

periods. The rate represents the weighted average of corporation tax charges expected for the full financial year.

Earnings per share

Basic headline earnings per share from operations for the half year were 22.1p (2013: 20.0p). Basic earnings per share from operations for the half year were 21.1p (2013: 18.9p). Diluted earnings per share were 21.1p (2013: 18.9p).

Dividend

The Board has declared an interim dividend of 4.6p (2013: 4.4p) which represents an increase of 4.5% over the prior year. The interim dividend will be paid on 7 November 2014 to all shareholders on the register at the close of business on 3 October 2014.

Net cash/(debt)

Group net cash at 30 June 2014 was £5.5m (31 December 2013 net cash: £15.0m and 30 June 2013 net debt: £27.1m). Loans and letters of credit drawn under the committed facilities at 30 June 2014 totalled £4.6m, compared to £4.8m at 31 December 2013 and £22.6m at 30 June 2013. The Group continues to be able to borrow at competitive rates and therefore currently deems this to be the most effective means of funding.

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 over a spread of maturities. At 30 June 2014, the Group had the following committed facilities:

Facility	Expiry Date	Facility £m	Loan and Letter of Credit Utilisation £m	Facility Headroom £m
£125m Revolving Credit	31 August 2016	125.0	–	125.0
€125m Revolving Credit	1 March 2018	100.1	–	100.1
		225.1	–	225.1
\$10m Letter of Credit	31 August 2016	5.8	4.6	1.2
		230.9	4.6	226.3

On 3 July 2014, the £125m and €125m revolving credit facilities were replaced by a single committed revolving credit facility for £230m, maturing on 3 July 2019. This amendment and maturity profile extension gives rise to a reduction in both the drawn margin and undrawn commitment fees.

Defined benefit pension schemes

The Group's principal defined benefit pension obligations have been reviewed as at 30 June 2014. The deficit in the UK scheme decreased to £4.6m (31 December 2013: £4.8m). In France, for its primarily unfunded cash lump sum obligation, the deficit is £8.1m (31 December 2013: £8.2m). The sum of the deficits for all other Group schemes is £5.3m (31 December 2013: £5.5m). These amounts are fully provided at 30 June 2014. The principal actuarial assumptions are unchanged from those used as at 31 December 2013.

Principal risks and uncertainties

The directors do not consider that the principal risks and uncertainties of the Group have changed since the publication of the annual report for the year ended 31 December 2013. The risks and associated risk management processes can be found on pages 24, 25, 95 and 96 of the 2013 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;
- Human resources;
- Safety and health;
- Environment;
- Service quality;
- Major disruption at a facility;
- Information technology systems;
- 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 delivered a strong first half performance. Organic growth and margin improvement were affected by currency headwinds, which at current exchange rates will have a greater impact in the second half.

Noting that the Group has limited forward visibility, the Board continues to expect further progress in 2014 on a constant currency basis.

S.C. Harris

Group Chief Executive
31 July 2014

D.F. Landless

Group Finance Director
31 July 2014