information

[1] A detailed reconciliation is provided on page 4. 'Headline' excludes the deduction of major facility closure costs of £19.8m (2008: £nil) and impairment charge of £28.6m (2008: £nil).
[2] Operating cash flow is defined as cash generated by operations (£34.2m, 2008: £65.6m) less net capital expenditure (£19.7m, 2008: £36.6m).
[3] A detailed reconciliation is provided in note 5 on page 16.

Interim Statement

OVERVIEW

Bodycote has been significantly impacted by the downturn in manufacturing activity in all parts of the world and the first half of 2009 saw further reductions in customer requirements. Whilst a number of market sectors now appear to be stabilising, there is, as yet, no sign of any meaningful improvement in production levels.

Demand from our automotive and general industrial customers was down between approximately 35% and 50% depending on territory compared to the same period in 2008. These markets now appear to have stabilised. The aerospace and oil & gas sectors, which had been unaffected through the first quarter of the year, have now softened.

Significant management action has been taken both to reduce costs and to conserve cash resources. A major restructuring and reshaping of the Group's continuing business was initiated in late 2008, the details of which were announced in February 2009. The programme has subsequently been expanded in scope. By the end of June a significant proportion of the expanded plan had been implemented and the vast majority of the plan will have been completed by the end of this year. In total, these actions are expected to deliver annualised cost savings of £41m.

In addition, there has been a focus on cash generation, by reducing capital expenditure and by continuing to improve management of debtors and other elements of working capital. Notwithstanding the impact of reduced profits and the £10.2m of cash expended so far on restructuring, operating cash flow was positive in the half year at £14.5m.

RESULTS FOR THE FIRST HALF OF 2009

Revenue performance in the first half of 2009 was weak in most parts of the Group, falling by 31.0% at constant exchange rates compared to the same period of 2008. Additional sales from acquisitions completed in the last twelve months, at 0.6%, were not material. Reported revenue for the continuing business was £227.9m compared to £282.8m in 2008, a decrease of 19.4 % (£54.9m). The translation effect of exchange rate movements increased reported revenues by £32.7m.

Weak demand levels resulted in a headline operating loss for the half year of £1.7m, which compares to an operating profit for the continuing business in the same period of last year of £41.0m. The operating loss, including a £19.8m cost of restructuring, a £28.6m impairment charge and £0.7m in respect of the amortisation of acquired intangibles was £50.8m, while in H1 2008 operating profit was £40.3m.

Cash performance was robust in the face of pressure on profits, with cash outflow from operating activities at £2.6m (2008: £51.7m inflow) and operating cash inflow of £14.5m (2008: £29.0m). Capital expenditure was £19.7m, which is a substantial reduction when compared to the same period in the prior year (2008: £36.6m) and represents 0.8 times depreciation (2008: 1.2 times). Shareholders' funds stand at £427.1m (2008: £510.0m), a decrease of 16.3% as a result of the impact of restructuring, but the Group's financial position has not deteriorated with net debt at 1.8 times, earnings before interest, tax, depreciation, amortisation, impairment and share-based payments (EBITDA), on a rolling twelve month basis, compared to 1.6 times at 30 June 2008. Net debt at 30 June 2009 was £88.7m compared to £64.7m at 31 December 2008.

REVIEW BY DIVISION

Heat Treatment

Revenue was £204.3m (2008: £256.6m), a decrease of 20.4% compared to the same period in 2008. At constant exchange rates the decline was 31.6% (£81.2m). On an organic basis the decrease was 32.3%, marginally offset by 0.7% from acquisitions made within the last year. The headline operating loss was £2.7m (2008: £37.7m profit). The headline operating margin was minus 1.3% (2008: positive 14.7%) having been impacted by the severe downturn in economic activity. The operating loss, after charging £19.2m for restructuring, £28.6m for goodwill impairment, and £0.7m in respect of the amortisation of acquired intangibles, was £51.2m (2008: profit £37.1m).

European Heat Treatment delivered total revenue of £135.1m (2008: £185.0m) for the first six months, a reduction of 27.0% compared to the same period in 2008. At constant exchange rates the decrease was 34.4%. Some of the most difficult trading conditions seen by the Group in the first half were in Europe, especially in countries where automotive, capital goods and general industrial activities predominate.

The Northern Europe region, which includes the UK and Scandinavia, has seen a significant variation in demand from country to country, although both territories saw markedly lower revenue. In the UK there has been no reduction in requirements for power generation, although aerospace sales have fallen 8.7%. Combined revenues in Sweden/Denmark are down approximately 50%, reflecting very weak conditions in the heavy truck and capital equipment markets.

The Central and Eastern European region was severely impacted by very weak automotive and general industrial demand, with Germany being particularly affected. After substantial reductions in customer requirements at the end of 2008 and through most of the first half of 2009, demand now appears to have stabilised in the general industrial sectors and there have been some modest signs of recovery in automotive, albeit from very low levels.

In France and Belgium the automotive and general industrial customer requirements have been affected to a similar degree as in other parts of Europe. The region, however, derives approximately 40% of its revenues from aerospace, defence and energy and consequently the reduction in demand has been somewhat less severe.

North America generated revenues of £58.5m compared to £56.9m in the same period of 2008, an increase of 2.8%, although at constant exchange rates there was a reduction in revenues of 22.6%. Revenues have been significantly impacted by the substantial and broad-based reduction in automotive and general industrial production. We have also seen a notable reduction in demand in the second quarter as aerospace requirements have declined. This reflects a combination of slowdown in the production schedules, particularly of narrow body aircraft, the push-back of new programmes and lower maintenance and repair requirements due to reduced airline flying hours. Demand from the oil & gas sector has been significantly cut back following the halving of the oil price in the last year. There has been a marked reduction in drilling activity (for example, operational rig count in the Gulf of Mexico has dropped from c.1,800 to c.1,100 in the last twelve months) and this has had a direct effect on the Group's business.

Bodycote

Revenues in South America were £8.7m, compared to £13.2m in the same period of last year, a reduction of 34.1% (35.9% at constant currencies). Typically, about two thirds of the Group's business in South America derives from automotive, which, as in all other regions of the world, has been very weak. The second most important market is agricultural equipment, which has been relatively stable.

Bodycote has a small and newly developed presence in Asia. India and China, where most of the Group's revenue in the region is generated, have been broadly stable and are already beginning to grow.

Hot Isostatic Pressing (HIP)

Revenue decreased by 9.9% in the first half compared to the same period of 2008. At constant exchange rates the decline was 24.4%, all of which was organic. Headline operating profit was £3.7m (2008: £8.1m) and headline operating margin was 15.7% (2008: 30.9%). The operating profit, after charging £0.6m in respect of restructuring, was £3.1m (2008: £8.1m).

The industrial gas turbine market is holding up but aerospace has softened and demand for oil & gas and tooling, which particularly impact the Group's business in Europe, has been very weak. The expansion at the Camas (Washington) facility is now complete. This enables the Group to meet foreseeable demand in the North American aerospace and industrial gas turbine markets and creates the opportunity to offer high pressure HIP for medical prostheses and other high technology applications.

In Sweden construction of the very large unit to service the powder metallurgy and near-net-shape market is well underway, with completion expected in the first quarter of 2010.

RESTRUCTURING

At the time of the preliminary announcement in February 2009 we announced the closure or consolidation of 31 locations (13 in the Americas, 17 in Europe and 1 in Asia) and that departments in other facilities would be permanently closed. The cost of these actions is expected to be £77.6m of which £42.7m relates to asset write downs and £34.9m is cash expenditure made up of £23.6m in respect of redundancies and site reorganisations/closures and £11.3m for associated environmental remediation. These plans are proceeding as anticipated both in terms of cost and timing.

As market conditions during the first half have been significantly worse than we expected at the beginning of the year, with revenues at constant exchange rates down 31% compared with our initial expectation of 18-20%, significant further actions are now underway. The objective is to align our cost base with the demand conditions we now face. The working assumption for the restructuring programme is that there will not be any material improvement in the macro economic situation (as it impacts Bodycote) in the immediate future, but that the Group needs to be poised for any upturn in due course. The cost of these actions, which are incremental to those announced in February 2009, is £19.8m of which asset write-downs account for £8.4m and £11.4m comprises cash costs for redundancies (£8.9m) and site reorganisations/closures (£2.5m).

	Asset Write Down £m	Cash Costs £m	Total £m
Original 2008 Restructuring	42.7	34.9	77.6
Additional 2009	8.4	11.4	19.8
Total	51.1	46.3	97.4

	2008 £m	2009 £m	2010 and later £m
Cash expenditure by year	2.1	30.1	14.1
Cost savings in the year	–	28.3	41.0

The restructuring programme at its inception was aimed not only at a general reduction in the cost base, but also at the reshaping of the business via the closure of facilities throughout the Group which had performed inadequately during the strong market conditions that prevailed until the middle of 2008. These site shutdowns, along with associated environmental remediation (particularly in North America) are expensive, resulting in a somewhat longer payback. The expanded plan includes the shutdown of process lines in factories, but only incorporates two additional site closures, and does not markedly affect Bodycote's ability to increase throughput. The plan offers a fast payback and will improve the Group's ability to reap the benefit of substantial upside operational gearing when demand levels improve. As a result of all of the actions, the reduction in personnel by 30 June was 1,800, compared to June last year, of which 700 occurred in 2008 and the balance in the first half of 2009. The total reduction represents 23% of the headcount at 30 June 2008. Some 244 process lines have now been, or will be, permanently or temporarily shut down, representing approximately 12% of the Group's available capacity.

The original plan had an annualised cost saving target of £18m (there are no savings associated with the expenditure on environmental remediation) and the new actions add a further £23m per annum, the full benefits of which will be seen by the Group in 2010. As a result of all the various actions, the Group will have a substantially lower cost base and a de-layered and reorganised management structure, which will position the business well to benefit from economic recovery.

IMPAIRMENT CHARGE

The Group has conducted an assessment of the carrying value of goodwill and investments. As market conditions in the first half of 2009 were significantly worse than anticipated when a similar review was undertaken for the preparation of the accounts for 2008 and the timing of any recovery remains uncertain, the Board has concluded that an impairment of £28.6m in their value is appropriate.

Interim Statement (continued)

Financial results for half year to 30 June 2009

	Revenue		Headline Operating (Loss)/Profit		Margin	
	Half year to 30 June					
	2009 £m	2008 £m	**2009 £m**	2008 £m	**2009 %**	2008 %
Heat Treatment	**204.3**	256.6	**(2.7)**	37.7	**(1.3)**	14.7
HIP	**23.6**	26.2	**3.7**	8.1	**15.7**	30.9
Thermal Processing	**227.9**	282.8	**1.0**	45.8	**0.4**	16.2
Head office costs	**–**	–	**(2.7)**	(4.8)	**–**	–
Continuing operations	**227.9**	282.8	**(1.7)**	41.0	**(0.7)**	14.5
Discontinued operations	**–**	99.8	**–**	11.5	**–**	11.5
Group Total	**227.9**	382.6	**(1.7)**	52.5	**(0.7)**	13.7

Headline operating (loss)/profit is defined as follows:

	Half year to 30 June	
	2009 £m	2008 £m
Headline operating (loss)/profit from continuing operations	**(1.7)**	41.0
Amortisation of acquired intangible fixed assets	**(0.7)**	(0.6)
Impairment charge	**(28.6)**	–
Share of associates' interest and tax	**–**	(0.1)
Major facility closure costs	**(19.8)**	–
Operating (loss)/profit from continuing operations per the interim condensed financial report	**(50.8)**	40.3

Headline (loss)/profit before taxation is defined as follows:

	Half year to 30 June	
	2009 £m	2008 £m
Headline operating (loss)/profit from continuing operations	**(1.7)**	41.0
Net finance charge	**(2.3)**	(2.1)
Share of associates' interest	**–**	(0.1)
Headline (loss)/profit before taxation	**(4.0)**	38.8
Amortisation of acquired intangible fixed assets	**(0.7)**	(0.6)
Impairment charge	**(28.6)**	–
Major facility closure costs	**(19.8)**	–
(Loss)/profit before taxation from continuing operations per the interim condensed financial report	**(53.1)**	38.2

FINANCIAL REVIEW

Revenue

Group revenue, as reported for the half year, was £227.9m, a decrease of £54.9m (19.4%) on 2008 (£282.8m).

Operating (Loss)/ Profit and Margins

The Group's operating loss for the continuing business was £50.8m compared to a profit in the same period of 2008 of £40.3m.

Headline operating margins in Heat Treatment were minus 1.3% (2008: positive 14.7%) and have fallen primarily due to the impact of significantly lower sales. Excluding the benefit of cost savings from restructuring, margins would have been minus 5.7%. Selling prices have gone up on average by approximately 1%, whilst energy costs have increased by around 4% year on year. We expect energy prices in the second half to be broadly unchanged from those incurred in the first half.

In HIP, margins have fallen to 15.7% (2008: 30.9%) as demand in the aerospace, tooling and mining and mineral sectors have softened.

Finance Charge

The net finance charge for the Group was £2.3m compared to £2.1m for the continuing business in 2008. The increase is primarily a result of higher defined benefit pension net finance costs.

Taxation

Tax was a credit of £7.9m in the period, compared to a tax charge of £8.9m in the same period of 2008. The effective tax rate for the period of 14.9% results from the blending of profit-making jurisdictions with loss-making jurisdictions and the impact of differing tax rates in each of the numerous worldwide locations within which the Group operates. Notwithstanding the impact on overall tax rates caused by the blending of profits and losses, the Group continues to expect underlying tax rates of circa 25% to apply to trading results.

(Loss)/Earnings Per Share

Basic and diluted (loss)/ earnings per share from continuing operations for the half year were (23.9)p (2008: 8.9p).

Dividend

The Board has declared an unchanged interim dividend of 2.95p (2008: 2.95p), which although uncovered by profits after tax during the first half, does not impose a material cash burden on the Group. The final dividend for 2009 will be assessed by the Board in light of the outlook for the Group at the time of the preliminary announcement of the Group's results for 2009. The interim dividend will be paid on 6 January 2010 to all shareholders on the register at the close of business on 4 December 2009.

Net Debt

Group net debt at 30 June 2009 was £88.7m (2008: £239.3m). Loans drawn under the committed facilities at 30 June 2009, totaled £145.1m compared to £306.3m at 31 December 2008. The Group continues to be able to borrow at competitive rates and therefore currently deems this to be the most effective means of funding. Gearing at 30 June 2009 was 21% (30 June 2008: 46%).

Cash Flow

The cash outflow from operating activities was £2.6m (2008: £51.7m inflow) and operating cash inflow was £14.5m (2008: £29.0m). After allowing for interest and tax payments (including a £23m payment in respect of the sale of the Testing business), the Group recorded free cash outflow of £15.4m in the first half of the year (2008: £13.4m inflow). There has been continued focus on cash collection and debtor days at 30 June 2009 have improved to 58 days (2008: 66 days).

There were no acquisitions in the first half of 2009 (2008: total consideration £32.2m).

Capital Expenditure

The Group has significantly curtailed its capital expenditure programme whilst ensuring no loss of capability. Net capital expenditure for the first half year was £19.7m (2008: £36.6m) of which £9.1m relates to projects approved in 2008 prior to the extent of the current downturn becoming clear. Net capital expenditure to depreciation was 0.8 times (2008: 1.2 times).

Major capital projects that were in progress during the first half of 2009 included the continuing construction of the new large HIP unit in Surahammar (Sweden) which is expected to be completed in the first quarter of 2010, completion of a new heat treatment facility in Tampere (Finland) and the commissioning of the high pressure HIP unit in Camas (Washington).

Liquidity and Investments

The Group is financed by a mix of cash flows from operations, short-term borrowings, longer-term loans and finance leases. The Group's funding policy aims to ensure continuity of finance at reasonable cost, based on committed facilities from several sources and arranged for a spread of maturities. At 30 June 2009, the Group had £192.7m of unutilised committed facilities with an average remaining life of 2.1 years. The Group's principal committed facility of £225m (£102.7m of which was unutilised at 30 June 2009) has a maturity of 1.1 years. The €125m loan facility is committed until July 2013, €100m of which was unutilised at 30 June 2009. The $20m loan facility is committed until July 2010, $8.2m of which was unutilised at 30 June 2009.

The Group also has access to uncommitted and short-term facilities, used principally to manage day-to-day liquidity and working capital requirements. In addition pooling, netting and concentration techniques are used to minimise borrowings.

Defined Benefit Schemes

The Group's defined pension obligations have been reviewed as at 30 June 2009. The IAS 19 deficit in the UK scheme is £3.0m (31 December 2008: £0.7m), in France for its cash lump sum obligation £5.7m (31 December 2008: £6.8m) and the sum of all other Group schemes is £6.5m (31 December 2008: £7.4m).

PRINCIPAL RISKS AND UNCERTAINTIES

There are a number of potential risks and uncertainties which could have a material impact on the Group's performance over the remainder of the financial year and could cause actual results to differ materially from expected and historical results. These include, but are not limited to:

Markets

The key risk faced by the Group is a reduction in end market demand. Forecasting this demand, given short visibility and the macro uncertainty faced by much of Bodycote's customer base, is difficult and means that the Group must remain constantly ready to adapt to the changing environment.

Commercial relationships

The Group benefits from many long term and partnership agreements with key customers. Damage to or loss of any of these relationships may be detrimental to Group results, although management believe this is highly unlikely. Given that the Group's top ten customers account for only approximately 13% of sales, with the balance made up by many tens of thousands of customers, revenue concentration risk is low and therefore there is no significant individual customer dependency.

Competitors

With the exception of HIP, the Group's markets are fragmented and this means that the actions of competitors are typically felt locally rather than across the Group. The small market and concentrated supply of HIP means that there is a greater risk of material impact on this division should competitors add significant capacity, although management believe that the business has the extensive knowledge and experience needed to preserve its competitive advantage.

Energy

An increase in energy cost is a risk which the Group has been able to largely mitigate so far, although with some time lag, through price adjustments or surcharges and the Group expects to be able to continue this practice.

Foreign exchange

Although 87.6% of the Group's sales are generated outside the UK, the overwhelming majority of those sales are supplied locally to customers buying in the same currency as input costs. Consequently transactional foreign exchange exposure risk is low. The Group is, however, exposed to fluctuation in exchange rates in respect of the translation of non-sterling denominated results. In common with the majority of UK listed companies the Group does not hedge this exposure. However, the Group does partially hedge its balance sheet assets and liabilities through a mixture of local currency loans and cross currency swaps.

Interim Statement (continued)

Treasury

The Group's treasury function provides a centralised service to the Group for funding, foreign exchange, interest rate management and counterparty risk. Treasury activities have the objective of minimising risk and treasury operations are conducted within a framework of policies and guidelines authorised and reviewed by the Board.

The Group uses a number of derivative instruments that are transacted, for risk management purposes only, by specialist treasury personnel. The use of financial instruments including derivatives is permitted when approved by the Board, where the effect is to minimise risk for the Group. Speculative trading of derivatives or other financial instruments is not permitted.

The Group's principal committed facility of £225m matures on 22 August 2010. The refinancing of this facility represents a liquidity risk to the Group. It is intended that the refinancing will be completed before the end of 2009.

Credit risk

Concentrations of credit risk with respect to trade receivables are limited. The Group has a diverse customer base of many tens of thousands of customers and is not reliant on any one business sector, end market, or client. The largest customer represents approximately 2.7% of total Group revenue and the top ten customers account for approximately 13%. The Group's diverse client base provides the Group with balanced demand from a number of sectors. Management is mindful of current difficult trading conditions being experienced in a number of sectors in which the Group trades and has reviewed the provisions for bad and doubtful debts accordingly.

CURRENT TRADING AND OUTLOOK

Recently there has been some modest improvement in automotive demand from the very depressed levels seen in the early part of the year, although customers' summer shutdowns across a range of industries are expected to be longer than in previous years. Aerospace and oil & gas demand continues to soften. As usual, because of holidays, the number of effective working days will be approximately 5% less in the second half than in the first. The wide-ranging restructuring plans that are being actioned are already delivering material cost savings and these are expected to increase during the second half of 2009. Demand visibility remains limited due to the Group's short order book and continuing uncertainty in market conditions.

S C Harris
Chief Executive
29 July 2009

D F Landless
Group Finance Director
29 July 2009

RESPONSIBILITY STATEMENT

We confirm to the best of our knowledge that the condensed consolidated set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting'; the interim statement includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); the interim statement includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

S C Harris
Chief Executive
29 July 2009

D F Landless
Group Finance Director
29 July 2009

Unaudited Condensed Consolidated Income Statement

Bodycote

Year ended 31 Dec 2008 £m		**Half year to 30 June 2009 £m**	Half year to 30 June 2008 £m	Note
	Revenue			
541.4	Existing operations	**227.9**	278.7	
10.4	Acquisitions	**–**	4.1	
551.8	**Revenue - continuing operations**	**227.9**	282.8	2
	Operating (loss)/profit			
(54.7)	Existing operations	**(50.8)**	38.9	
3.0	Acquisitions	**–**	1.1	
–	Share of results of associates	**–**	0.3	
(51.7)	**Operating (loss)/profit - continuing operations**	**(50.8)**	40.3	2
71.2	Operating (loss)/profit prior to exceptional items	**(1.7)**	40.9	
(1.3)	Amortisation of acquired intangible fixed assets	**(0.7)**	(0.6)	
(44.0)	Impairment charge	**(28.6)**	–	
(77.6)	Major facility closure costs	**(19.8)**	–	3
(51.7)	**Operating (loss)/profit - continuing operations**	**(50.8)**	40.3	2
4.9	Investment revenue	**1.2**	0.9	
(8.5)	Finance costs	**(3.5)**	(3.0)	
(55.3)	**(Loss)/profit before taxation**	**(53.1)**	38.2	
17.2	Taxation	**7.9**	(8.9)	4
(38.1)	**(Loss)/profit for the period - continuing operations**	**(45.2)**	29.3	
	Discontinued operations			
188.8	Profit for the period - discontinued operations	**–**	4.4	
150.7	**(Loss)/profit for the period**	**(45.2)**	33.7	
	Attributable to:			
149.8	Equity holders of the parent	**(44.5)**	32.9	
0.9	Minority interest	**(0.7)**	0.8	
150.7		**(45.2)**	33.7	
	(Loss)/earnings per share			5
Pence		**Pence**	Pence	
	From continuing operations:			
(12.5)	Basic	**(23.9)**	8.9	
(12.5)	Diluted	**(23.9)**	8.9	
	From continuing and discontinued operations:			
48.2	Basic	**(23.9)**	10.3	
48.1	Diluted	**(23.9)**	10.3	

Unaudited Condensed Consolidated Balance Sheet

As at 31 Dec 2008 £m		As at 30 June 2009 £m	As at 30 June 2008 £m
	Non-current assets		
141.6	Goodwill	**113.7**	240.5
12.8	Other intangible assets	**10.9**	14.3
533.3	Property, plant and equipment	**461.3**	539.7
8.2	Interests in associates	**3.7**	6.4
0.7	Finance lease receivables	**0.7**	0.9
52.5	Deferred tax asset	**53.6**	33.0
–	Derivative financial instruments	**0.3**	0.1
3.0	Trade and other receivables	**2.9**	13.1
752.1		**647.1**	848.0
	Current assets		
14.0	Inventories	**12.2**	21.5
0.4	Finance lease receivables	**0.4**	0.4
1.8	Derivative financial instruments	**2.4**	0.2
128.4	Trade and other receivables	**88.4**	193.6
258.4	Cash and cash equivalents	**63.6**	38.1
3.6	Assets classified as held for sale	**3.5**	3.2
406.6		**170.5**	257.0
1,158.7	**Total assets**	**817.6**	1,105.0
	Current liabilities		
118.9	Trade and other payables	**90.8**	138.9
9.4	Dividends payable	**–**	16.7
33.6	Current tax liabilities	**3.2**	16.5
1.2	Obligations under finance leases	**0.6**	1.0
16.3	Borrowings	**5.2**	15.6
26.3	Derivative financial instruments	**6.0**	11.0
27.2	Provisions	**25.8**	4.7
232.9		**131.6**	204.4
173.7	**Net current assets**	**38.9**	52.6
	Non-current liabilities		
302.9	Borrowings	**144.2**	257.8
14.9	Retirement benefit obligations	**15.2**	32.6
78.3	Deferred tax liabilities	**71.1**	77.7
2.7	Obligations under finance leases	**2.3**	3.0
5.2	Derivative financial instruments	**0.3**	2.0
15.5	Provisions	**13.1**	2.3
9.4	Other payables	**8.7**	8.0
428.9		**254.9**	383.4
661.8	**Total liabilities**	**386.5**	587.8
496.9	**Net assets**	**431.1**	517.2
	Equity		
32.4	Share capital	**32.4**	32.4
175.7	Share premium account	**175.9**	305.1
(10.9)	Own shares	**(6.8)**	(11.0)
137.3	Other reserves	**134.8**	7.9
31.1	Hedging and translation reserves	**20.5**	25.0
126.4	Retained earnings	**70.3**	150.6
492.0	**Equity attributable to equity holders of the parent**	**427.1**	510.0
4.9	**Minority interest**	**4.0**	7.2
496.9	**Total equity**	**431.1**	517.2

Unaudited Condensed Consolidated Cash Flow Statement

Bodycote

Year ended 31 Dec 2008 £m		**Half year to 30 June 2009 £m**	Half year to 30 June 2008 £m	Note
102.5	**Net cash from operating activities**	**(2.6)**	51.7	7
	Investing activities			
(77.1)	Purchases of property, plant and equipment	**(21.5)**	(38.4)	
4.6	Proceeds on disposal of property, plant and equipment and intangible assets	**2.2**	2.9	
(2.4)	Purchases of intangible fixed assets	**(0.4)**	(1.1)	
(5.6)	Acquisition of investment in an associate	**–**	(5.5)	
(29.3)	Acquisition of subsidiaries	**–**	(26.7)	
400.1	Disposal of subsidiaries	**–**	–	
(21.0)	Lump sum contribution to pension scheme	**–**	–	
269.3	**Net cash (used in)/generated from investing activities**	**(19.7)**	(68.8)	
	Financing activities			
12.5	Interest received	**3.4**	1.2	
(20.5)	Interest paid	**(6.3)**	(7.9)	
(154.3)	Dividends paid	**(20.0)**	(8.9)	
(0.1)	Dividends paid to a minority shareholder	**–**	(0.1)	
(6.0)	Repayments of bank loans	**(160.1)**	(3.1)	
(2.6)	Payments of obligations under finance leases	**(0.7)**	(1.7)	
8.0	New bank loans raised	**18.6**	32.5	
0.3	New obligations under finance leases	**–**	–	
0.2	Proceeds on issue of ordinary share capital	**0.2**	0.1	
0.1	Own shares purchased/settlement of share options	**1.2**	–	
(162.4)	**Net cash (used in)/generated from financing activities**	**(163.7)**	12.1	
209.4	**Net (decrease)/increase in cash and cash equivalents**	**(186.0)**	(5.0)	
34.3	**Cash and cash equivalents at beginning of period**	**249.5**	34.3	
5.8	Effect of foreign exchange rate changes	**(3.2)**	2.3	
249.5	**Cash and cash equivalents at end of period**	**60.3**	31.6	

Unaudited Condensed Consolidated Statement of Recognised Income and Expense

Year ended 31 Dec 2008 £m		**Half year to 30 June 2009 £m**	Half year to 30 June 2008 £m
14.2	Exchange differences on translation of foreign operations	**(10.6)**	8.1
(11.4)	Actuarial (losses)/gains on defined benefit pension schemes	**(2.7)**	(8.4)
2.2	Tax on items taken directly to equity	**0.7**	2.1
5.0	**Net (expense)/income recognised directly in equity**	**(12.6)**	1.8
150.7	**(Loss)/profit for the period**	**(45.2)**	33.7
155.7	**Total recognised income and expense for the period**	**(57.8)**	35.5
	Attributable to:		
154.8	Equity holders of the parent	**(57.1)**	34.7
0.9	Minority interest	**(0.7)**	0.8
155.7		**(57.8)**	35.5

Unaudited Condensed Consolidated Statement of Changes in Equity

	Share capital £m	Share premium £m	Own shares £m	Other reserves £m	Hedging and translation reserves £m	Retained earnings £m	Equity attributable to equity holders of the parent £m	Minority interest £m	Total equity £m
Half year to 30 June 2009									
1 January 2009	**32.4**	**175.7**	**(10.9)**	**137.3**	**31.1**	**126.4**	**492.0**	**4.9**	**496.9**
Premium arising on issue of equity shares	**–**	**0.2**	**–**	**–**	**–**	**–**	**0.2**	**–**	**0.2**
Return of capital to shareholders and redemption of B shares	**–**	**–**	**–**	**0.7**	**–**	**(0.7)**	**–**	**–**	**–**
Acquired in the period/ settlement of share options	**–**	**–**	**1.2**	**–**	**–**	**–**	**1.2**	**–**	**1.2**
Share-based payments	**–**	**–**	**2.9**	**(3.2)**	**–**	**1.0**	**0.7**	**–**	**0.7**
Exchange differences on translation of overseas operations	**–**	**–**	**–**	**–**	**(89.9)**	**–**	**(89.9)**	**(0.5)**	**(90.4)**
Movement on hedges of net investments	**–**	**–**	**–**	**–**	**79.3**	**–**	**79.3**	**–**	**79.3**
Dividends paid	**–**	**–**	**–**	**–**	**–**	**(9.9)**	**(9.9)**	**–**	**(9.9)**
Net profit for the period	**–**	**–**	**–**	**–**	**–**	**(44.5)**	**(44.5)**	**(0.4)**	**(44.9)**
Other items taken directly to equity	**–**	**–**	**–**	**–**	**–**	**(2.0)**	**(2.0)**	**–**	**(2.0)**
30 June 2009	**32.4**	**175.9**	**(6.8)**	**134.8**	**20.5**	**70.3**	**427.1**	**4.0**	**431.1**
Half year to 30 June 2008									
1 January 2008	32.4	305.0	(11.0)	6.0	16.9	140.7	490.0	6.6	496.6
Premium arising on issue of equity shares	–	0.1	–	–	–	–	0.1	–	0.1
Share-based payments	–	–	–	1.8	–	–	1.8	–	1.8
Revaluation increase on land and buildings	–	–	–	0.1	–	–	0.1	–	0.1
Exchange differences on translation of overseas operations	–	–	–	–	17.5	–	17.5	(0.1)	17.4
Movement on hedges of net investments	–	–	–	–	(9.4)	–	(9.4)	–	(9.4)
Dividends paid	–	–	–	–	–	(16.7)	(16.7)	(0.1)	(16.8)
Net profit for the period	–	–	–	–	–	32.9	32.9	0.8	33.7
Other items taken directly to equity	–	–	–	–	–	(6.3)	(6.3)	–	(6.3)
30 June 2008	32.4	305.1	(11.0)	7.9	25.0	150.6	510.0	7.2	517.2
Year ended 31 December 2008									
1 January 2008	32.4	305.0	(11.0)	6.0	16.9	140.7	490.0	6.6	496.6
Premium arising on issue of equity shares (net of expenses)	–	0.3	–	–	–	–	0.3	–	0.3
Return of capital to shareholders and redemption of B shares	–	(129.6)	–	128.7	–	–	(0.9)	–	(0.9)
Acquired in the year/ settlement of share options	–	–	0.1	–	–	–	0.1	–	0.1
Share-based payments	–	–	–	2.6	–	–	2.6	–	2.6
Exchange differences on translation of overseas operations	–	–	–	–	183.3	–	183.3	0.8	184.1
Movement on hedges of net investments	–	–	–	–	(169.1)	–	(169.1)	–	(169.1)
Dividends paid	–	–	–	–	–	(154.9)	(154.9)	(0.1)	(155.0)
Net profit for the year	–	–	–	–	–	149.8	149.8	0.9	150.7
Purchase of minority interest	–	–	–	–	–	–	–	0.5	0.5
Sale of minority interest	–	–	–	–	–	–	–	(3.8)	(3.8)
Other items taken directly to equity	–	–	–	–	–	(9.2)	(9.2)	–	(9.2)
31 December 2008	32.4	175.7	(10.9)	137.3	31.1	126.4	492.0	4.9	496.9

Notes to the Condensed Consolidated Financial Information

1. Basis of preparation and accounting policies

This unaudited consolidated interim financial information for the half year ended 30 June 2009 has been prepared in accordance with IAS 34, 'Interim financial reporting'.

The interim financial report has been prepared using accounting policies consistent with International Financial Reporting Standards (IFRSs) and in accordance with those disclosed in the annual report for the year ended 31 December 2008 (with the exception of the adoption of IFRS 8 'Operating segments', which provides disclosure of additional segmental information in note 2), which was filed with the Registrar of Companies on 28 April 2009.

In addition, IAS 1 (revised) 'Presentation of financial statements' requires the presentation of a statement of changes in equity as a primary statement, separate from the income statement and statement of recognised income and expense. As a result, a condensed consolidated statement of changes in equity has been included in the primary statements, showing the changes in each component of equity for each period presented.

In determining the basis of preparation for the interim financial report, the Directors have considered the Group's business activities, together with the factors likely to affect its future development, performance and position which are set out in the Financial Review. The Review includes an overview of the Group's financial position, its cash flows, liquidity position and borrowing facilities.

The Group meets its day to day working capital requirements through a combination of committed and uncommitted facilities and overdrafts. The overdrafts and uncommitted facilities are repayable on demand but the committed facilities are due for renewal as set out in the Financial Review. Based on current trading and the Group's cash flow projections for the next 12 months there is sufficient headroom in the committed facility covenants to assume that these facilities can be operated as contracted for the foreseeable future.

The current economic conditions create uncertainty particularly over the levels of demand for the Group's services and the availability of bank and capital market finance in the future. The Group's forecasts and projections show that the Group should be able to operate within the level of its current committed facilities. However the Group's order book, as is usual, is short and the prediction of future demand is uncertain and this can have a material impact on the Group's results. Based on current dialogue with the Group's lenders, the Directors expect to renew facilities in due course and are not aware of any reason why renewal would not be forthcoming on acceptable market terms, nor over the ongoing availability of facilities in the event of a further deterioration in results arising from a reasonable potential change in trading performance.

After making enquiries, the Directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason the Directors continue to adopt the going concern basis in preparing the financial statements.

Copies of this report and the last Annual Report and Accounts are available from the Secretary, Bodycote plc, Springwood Court, Springwood Close, Tytherington Business Park, Macclesfield, Cheshire SK10 2XF, and can each be downloaded or viewed via the Group's website at www.bodycote.com. Copies of this report have also been submitted to the UK Listing Authority, and will shortly be available at the UK Listing Authority's Document Viewing Facility at 25 The North Colonnade, Canary Wharf, London E14 5HS (Telephone +44(0) 207-676-1000).

2. Business segments

The following is an analysis of the Group's revenue and results by reportable segment:

	Half year to 30 June 2009					
	Heat Treatment £m	Hot Isostatic Pressing £m	Head Office and eliminations £m	Consolidated £m	Discontinued operations (Testing) £m	Total Group £m
Revenue						
Total revenue	204.3	23.6	–	227.9	–	227.9
Result						
Segment result prior to exceptional items and share of associates' profit after tax	(2.7)	3.7	–	1.0	–	1.0
Unallocated corporate expenses	–	–	(2.7)	(2.7)	–	(2.7)
Headline operating (loss)/profit	(2.7)	3.7	(2.7)	(1.7)	–	(1.7)
Amortisation of acquired intangible fixed assets	(0.7)	–	–	(0.7)	–	(0.7)
Impairment charge	(28.6)	–	–	(28.6)	–	(28.6)
Major facility closure costs	(19.2)	(0.6)	–	(19.8)	–	(19.8)
Segment result	(51.2)	3.1	(2.7)	(50.8)	–	(50.8)
Investment revenue				1.2		
Finance costs				(3.5)		
Loss before tax				(53.1)		
Tax				7.9		
Loss for the period from discontinued operations				–		
Loss for the period				(45.2)		

Segment headline operating (loss)/profit represents the (loss)/profit made by each segment without allocation of central corporate expenses, investment revenue, finance costs and income tax expense. This is the measure reported to the Group's Chief Executive for the purposes of resource allocation and assessment of segment performance.

The impairment charge comprises impairment of goodwill and investment in associate.

Inter-segment sales are not material.

Bodycote

2. **Business segments** continued

Half year to 30 June 2008

	Heat Treatment £m	Hot Isostatic Pressing £m	Head Office and eliminations £m	Consolidated £m	Discontinued operations (Testing) £m	Total Group £m
Revenue						
Total revenue	256.6	26.2	–	282.8	99.8	382.6
Result						
Segment result prior to exceptional items and share of associates' profit after tax	37.3	8.1	–	45.4	11.5	56.9
Share of associates' operating profit	0.4	–	–	0.4	–	0.4
Unallocated corporate expenses	–	–	(4.8)	(4.8)	–	(4.8)
Headline operating profit	37.7	8.1	(4.8)	41.0	11.5	52.5
Amortisation of acquired intangible fixed assets	(0.6)	–	–	(0.6)	(0.4)	(1.0)
Disposal of Testing business	–	–	–	–	(0.6)	(0.6)
Segment result	37.1	8.1	(4.8)	40.4	10.5	50.9
Share of associates' interest and tax	(0.1)			(0.1)		
Operating profit				40.3		
Investment revenue				0.9		
Finance costs				(3.0)		
Profit before tax				38.2		
Tax				(8.9)		
Profit for the period from discontinued operations				4.4		
Profit for the period				33.7		

Year ended 31 December 2008

	Heat Treatment £m	Hot Isostatic Pressing £m	Head Office and eliminations £m	Consolidated £m	Discontinued operations (Testing) £m	Total Group £m
Revenue						
Total revenue	499.9	51.9	–	551.8	164.9	716.7
Result						
Segment result prior to exceptional items and share of associates' profit after tax	60.0	15.3	–	75.3	20.5	95.8
Unallocated corporate expenses	–	–	(4.1)	(4.1)	–	(4.1)
Headline operating profit	60.0	15.3	(4.1)	71.2	20.5	91.7
Amortisation of acquired intangible fixed assets	(1.3)	–	–	(1.3)	(0.6)	(1.9)
Impairment charge	(31.9)	–	(12.1)	(44.0)	–	(44.0)
Major facility closure costs	(77.1)	(0.5)	–	(77.6)	–	(77.6)
Disposal of Testing business	–	–	–	–	199.3	199.3
Segment result	(50.3)	14.8	(16.2)	(51.7)	219.2	167.5
Investment revenue				4.9		
Finance costs				(8.5)		
Loss before tax				(55.3)		
Tax				17.2		
Profit for the year from discontinued operations				188.8		
Profit for the year				150.7		

The impairment charge comprises impairment of goodwill and loan due from associate.

Notes to the Condensed Consolidated Financial Information

2. Business segments continued

Segment assets

	Heat Treatment £m	Hot Isostatic Pressing £m	Discontinued operations (Testing) £m	Head Office and eliminations £m	Consolidated £m
Half year to 30 June 2009					
Segment assets	**664.9**	**98.5**	**–**	**50.5**	**813.9**
Interests in associates	**3.7**	**–**	**–**	**–**	**3.7**
Consolidated total assets	**668.6**	**98.5**	**–**	**50.5**	**817.6**
Half year to 30 June 2008					
Segment assets	806.3	88.4	215.5	(11.6)	1,098.6
Interests in associates	6.4	–	–	–	6.4
Consolidated total assets	812.7	88.4	215.5	(11.6)	1,105.0
Year ended 31 December 2008					
Segment assets	816.6	106.7	–	227.2	1,150.5
Interests in associates	8.2	–	–	–	8.2
Consolidated total assets	824.8	106.7	–	227.2	1,158.7

For the purposes of monitoring segment performance and allocating resources between segments, the Group's Chief Executive monitors the tangible, intangible and financial assets attributable to each segment. All assets are allocated to reportable segments with the exception of investments in associates.

3. Restructuring provisions

	Restructuring provision £m	Restructuring environmental provision £m
At 1 January 2009	**24.2**	**10.7**
Increase of provision	**11.4**	**–**
Utilisation of provision	**(8.3)**	**(1.9)**
Exchange difference	**(2.6)**	**(0.2)**
At 30 June 2009	**24.7**	**8.6**

As set out in the Interim Statement the Group continued its restructuring plan in the first half of 2009. Exceptional charges resulting from this plan of £19.8m have been made in the period, which comprises the £11.4m of cash restructuring exceptional charges which have been added to the restructuring provisions (2008: £nil) and £8.4m relating to the impairment of fixed assets (2008: £nil). From the total restructuring provisions £10.2m has been utilised in the period (2008: £nil) and it is anticipated that the vast majority of the remaining provision will be utilised by the end of 2009.

4. Taxation

	Half year to 30 June 2009		
	Continuing operations £m	**Discontinued operations £m**	**Total £m**
Current tax:			
Current tax - charge for the period	**(3.3)**	**–**	**(3.3)**
Current tax - adjustments in respect of prior periods	**(0.3)**	**–**	**(0.3)**
	(3.6)	**–**	**(3.6)**
Deferred tax	**(4.3)**	**–**	**(4.3)**
	(7.9)	**–**	**(7.9)**

	Half year to 30 June 2008		
	Continuing operations £m	Discontinued operations £m	Total £m
Current tax:			
Current tax - charge for the period	9.5	1.7	11.2
Current tax - adjustments in respect of prior periods	(0.5)	0.5	–
	9.0	2.2	11.2
Deferred tax	(0.1)	(0.1)	(0.2)
	8.9	2.1	11.0

	Year ended 31 December 2008		
	Continuing operations £m	Discontinued operations £m	Total £m
Current tax:			
Current tax - charge for the year	12.9	23.6	36.5
Current tax - adjustments in respect of prior years	0.2	0.3	0.5
	13.1	23.9	37.0
Deferred tax	(30.3)	0.1	(30.2)
	(17.2)	24.0	6.8

The rate of tax for the interim period is 14.9% (2008 interim: 24.6%) of the loss before tax. The rate of tax is reflective of the impact of blending profits and losses from different countries and the different tax rates associated with those countries.

Notes to the Condensed Consolidated Financial Information

5. (Loss)/earnings per share

The calculation of the basic and diluted (loss)/earnings per share is based on the following data:

Year ended 31 Dec 2008 £m		**Half year to 30 June 2009 £m**	Half year to 30 June 2008 £m
	(Loss)/earnings		
149.8	(Loss)/earnings for the purpose of basic (loss)/earnings per share being net profit attributable to equity holders of the parent	**(44.5)**	32.9
Number	**Number of shares**	**Number**	Number
310,936,573	Weighted average number of ordinary shares for the purposes of basic (loss)/earnings per share	**185,902,392**	318,606,650
	Effect of dilutive potential ordinary shares:		
239,456	Share options	**6,724**	320,114
311,176,029	Weighted average number of ordinary shares for the purposes of diluted (loss)/earnings per share	**185,909,116**	318,926,764
£m	**From continuing operations**	**£m**	£m
	(Loss)/earnings		
149.8	Net (loss)/profit attributable to equity holders of the parent	**(44.5)**	32.9
(188.8)	Adjustments to exclude profit for the period from discontinued operations	**–**	(4.4)
(39.0)	(Loss)/earnings from continuing operations for the purpose of basic (loss)/earnings per share excluding discontinued operations	**(44.5)**	28.5
	The denominators used are the same as those detailed above for both basic and diluted (loss)/earnings per share from continuing and discontinued operations.		
Pence	**(Loss)/earnings per share from continuing and discontinued operations:**	**Pence**	Pence
48.2	Basic	**(23.9)**	10.3
48.1	Diluted	**(23.9)**	10.3
	(Loss)/earnings per share from discontinued operations:		
60.7	Basic	**–**	1.4
60.7	Diluted	**–**	1.4
	(Loss)/earnings per share from continuing operations:		
(12.5)	Basic	**(23.9)**	8.9
(12.5)	Diluted	**(23.9)**	8.9
£m	**Headline (loss)/earnings from continuing operations**	**£m**	£m
149.8	Net (loss)/profit attributable to equity holders of the parent	**(44.5)**	32.9
	Add back:		
40.1	Impairment charge	**28.6**	–
1.2	Amortisation of acquired intangible fixed assets	**0.7**	0.6
52.0	Major facility closure costs	**14.8**	–
(188.8)	Profit for the period - discontinued operations	**–**	(4.4)
54.3	Headline (loss)/earnings	**(0.4)**	29.1
Pence	**Headline (loss)/earnings per share from continuing operations:**	**Pence**	Pence
17.5	Basic	**(0.2)**	9.1
17.4	Diluted	**(0.2)**	9.1

6. Dividends

Amounts recognised as distributions to equity holders in the period:

Year ended 31 Dec 2008 £m		**Half year to 30 June 2009 £m**	Half year to 30 June 2008 £m
16.7	Final dividend for the year ended 31 December 2007 of 5.25p per share	**–**	16.7
9.4	Interim dividend for the year ended 31 December 2008 of 2.95p per share	**–**	–
128.8	B share special dividend or redemption for the year ended 31 December 2008 of 40.00p per share	**–**	–
–	Final dividend for the year ended 31 December 2008 of 5.35p per share	**9.9**	–
154.9		**9.9**	16.7

7. Notes to the cash flow statement

Year ended 31 Dec 2008 £m		**Half year to 30 June 2009 £m**	Half year to 30 June 2008 £m
150.7	(Loss)/profit for the period	**(45.2)**	33.7
	Adjustments for:		
(5.7)	Investment revenues - continuing and discontinued	**(1.2)**	(1.3)
15.7	Finance costs - continuing and discontinued	**3.5**	7.4
6.8	Taxation - continuing and discontinued	**(7.9)**	11.0
57.8	Depreciation of property, plant and equipment	**25.0**	29.2
2.9	Amortisation of intangible assets	**1.2**	1.5
0.1	Loss/(gain) on disposal of property, plant and equipment	**–**	(0.1)
–	Income from associates	**–**	(0.4)
2.6	Share-based payments	**0.7**	1.8
44.0	Impairment charge	**28.6**	–
42.7	Major facility closure costs	**8.4**	–
(199.3)	Gain on disposal of discontinued operations	**–**	0.1
118.3	EBITDA*	**13.1**	82.9
1.5	Decrease in inventories	**0.4**	0.5
2.3	Decrease/(increase) in receivables	**27.8**	(21.2)
(16.8)	(Decrease)/increase in payables	**(9.0)**	4.8
30.6	Increase/(decrease) in provisions	**1.9**	(1.4)
135.9	Cash generated by operations	**34.2**	65.6
(12.9)	Cash outflow from settlement of derivative financial instruments	**(9.8)**	(5.0)
(20.5)	Income taxes paid	**(27.0)**	(8.9)
102.5	Net cash from operating activities	**(2.6)**	51.7

*Earnings before interest, tax, depreciation, amortisation, impairment and share-based payments.

Cash and cash equivalents comprise cash at bank (including bank overdrafts) and other short-term highly liquid investments with a maturity of three months or less.

Notes to the Condensed Consolidated Financial Information

8. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its associates are disclosed below.

Trading transactions

During the period, Group companies entered into the following transactions with related parties who are not members of the Group:

Year ended 31 Dec 2008 £m		**Half year to 30 June 2009 £m**	Half year to 30 June 2008 £m
3.1	Sale of goods and services	**1.8**	1.3
0.2	Purchase of goods and services	**0.1**	0.1
–	Amounts owed to related parties	**–**	0.1
18.2	Amounts owed by related parties	**16.6**	13.6

Sales of goods and services includes the sale of property, payments received from finance leases and the provision of management services. All transactions were made at arm's length. The amounts outstanding will be settled in cash, of which £0.4m is secured. No guarantees have been given or received. £14.7m of provisions have been made for loans to related parties denominated in Swiss Francs, of which £1.0m was expensed during the period.

9. General information

The information for the year ended 31 December 2008 does not constitute statutory accounts as defined in section 435 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditors' report on those accounts was not qualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

Independent Review Report to Bodycote plc

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2009 which comprises the income statement, the balance sheet, the statement of recognised income and expense, the cash flow statement and related notes 1 to 9. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

Directors' responsibilities

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

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting,' as adopted by the European Union.

Our responsibility

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

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2009 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Deloitte LLP

Deloitte LLP
Chartered Accountants and Registered Auditor
Manchester, UK
29 July 2009

Notes:

a) A review does not provide assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular on whether any changes may have occurred to the financial information since first published. These matters are the responsibility of the directors but no control can provide absolute assurance in this area.

b) Legislation in the United Kingdom governing the preparation and dissemination of financial information differs from legislation in other jurisdictions.

Financial Calendar

Interim dividend for 2009	6 January 2010
Results for 2009	February 2010
Annual general meeting	April 2010
Final dividend for 2009	May 2010
Interim results for 2009	July 2010
Interim dividend for 2010	January 2011

Shareholder Enquiries

Enquiries on the following administrative matters can be addressed to the Company's registrars, Capita Registrars, Northern House, Woodsome Park, Fenay Bridge, Huddersfield HD8 0LA. Telephone: 0871 664 0300 (calls to 0871 numbers cost 10p per minute plus network extras) or +44(0)208 639 3399; Fax: +44(0)1484 600911; and email: shareholder.services@capitaregistrars.com.

- Change of address
- Lost share certificates or dividend cheques
- Dividend mandates
- Amalgamation of holdings

Forms for these matters can be downloaded from the registrars' website at www.capitaregistrars.com, where shareholders can also check their holdings and details.

Share Dealing Service

Information on a low cost share dealing service offered by our registrar is available from Capita on 0871 664 0300 (calls to 0871 numbers cost 10p per minute plus network extras) or at www.capitadeal.com.

www.bodycote.com

Bodycote plc
Springwood Court
Springwood Close
Tytherington Business Park
Macclesfield
Cheshire
SK10 2XF

Tel: +44 (0)1625 505300
Fax: +44 (0)1625 505313
Email: info@bodycote.com

Ref: ID4831
Designed and produced by ID
www.interactivedimension.com

Printed by CMYK Group