

## **Bodycote HIP Limited**

Annual report and financial statements  
for the year ended 31 December 2009

Registered number 1276450

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**Officers and professional advisers**

**DIRECTORS**

D F Landless  
M Hallas  
J Pickford  
D E John

**SECRETARY**

J R Grime

**REGISTERED OFFICE**

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

**AUDITORS**

Deloitte LLP  
Chartered Accountants and Statutory Auditors  
Manchester  
United Kingdom

## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2009

### **Business review and principal activities**

The principal activity of the company continues to be that of the provision of hot isostatic pressing facilities to metallurgical and related industries

The level of trade achieved by the company has decreased from £8,163,305 in 2008 to £7,461,715 in 2009. This decrease is attributed to a downturn in the industrial gas turbine market.

The gross profit of the company has decreased from 42% in 2008 to 35% in 2009 due primarily to a reduction in volumes in the industrial gas turbine market and the impact of fixed costs within the business. However, management has controlled staff costs, reducing the average headcount from 59 to 53 and maintaining the proportion of costs to revenue of 21%.

During the year, the company recorded a profit of £1,014,982 (2008: £1,151,583).

Despite the wider global economic downturn, management has retained strong focus on working capital management. This is demonstrated through the continued reduction in debtor days from 65 in 2008 down to 64 in 2009.

There are no significant events arising since the balance sheet date.

### **Principal risks and uncertainties**

Regulatory compliance is a risk for the company. Supported by the controls and standards implemented by the parent company, Bodycote plc, the company ensures that management continuously monitors changes in laws, regulations and standards with regard to quality, safety, environmental and regulatory requirements, adopting systems and policies to remain compliant.

A reduction in end market demand is a risk that the company faces. Supported by market analyses undertaken by the parent company Bodycote plc, the company monitors the outlook for market demand.

Energy costs and availability are risks which to date the company has been able to mitigate, although with some time lag, through price adjustments. The directors expect to be able to continue this practice.

## Directors' report (continued)

### Principal risks and uncertainties (continued)

The company's stringent quality systems, internal and external compliance controls as well as customer verification of results, minimise the risk of sub-standard thermal processing services, which could arise as a result of system or human failure

### Going Concern

Bodycote HIP Limited operates in the hot isostatic pressing market. Whilst the current economic environment is uncertain, the business has a strong customer portfolio and is dependent on key customers whom are in the same industries

In considering the appropriateness of the going concern basis of preparation, the directors have considered forecasts for the next 12 months, which include detailed cash flow forecasts and working capital availability. The directors of this company have sought and received an expression of Bodycote plc's intention to provide such support as may be necessary for the foreseeable future. In relying on this parent company support, the directors are cognisant of the following going concern disclosure which appears in the accounts of Bodycote plc for the year ended 31 December 2009

"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 shown below. There is significant headroom in the committed facility covenants to assume that these facilities can be operated as contracted for the foreseeable future

- US\$20m Revolving Credit Facility maturing 31 March 2013
- £225m Revolving Credit Facility maturing 31 March 2013
- €125m Revolving Credit Facility maturing 31 July 2013

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. However, the Group's forecasts and projections, 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 expect to renew facilities in due course and are not aware of any reason why renewal would not be forthcoming on acceptable market terms "

On the above basis, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and for this reason they continue to adopt the going concern basis in preparing the accounts

## Directors' report (continued)

### Results and dividends

The results for the year are set out on page 8. Retained profit for the year of £1,014,982 (2008: £1,151,583) before declaration of dividends is transferred to reserves. The directors declared and paid a dividend of £402,000 during the year (2008: nil).

### Future prospects

The directors expect the general level of activity to continue for the foreseeable future.

### Directors

The directors who served during the year and thereafter except as noted below were as follows:

J D Hubbard (resigned 30/04/2009)  
D F Landless  
M Hallas  
J Pickford  
D John

### Supplier payment policy

The company's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and abide by the terms of payment. Trade creditors of the company at 31 December 2009 were equivalent to 29 (2008: 26) days' purchases, based on the average daily amount invoiced by suppliers during the year.

### Disabled employees

Applicants for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotions of disabled persons should, as far as possible, be identical with that of other employees.

### Employee consultation

The company's employment policies are non-discriminatory, complying with current legislation to engender equal opportunity, irrespective of race, gender, religion, disability or nationality.

### Health and safety

The company has a proactive approach to safety, health and the environment and is committed to the highest practicable standards of safety and health minimisation of adverse environmental impacts.

## Directors' report (continued)

### Auditors

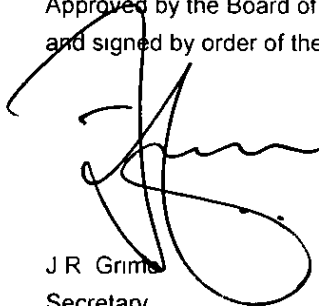
Each of the persons who is a director at the date of approval of this report confirms that

- so far as each of the directors is aware, there is no relevant audit information of which the company's auditors are unaware, and
- each of the directors has taken all the steps that he or she ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information

The confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

Deloitte LLP have expressed their willingness to continue as the company's auditors and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting in accordance with section 489 of the Companies Act 2006

Approved by the Board of Directors  
and signed by order of the Board



J R Grime  
Secretary

25 June 2010

## Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



## Independent auditors' report

### TO THE MEMBERS OF BODYCOTE HIP LIMITED

We have audited the financial statements of Bodycote HIP Limited for the year ended 31 December 2009, which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 auditors' 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.

#### Respective responsibilities of directors and auditors

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 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 (APB's) Ethical Standards for Auditors.

#### 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 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.

#### Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in 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

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



William Smith (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditors  
Manchester  
United Kingdom

25 June 2010

## Profit and loss account

For the year ended 31 December 2009

	Notes	2009 £	2008 £
<b>Turnover</b>	2	7,461,715	8,163,305
Cost of sales		(4,882,050)	(4,727,882)
<b>Gross profit</b>		2,579,665	3,435,423
Operating expenses (net)	3	(972,876)	(1,176,614)
Operating expenses before operating exceptional items		(792,876)	(884,356)
Operating exceptional items	3	(180,000)	(292,258)
<b>Operating profit</b>		1,606,789	2,258,809
Net finance charges	4	(117,498)	(577,387)
<b>Profit on ordinary activities before taxation</b>	5	1,489,291	1,681,422
Tax on profit on ordinary activities	7	(474,309)	(529,839)
<b>Profit on ordinary activities after taxation</b>	17,18	1,014,982	1,151,583

All activity has arisen from continuing operations

There were no recognised gains and losses in either year other than the profit for that year and accordingly no separate statement of total recognised gains and losses has been prepared

# Balance sheet

31 December 2009

	Notes	2009 £	2008 £
<b>Fixed assets</b>			
Tangible assets	9	10,674,254	10,754,765
Investments	10	20,230	20,230
		<u>10,694,484</u>	<u>10,774,995</u>
<b>Current assets</b>			
Stocks	11	620,724	622,366
Debtors	12	1,377,081	1,740,541
Cash at bank and in hand		1,125,388	2,287,388
		<u>3,123,193</u>	<u>4,650,295</u>
<b>Creditors</b> Amounts falling due within one year	13	(2,881,006)	(1,349,422)
<b>Net current assets</b>		<u>242,187</u>	<u>3,300,873</u>
<b>Total assets less current liabilities</b>		10,936,671	14,075,868
<b>Creditors</b> Amounts falling due after more than one year	14	(9,950,574)	(13,357,411)
<b>Provision for liabilities</b>	15	(780,230)	(1,125,572)
<b>Net assets/(liabilities)</b>		<u>205,867</u>	<u>(407,115)</u>
<b>Capital and reserves</b>			
Called-up share capital	16	100	100
Profit and loss account	17	205,767	(407,215)
<b>Shareholder's funds/(deficit)</b>	18	<u>205,867</u>	<u>(407,115)</u>

The financial statements of Bodycote HIP Limited (company registration number 1276450), were approved by the Board of Directors on 25th June 2010 and signed on its behalf by



J Pickford  
Director

## Notes to the financial statements

For the year ended 31 December 2009

### 1 Accounting policies

A summary of the principal accounting policies is set out below, all of which have been applied consistently throughout the year and the preceding year

#### a) *Basis of accounting*

The financial statements have been prepared under the historical cost convention and in accordance with applicable law and United Kingdom accounting standards

After making enquiries, and based on the assumptions outlined in the Directors' Report on page 3, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and for this reason they continue to adopt the going concern basis in preparing the accounts

#### b) *Tangible fixed assets*

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows

Freehold land	Nil
Freehold buildings	2%
Plant and machinery	5% - 10%
Fixtures, fittings and equipment	10% - 20%

Residual value is calculated on prices prevailing at the date of acquisition

#### c) *Fixed asset investments*

Fixed asset investments are shown at cost less any provision for impairment

#### d) *Stocks*

Stocks are stated at the lower of cost and net realisable value

#### e) *Taxation*

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis

## Notes to the financial statements (continued)

For the year ended 31 December 2009

### 1 Accounting policies (continued)

#### f) Research and development

Research and development costs are written off as incurred

#### g) Leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis

#### h) Turnover

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts and excluding value added tax. Turnover is recognised upon completion of the treatment process

#### i) Cash flow statement

Under the provisions of Financial Reporting Standard Number 1 (revised), the company is exempt from producing a cash flow statement as its ultimate parent company, Bodycote plc, has prepared consolidated financial statements for the year which contain a consolidated cash flow statement

#### j) Pension costs

The company contributes to the Bodycote International UK Pension Scheme, a defined benefit scheme

The Bodycote International UK Pension scheme operates for employees of a number of Bodycote group companies and as such, the company is unable to identify its share of the underlying assets and liabilities of the Scheme. Under FRS 17 the actual cost of providing pensions to the company is charged to the profit and loss account as incurred during the period

For defined contribution schemes, the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the period. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet

### 2 Turnover

This is attributable to the principal activity of the company. The origin of turnover is wholly in the United Kingdom. Geographical analysis of turnover by destination is given below

	2009 £	2008 £
United Kingdom	5,666,616	6,589,973
Mainland Europe	1,761,812	1,515,080
Rest of the World	33,287	58,252
	<u>7,461,715</u>	<u>8,163,305</u>

## Notes to the financial statements (continued)

For the year ended 31 December 2009

### 3 Operating expenses (net)

	2009 £	2008 £
Selling and distribution costs	49,811	81,729
Administrative expenses	836,490	838,144
Other operating expense	180,000	350,366
Other operating income	(93,425)	(93,625)
	<u>972,876</u>	<u>1,176,614</u>

Other operating expenses in 2009 relate to additional accrued costs in respect of ongoing litigation concerning an accident in 2004 at the Hereford site. The effect of the exceptional items in the amount charged to the profit and loss account for taxation was £nil (2008: £nil). In 2008, other operating expenses included £292,258 relating to fixed asset impairments as a result of site restructuring.

### 4 Net finance charges

	2009 £	2008 £
Intercompany interest payable	(183,506)	(730,669)
Bank interest receivable	66,008	153,282
Net finance charges	<u>(117,498)</u>	<u>(577,387)</u>

### 5 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging

	2009 £	2008 £
Operating lease rentals		
- plant and machinery	72,118	75,178
Depreciation of owned assets	1,087,065	1,015,414
Impairment of fixed assets	-	292,258
Auditors' remuneration – fees for the audit of the company	12,500	5,820

No fees were payable to auditors in respect of non-audit work in either year.

## Notes to the financial statements (continued)

For the year ended 31 December 2009

### 6 Staff costs

The average monthly number of employees (including executive directors) was

	2009 Number	2008 Number
Production	47	53
Selling and administration	6	6
	<u>53</u>	<u>59</u>

Their aggregate remuneration comprised

	2009 £	2008 £
Wages and salaries	1,408,202	1,458,197
Social security costs	133,524	137,350
Pension costs (note 20)	68,596	124,623
	<u>1,610,322</u>	<u>1,720,170</u>

### Directors' remuneration

In the year to 31 December 2009 the remuneration of the directors was paid by fellow group companies (2008 same)

3 directors (2008 3) are members of the pension scheme operated by the parent company, Bodycote plc

### 7 Tax on profit on ordinary activities

The tax charge comprises

	2009 £	2008 £
<b>Current tax</b>		
UK corporation tax	711,980	491,504
Adjustments in respect of prior years	366,138	551,167
<b>Total current tax</b>	<u>1,078,118</u>	<u>1,042,671</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(603,809)	(512,832)
<b>Total deferred tax (see note 15)</b>	<u>(603,809)</u>	<u>(512,832)</u>
<b>Total tax on profit on ordinary activities</b>	<u>474,309</u>	<u>529,839</u>

## Notes to the financial statements (continued)

For the year ended 31 December 2009

### 7 Tax on profit on ordinary activities (continued)

The difference between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows

	2009 £	2008 £
<b>Profit on ordinary activities before tax</b>	<b>1,489,291</b>	<b>1,681,422</b>
Tax on profit on ordinary activities at standard UK corporation tax rate of 28% (2008 28.5%)	417,001	479,205
Effects of		
Depreciation in excess of capital allowances	291,152	24,276
Adjustments in respect of prior years	366,138	551,167
Expenses not deductible for tax purposes/(income not taxable)	3,827	(11,977)
<b>Total current tax charge for the year</b>	<b>1,078,118</b>	<b>1,042,671</b>

### 8 Dividends paid

	2009 £	2008 £
Ordinary shares £4,020 per share (2008 nil)	402,000	-

### 9 Tangible fixed assets

	Freehold land and buildings £	Plant and machinery £	Fixtures, fittings and equipment £	Total £
<b>Cost</b>				
At 1 January 2009	2,500,908	20,319,145	303,314	23,123,367
Additions	875	1,005,680	-	1,006,555
Disposals	-	(59,119)	-	(59,119)
At 31 December 2009	2,501,783	21,265,706	303,314	24,070,803
<b>Depreciation</b>				
At 1 January 2009	493,693	11,632,569	242,340	12,368,602
Charge for the year	48,996	1,023,343	14,726	1,087,065
Disposals	-	(59,118)	-	(59,118)
At 31 December 2009	542,689	12,596,794	257,066	13,396,549
<b>Net book value</b>				
At 31 December 2009	1,959,094	8,668,912	46,248	10,674,254
At 31 December 2008	2,007,215	8,686,576	60,974	10,754,765

Included in the cost of freehold land and buildings is £361,000 (2008 £361,000) of non-depreciable land



## Notes to the financial statements (continued)

For the year ended 31 December 2009

### 10 Fixed asset investments

£

#### Cost

At 1 January 2009 and 31 December 2009

20,230

The subsidiary undertaking is Bodycote IMT NV, a company incorporated in Belgium. Its principal activity is the provision of hot isostatic processing facilities for the metallurgical and related industries. The shareholding is 1%.

### 11 Stocks

	2009 £	2008 £
Raw materials and consumables	620,724	622,366

There is no material difference between the balance sheet value of stocks and their replacement cost.

### 12 Debtors

Amounts falling due within one year

	2009 £	2008 £
Trade debtors	1,155,256	1,426,641
Amounts owed by group undertakings	2,203	265,444
Prepayments and accrued income	138,605	41,854
Interest receivable	2,550	6,602
Deferred tax asset (note 15)	78,467	-
	<u>1,377,081</u>	<u>1,740,541</u>

### 13 Creditors. Amounts falling due within one year

	2009 £	2008 £
Trade creditors	339,758	437,152
Amounts owed to group undertakings	586,377	16,682
UK corporation tax	1,569,622	491,504
Other taxation and social security	145,165	147,157
Accruals and deferred income	240,084	256,927
	<u>2,881,006</u>	<u>1,349,422</u>

### 14 Creditors: Amounts falling due after more than one year

	2009 £	2008 £
Amounts owed to group companies	<u>9,950,574</u>	<u>13,357,411</u>

# Notes to the financial statements (continued)

For the year ended 31 December 2009

## 15 Provision for liabilities

	Other £	Deferred taxation £	Total £
At 1 January 2009	600,230	525,342	1,125,572
Charged/(credited) to the profit and loss account	180,000	(603,809)	(423,809)
Reclassification to deferred tax asset within debtors (note 12)	-	78,467	78,467
At 31 December 2009	<u>780,230</u>	<u>-</u>	<u>780,230</u>

Other provisions represent a liability concerning the ongoing legal case for the accident in 2004 at the Hereford site

Deferred taxation is (recognised)/provided as follows

	2009 £	2008 £
Accelerated capital allowances	654,861	1,258,670
Tax losses	(733,328)	(733,328)
	<u>(78,467)</u>	<u>525,342</u>

## 16 Called-up share capital

	2009 £	2008 £
<i>Authorised, allotted, called-up and fully paid</i>		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

## 17 Reserves

	Profit and loss account £
At 1 January 2009	(407,215)
Profit for the year	1,014,982
Dividends paid	(402,000)
At 31 December 2009	<u>205,767</u>

## 18 Reconciliation of movements in total shareholders' funds/(deficit)

	2009 £	2008 £
Profit for the financial year	1,014,982	1,151,583
Dividends paid	(402,000)	-
Net movement in shareholders' deficit	612,982	1,151,583
Opening shareholders' deficit	(407,115)	(1,558,698)
Closing shareholders' funds/(deficit)	<u>205,867</u>	<u>(407,115)</u>

## Notes to the financial statements (continued)

For the year ended 31 December 2009

### 19 Financial commitments

#### *Lease commitments*

Annual commitments under non-cancellable operating leases are as follows

	Plant and machinery	
	2009 £	2008 £
Leases which expire		
- within 1 year	13,115	32,145
- between 2 and 5 years	12,212	39,208
	<u>25,327</u>	<u>71,353</u>

There were no commitments to capital expenditure at the year end (2008 same)

### 20 Pension commitments

Pensions for employees are provided through the Bodycote UK Pension Scheme. The scheme is of the defined benefit type and the pension costs are assessed with the advice of qualified actuaries using the projected unit method and attained age method.

Additional disclosures regarding the group defined benefit pension scheme are required under the provisions of FRS 17, 'Retirement Benefits'. In accordance with FRS 17, the company accounts for its contributions to the scheme as if it were a defined contribution scheme because it is not possible to identify the company's share of the assets and liabilities in the scheme on a consistent and reasonable basis.

The last actuarial assessment of the scheme was performed on 06 April 2008. The assumptions that have the most significant effect on the results of each of the actuarial assessments are those relating to the rate of return on the investments (6.1%), the discount rate (5.7%), the rate of increase in salaries (3.0%) and the allowance (3.6%) made for pension payment increases of 5% or retail price inflation if less.

At the last actuarial valuation of the scheme, the market value of the assets totalled £69.9m. The actuarial value of these assets represented 95.0% of the benefits that had accrued to members after allowing for expected future increases in earnings.

The contributions made by the employer during the financial year have been £68,596 (2008: £124,623) equivalent to 14.9% (2008: 14.0%) of pensionable pay (after allowing for National Insurance rebates). This contribution rate is to continue until reviewed following the triennial valuation of the scheme due as at 6 April 2011. As the scheme is closed to new entrants, the current service cost as a percentage of pensionable payroll is likely to increase as the membership ages, although it will be applied to a decreasing pensionable payroll.

The latest actuarial valuation of the scheme, prepared for the purposes of making the disclosures in accordance with FRS 17 in the consolidated financial statements of the parent company, shows a deficit of £3,700,000 (2008: £700,000). Further details can be found in the annual report of the parent company, Bodycote plc.

## Notes to the financial statements (continued)

For the year ended 31 December 2009

### **21 Contingent liabilities**

The company has a contingent liability under interlocking guarantees given to its bankers and senior note holders covering certain group companies. At 31 December 2009, the contingent liability amounted to £103.4m (2008 £311.3m).

### **22 Ultimate controlling party**

The directors regard Bodycote plc, a company incorporated in England, as the ultimate parent company and the ultimate controlling party.

Bodycote plc is the parent company of the largest and smallest group of which the company is a member and for which group financial statements are drawn up. Copies of the group financial statements may be obtained from The Secretary, Bodycote plc, Springwood Court, Springwood Close, Tytherington Business Park, Macclesfield, Cheshire, SK10 2XF.

### **23 Related party transactions**

As a subsidiary undertaking of Bodycote plc, the company has taken advantage of the exemption in FRS 8 'Related Party Disclosures' from disclosing transactions with other wholly-owned members of the group headed by Bodycote plc.