Independent auditor's report
To the Members of Bodycote plc

Opinion on financial statements of Bodycote plc

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2013 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The financial statements comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity, the Statement of Group and Company Accounting Policies and the related notes 1 to 28 and 1 to 11 for the Group and Company financial statements respectively. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Going concern

As required by the Listing Rules we have reviewed the directors' statement on page 23 that the Group is a going concern. We confirm that:

- we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
- we have not identified any material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team:

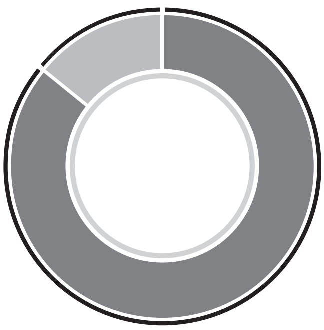
Risk	**How the scope of our audit responded to the risk**
Impairment of non current assets Given the Group's significant asset base and the continued macro-economic uncertainties in certain global territories, this risk concerns the carrying value of intangible and tangible fixed assets. The Group's assessment of the carrying value of intangible and tangible fixed assets requires significant judgement, as described in note 10 with particular attention to cash flow, growth rates, discount rates and sensitivity assumptions.	We challenged the assumptions used in the impairment model for intangible and tangible assets, described in note 10. As part of our procedures we considered historical trading performance by comparing recent growth rates of both revenue and operating profit across the Group's geographical and market segments, assessing the appropriateness of the assumptions concerning growth rates and inputs to the discount rate against latest market expectations, and considering management's assertions of the future utilisation of assets by the Group following a review of the strategic plan for the business by CGU. In performing our procedures, we used our internal valuation specialists and third party evidence to assess the appropriateness of the discount rate applied.
Environmental provisions Given the nature of the Group's operations, a risk arises in connection with the appropriateness, completeness and valuation of environmental provisions, in particular, their judgemental nature relative to the likely period of utilisation.	We evaluated the environmental provisions, as detailed in note 22 to the financial statements, by testing the basis for the recognition of provisions in consideration of those regulatory and legal requirements, assessing the value of the provision recognised and challenging the status and utilisation of provisions. As part of our audit procedures we reviewed third party evidence and assumptions detailing the assessment of environmental liabilities for the Group together with correspondence from the Group's internal environmental remediation team. As part of these procedures we also challenged the qualifications of management's experts. Where applicable, we also corroborated environmental provisions to regulatory and legal correspondence.

Risk	How the scope of our audit responded to the risk
Taxation The tax risk concerns the judgements and estimates applied in the determination of tax balances, in particular in relation to the recognition of deferred tax assets for tax losses across the Group as disclosed in note 19 and provisions for liabilities attributed to specific uncertain tax positions linked to the Group's complex corporate structure.	In conjunction with taxation audit specialists, we have considered and challenged the appropriateness of management's assumptions, forecasts and estimates in relation to the likelihood of generating future taxable, as opposed to accounting, profits to support the recognition of deferred tax assets as disclosed in note 19 to the financial statements. We have also assessed the assumptions and judgements concerning the adequacy of tax provisions for uncertain tax positions by viewing the latest correspondence from the different tax authorities and drawing on the experience of our country specialists in respect of similar situations.
Pensions This risk concerns the appropriateness of actuarial assumptions in calculating the Group's IAS 19 liability. The valuation of the Group's IAS 19 deficit involves significant judgement as described in note 28, in particular in relation to the discount rate, inflation and mortality assumptions.	We have considered the appropriateness of the assumptions underpinning the valuation of scheme assets and liabilities. Specifically we challenged the discount rate, inflation and mortality assumptions applied in calculating the scheme liabilities by using our internal pension specialists to assess and benchmark the assumptions applied against comparable third party data.

The Audit Committee's consideration of these risks is set out on page 44.

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

Revenue



- Full audit scope 86%
- Review at group level 14%

Profit before tax

- Full audit scope 93%
- Review at group level 7%

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the Group to be £6.8 million, which is below 7.5% of adjusted pre-tax profit and 1% of equity. We use adjusted pre-tax profit to exclude the effect of volatility from our determination. Adjusted pre-tax profit excludes non-recurring exceptional items of £0.8 million as disclosed in note 3.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £145,000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. Based on that assessment, we focused our group audit scope primarily on the audit work at 15 locations. In addition, following the reorganisation of a number of the Group's finance functions into a Shared Service Centre in Prague, we planned and performed our audit work and the shape of audit teams for the countries affected to focus on direct Group oversight, leadership and control in the first year of transition.

As a consequence of the audit scope determined, we achieved full scope coverage of approximately 86% of revenue, 93% of profit before tax, and 87% of net assets. Our audit work at each location was executed at levels of materiality applicable to each individual entity which was lower than Group materiality.

The Group audit team continued to follow a programme of planned visits that has been designed so that a senior member of the Group audit team visits each of the locations included as full scope for the Group audit at least once every three years and the most significant of them at least once a year. In years when we do not visit a significant component we will include the component audit team in our team briefing, discuss their risk assessment, attend close meetings by conference call and video conferencing and review documentation of the findings from their work.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns. We have nothing to report arising from these matters.

Corporate Governance Statement

Under the Listing Rules we are also required to review the part of the Corporate Governance Statement relating to the company's compliance with nine provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

Our duty to read other information in the Annual Report

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team, and reviews by our strategically focused second partner and independent partner.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's 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 and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Nicola Mitchell (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
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27 February 2014