

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. Accounting policies

Basis of preparation

This condensed set of financial statements for the half year ended 30 June 2012 has been prepared in accordance with IAS 34, 'Interim financial reporting'.

The Interim Management Report has been prepared using accounting policies consistent with International Financial Reporting Standards (IFRSs) as adopted by the European Union and in accordance with those disclosed in the annual report for the year ended 31 December 2011, which was filed with the Registrar of Companies on 27 April 2012.

Going concern

In determining the basis of preparation for the Interim Management 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 Overview. This includes an overview of the Group's financial position, its cash flows, liquidity position and borrowing facilities.

The Group meets its 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 below. There is sufficient headroom in the committed facility covenants to assume that these facilities can be operated as contracted for the foreseeable future. The committed facilities as at 30 June 2012 were as follows:

- €125m Revolving Credit Facility maturing 31 July 2013
- £125m Revolving Credit Facility maturing 31 August 2016
- \$10m Letter of Credit Facility maturing 31 August 2016

The Group's forecasts and projections, which cover a period of at least 12 months from the date of approval of this interim management report, taking account of reasonable potential changes in trading performance, show that the Group should be able to operate within the level of its current committed facilities.

The Directors have reviewed forecasts and projections for the Group's markets and services, assessing the committed facility and financial covenant headroom, central liquidity and the Company's ability to access further funding. The Directors also reviewed downside sensitivity analysis over the forecast period, thereby taking into account the uncertainties arising from the current economic environment. Following this review, the Directors have formed a judgement, at the time of approving the condensed 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 condensed financial statements.

Changes in accounting policy

The same accounting policies, presentation and methods of computation are followed in the condensed set of financial statements as applied in the Group's latest annual audited financial statements.

The adoption of the following standard, at 1 January 2012, has had no material impact on the Group's financial statements.

- IFRS 7 'Financial Instruments Disclosures – amendment' was issued in October 2010, is effective for periods commencing on or after 1 July 2011 and was endorsed by the EU in November 2011.

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).