Bodycote plc
Interim results for the six months ended 30 June 2016

Financial highlights	**Half year to 30 June 2016**	Half year to 30 June 2015	*% change*
Revenue	**£291.0m**	£299.8m	*(2.9%)*
Headline operating profit[1]	**£49.3m**	£54.1m	*(8.9%)*
Return on sales[2]	**16.9%**	18.0%	
Headline profit before taxation[1]	**£48.1m**	£52.6m	*(8.6%)*
Headline operating cash flow[3]	**£38.0m**	£40.2m	*(5.5%)*
Net debt	**£5.5m**	£7.0m	
Basic headline earnings per share[4]	**18.3p**	21.1p	*(13.3%)*
Interim dividend per share[5]	**5.0p**	4.8p	*4.2%*

Statutory results

Operating profit	**£47.1m**	£32.1m
Profit before taxation	**£45.9m**	£30.6m
Basic earnings per share[4]	**17.5p**	10.6p

Highlights

- Group revenue down 2.9%
- Headline operating margin reduced to 16.9%, impacted by oil & gas. Excluding this effect, margin maintained.
- Specialist Technologies now over 40% of Group operating profit
- Continued high rate of capital investment at 1.2 times depreciation
- Net debt of £5.5m
- Interim dividend of 5.0p, up 4.2%

Commenting, Stephen Harris, Group Chief Executive said:

"The Group has again demonstrated its ability to deal with challenging market conditions, including delivery of a continued improvement in the AGI margin. This has been achieved against a background of subdued demand for industrial machinery and a further substantial decline in oil & gas revenues.

Looking ahead, and noting the Group's lack of visibility, we expect growth in our aerospace and automotive markets to continue and the sequential decline in oil & gas activity to have largely abated. Recent demand in general industrial markets has been softer than expected and improvements are not anticipated in the second half. However, if current exchange rates prevail, we expect weakness in overall trading, for the year as a whole, to be offset by the benefit of currency translation.

The Group continues to benefit from the flexibility afforded by the strength of its balance sheet, with minimal leverage and continuing strong cash generation.

We will continue to follow our strategy of investing in areas of robust profit opportunity, notably in Specialist Technologies, and in further enriching the mix towards higher added value services in Classical Heat Treatment."

Definitions

[1] Headline operating profit and headline profit before taxation are before reorganisation costs of £nil (2015: £19.9m) and amortisation of acquired intangibles of £2.2m (2015: £2.1m).

[2] Return on sales is defined as headline operating profit as a percentage of revenue.

[3] Headline operating cash flow is defined as operating cash flow[6] before cash flow relating to restructuring of £4.3m (2015: £3.5m).

[4] A detailed reconciliation is provided in note 5.

[5] See note 6.

[6] Operating cash flow is defined as cash generated by operations of £64.7m (2015: £65.9m) less net capital expenditure of £31.0m (2015: £29.2m).

A live webcast of the analysts' meeting will be available at 10.15am at www.bodycote.com. For further information, please contact:

Bodycote plc
Stephen Harris, Group Chief Executive
David Landless, Group Finance Director
Tel No +44 (0) 1625 505300

FTI Consulting
Richard Mountain, Susanne Yule
Tel No +44 (0) 20 3727 1340

INTERIM MANAGEMENT REPORT

OVERVIEW

The macro-economic environment for Bodycote in the first half of 2016 showed little change from 2015. Notwithstanding this weak macro-economic backdrop, the quality of the Bodycote business continued to improve. The Group's headline operating margin[1] reduced only 110 basis points to 16.9%, even though revenues declined 8.1% (at constant exchange rates). Group revenue was £291.0m with currency translation reducing the year-on-year revenue decline to 2.9%. Headline operating profit for the Group was £49.3m in the first half of the year.

The weakness in industrial production and in particular in industrial machinery continued the slow downward trend that has been evident for some time. These sectors are the main drivers for the Group's general industrial business which suffered accordingly. Oil & gas, which has reduced each quarter since the end of 2014, declined further, with subdued activity onshore and with large sub-sea projects once again postponed. There are, however, signs that the sequential quarterly decline in oil & gas may be abating.

Outside the oil & gas and general industrial sectors much of the rest of the business grew. Civil aerospace in Europe was strong, as expected, while in North America growth was restrained by a fall in business jet revenues. Business jets make up a small but concentrated piece of the Group's business in North America and the decline resulted from a change in structural design that reduces the amount of processing work required. In automotive, car and light trucks continued to grow strongly and this sector was the main driver for the like-for-like growth of 14.4%[2] in the emerging markets.

Aerospace, Defence and Energy (ADE) business unit headline margins[1], excluding oil & gas, remained stable with Automotive and General Industrial (AGI) business unit headline margins[1] growing 40 basis points to 16.5%. Improving AGI margins, particularly in Europe, has been a priority for some time and it is pleasing to see this continue, particularly in the face of declining revenues. Margin expansion is achieved in the business by a continual focus on improving the mix using tools such as the Bodycote Margin Model. The exit of the loss-making business in Brazil also helped global AGI margins.

The Specialist Technologies of HIP Product Fabrication (HIP PF) and Surface Technology have large portions of their business exposed to the oil & gas sector and so it was unsurprising that these revenues were impacted in the period. The other Specialist Technologies performed well, such that the percentage of Group profits contributed by the Specialist Technologies in total increased to 41% (2015: 39%).

The Group increased net capital expenditure in the first half by 6.2% to £31.0m, which equates to 1.2 times depreciation (2015: 1.1 times). This increased capital expenditure is being deployed in keeping with the Group's strategy of investing where we can achieve above average profit growth, with some 50% being invested in capacity expansion. The particular focus areas for investment are in Specialist Technologies, aerospace and the developing economies in Eastern Europe, Mexico and China. Net debt at the half year was £5.5m (2015: £7.0m) with the Group generating £20.9m of free cash in the first half (2015: £20.6m).

The Group's strategy remains unaltered. The drive for operational efficiency in the more mature parts of the business, expansion of the Group's footprint in rapid growth countries and the focus on growth in the higher value-added businesses, particularly the Specialist Technologies, are all designed to increase the quality of the Group's earnings and create significant value.

[1] Headline operating profit as a percentage of revenue.
[2] Excluding closed sites and the business in Brazil, which was sold in the second half of 2015.

MARKETS

Revenues from the aerospace and defence markets decreased 0.6% (at constant exchange rates). The Group saw good growth in civil aviation in the UK and France, notably related to engine programmes. However, demand in the North American market was 4.9% lower (at constant exchange rates) mainly due to reduced requirements for business jets. Revenues in the defence sector saw some improvement and were 0.3% ahead of the same period last year (at constant exchange rates).

As expected, revenues from the energy sector were very weak, driven by a further significant decline in demand from the oil & gas sector, which was down 47.6% year on year (at constant exchange rates). This impacted not only Classical Heat Treatment but also two of the Group's Specialist Technologies, HIP PF and Surface Technology. Revenues to industrial gas turbine and other energy sectors were broadly flat. In total, revenues across all energy sectors were down 34.3% (at constant exchange rates) compared to the first six months of 2015.

Demand from the car and light truck sector continues to be robust in all geographies and was aided by increases in recently-won new programmes, especially for the Group's Specialist Technologies. Revenue growth was 3.1%[1] (at constant exchange rates) when compared to the first half of last year.

Demand in the heavy truck market was weak in both North America and Europe. Revenues to the sector were down 15.2%[1] year on year (at constant exchange rates).

There has been continued widespread softness in industrial production in both North America and Western Europe and to a lesser extent in the emerging markets. The impact has been felt widely in the general industrial business, most notably in reduced demand for a wide variety of industrial machinery, particularly large capital equipment, affecting both new build and aftermarket. Overall, general industrial revenues were down 5.0%[1] (at constant exchange rates) in comparison with the first half of 2015.

Growth in the emerging markets was good, particularly due to increasing revenues from the automotive sector, reflecting the Group's continuing investment in these territories in support of new programme opportunities. Overall, Group revenues in these territories were up 14.4%1 (at constant exchange rates).

[1] Excluding closed sites and the business in Brazil, which was sold in the second half of 2015.

BUSINESS REVIEW

	Half year to 30 June					
	Revenue		Headline operating profit		Headline operating margin	
	2016 £m	2015 £m	**2016 £m**	2015 £m	**2016 %**	2015 %
ADE	**121.9**	128.8	**27.4**	31.5	**22.5**	24.5
AGI	**169.1**	171.0	**27.9**	27.6	**16.5**	16.1
	291.0	299.8	**55.3**	59.1	**19.0**	19.7
Central costs	**–**	–	**(6.0)**	(5.0)	**–**	–
Total	**291.0**	299.8	**49.3**	54.1	**16.9**	18.0

Aerospace, Defence & Energy (ADE)
Revenues for the ADE business were £121.9m in the six months to June 2016 compared with £128.8m in 2015, a decrease of 5.4%. At constant exchange rates revenues decreased 10.4%, driven by a 48% year-on-year reduction in sales to the oil & gas sector.

Headline operating profit[1] was £27.4m (2015: £31.5m), a decrease of 13.0%, comprising an organic decline of 18.0% and a 5.0% increase resulting from favourable foreign currency movements. The headline operating margin fell from 24.5% to 22.5%. Despite reduced levels of trading, the Group's energy business continues to achieve high single-digit margins. Profitability has been maintained in other sectors.

Net capital expenditure was £10.3m (2015: £6.3m), representing a spend rate of 1.0 times depreciation (2015: 0.7 times). Notable projects include expansion of aerospace-focused heat treatment capacity in USA and France.

Average capital employed for the period was £242.7m (2015: £231.1m).

Automotive & General Industrial (AGI)
Revenues for the AGI business were £169.1m in the first half of 2016, compared with £171.0m in 2015, a decrease of 1.1%. Revenues decreased 6.3% at constant exchange rates as a result of widespread weakness in industrial production and, in particular, in capital equipment.

Headline operating profit[1] was £27.9m (2015: £27.6m), an increase of 1.1%, made up of organic decline of 5.4% and a 6.5% increase due to favourable foreign currency movements. Headline operating margin improved from 16.1% to 16.5%.

Net capital expenditure was £16.6m (2015: £20.5m) representing a spend rate of 1.1 times depreciation (2015: 1.3 times). The Group continues to invest in its Specialist Technologies and other high value-added processes in developed markets and in additional greenfield capacity in Mexico.

Average capital employed for the period was £325.8m (2015: £296.3m).

[1] Headline operating profit is reconciled to operating profit in note 2. Bodycote plants do not exclusively supply services to customers of a given market sector (see note 2).

FINANCIAL OVERVIEW

	Half year to 30 June	
	2016 **£m**	2015 £m
Revenue	**291.0**	299.8
Headline operating profit	**49.3**	54.1
Amortisation of acquired intangible fixed assets	**(2.2)**	(2.1)
Operating profit prior to exceptional items	**47.1**	52.0
Reorganisation costs	**–**	(19.9)
Operating profit	**47.1**	32.1

Revenue for the half year was £291.0m (2015: £299.8m), a decrease of 2.9% compared to the same period last year. At constant exchange rates, revenue decreased 8.1% (£24.2m). Favourable foreign exchange rate movements resulted in a £15.4m positive effect.

Headline operating profit decreased to £49.3m (2015: £54.1m) and headline operating margin decreased to 16.9% (2015: 18.0%). At constant exchange rates, headline operating profit decreased £8.2m.

The amortisation of acquired intangible assets arises from acquisitions in prior years. The charge has increased to £2.2m (2015: £2.1m).

Operating profit increased to £47.1m (2015: £32.1m) and operating margin was 16.2% (2015: 10.7%). In 2015, operating profit was impacted by exceptional reorganisation costs of £19.9m.

Exceptional costs

There were no exceptional costs in the first six months of 2016 (2015: £19.9m). The 2015 charge comprised reorganisation costs relating to the exit from Brazil and restructuring initiatives across the Group.

Profit before taxation

	Half year to 30 June	
	2016 **£m**	2015 £m
Headline operating profit	**49.3**	54.1
Net finance charge	**(1.2)**	(1.5)
Headline profit before taxation	**48.1**	52.6
Amortisation of acquired intangible fixed assets	**(2.2)**	(2.1)
Headline profit before taxation prior to exceptional items	**45.9**	50.5
Reorganisation costs	**–**	(19.9)
Profit before taxation	**45.9**	30.6

Finance charge

The net finance charge for the Group was £1.2m compared to £1.5m in 2015.

	Half year to 30 June	
	2016 **£m**	2015 £m
Net interest payable	**–**	0.1
Financing costs	**0.7**	0.8
Bank and other charges	**0.3**	0.4
Pension finance charge	**0.2**	0.2
Net finance charge	**1.2**	1.5

Cash flow

	Half year to 30 June	
	2016 **£m**	2015 £m
Headline operating profit	**49.3**	54.1
Add back non-cash items:		
Depreciation and amortisation	**25.9**	25.4
Impairment of fixed assets	**0.2**	–
Share-based payments	**1.6**	0.8
(Profit) / loss on disposal of property, plant and equipment	**(0.1)**	0.6
Headline EBITDA[1]	**76.9**	80.9
Net capital expenditure	**(31.0)**	(29.2)
Net working capital movement	**(7.9)**	(11.5)
Headline operating cash flow	**38.0**	40.2
Cash cost of restructuring	**(4.3)**	(3.5)
Operating cash flow	**33.7**	36.7
Interest	**(0.9)**	(1.2)
Taxation	**(11.9)**	(14.9)
Free cash flow	**20.9**	20.6

[1] Earnings before interest, tax, depreciation, amortisation, impairment, profit or loss on disposal of property, plant and equipment and share-based payments.

Free cash flow for the period was £20.9m compared to £20.6m in the first six months of 2015. The decrease in headline EBITDA was offset by lower net working capital cash outflows and lower tax payments.

The net working capital outflow for the six month period amounted to £7.9m (2015: £11.5m). Receivables increased £3.6m (2015: £6.7m) as a result of the normal seasonally higher revenues in May and June in comparison to November and December. Receivable days at 30 June 2016 are 63 days (31 December 2015: 63 days and 30 June 2015: 61 days). Payables decreased £6.3m (2015: £5.6m) and inventory decreased £2.2m (2015: £0.9m).

The utilisation of restructuring provisions resulted in a cash outflow of £4.3m (2015: £3.5m).

The Group continued to manage carefully its capital expenditure programme and is focused on growing the Group's Specialist Technology offerings and expanding capacity in emerging markets. Net capital expenditure for the first half was £31.0m (2015: £29.2m) and the ratio to depreciation was 1.2 times (2015: 1.1 times). Major capital projects that were in progress during the first half of 2016 included expansion of our production facilities in Mexico, increased aerospace capacity in USA and France and ongoing expansion of our Specialist Technologies capability. Central expenditure has also continued on the implementation of new ERP and HR systems.

Income taxes paid during the first six months at £11.9m were £3.0m lower than the same period last year, reflecting the timing of payments made in various tax jurisdictions.

Taxation

The tax charge in the first half of 2016 was £12.6m, compared to a charge of £10.4m for the same period of 2015. The effective tax rate of 27.5% (2015: 34.1%) results from the impact of differing tax rates in each of the numerous jurisdictions in which the Group operates. In 2015, the effective tax rate of 34.1% was impacted by the phasing of the reorganisation costs, particularly in respect of Brazil, which did not give rise to a corresponding tax credit in the territories to which they related.

The headline tax rate, excluding the impact of reorganisation costs, is 27.5% in the first six months of 2016 (2015: 23.7%). The Group expects that this headline tax rate will not differ significantly in the second half of 2016.

Earnings per share

Basic headline earnings per share from operations for the half year were 18.3p (2015: 21.1p). Basic earnings per share from operations for the half year were 17.5p (2015: 10.6p). Diluted earnings per share were 17.5p (2015: 10.6p).

Dividend

The Board has declared an interim dividend of 5.0p (2015: 4.8p) which represents an increase of 4.2% over the prior year. The interim dividend will be paid on 4 November 2016 to all shareholders on the register at the close of business on 7 October 2016.

Net debt
Group net debt at 30 June 2016 was £5.5m (31 December 2015 net cash: £12.3m and 30 June 2015 net debt: £7.0m). Loans and letters of credit drawn under the committed facilities at 30 June 2016 totalled £7.4m, compared to £1.8m at 31 December 2015 and £13.8m at 30 June 2015. The Group continues to be able to borrow at competitive rates and therefore currently deems this to be the most effective means of funding.

Borrowing facilities
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 and uncommitted facilities and loans from several sources over a spread of maturities. At 30 June 2016, the Group had the following committed facilities:

Facility	Expiry date	Facility £m	Loan and letter of credit utilisation £m	**Facility headroom £m**
£230m Revolving Credit	3 July 2019	230.0	5.4	**224.6**
$10m Letter of Credit	31 August 2016	7.5	2.0	**5.5**
		237.5	7.4	**230.1**

Defined benefit pension schemes
The Group's principal defined benefit pension obligations have been reviewed as at 30 June 2016. The surplus in the UK scheme is £1.0m (31 December 2015: £2.7m deficit). In France, the deficit in relation to the primarily unfunded cash lump sum obligation is £9.7m (31 December 2015: £8.6m). The sum of the deficits for all other Group schemes is £7.5m (31 December 2015: £6.6m). These amounts are fully provided at 30 June 2016. The principal actuarial assumptions are unchanged from those used as at 31 December 2015.

PRINCIPAL RISKS AND UNCERTAINTIES

The directors have reconsidered the principal risks and uncertainties of the Group. The result of the referendum on the future of the UK's membership in the European Union is not expected to have a material transactional impact as customers are served locally and cross-border trading is minimal. The risk of a wider macro-economic effect as a result of the UK leaving the EU is addressed by the Group's existing Markets risk. Accordingly, the directors do not consider that the principal risks and uncertainties of the Group have significantly changed since the publication of the Annual Report for the year ended 31 December 2015. The risks and associated risk management processes can be found on pages 24, 25, 26, 110 and 111 of the 2015 Annual Report, which is available at www.bodycote.com. The risks referred to and which could have a material impact on the Group's performance for the remainder of the current financial year relate to:

- Markets;
- Loss of key customers;
- Competitor action;
- Safety and health;
- Service quality;
- Major disruption at a facility;
- Information technology projects;
- Regulatory and legislative compliance;
- Liquidity;
- Interest rate fluctuation; and
- Currency exchange rate fluctuation.

GOING CONCERN

As stated in note 1 to the condensed financial statements, 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.

SUMMARY AND OUTLOOK

The Group has again demonstrated its ability to deal with challenging market conditions, including delivery of a continued improvement in the AGI margin. This has been achieved against a background of subdued demand for industrial machinery and a further substantial decline in oil & gas revenues.

Looking ahead, and noting the Group's lack of visibility, we expect growth in our aerospace and automotive markets to continue and the sequential decline in oil & gas activity to have largely abated. Recent demand in general industrial markets has been softer than expected and improvements are not anticipated in the second half. However, if current exchange rates prevail, we expect weakness in overall trading, for the year as a whole, to be offset by the benefit of currency translation.

The Group continues to benefit from the flexibility afforded by the strength of its balance sheet, with minimal leverage and continuing strong cash generation.

We will continue to follow our strategy of investing in areas of robust profit opportunity, notably in Specialist Technologies, and in further enriching the mix towards higher added value services in Classical Heat Treatment.

S. C. Harris
Group Chief Executive
28 July 2016

D. F. Landless
Group Finance Director
28 July 2016

RESPONSIBILITY STATEMENT

We confirm to the best of our knowledge:

(a) the condensed consolidated set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting;

(b) the Interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and

(c) the Interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

By order of the Board,

S. C. Harris
Group Chief Executive
28 July 2016

D. F. Landless
Group Finance Director
28 July 2016

CAUTIONARY STATEMENT

This Interim management report has been prepared solely to provide additional information to shareholders to assess the Group's strategies and the potential for those strategies to succeed. The Interim management report should not be relied on by any other party or for any other purpose.

The Interim management report contains certain forward-looking statements. These statements are made by the directors in good faith based on the information available to them up to the time of their approval of this report and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

Year ended 31 Dec 2015 £m		**Half year to 30 June 2016 £m**	Half year to 30 June 2015 £m	Note
567.2	**Revenue**	**291.0**	299.8	2
(469.3)	Cost of sales and overheads	**(243.9)**	(247.8)	
97.9	**Operating profit prior to exceptional items**	**47.1**	52.0	
(20.0)	Reorganisation costs	**–**	(19.9)	
77.9	**Operating profit**	**47.1**	32.1	2
0.1	Investment revenue	**0.1**	0.1	
(3.0)	Finance costs	**(1.3)**	(1.6)	
75.0	**Profit before taxation**	**45.9**	30.6	
(18.8)	Taxation	**(12.6)**	(10.4)	4
56.2	**Profit for the period**	**33.3**	20.2	
	Attributable to:			
56.2	Equity holders of the parent	**33.3**	20.2	
–	Non-controlling interests	**–**	–	
56.2		**33.3**	20.2	
	Earnings per share			5
Pence		**Pence**	Pence	
29.6	Basic	**17.5**	10.6	
29.6	Diluted	**17.5**	10.6	

All activities have arisen from continuing operations.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 Dec 2015 £m		**Half year to 30 June 2016 £m**	Half year to 30 June 2015 £m
56.2	**Profit for the period**	**33.3**	20.2
	Items that will not be reclassified to profit or loss:		
(1.7)	Actuarial gains / (losses) on defined benefit pension schemes	**0.4**	–
0.2	Tax on items not reclassified	**(0.7)**	–
(1.5)	**Total items that will not be reclassified to profit or loss**	**(0.3)**	–
	Items that may be reclassified subsequently to profit or loss:		
0.4	Exchange gains / (losses) on translation of foreign operations	**48.5**	(19.6)
(3.3)	Cumulative exchange differences recycled to profit or loss on disposal of subsidiaries	**–**	–
(2.9)	**Total items that may be reclassified subsequently to profit or loss**	**48.5**	(19.6)
(4.4)	**Other comprehensive income / (expense) for the period**	**48.2**	(19.6)
51.8	**Total comprehensive income for the period**	**81.5**	0.6
	Attributable to:		
51.9	Equity holders of the parent	**81.4**	0.6
(0.1)	Non-controlling interests	**0.1**	–
51.8		**81.5**	0.6

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

As at 31 Dec 2015 £m		**As at 30 June 2016 £m**	As at 30 June 2015 £m	Note
	Non-current assets			
140.0	Goodwill	**146.5**	136.9	
35.2	Other intangible assets	**37.8**	33.0	
429.6	Property, plant and equipment	**477.2**	408.2	
0.2	Other investments	**0.3**	0.2	
31.2	Deferred tax assets	**32.8**	26.2	
0.4	Trade and other receivables	**0.3**	2.0	
636.6		**694.9**	606.5	
	Current assets			
19.5	Inventories	**19.3**	18.7	
–	Derivative financial instruments	**0.1**	–	
26.3	Current tax assets	**30.5**	20.3	
105.7	Trade and other receivables	**119.7**	110.4	
16.2	Cash and bank balances	**10.7**	13.6	
1.2	Assets held for sale	**1.7**	0.9	
168.9		**182.0**	163.9	
805.5	**Total assets**	**876.9**	770.4	
	Current liabilities			
111.1	Trade and other payables	**119.0**	108.9	
37.3	Current tax liabilities	**40.7**	30.2	
0.1	Obligations under finance leases	**–**	0.1	
3.8	Borrowings	**10.8**	8.3	
12.5	Provisions	**8.9**	15.6	3
164.8		**179.4**	163.1	
4.1	**Net current assets**	**2.6**	0.8	
	Non-current liabilities			
–	Borrowings	**5.4**	12.1	
17.9	Retirement benefit obligations	**16.2**	15.8	
61.9	Deferred tax liabilities	**69.2**	57.7	
–	Obligations under finance leases	**–**	0.1	
8.8	Provisions	**9.7**	9.4	3
2.5	Other payables	**2.9**	3.5	
91.1		**103.4**	98.6	
255.9	**Total liabilities**	**282.8**	261.7	
549.6	**Net assets**	**594.1**	508.7	
	Equity			
33.1	Share capital	**33.1**	33.1	
177.1	Share premium account	**177.1**	177.1	
(9.3)	Own shares	**(8.2)**	(9.3)	
134.1	Other reserves	**135.1**	135.3	
(5.8)	Translation reserves	**42.6**	(22.6)	
220.0	Retained earnings	**213.9**	194.6	
549.2	**Equity attributable to equity holders of the parent**	**593.6**	508.2	
0.4	Non-controlling interests	**0.5**	0.5	
549.6	**Total equity**	**594.1**	508.7	

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 Dec 2015 £m		**Half year to 30 June 2016 £m**	Half year to 30 June 2015 £m	Note
111.3	**Net cash from operating activities**	**52.8**	51.0	7
	Investing activities			
(61.1)	Purchases of property, plant and equipment	**(28.5)**	(27.7)	
5.4	Proceeds on disposal of property, plant and equipment and intangible assets	**0.7**	0.8	
(5.6)	Purchases of intangible fixed assets	**(3.2)**	(2.3)	
(0.2)	Purchase of sundry investments	**–**	(0.2)	
1.6	Disposal of subsidiary undertakings	**–**	–	
(59.9)	**Net cash used in investing activities**	**(31.0)**	(29.4)	
	Financing activities			
0.1	Interest received	**0.1**	0.1	
(2.7)	Interest paid	**(1.0)**	(1.3)	
(66.0)	Dividends paid	**(38.6)**	(56.9)	
(0.2)	Payments of obligations under finance leases	**(0.1)**	–	
0.5	New bank loans raised	**7.3**	12.7	
(6.7)	Own shares purchased / settlement of share options	**–**	(6.7)	
(75.0)	**Net cash used in financing activities**	**(32.3)**	(52.1)	
(23.6)	**Net decrease in cash and cash equivalents**	**(10.5)**	(30.5)	
36.0	**Cash and cash equivalents at beginning of period**	**12.4**	36.0	
–	Effect of foreign exchange rate changes	**0.1**	(0.2)	
12.4	**Cash and cash equivalents at end of period**	**2.0**	5.3	7

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium account	Own shares	Other reserves	Translation reserves	Retained earnings	**Equity attributable to equity holders of the parent**	Non-controlling interests	**Total equity**
	£m	£m	£m	£m	£m	£m	**£m**	£m	**£m**
Half year to 30 June 2016									
1 January 2016	**33.1**	**177.1**	**(9.3)**	**134.1**	**(5.8)**	**220.0**	**549.2**	**0.4**	**549.6**
Net profit for the period	**–**	**–**	**–**	**–**	**–**	**33.3**	**33.3**	**–**	**33.3**
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**–**	**48.4**	**–**	**48.4**	**0.1**	**48.5**
Actuarial losses on defined benefit pension schemes net of deferred tax	**–**	**–**	**–**	**–**	**–**	**(0.3)**	**(0.3)**	**–**	**(0.3)**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**48.4**	**33.0**	**81.4**	**0.1**	**81.5**
Acquired in the period / settlement of share options	**–**	**–**	**1.1**	**(0.6)**	**–**	**(0.5)**	**–**	**–**	**–**
Share-based payments	**–**	**–**	**–**	**1.6**	**–**	**–**	**1.6**	**–**	**1.6**
Dividends paid	**–**	**–**	**–**	**–**	**–**	**(38.6)**	**(38.6)**	**–**	**(38.6)**
30 June 2016	**33.1**	**177.1**	**(8.2)**	**135.1**	**42.6**	**213.9**	**593.6**	**0.5**	**594.1**
Half year to 30 June 2015									
1 January 2015	33.1	177.1	(7.1)	136.6	(3.0)	233.7	570.4	0.5	570.9
Net profit for the period	–	–	–	–	–	20.2	20.2	–	20.2
Exchange differences on translation of foreign operations	–	–	–	–	(19.6)	–	(19.6)	–	(19.6)
Total comprehensive income for the period	–	–	–	–	(19.6)	20.2	0.6	–	0.6
Acquired in the period / settlement of share options	–	–	(2.2)	(2.1)	–	(2.4)	(6.7)	–	(6.7)
Share-based payments	–	–	–	0.8	–	–	0.8	–	0.8
Dividends paid	–	–	–	–	–	(56.9)	(56.9)	–	(56.9)
30 June 2015	33.1	177.1	(9.3)	135.3	(22.6)	194.6	508.2	0.5	508.7
Year ended 31 December 2015									
1 January 2015	33.1	177.1	(7.1)	136.6	(3.0)	233.7	570.4	0.5	570.9
Net profit for the year	–	–	–	–	–	56.2	56.2	–	56.2
Exchange differences on translation of foreign operations	–	–	–	–	0.5	–	0.5	(0.1)	0.4
Cumulative exchange differences recycled to profit or loss on disposal of subsidiaries	–	–	–	–	(3.3)	–	(3.3)	–	(3.3)
Actuarial losses on defined benefit pension schemes net of deferred tax	–	–	–	–	–	(1.5)	(1.5)	–	(1.5)
Total comprehensive income for the year	–	–	–	–	(2.8)	54.7	51.9	(0.1)	51.8
Acquired in the year / settlement of share options	–	–	(2.2)	(2.1)	–	(2.4)	(6.7)	–	(6.7)
Share-based payments	–	–	–	(0.4)	–	–	(0.4)	–	(0.4)
Dividends paid	–	–	–	–	–	(66.0)	(66.0)	–	(66.0)
31 December 2015	33.1	177.1	(9.3)	134.1	(5.8)	220.0	549.2	0.4	549.6

Included in other reserves is the capital redemption reserve arising on redemption of the Group's B shares of £129.8m (2015: £129.8m) and the share-based payment reserve of £4.4m (2015: £4.6m).

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 2016 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 2015, which was filed with the Registrar of Companies on 9 June 2016.

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, 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 2016 were as follows:

- £230m Revolving Credit Facility maturing 3 July 2019
- $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 Group'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 policies
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 standards or amendments, at 1 January 2016, has had no material impact on the Group's financial statements:

- Amendments to IAS 1 (Dec 2014): Disclosure initiative is effective for periods commencing on or after 1 January 2016 and was endorsed by the EU on 18 December 2015.
- Annual improvements to IFRSs: 2012-2014 Cycle (Sept 2014) is effective for periods commencing on or after 1 January 2016 and was endorsed by the EU on 15 December 2015.
- Amendments to IAS 16 and IAS 38 (May 2014): Clarification of acceptable methods of depreciation and amortisation is effective for periods commencing on or after 1 January 2016 and was endorsed by the EU on 2 December 2015.

2. Business and geographical segments

The Group has 181 locations across the world serving a range of market sectors with various thermal processing services. The range and type of services offered is common to all market sectors.

In accordance with IFRS 8 Operating Segments, the segmentation of Group activity reflects the way the Group is managed by the chief operating decision maker, being the Group Chief Executive, who on a monthly basis reviews the operating performance of six operating segments, split between the Aerospace, Defence & Energy (ADE) and Automotive & General Industrial (AGI) business areas, as follows:

- ADE – Western Europe;
- ADE – North America;
- ADE – Emerging markets;
- AGI – Western Europe;
- AGI – North America; and
- AGI – Emerging markets.

The split of operating segments by geography reflects the divisional reporting structure of the Group.

In accordance with the aggregation criteria of IFRS 8, the operating segments are aggregated into the Group's two key business areas, ADE and AGI, the split being driven by customer behaviour and requirements. Customers in the ADE segment tend to operate and purchase more globally and have long supply chains, whilst customers in the AGI segment tend to purchase more locally and have shorter supply chains.

Bodycote plants do not exclusively supply services to customers of a given market sector. Allocations of plants between ADE and AGI is therefore derived by reference to the preponderance of markets served.

2. Business and geographical segments (continued)

Group	ADE £m	AGI £m	Central costs and eliminations £m	Consol-idated £m
	Half year to 30 June 2016			
Revenue				
Total revenue	**121.9**	**169.1**	**–**	**291.0**
Result				
Headline operating profit prior to share-based payments and unallocated central costs	**27.9**	**28.6**	**–**	**56.5**
Share-based payments (including social charges)	**(0.5)**	**(0.7)**	**(0.5)**	**(1.7)**
Unallocated central costs	**–**	**–**	**(5.5)**	**(5.5)**
Headline operating profit / (loss)	**27.4**	**27.9**	**(6.0)**	**49.3**
Amortisation of acquired intangible fixed assets	**(0.8)**	**(1.4)**	**–**	**(2.2)**
Segment result	**26.6**	**26.5**	**(6.0)**	**47.1**
Investment revenue				**0.1**
Finance costs				**(1.3)**
Profit before taxation				**45.9**
Taxation				**(12.6)**
Profit for the period				**33.3**

Inter-segment sales are not material.

The Group does not rely on any individual major customers.

Aerospace, Defence & Energy	Western Europe £m	North America £m	Emerging markets £m	Total ADE £m
	Half year to 30 June 2016			
Revenue				
Total revenue	**55.9**	**65.5**	**0.5**	**121.9**
Result				
Headline operating profit / (loss) prior to share-based payments	**11.5**	**16.6**	**(0.2)**	**27.9**
Share-based payments (including social charges)	**(0.2)**	**(0.3)**	**–**	**(0.5)**
Headline operating profit / (loss)	**11.3**	**16.3**	**(0.2)**	**27.4**
Amortisation of acquired intangible fixed assets	**(0.1)**	**(0.7)**	**–**	**(0.8)**
Segment result	**11.2**	**15.6**	**(0.2)**	**26.6**

Automotive & General Industrial	Western Europe £m	North America £m	Emerging markets £m	Total AGI £m
	Half year to 30 June 2016			
Revenue				
Total revenue	**104.4**	**45.6**	**19.1**	**169.1**
Result				
Headline operating profit prior to share-based payments	**17.3**	**6.7**	**4.6**	**28.6**
Share-based payments (including social charges)	**(0.5)**	**(0.1)**	**(0.1)**	**(0.7)**
Headline operating profit	**16.8**	**6.6**	**4.5**	**27.9**
Amortisation of acquired intangible fixed assets	**(0.1)**	**(1.3)**	**–**	**(1.4)**
Segment result	**16.7**	**5.3**	**4.5**	**26.5**

2. Business and geographical segments (continued)

Group	Half year to 30 June 2015 ADE £m	AGI £m	Central costs and eliminations £m	Consol-idated £m
Revenue				
Total revenue	128.8	171.0	–	299.8
Result				
Headline operating profit prior to share-based payments and unallocated central costs	31.6	28.1	–	59.7
Share-based payments (including social charges)	(0.1)	(0.5)	(0.3)	(0.9)
Unallocated central costs	–	–	(4.7)	(4.7)
Headline operating profit / (loss)	31.5	27.6	(5.0)	54.1
Amortisation of acquired intangible fixed assets	(0.7)	(1.4)	–	(2.1)
Operating profit / (loss) prior to exceptional items	30.8	26.2	(5.0)	52.0
Reorganisation costs	(0.7)	(19.2)	–	(19.9)
Segment result	30.1	7.0	(5.0)	32.1
Investment revenue				0.1
Finance costs				(1.6)
Profit before taxation				30.6
Taxation				(10.4)
Profit for the period				20.2

Aerospace, Defence & Energy	Half year to 30 June 2015 Western Europe £m	North America £m	Emerging markets £m	Total ADE £m
Revenue				
Total revenue	58.5	69.2	1.1	128.8
Result				
Headline operating profit prior to share–based payments	12.3	19.2	0.1	31.6
Share–based payments (including social charges)	–	(0.1)	–	(0.1)
Headline operating profit	12.3	19.1	0.1	31.5
Amortisation of acquired intangible fixed assets	(0.1)	(0.6)	–	(0.7)
Reorganisation costs	(0.4)	(0.3)	–	(0.7)
Segment result	11.8	18.2	0.1	30.1

Automotive & General Industrial	Half year to 30 June 2015 Western Europe £m	North America £m	Emerging markets £m	Total AGI £m
Revenue				
Total revenue	104.0	46.3	20.7	171.0
Result				
Headline operating profit prior to share-based payments	18.7	8.6	0.8	28.1
Share-based payments (including social charges)	(0.4)	(0.1)	–	(0.5)
Headline operating profit	18.3	8.5	0.8	27.6
Amortisation of acquired intangible fixed assets	(0.1)	(1.2)	(0.1)	(1.4)
Reorganisation costs	(6.5)	(0.3)	(12.4)	(19.2)
Segment result	11.7	7.0	(11.7)	7.0

2. Business and geographical segments (continued)

Year ended 31 December 2015

Group	ADE £m	AGI £m	Central costs and eliminations £m	Consol-idated £m
Revenue				
Total revenue	243.5	323.7	–	567.2
Result				
Headline operating profit prior to share-based payments and unallocated central costs	59.1	53.7	–	112.8
Share-based payments (including social charges)	0.1	(0.3)	0.8	0.6
Unallocated central costs	–	–	(11.3)	(11.3)
Headline operating profit / (loss)	59.2	53.4	(10.5)	102.1
Amortisation of acquired intangible fixed assets	(1.4)	(2.8)	–	(4.2)
Operating profit / (loss) prior to exceptional items	57.8	50.6	(10.5)	97.9
Reorganisation costs	(5.1)	(14.9)	–	(20.0)
Segment result	52.7	35.7	(10.5)	77.9
Investment revenue				0.1
Finance costs				(3.0)
Profit before taxation				75.0
Taxation				(18.8)
Profit for the year				56.2

Aerospace, Defence & Energy	Year ended 31 December 2015 Western Europe £m	North America £m	Emerging markets £m	Total ADE £m
Revenue				
Total revenue	111.2	130.3	2.0	243.5
Result				
Headline operating profit prior to share-based payments	23.4	35.6	0.1	59.1
Share-based payments (including social charges)	(0.1)	0.2	–	0.1
Headline operating profit	23.3	35.8	0.1	59.2
Amortisation of acquired intangible fixed assets	(0.3)	(1.1)	–	(1.4)
Operating profit prior to exceptional items	23.0	34.7	0.1	57.8
Reorganisation costs	(3.3)	(1.8)	–	(5.1)
Segment result	19.7	32.9	0.1	52.7

Automotive & General Industrial	Year ended 31 December 2015 Western Europe £m	North America £m	Emerging markets £m	Total AGI £m
Revenue				
Total revenue	195.9	89.3	38.5	323.7
Result				
Headline operating profit prior to share-based payments	34.1	16.3	3.3	53.7
Share-based payments (including social charges)	(0.3)	0.1	(0.1)	(0.3)
Headline operating profit	33.8	16.4	3.2	53.4
Amortisation of acquired intangible fixed assets	(0.2)	(2.4)	(0.2)	(2.8)
Operating profit prior to exceptional items	33.6	14.0	3.0	50.6
Reorganisation costs	(8.0)	(1.6)	(5.3)	(14.9)
Segment result	25.6	12.4	(2.3)	35.7

3. Provisions

	Restructuring £m	Restructuring Environmental £m	Environmental £m	Total £m

1 January 2016	**8.1**	**6.6**	**6.6**	**21.3**
Increase in provision	**0.9**	**–**	**0.1**	**1.0**
Release of provision	**(0.6)**	**(0.3)**	**–**	**(0.9)**
Utilisation of provision	**(3.9)**	**(0.4)**	**(0.3)**	**(4.6)**
Exchange difference	**0.4**	**0.7**	**0.7**	**1.8**
30 June 2016	**4.9**	**6.6**	**7.1**	**18.6**
Included in current liabilities				**8.9**
Included in non-current liabilities				**9.7**
				18.6

The restructuring provision primarily relates to the costs associated with the closure of a number of Heat Treatment sites.

The Group provides for the costs of environmental remediation that have been identified, either as part of acquisition due diligence, or in other circumstances where remediation by the Group is required. This provision is reviewed annually and is separated into Restructuring Environmental and Environmental to separately identify environmental provisions relating to restructuring programmes from those arising in the ordinary course of business.

The majority of cash outflows in respect of these liabilities are expected to occur within five years.

Whilst the Group's use of chlorinated solvents and other hazardous chemicals continues to reduce, the Group remains exposed to contingent liabilities in respect of environmental remediation liabilities. In particular, the Group could be subjected to regulatory or legislative requirements to remediate sites in the future. However, it is not possible at this time to determine whether and to what extent any liabilities exist, other than for those recognised above. Therefore no provision is recognised in relation to these items.

4. Taxation

Year ended 31 Dec 2015 £m		**Half year to 30 June 2016 £m**	Half year to 30 June 2015 £m
22.3	Current tax – charge for the period	**12.6**	10.6
(0.1)	Current tax – adjustments in respect of prior periods	**–**	0.1
(3.4)	Deferred tax	**–**	(0.3)
18.8		**12.6**	10.4

The rate of tax for the interim period is 27.5% (2015: 34.1%) of the profit before tax. The tax rate results from the impact of differing tax rates in each of the numerous jurisdictions in which the Group operates. In 2015, the tax rate of 34.1% was impacted by the phasing of the reorganisation costs, particularly in respect of Brazil, which did not give rise to a corresponding tax credit in the territories to which they relate.

5. Earnings per share

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

Year ended	**Half year to**	Half year to

31 Dec 2015 £m		**30 June 2016 £m**	30 June 2015 £m
	Earnings		
56.2	Earnings for the purpose of basic earnings per share being net profit attributable to equity holders of the parent	**33.3**	20.2
	Number of shares		
Number		**Number**	Number
189,991,657	Weighted average number of ordinary shares for the purposes of basic earnings per share	**190,141,575**	189,991,657
	Effect of dilutive potential ordinary shares:		
–	Share options	**–**	–
189,991,657	Weighted average number of ordinary shares for the purposes of diluted earnings per share	**190,141,575**	189,991,657
	Earnings per share		
Pence		**Pence**	Pence
29.6	Basic	**17.5**	10.6
29.6	Diluted	**17.5**	10.6
	Headline earnings		
£m		**£m**	£m
56.2	Net profit attributable to equity holders of the parent	**33.3**	20.2
	Add back:		
3.2	Amortisation of acquired intangible fixed assets (net of tax)	**1.6**	2.0
15.6	Reorganisation costs (net of tax)	**–**	17.9
75.0	Headline earnings	**34.9**	40.1
	Headline earnings per share		
Pence		**Pence**	Pence
39.5	Basic	**18.3**	21.1
39.5	Diluted	**18.3**	21.1

6. Dividends

Amounts recognised as distributions to equity holders in the period:

Year ended 31 Dec 2015 £m		**Half year to 30 June 2016 £m**	Half year to 30 June 2015 £m
18.7	Final dividend for the year ended 31 December 2014 of 9.8p per share	**–**	18.7
38.2	Special dividend for the year ended 31 December 2014 of 20.0p per share	**–**	38.2
9.1	Interim dividend for the year ended 31 December 2015 of 4.8p per share	**–**	–
–	Final dividend for the year ended 31 December 2015 of 10.3p per share	**19.6**	–
–	Special dividend for the year ended 31 December 2015 of 10.0p per share	**19.0**	–
66.0		**38.6**	56.9
	Proposed interim dividend for the year ended 31 December 2016 of 5.0p (2015: 4.8p) per share	**9.5**	9.1

The proposed interim dividend was approved by the Board on 28 July 2016 and has not been included as a liability in these condensed financial statements.

7. Notes to the cash flow statement

Year ended 31 Dec 2015 £m		**Half year to 30 June 2016 £m**	Half year to 30 June 2015 £m
56.2	Profit for the period	**33.3**	20.2
	Adjustments for:		
(0.1)	Investment revenue	**(0.1)**	(0.1)
3.0	Finance costs	**1.3**	1.6
18.8	Taxation	**12.6**	10.4
48.8	Depreciation of property, plant and equipment	**25.5**	25.0
5.0	Amortisation of intangible assets	**2.6**	2.5
(2.1)	(Profit) / loss on disposal of property, plant and equipment	**(0.1)**	0.6
(0.4)	Share-based payments	**1.6**	0.8
9.0	Impairment of fixed assets	**0.2**	7.7
0.5	Impairment of other assets	**–**	0.5
(3.8)	Profit on sale of subsidiaries	**–**	–
134.9	EBITDA*	**76.9**	69.2
0.7	Decrease in inventories	**2.2**	0.9
0.9	(Increase) / decrease in receivables	**(3.6)**	(6.7)
(6.3)	Decrease in payables	**(6.3)**	(5.6)
4.3	(Decrease) / increase in provisions	**(4.5)**	8.1
134.5	Cash generated by operations	**64.7**	65.9
(23.2)	Income taxes paid	**(11.9)**	(14.9)
111.3	Net cash from operating activities	**52.8**	51.0

* Earnings before interest, tax, depreciation, amortisation, impairment, profit or loss on disposal of property, plant and equipment and share-based payments.

Cash and cash equivalents comprise:

16.2	Cash and bank balances	**10.7**	13.6
(3.8)	Bank overdrafts (included in borrowings)	**(8.7)**	(8.3)
12.4		**2.0**	5.3

8. Related party transactions

Transactions between the Company and its wholly owned subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed.

9. General information

The comparative information for the year ended 31 December 2015 contained within these condensed financial statements does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. Those accounts have been reported on by the Group's auditor and delivered to the Registrar of Companies. The auditor's 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.

Copies of this report and the last Annual Report are available from the Group Company 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)207 066 1000).

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 2016 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated cash flow statement, the condensed consolidated statement of changes in equity 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 (UK and Ireland) 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

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

As disclosed in note 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 2016 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom’s Financial Conduct Authority.

Deloitte LLP
Chartered Accountants and Statutory Auditor
Manchester, United Kingdom
28 July 2016

COMPANY INFORMATION

Financial calendar

Interim dividend for 2016	4 November 2016
Results for 2016	February 2017
Annual General Meeting	May 2017
Final dividend for 2016	May/June 2017
Interim results for 2017	July 2017
Interim dividend for 2017	November 2017

Shareholder enquiries

Enquiries on the following administrative matters can be addressed to the Company's registrars at Capita Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. Telephone: 0871 664 0300 (calls cost 12p per minute plus your phone company's access charge - lines are open 9.00am until 5.30pm, Monday to Friday) or +44 (0)371 664 0300; Fax: +44 (0)1484 600 911; and email shareholderenquiries@capita.co.uk.

- Change of address
- Stock transfer form including guidance notes
- Dividend mandates
- ShareGift donation coupon

Forms for these matters can be downloaded from the registrars' website at www.capitashareportal.com, where shareholders can also check their holdings and details. If you have not previously registered for this service, you will require your investor code, which is located on your share certificate or dividend confirmation.

Shareholder dealing service

Information on a low cost share dealing service offered by our registrars is available from Capita on 0371 664 0445 or at www.capitadeal.com. Calls are charged at the standard geographical rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The service is open between 9.00am and 5.30pm Monday to Friday excluding public holidays in England and Wales.