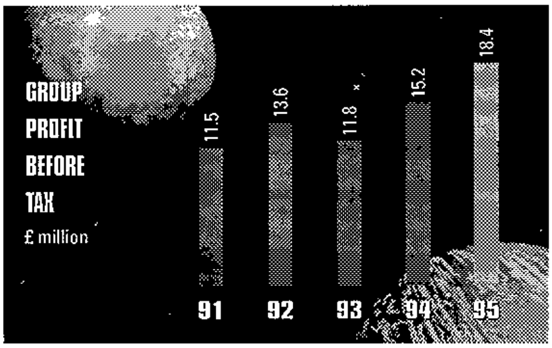
BODYCOTE INTERNATIONAL PLC — COMPANY NUMBER 519057

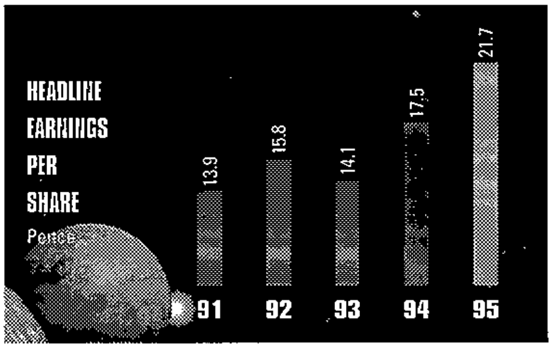
Cover design features micrographic enlargements of components treated and tested within the group

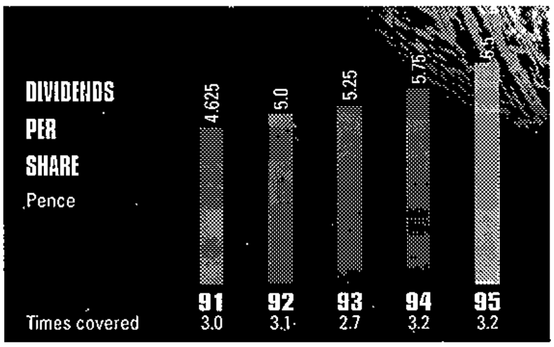
Contents

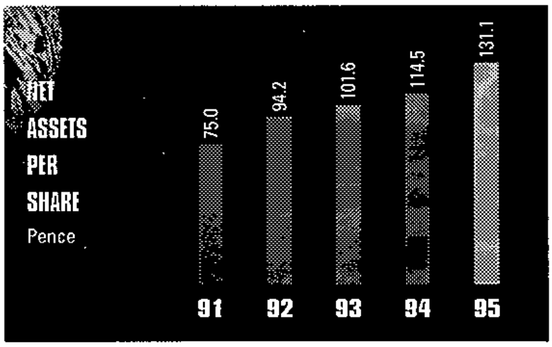
Highlights

	1995	*1994*
	£000	*£000*
Turnover	*80,392*	*84,328*
Profit before taxation and exceptional items	*18,436*	*15,173*
Profit before taxation	*18,942*	*15,832*
Earnings per share (pence)		
headline	*21.7*	*17.5*
ordinary	*20.9*	*18.6*
Dividend per share (pence)	*6.50*	*5.75*









Chairman's statement

The results for the year are very impressive, once again showing record profits before tax and exceptional items of £18.4 million (1994: £15.2 million) with our mainstream metal technology activities contributing handsomely to this success. Headline earnings per share are 21.7p (1994: 17.5p), an increase of 24%.

The directors recommend a final dividend of 4.1p per share making a total dividend for the year of 6.5p (1994: 5.75p), which is an increase of 13% and is covered 3.2 times by earnings. The directors are committed to a progressive dividend policy in keeping with the long term financial performance of the group. Gearing at the year end, on a net cash basis, is nil.

Shareholders will note that these results include an operating profit of £476,000 (1994: £3.1 million) from Stockpack Limited and EHCO-KLM Kleding NV, both of which were sold during the year, realising £18.5 million cash. These disposals substantially complete the transformation of the group following the change of corporate strategy and direction, resulting in a group which is now focused on the provision of specialised metallurgical services and surface engineering. The development of a science-based, technology driven business, with a high quality of sustainable growth in earnings, and which has produced record profits year on year for the last 16 years has been a considerable achievement. This growth, however measured, has not been matched by any of our competitors, either at home or abroad, and justifies the continuation of our substantial capital investment programmes, which in turn have produced enviable returns on capital employed.

The group's ever increasing international presence and future expansion programmes required a new organisational structure for its onward development and a plan for future management succession. Accordingly, on 2nd January 1996, we appointed Michael Hallas, Martyn Wilton, Bernard Rickinson and Derek Sleight to the main board. Each of these directors has specific responsibility for a section of our operations. These appointments recognise their successful track records over many years and provide a solid management base for the future.

These appointments and the significant disposals during the year have resulted in a considerable reduction in my operational responsibilities. It is now appropriate for me to assume the role of non-executive chairman, in which capacity I hope to serve the group with the same commitment and enthusiasm as when I commenced office in 1973.

I would like to congratulate Professor Harold Hankins on being awarded the CBE in the New Year's Honours List. This award was well deserved and thoroughly merited for his highly valued service as vice-chancellor at UMIST.

For some time, we have actively acknowledged the need for an interface between our business and the academic world. To endorse our commitment we have established the Bodycote Educational Foundation, with the objective of helping to develop students' understanding and skills within our sphere of activity. As further encouragement, the foundation will offer an annual award and cash prize to the student, who in the opinion of an independent panel of judges, has made the most significant contribution to the advancement of metallurgical knowledge.

Our successful management team and workforce continue to demonstrate the ability to make acquisitions which are earnings enhancing, and also to develop the group organically. On your behalf, I extend to them all our grateful thanks for another year of considerable success and achievement.

We have a clear strategy in place to maintain the group momentum and to enlarge and broaden our operations both technologically and geographically. The new year has started well and we look forward to the future with optimism.

Joe Dwek,
Chairman.

18th April 1996

Managing Director's report

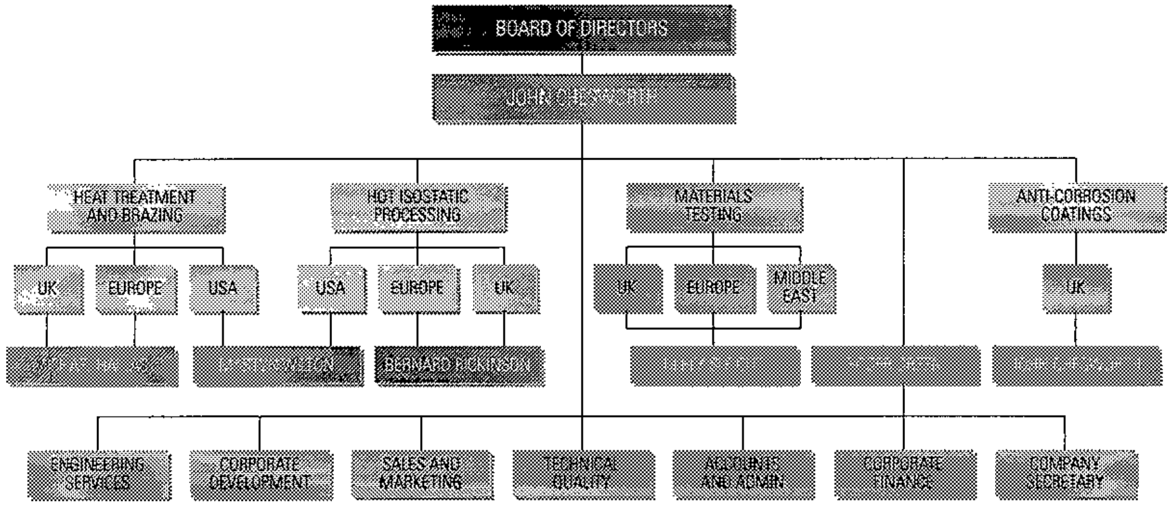
Bodycote Metal Technology progressed considerably during 1995, and I am particularly pleased to report that the substantial advance in profitability from £12.5 million to £17.7 million, an increase of 41%, was produced mainly from organic growth, assisted by a full year's contribution from Powdermet, Sweden, acquired in October 1994.

The group grew by acquisition and internal expansion from 42 to 56 operational centres, the increase coming mainly from the acquisitions late in the year of the seven Mahler plants and in January 1996, the three plants of Eurobras. The benefits of these acquisitions will, therefore, be seen in 1996 and beyond.

Shareholders should be aware that these acquisitions are integral parts of our strategic plan, formulated in early 1995, to cover the development of Bodycote Metal Technology over the next four years, whereby certain geographical areas and services have been identified as targets for future expansion. One of these objectives is the development of a contract heat treatment group in Europe. Having for some years operated an extremely successful heat treatment centre in Nürnberg, the acquisitions of Mahler and Eurobras effectively increase the number of plants to 11 and are important steps towards achieving that particular aspect of our strategic plan.

Presently, of the 56 plants, 31 are located in the UK, which is a strong indication of the measure of opportunity which lies abroad for the Bodycote Metal Technology range of expertise. Acquisition opportunities are continually being evaluated and in 1996, we expect further progress towards the realisation of the four year plan.

Bodycote has a strong, in depth management structure to support the attainment of the strategic plan, and I was particularly pleased to recommend the appointments of Mike Hallas, Martyn Wilton, Bernie Rickinson and Derek Sleight to the Bodycote main board, as a visible recognition of the part that each has played in the success of his particular sphere of operations. The management structure which follows sets out these various areas of responsibility, together with the wide range of vital support services which Bodycote operates.



The future remains bright for Bodycote Metal Technology. Our capital investment programmes continue apace, with approximately £20 million budgeted for 1996, including £3 million for the new German acquisitions and £4 million to establish a new heat treatment centre in Macclesfield. All of this will be funded from internal resources. Macclesfield will act as the operational centre for the whole of Bodycote Metal Technology and will also incorporate the Head Office of Bodycote International plc. As well as having cost benefits, this move will lead to more integrated control of the group's activities.

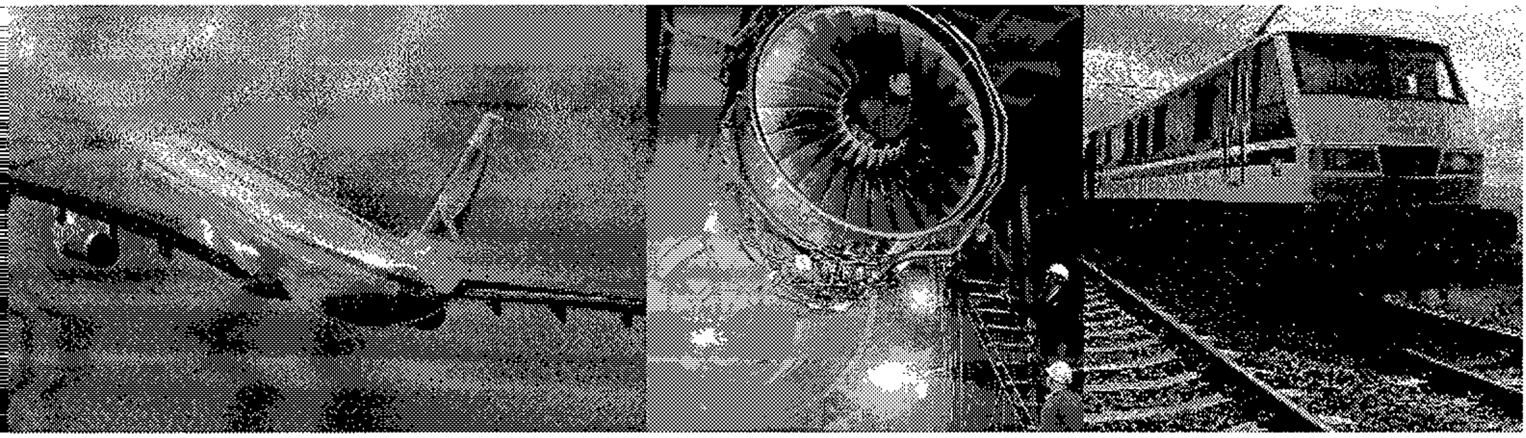
Trading in 1996 has started strongly with buoyant market conditions in the UK and USA. The integration of the new German plants is proceeding. Together they produce sales in excess of DM50 million per year and the improvement of their relatively low profit margins will be a priority for us in 1996.

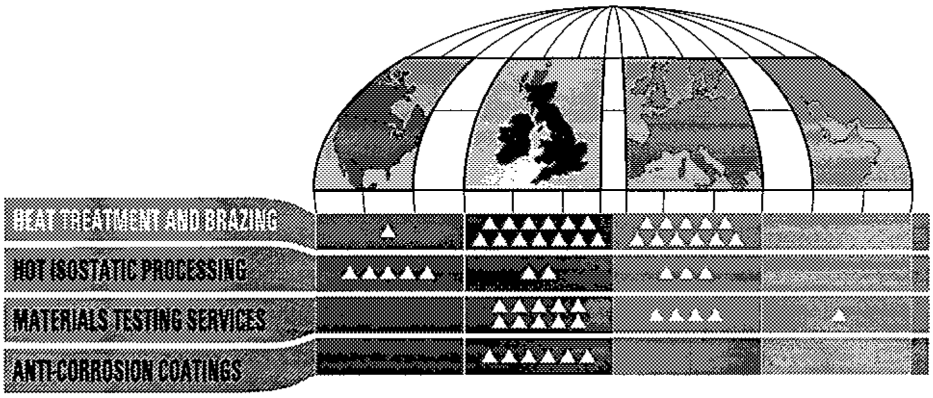
Our success in 1995 was not achieved without problems and immense perseverance. My thanks go to my colleagues for their support in achieving an excellent result.

John Chesworth,
Managing Director.

18th April 1996

Review of operations





Internationally, 25 plants now offer world class heat treatment and brazing services, providing vital metallurgical support to aerospace, power generation, automotive, railways and general engineering industries.

The buoyant market conditions experienced in 1994, continued throughout 1995 and sales and profit benefited accordingly, rising by 36% and 29% respectively.

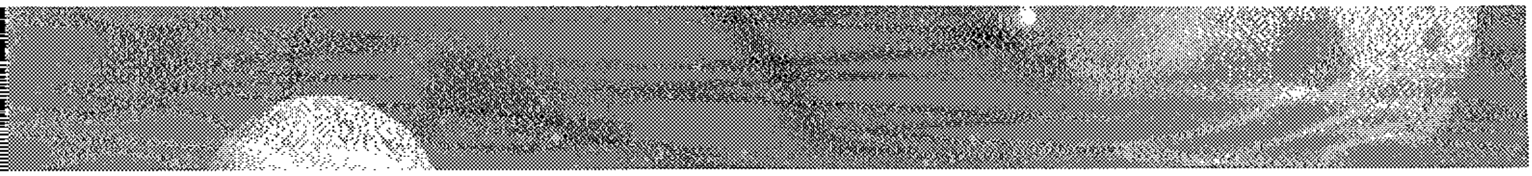
In the UK, additional furnace capacity was commissioned in the second half of the year which increased total production capability by 15%. 1996 has started strongly and another successful year is anticipated.

The plant in Nürnberg, Germany, also had an excellent year and posted record results in contrast to the slow down which occurred in the German economy. In December 1995 an additional large capacity vacuum furnace was installed which will provide the impetus towards further growth in 1996.

The acquisitions late in the year of the seven Mahler plants and the three Eurobras plants represent a major breakthrough for Bodycote. These companies complement each other perfectly, particularly in the furnace brazing of components, where there is considerable synergy between Mahler's expertise in mesh belt brazing and the experience of Eurobras in brazing utilising vacuum furnace technology.

Together with the existing plant at Nürnberg, a strong geographical network is now in position which, with a combined turnover of DM60 million, makes Bodycote the largest heat treatment operator in Germany. The acquisitions are being integrated and Bodycote's ability to compete in the market place, whilst achieving above average profit margins, will be a major factor towards larger scale success in Germany.

German engineering is facing the same cost,



efficiency and technology imperatives already experienced by the UK and as more manufacturers concentrate investment into core business, greater market opportunities will be available to Bodycote's much enlarged German presence.

The two furnace manufacturing businesses of Mahler Dienstleistungs GmbH and Schmetz GmbH, which were acquired with the processing plants, are currently being evaluated as to their future roles in Bodycote. They are both good businesses with strong order books, supplying high technology furnace equipment to world markets.

In the USA the pilot plant in London, Ohio, commissioned in late 1994, made good progress. The plant has been quality approved by several leading USA manufacturers and by the last quarter of 1995, it had become profitable. Thus encouraged, further opportunities to develop Bodycote's heat treatment services in the USA are currently being evaluated.

The group's role as supplier of heat treatment and brazing services to all sectors of engineering continued to be strengthened by the securing of long term agreements with strategically important customers, on a sole supplier basis.

Prospects for the major market sectors in which Bodycote operates, namely automotive, power generation and aerospace, remain encouraging, and with additional capacity scheduled to come on stream during the year, the contract heat treatment division continues to view the future with confidence.

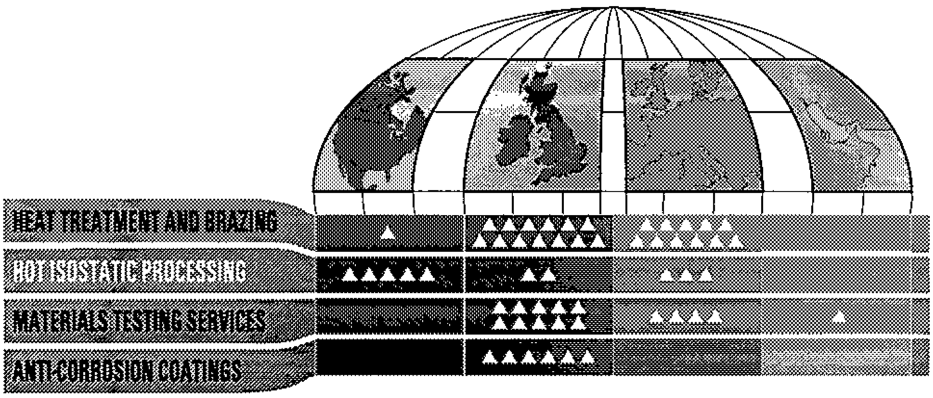
WHAT IS HEAT TREATMENT?

After manufacture, safety critical components, such as turbine blades, used in aircraft engines require specialised heat treatment to optimise their metallurgical properties to provide the durability to withstand increasingly higher operating temperatures and stresses.

Heat treatment also makes a significant contribution to the operation of an earthmover. Vital items such as transmission components, which enable the machine to move and activate all its work functions, are precision made and then heat treated enabling them to endure an arduous working life.

In fact, almost every machine has components which require heat treatment. Of course, some parts are still treated in-house, but increasingly the work is entrusted to a subcontractor of the calibre of Bodycote who will always ensure cost effective heat treatment and brazing to world class quality standards.

Review of operations



The range of applications for hot isostatic processing is growing continuously and with Bodycote's investment into increasingly larger capacity equipment it is becoming even more cost effective.

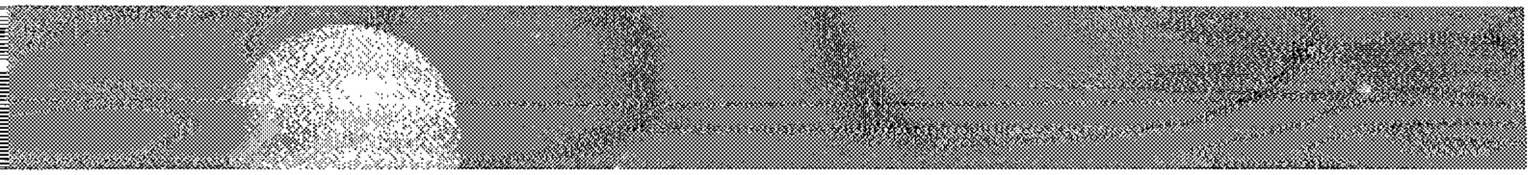
The hot isostatic processing sector of Bodycote Metal Technology once again made significant progress. Overall sales increased by 72% and profit by 77%.

The USA market for hot isostatic processing has almost doubled since 1992, indicating the strong organic development of HIP processing. During this period IMT has more than maintained its dominant market position.

At IMT Kentucky, tungsten carbide products were HIPped in larger quantities and volume business was greater in Andover, Massachusetts and London, Ohio, where the large HIP unit purchased in 1994 was finally commissioned late in the year.

The in-house arrangement which IMT has with Precision Castparts Corporation (PCC) in Portland, Oregon, worked very well with benefits to both parties. Under this arrangement IMT are due to relocate the PCC equipment by 31st December 1997. Accordingly, plans are now in place for a large new facility, a short distance away, in Washington State, which will incorporate both the PCC facility and the original IMT plant also in Portland, Oregon. This combined operation will be more efficient and, at the same time, production capacity will be more than doubled with the installation of an additional HIP press which will be the largest in the world. This unit will meet anticipated demand for HIPping of large aerospace components into the next decade.

Following the success of the pilot scheme in Ohio the intention is to incorporate into the new Washington project sufficient space to allow the introduction of heat treatment facilities when the opportunity arises.



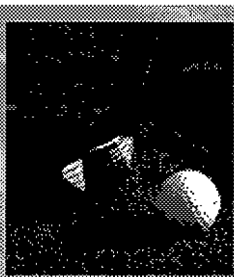
Powdermet Sweden AB, in which Asea Brown Boveri has a 20% share, made a first full year profit contribution of £1.8 million on sales of £8.8 million. This was a remarkable result for a company whose unique technical development was finally converted into volume production. Markets for high speed steels and large near net shape components manufactured via the powder metallurgy route were buoyant.

The substantial investments into large capacity HIP units in Hereford, England and St. Niklaas, Belgium, which began in early 1994 were eventually in production in late 1995. At the start of 1996, there is approximately 40% additional HIP capacity available in Bodycote Metal Technology to meet the anticipated future demand in the UK, USA and Europe.

In November 1994 during the installation of the new HIP system at Hereford, damage to the original HIP unit was caused by the supplier which eventually proved to be more significant than was first thought. No production from the damaged unit has been possible since. The material damage and the consequent loss of profit is fully insured and the claim is proceeding.

Bodycote's policy remains, to promote by all possible means, the wider knowledge and acceptance of HIP technology, the development of an ever increasing range of HIP based applications and to support ensuing demand with a high level of investment. The group is confident from its judgement of the various indicators that hot isostatic processing will have an exciting and successful future.

WHAT IS HIPPING?

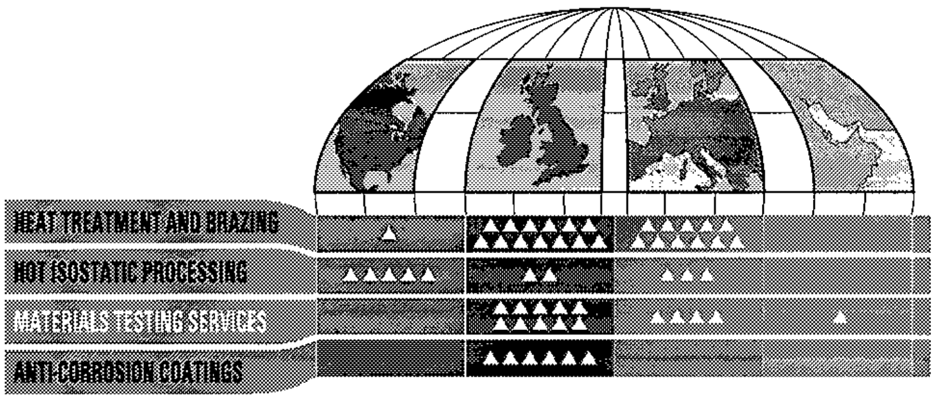


HIPping is a relatively new technology which uses very high pressures and temperatures to achieve remarkable changes in metals and other materials.

For example, it can remove porosity from a cast stainless steel golf club head, greatly improving its performance. It can turn powdered metal into solid high performance steel for use in special components or in rugged environments. It can also bond different materials together such as tungsten carbide to steel to manufacture unique products.

The range of applications for which HIPping is suitable is growing continuously and with Bodycote's investment into increasingly larger capacity equipment it is becoming even more cost effective.

Review of operations



MTS International Limited provides a comprehensive metallurgical and chemical analysis service to industry throughout the UK, Europe and the Middle East from its network of 15 materials testing laboratories equipped to the latest technological standards.

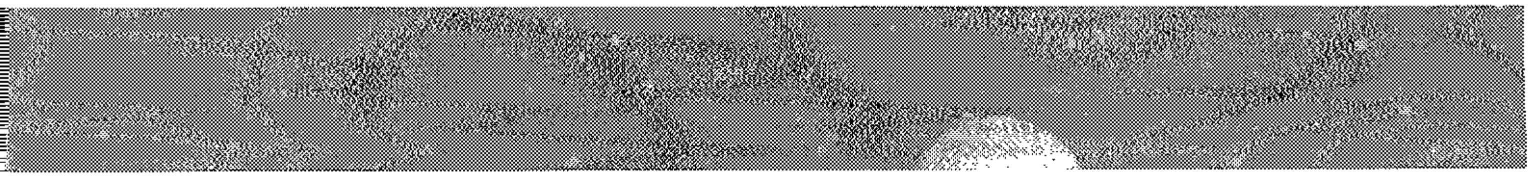
During 1995 the materials testing sector of Bodycote Metal Technology, MTS International Limited, performed well with profits increasing by 19%.

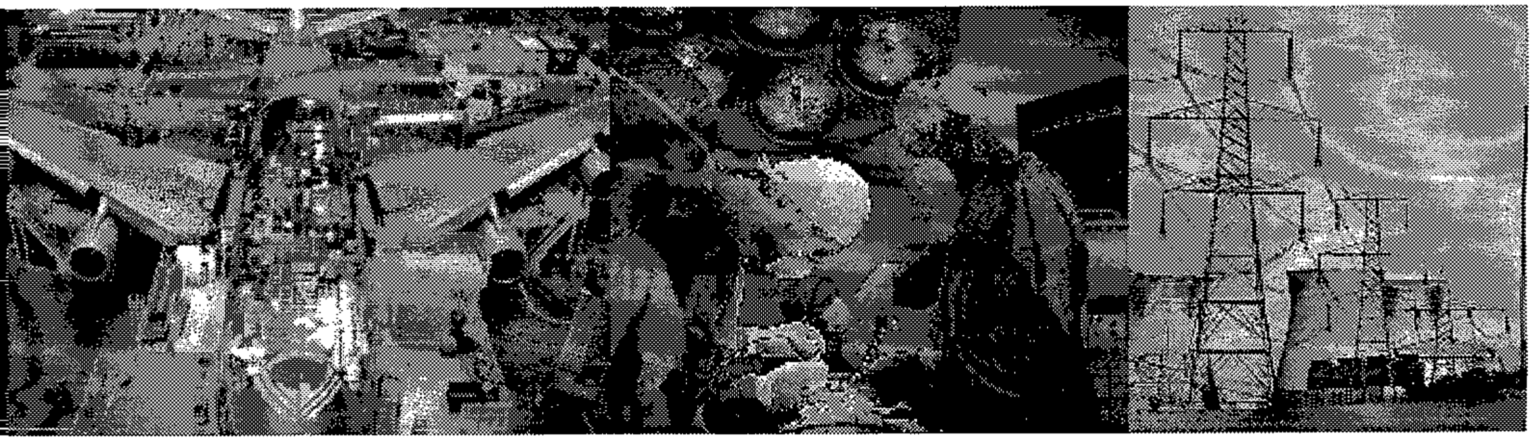
The UK companies significantly increased market share during 1995 without adding to the existing structure of 10 laboratories. Investment continued into new equipment in order to improve efficiency and develop new markets. Several laboratories increased production testing for the foundry and automotive sectors, following the investment during the year into computer controlled machine tools for fast sample preparation.

Significant capital projects for 1996 will be the introduction in Scotland, of new facilities for the testing of subsea reel laid pipe equipment and additional chemical analysis equipment.

The two laboratories operating in the Netherlands produced excellent results with sales up by 24% and profits by 48%. This was largely due to a high level of activity in international oil and gas industries which is expected to continue during 1996.

In Norway another quiet year was experienced with profits similar to 1994. Oilfield fabrication activity is forecast to increase during 1996 and this should result in a better performance. In July 1995 MTS entered the important Italian market with the acquisition of Laboratori Prove Tecnologiche based near Milan. As the laboratory is a member of the STQua consortium of quality testing services in Italy, MTS now also qualifies for membership. The plant has had a successful first six months trading and is expected to contribute significantly to profits in 1996.





The Abu Dhabi laboratory, which was opened in June 1994, had a very successful year and is now firmly established as the premier materials testing facility in the area. Accreditation under the UK Department of Trade and Industry NAMAS scheme was obtained early in 1995 and this is the only such accreditation in the United Arab Emirates. The company also holds approvals from the Abu Dhabi National Oil Corporation and most of the state controlled energy companies.

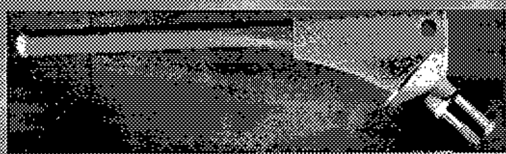
Significant activity in this region over the next five to ten years is forecast, not only in connection with the development of oil and gas activities but also in the building and construction sector. This has prompted investment into a buildings materials department in addition to the existing chemical analysis and mechanical testing facilities to satisfy the expected demand from the civil engineering industry.

A number of major contracts have been won during the year from Qatar and Oman and increased marketing in other Gulf states will continue to expand the geographical customer base.

The in-house volume production market offers considerable opportunities and in 1996 MTS will continue to introduce state of the art investment in order to improve efficiency and operating margins.

Trading levels in early 1996 are encouraging and investment plans at several locations should ensure growth in sales volumes. Opportunities are being carefully appraised with a view to further acquisitions designed to expand the present network of laboratories into other parts of the world.

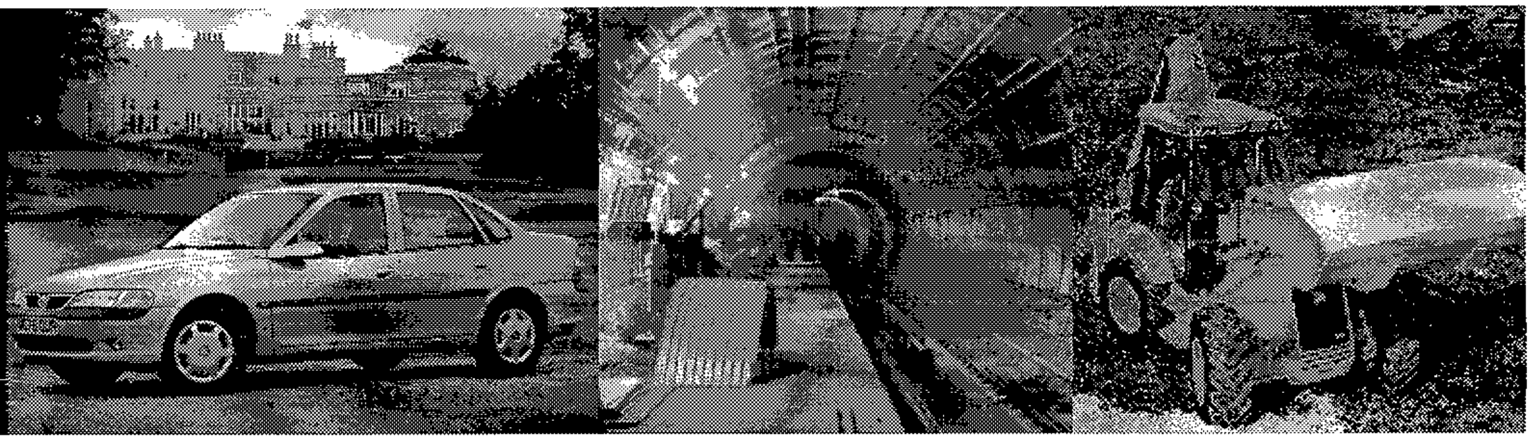
WHAT IS MATERIALS TESTING?

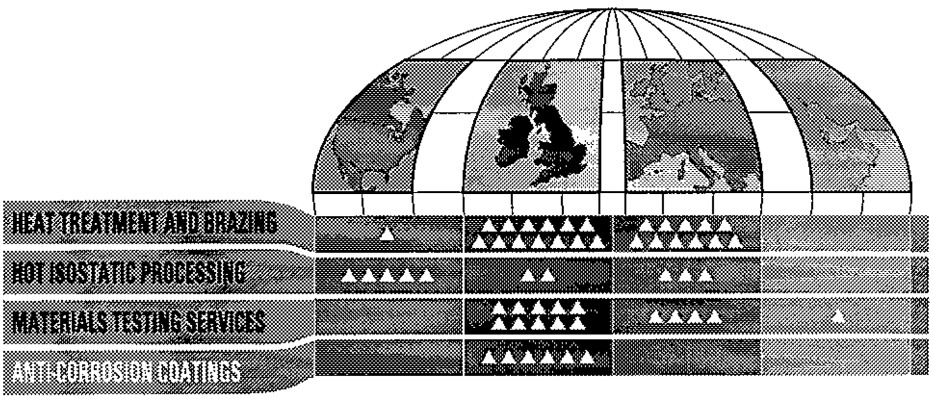


Consider an artificial hip joint. Invasive surgery to fit a replacement hip joint is traumatic for the patient. A failure would be distressing and costly to correct. Materials testing plays a critical part in ensuring the quality of the components. Chemical analysis techniques ensure that the specified materials are used, otherwise the joint may not be strong enough or might corrode in body fluids. Mechanical testing determines the strength of the materials employed. Premature wear must be avoided so durability testing would take place at the design stage. A sterile component is essential, micro-biological tests provide the necessary confidence.

All of these tests are performed by the MTS group of accredited laboratories, often in support of an in-house facility, but increasingly as the main service provider.

Review of operations





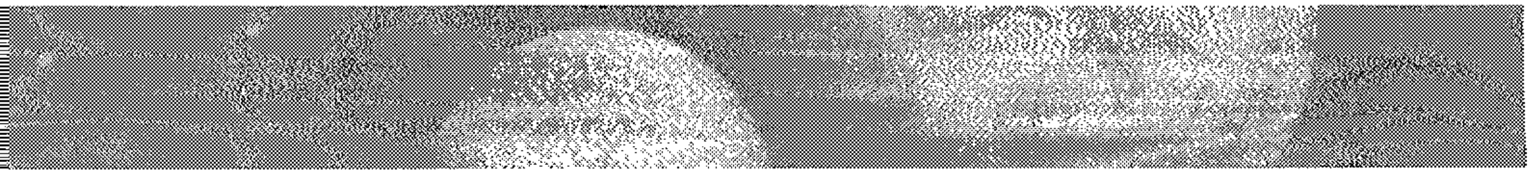
Manufacturers are increasingly aware of the substantial cost savings arising from the application of high performance anti-corrosion coatings to enhance the life and performance of their products.

The UK based anti-corrosion group's performance in increasing market share, albeit with some loss of margin, whilst substantially maintaining profit contribution, was commendable.

With the acquisition of Harvey Plating in September 1995 the group now comprises six plants offering a wide range of metal finishes to most sectors of industry. However, with a strong bias towards the construction industry, business in 1995 continued to be difficult as well as extremely competitive. In today's industrial environment manufacturers are increasingly aware of the substantial cost savings arising from the application of high performance anti-corrosion coatings to enhance the life and performance of their products.

In order to increase market awareness of the benefits of anti-corrosion coatings the group produced a computer disk entitled "The Zinc Alloy Anti-corrosion Guide". This database has been widely distributed and well received by large numbers of potential customers.

Zinc Alloy's unique Sherardizing process continues to be widely specified and recent projects include Hong Kong Airport, Taiwan Rail System and several major sewerage and water projects in the UK. At the same time Zinc Alloy has developed a new anti-corrosion coating 'Sheraplex'. Used in conjunction with Sherardizing this duplex coating has been developed specifically for the water industry in order to combat the corrosion of threaded fasteners. The new 'Sheraplex' process has been certified by a NAMAS accredited laboratory meeting the demanding specification of the UK Water Industry's Engineering and Operations committee and for example is now



specified by the Yorkshire Water Authority as their standard finish for fasteners.

Demand for zinc coatings applied by mechanical plating increased considerably and new plant commissioned at the Wolverhampton site will consolidate Zinc Alloy's position as the UK market leader in this process.

Organic coatings are increasingly being specified, particularly in the automotive industry and Zinc Alloy has recently received approval for applying the Delta coating system to Opel GM components.

Continued investment into Delta organic coatings equipment will maintain the group's lead over its competition.

Further investment was undertaken in 1995 with the installation of computer managed effluent control plant. This major investment into the environment involves the recycling of previously wasted water and produces substantial reductions in disposal costs of semi solid materials, making it extremely cost effective.

The acquisition of Harvey Plating in Darlington extends the anti-corrosion group's geographical coverage. It is already profitable and with planned investments under way has the potential to progress substantially in 1996.

Bodycote's strategy is to develop a much stronger presence in the UK in the provision of anti-corrosion coatings and there is considerable additional market opportunity for these services.

WHAT ARE ANTI-CORROSION COATINGS?

Specifications for a wide range of components often require an anti-corrosion coating to provide many additional benefits, such as consistent torque tension, reduction in friction and greatly increased wear resistance. The vital hinge pins used to pivot the arms of a JCB excavator also have demanding specifications, which are met by Zinc Alloy's unique range of coatings.

For example the links in the chain on a child's swing need an anti-corrosion coating as protection against the elements and the constant wear from thousands of tiny hands. If the correct quality coating is chosen, it will also extend the life of the swing and reduce maintenance costs.

Bodycote's anti-corrosion coating sector is recognised worldwide for its expertise across a wide spectrum of coating systems, its advice is frequently sought by engineering design teams employed on major projects.

Industrial and general

A growing demand for bulletproof vests and high visibility garments

Supercraft Garments

Supercraft had another good year and continued to develop niche markets for its products. With a low overhead structure and good overseas production capabilities, the company produced a satisfactory return on capital employed.

Sales to the Ministry of Defence account for about 50% of the turnover and there is a growing demand for bulletproof vests and high visibility garments. Prospects for the immediate future are good.

Bodycote Developments

Bodycote Developments manages the group's property and other interests in Baildon, West Yorkshire. The site remains fully let and profits in 1995 continued at a satisfactory level.

Stephens-Itex Safety

Stephens-Itex experienced a steady year in which market share of the UK Personal Protective Equipment sector was maintained.

Business remained sluggish due to the continuing depression in the construction industry. However, European approvals for an extensive range of products were gained and international exhibitions were used to create new export opportunities for sales of the Stephens-Itex range of industrial safety equipment.

Thomas Cook & Son

Thomas Cook & Son is engaged in the activities of industrial and commercial risk management, as general insurance brokers, pension and life assurance consultants and independent financial advisers.

Directors' report

The directors submit their report and the audited accounts for the year ended 31st December 1995.

PRINCIPAL ACTIVITIES

The company is a holding company with subsidiaries organised into divisions as follows:

METAL TECHNOLOGY

Specialists in vacuum heat treatment, carburising, sherardizing, phosphating, carbonitriding, plasma nitriding, copper brazing, metal plating and hardening and tempering. The manufacture of vacuum and mesh belt furnace equipment. The application of the hot isostatic pressing process and the manufacture of specialist steels and products using hot isostatic pressing technology. The provision of materials testing services.

INDUSTRIAL AND GENERAL

Manufacturers and distributors of helmets, respirators, goggles, industrial boots and shoes, prescription spectacles, welding visors, ear defenders and gloves. Manufacturers of military uniforms and bullet proof vests. General insurance brokers and managers of certain of the group's property interests.

The activities of the principal subsidiary undertakings within the group are set out on pages 44 to 46. The Chairman's statement, Managing Director's report and Review of operations contain a survey of the group's activities, the position at the year end and future development.

TRADING RESULTS

The profit of the group before taxation for the year was £18,942,000 (1994: £15,832,000) and includes a profit on the disposal of discontinued operations of £506,000 (1994: £659,000). Profit attributable to shareholders amounted to £12,152,000 (1994: £10,749,000). Of this, £3,790,000 (1994: £3,326,000) is accounted for by dividends, both paid and proposed, with the balance of £8,362,000 (1994: £7,423,000) transferred to reserves.

DIVIDENDS

The board is recommending a final dividend of 4.1p making a total for the year of 6.5p per share (1994: 5.75p). The final dividend, if approved, will be paid on 1st July 1996 to shareholders on the register at the close of business on 5th June 1996.

TANGIBLE FIXED ASSETS

In the opinion of the directors the market value of the group's land and buildings at 31st December 1995 was not materially different to book value.

Changes in the amount of tangible fixed assets are shown in note 10 to the accounts.

SHARE CAPITAL

During the year the issued ordinary share capital of the company was increased to £14,571,771 by the issue of 435,000 shares pursuant to options granted under the company's senior executive share option scheme.

ACQUISITIONS AND DISPOSALS

On 14th March 1995 the sale of the remaining shareholding in EHCO-KLM Kleding NV to Koninklijke Borsumij Wehry NV of The Hague, Netherlands took place. The proceeds of the sale amounted to approximately Dfls 25 million (£9.9 million) in cash.

The business and assets of Laboratori Prove Technologiche (LPT) were acquired on 26th June 1995, through the company's Italian subsidiary, MTS (LPT) Srl. Located near Milan, LPT is one of Italy's most prestigious testing laboratories with net assets on acquisition of Lit 1.2 billion (£460,000).

Directors' report

On 24th August 1995, completion took place of the acquisition, through the company's subsidiary Bodycote (Electroplating) Limited, of the whole of the issued share capital of Harvey Plating Limited. The business is based in Darlington and offers electroplating services to industry.

The disposal of Stockpack Limited to J N Nichols (Vimto) plc was completed on 6th October 1995 for a cash consideration of £8.6 million, including a dividend of £4.3 million paid by Stockpack to Bodycote prior to completion.

The whole of the share capital in Mahler Dienstleistungs GmbH (Mahler), based in Esslingen, Germany, a subsidiary of Degussa AG was acquired on 6th November 1995 for a cash consideration of DM15.1 million (£6.9 million). Mahler offers a wide range of metallurgical processing services from seven locations in Germany, and supplies continuous controlled atmosphere brazing furnaces which are sold worldwide.

On 2nd January 1996 the whole of the share capital in Eurobras GmbH (Eurobras), Schmetz GmbH (Schmetz) and the assets of Schmetz GmbH & Co KG were acquired. Eurobras offers vacuum heat treatment and brazing services from three locations in Germany and Schmetz manufactures sophisticated vacuum furnace equipment.

DIRECTORS

The present directors are listed on page 21 and with the exception of Mr. M. Hallas, Dr. B. A. Rickinson, Mr. D. R. Sleight and Mr. M. A. Wilton, who were appointed on 2nd January 1996, all served throughout the year.

In accordance with the articles of association and, being eligible, Messrs. Hallas, Rickinson, Sleight and Wilton offer themselves for re-election at the forthcoming annual general meeting. They each have a service agreement with the company dated 2nd January 1996 for an initial period of three years, thereafter terminated by one year's notice in writing.

The director retiring by rotation is Mr. R. M. Green who, being eligible, offers himself for re-election. Mr. Green has a service agreement with the company which is subject to three years' notice of termination.

DIRECTORS' INTERESTS

The interests of the current directors in the shares of the company at 31st December 1995 are set out below:

	31st December	
	1995	1994
Beneficial		
J. C. Dwek	4,058,500	4,072,000
J. Chesworth	144,912	154,912
R. M. Green	26,000	28,000
M. Hallas	15,600	22,560
D. R. Sleight	5,000	-
M. A. Wilton	15,000	15,000
Prof. H. C. A. Hankins	2,000	2,000
J. A. S. Wallace	5,000	5,000
Options		
J. C. Dwek	40,000	40,000
J. Chesworth	240,000	240,000
R. M. Green	115,000	115,000
M. Hallas	70,000	70,000
B. A. Rickinson	60,000	60,000
D. R. Sleight	50,000	70,000
M. A. Wilton	80,000	80,000

Since the end of the year Mr. Dwek has disposed of 10,000 shares, Mr. Chesworth has disposed of 7,500 shares and Mr. Hallas has disposed of 1,000 shares from their beneficial holdings.

No share options have been granted to or exercised by the directors since the end of the year. An analysis of directors' share options is given in note 16 to the accounts.

None of the directors had a material interest in any contract of significance in relation to the company and its subsidiaries at any time during the financial year.

Directors' report

SHAREHOLDERS

As at the date of this report the company had been informed of the following notifiable interests in the issued share capital of the company:

	Number of shares	% of share capital
Prudential Corporation group of companies	3,887,500	6.66
Norwich Union Life Insurance Society	1,944,000	3.33
Standard Life Assurance Company	1,932,355	3.32

There is given below an analysis of the company's shareholders and the shares currently in issue, numbering 2,568 and 58,317,084 respectively.

	Shareholders %	Number of shares %
Directors' interests	0.1	7.3
Major institutional and corporate holdings	3.0	76.5
Other shareholdings	96.9	16.2

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

During the year the company purchased insurance for the directors and other officers against certain liabilities which could attach to them in their capacities as directors and officers.

EMPLOYEES

The group recognises the benefits of keeping employees informed of the progress of the business and of involving them in their own company's performance. During the year employees were provided with information regarding the financial and economic factors affecting the performance of their company and on other matters of concern to them as employees.

It is the group's policy to give full and fair consideration to applicants for employment from disabled persons having regard to their particular aptitudes and abilities, and to encourage the training and career development of all personnel employed by the group including disabled persons. Should an employee become disabled, the group, where practicable, seeks to continue the employment and arrange appropriate training. An equal opportunities policy is in operation in the group.

HEALTH, SAFETY AND ENVIRONMENT

The group has a positive approach to health, safety and environmental matters and is committed to the achievement of the highest practicable standards of health and safety at work for all employees and to the minimisation of adverse effects on the physical environment.

RESEARCH AND DEVELOPMENT

Product development and improvement at group companies is an ongoing process. Costs of research and development are written off in the year in which they are incurred.

DONATIONS

Charitable donations paid during the year net of income tax amounted to £15,000. There were no political contributions.

CLOSE COMPANY

The close company provisions of the Income and Corporation Taxes Act 1988 do not apply to the company.

AUDITORS

Our auditors KPMG have indicated that a limited liability company, KPMG Audit Plc, is to undertake part of their audit business. Accordingly, a resolution is to be proposed at the annual general meeting for the appointment of KPMG Audit Plc as auditors of the company.

Directors' report

CREST SETTLEMENT SYSTEM

CREST is the new settlement system for shares and other securities, which is being developed by the Bank of England and which is expected to replace the existing settlement system by early 1997.

CREST will be operated by CRESTCo Limited, whose shareholders are from a broad spectrum of participants in the UK securities market. It will be a voluntary system which will enable shareholders to hold and transfer their shareholdings in electronic form rather than in paper if they wish thereby dispensing with any need for share certificates. Shareholders who wish to retain their certificates will be able to continue to do so.

The system will offer shareholders the option of sponsored membership enabling them to hold shares in their own name in electronic form, while authorising an intermediary, such as a broker, to operate the membership on their behalf. Such shareholders will continue to have a direct relationship with the issuing company, just as if they had retained share certificates.

Since entry into CREST by the shareholder is voluntary and his/her rights are not changed, companies are able to make their ordinary shares available for settlement in CREST by board decision.

If you would like more information about CREST, please write to CRESTCo Limited at Trinity Tower, 9 Thomas More Street, London, E1 9YN.

NOTICE TO SHAREHOLDERS

This is to give you notice, in accordance with the Uncertified Securities Regulations 1995 ("the Regulations") that on 17th April 1996, the company resolved by a resolution of its directors that title to the ordinary shares of 25 pence each in the capital of the company, in issue or to be issued, may be transferred by means of a relevant system. The resolution of the directors will become effective immediately prior to CRESTCo Limited granting permission for the shares concerned to be transferred by means of the CREST system.

ANNUAL GENERAL MEETING

The notice of the 1996 annual general meeting is set out in a letter to shareholders dated 10th May 1996.

By order of the Board

Clair Griffiths

CLAIR GRIFFITHS
Secretary.
18th April 1996

140 Kingsway
Manchester
M19 1BB

Corporate governance

The directors support the highest standards in corporate governance and the board believes that it has been in compliance with the Code of Best Practice published by the Cadbury Committee for the whole of the financial year.

Non-executive directors are appointed for specific terms and re-appointment is not automatic. The appointment of non-executive directors is a matter which is considered by the board as a whole. Executive directors' terms of employment and emoluments are determined by the remuneration committee which consists of three non-executive directors.

The company's audit committee comprises three non-executive directors and is formally constituted with written terms of reference.

The board of directors has overall responsibility for the group's system of internal financial control and for monitoring its effectiveness. The board has delegated this latter role to the Audit Committee but continues to review the minutes of audit committee meetings. The committee meets at least three times a year to discuss the effectiveness of internal financial controls and involves both the group finance function and external auditors.

The group operates a policy of decentralisation, with responsibility for each business resting with its local management overseen by its respective main board director. A detailed annual budget is prepared for each operation in conjunction with local management, which is then compared in detail with the monthly management accounts. Any significant adverse variances are examined by the main board director and appropriate action taken.

During the course of the year the group finance function, under the direction of the Audit Committee, reviews the control of individual businesses throughout the group, reports on any weaknesses and recommends improvements where necessary.

The directors believe that any system of internal financial control can provide only reasonable, but not absolute, assurance that the assets are safeguarded against material loss or unauthorised use, that transactions are properly authorised and recorded, and material errors and irregularities are either prevented or would be discovered within a timely period.

The directors consider that the company and the group have adequate resources to finance their activities for the foreseeable future, and that therefore it is appropriate to adopt the going concern basis in preparing the financial statements.

The directors' responsibilities are set out on page 42.

The auditors, KPMG, have confirmed that in their opinion: with respect to the directors' statements on internal financial control and going concern (above) the directors have provided the disclosures required by paragraphs 4.5 and 4.6 of the Code (as supplemented by the related guidance for directors) and the statements are not inconsistent with the information of which they are aware from their audit work on the financial statements and that the directors' statements above appropriately reflect the company's compliance with the other paragraphs of the Code in force specified by the Listing Rules for their review. They have carried out their review in accordance with the Bulletin issued by the Auditing Practices Board, which does not require them to perform any additional work necessary to express a separate opinion on the effectiveness of either the company's system of internal financial control, corporate governance procedures or on the ability of the group to continue in operational existence.

Report of the remuneration committee

The members of the Remuneration Committee of the board are as follows:

J. A. S. Wallace	(Chairman)
Professor H. C. A. Hankins	
Professor J. S. Metcalfe	

All members are non-executive directors of the company and have no personal financial interest, other than as shareholders, in the matters to be decided, no potential conflicts of interest arising from cross directorships and no day to day involvement in running the business. Remuneration of the non-executive directors is determined by the board as a whole.

The Remuneration Committee considers that throughout the year under review the company has complied with Section A of the best practice provisions annexed to the London Stock Exchange Listing Rules.

REMUNERATION POLICY FOR EXECUTIVE DIRECTORS

In determining its remuneration policy the committee has given full consideration to Section B of the best practice provisions annexed to the London Stock Exchange Listing Rules.

The basic salary of each director is determined by taking into account the responsibilities and performance of the individual and giving regard to current market practice. A performance related bonus on the improvement of annual group profit before tax is payable to certain of the executive directors. Any bonus payments made by the company are not pensionable and are capped at £10,000 per director for 1996.

The company believes that share ownership by executive directors is important and that it focuses the link between personal interests and shareholders' interests. An executive share option scheme is in place and grants of options to directors are governed by the Remuneration Committee. An analysis of directors' share options is given in note 16 to the accounts.

Details of current service agreements for each director are as follows:

J. C. Dwek	two year notice period
J. Chesworth	fixed to 31st May 1998
R. M. Green	three year notice period

Messrs. M. Hallas, B. A. Rickinson, D. R. Sleight and M. A. Wilton who were appointed as directors on 2nd January 1996, each have a service agreement for an initial period of three years, thereafter terminated by one year's notice.

There are no current plans to amend existing notice periods which are considered appropriate under the present circumstances. The committee review the position regularly and give due consideration to market conditions. The company applies the principle of mitigation to any payment of compensation on termination.

It is the group policy to provide for executive directors pensions under the group's contributory final salary pension scheme. For historical reasons Mr. Chesworth, the Managing Director, is not a member of this scheme and the group over the years has made contributions to individual pension policies. During the year the benefits provided under these policies were reviewed and an additional payment of £100,000 was paid into these arrangements to bring the projected benefits more into line with the benefits that would have accrued had Mr. Chesworth been a member of the group scheme.

An analysis of directors' emoluments is given in note 4 to the accounts.

J. A. S. Wallace,
Chairman, Remuneration Committee.
18th April 1996.

Board of directors

EXECUTIVE DIRECTORS

J. C. Dwek Chairman

*Appointed as Chief Executive in 1971,
became Chairman and Managing Director in 1973,
and Executive Chairman in 1993.*

J. Chesworth Managing Director

*Appointed a Director in 1981,
became deputy Managing Director in 1984
and Managing Director in 1993.*

R. M. Green Finance Director

*Appointed Finance Director in 1973.
A chartered accountant, joined the group in 1972.*

M. Hallas Director

*Appointed 2nd January 1996.
Responsibility for UK and European heat treatment
and brazing. A metallurgist, joined the group in 1979.*

M. A. Wilton Director

*Appointed 2nd January 1996.
Responsibility for USA HIP and heat treatment
operations. A metallurgist, joined the group in 1979.*

D. R. Sleight Director

*Appointed 2nd January 1996.
Responsibility for materials testing services.
A chartered accountant, joined the group in 1990.*

Dr. B. A. Rickinson Director

*Appointed 2nd January 1996.
Responsibility for UK and European HIP operations.
A metallurgist, joined the group in 1991.*

NON-EXECUTIVE DIRECTORS

Professor H. C. A. Hankins CBE

*Appointed in 1992. Former Principal and
Vice-Chancellor of the University of Manchester
Institute of Science and Technology (UMIST).*

J. A. S. Wallace

*Appointed in 1994.
Deputy Chairman of Pifco Holdings plc.
Chairman of the Audit and Remuneration Committees.*

Professor J. S. Metcalfe CBE

*Appointed in 1995. Professor of Economics at
the University of Manchester.
Member of the Monopolies and Mergers Commission.*

SECRETARY AND REGISTERED OFFICE

Clair Griffiths ACMA

*140 Kingsway, Manchester M19 1BB
Tel: 0161 257 2345 Fax: 0161 257 2353
Registered Number 519057 England.*

Advisers

AUDITORS	*KPMG*
BANKERS	*Midland Bank plc, National Westminster Bank plc, ABN-AMRO Bank NV, Bank of Scotland*
SOLICITORS	*Eversheds*
BROKERS	*Kleinwort Benson Securities Limited, Henry Cooke, Lumsden plc*
REGISTRARS	*Connaught St. Michaels Limited*

Financial contents

Financial calendar

Annual general meeting	*10th June 1996*
Final dividend for 1995	*1st July 1996*
Interim results	*September 1996*
Interim dividend	*December 1996*
Results for 1996	*April 1997*

Profit and loss account

for the year ended 31st December 1995

	Note	Group 1995 £000	Group 1994 £000
Turnover	1		
Existing operations		66,669	50,818
Acquisitions		4,512	-
Continuing operations		71,181	50,818
Discontinued operations		9,211	33,510
		80,392	84,328
Operating profit	2		
Existing operations		17,460	12,412
Acquisitions		350	-
Continuing operations		17,810	12,412
Discontinued operations		476	3,066
		18,286	15,478
Exceptional items			
Profit on disposal of discontinued operations	20	506	659
Profit on ordinary activities before interest		18,792	16,137
Net interest receivable/(payable)	3	150	(305)
Profit on ordinary activities before taxation	1	18,942	15,832
Tax on profit on ordinary activities	6	5,543	4,578
Tax on disposal of discontinued operations		950	-
Profit on ordinary activities after taxation		12,449	11,254
Minority interests - equity	17	297	505
Profit for the financial year		12,152	10,749
Dividends - equity	8	3,790	3,326
Amount transferred to reserves	16	8,362	7,423
Earnings per share	9		
Ordinary		20.9p	18.6p
Headline		21.7p	17.5p

The accompanying notes are an integral part of these accounts.

Balance sheets

as at 31st December 1995

	Note	Group 1995 £000	Group 1994 £000	Company 1995 £000	Company 1994 £000
Fixed assets					
Tangible assets	10	77,828	66,304	260	267
Investments	11	-	-	55,993	54,268
		77,828	66,304	56,253	54,535
Current assets					
Stocks	12	5,775	13,581	-	-
Debtors	13	21,522	20,380	6,326	6,448
Cash at bank and in hand		26,261	17,107	19,187	6,446
		53,558	51,068	25,513	12,894
Creditors					
Amounts falling due within one year	14	30,966	24,498	16,596	12,296
Net current assets		22,592	26,570	8,917	598
Total assets less current liabilities		100,420	92,874	65,170	55,133
Creditors					
Amounts falling due after more than one year	14	17,555	13,551	11,421	14,052
Provisions for liabilities and charges					
Deferred taxation	15	5,300	5,398	-	-
		77,565	73,925	53,749	41,081
Capital and reserves	16				
Called up share capital		14,572	14,463	14,572	14,463
Share premium account		12,193	11,857	12,193	11,857
Revaluation reserve		741	741	-	-
Currency and other reserve		4,841	3,499	689	877
Profit and loss account		44,076	35,650	26,295	13,884
Shareholders' funds - equity		76,423	66,210	53,749	41,081
Minority interests - equity	17	1,142	7,715	-	-
		77,565	73,925	53,749	41,081

Approved by the Board of Directors on 18th April 1996 and signed on its behalf by:

J. C. DWEK
R. M. GREEN } *Directors*

The accompanying notes are an integral part of these accounts.

Group cash flow statement

for the year ended 31st December 1995

	Note	1995 £000	1995 £000	1994 £000	1994 £000
Net cash inflow from operating activities	(i)		22,326		16,069
Return on investments and servicing of finance					
Interest received		1,666		401	
Interest paid		(1,717)		(757)	
Dividends paid to shareholders		(3,481)		(3,306)	
Dividends paid to minority shareholders		(238)		(184)	
Net cash outflow from return on investments and servicing of finance			(3,770)		(3,846)
Tax paid					
UK		(3,329)		(2,610)	
Overseas		(789)		(523)	
			(4,118)		(3,133)
Investing activities					
Purchase of subsidiary undertakings	(ii)	(8,679)		(2,299)	
Disposal of discontinued operations	(iii)	14,818		2,313	
Tangible fixed assets acquired		(13,534)		(13,266)	
Tangible fixed assets sold		575		623	
Net cash outflow from investing activities			(6,820)		(12,629)
Net cash inflow/(outflow) before financing			7,618		(3,539)
Financing	(iv)				
Issue of shares following exercise of options		445		15	
Increase/(decrease) in loans		632		(316)	
Net cash inflow/(outflow) from financing			1,077		(301)
Increase/(decrease) in cash and cash equivalents	(v)		8,695		(3,840)

Notes

(i) **Reconciliation of operating profit to cash flow from operating activities**

	1995 £000	1994 £000
Operating profit	18,286	15,478
Depreciation	5,869	5,280
Profit on sale of tangible fixed assets	(66)	(209)
Increase in stocks	(708)	(1,767)
Increase in debtors	(665)	(2,137)
Decrease in creditors	(390)	(576)
Net cash inflow from operating activities	22,326	16,069

(ii) **Purchase of subsidiary undertakings**

	1995 £000	1994 £000
The net cash outflow on acquisitions comprises:		
Cash consideration and related expenses (see note 19)	8,019	3,769
Net cash balances and overdrafts acquired	660	(1,470)
	8,679	2,299

(iii) **Disposal of discontinued operations**

	1995 £000	1994 £000
The net cash inflow on disposals comprises:		
Cash proceeds (see note 20)	18,520	1,828
Cash balances disposed	(6,578)	(3)
Bank overdrafts disposed	2,876	488
	14,818	2,313

(iv) **Analysis of changes in financing during the year**

	1995		1994	
	Share capital and premium £000	Loans £000	Share capital and premium £000	Loans £000
At beginning of the year	26,320	14,539	26,205	15,090
Issue of shares following exercise of options	445	-	15	-
Conversion of loan stock	-	-	100	(100)
Bank loans acquired	-	6,757	-	524
Bank loans repaid	-	(6,125)	-	(840)
Currency adjustments	-	503	-	(135)
Bank loans on acquisition of subsidiaries	-	2,297	-	-
	26,765	17,971	26,320	14,539

(v) **Analysis of changes in cash and cash equivalents during the year**

	1995 £000	1994 £000
At beginning of the year	14,243	17,828
Net cash inflow/(outflow) before currency adjustments	8,695	(3,840)
Currency adjustments	537	255
	23,475	14,243

(vi) **Analysis of cash and cash equivalents**

	1995 £000	1994 £000	Change in year £000
Cash at bank and in hand	26,261	17,107	9,154
Bank overdrafts	(2,786)	(2,864)	78
	23,475	14,243	9,232

Statements of total recognised gains and losses

For the year ended 31st December 1995

	Group		Company	
	1995	1994	1995	1994
	£000	£000	£000	£000
Profit for the financial year	12,152	10,749	16,201	3,891
Currency translation differences on foreign currency investments	1,342	378	(188)	(228)
Total gains and losses relating to the year	13,494	11,127	16,013	3,663

No note of historic cost profits and losses has been prepared as the result would not be significantly different to that reported on page 24.

Reconciliations of movements in shareholders' funds

For the year ended 31st December 1995

	Group		Company	
	1995	1994	1995	1994
	£000	£000	£000	£000
Profit for the financial year	12,152	10,749	16,201	3,891
Dividends	3,790	3,326	3,790	3,326
Retained profit for the year	8,362	7,423	12,411	565
Other recognised gains and losses relating to the year	1,342	378	(188)	(228)
Proceeds of shares issued	445	115	445	115
Goodwill written back on disposal (note 20)	3,121	686	-	-
Goodwill written off on acquisition (note 19)	(3,057)	(1,073)	-	-
Net additions to shareholders' funds	10,213	7,529	12,668	452
Shareholders' funds at beginning of the year	66,210	58,681	41,081	40,629
Shareholders' funds at end of the year	76,423	66,210	53,749	41,081

Accounting policies

ACCOUNTING CONVENTION

The accounts have been prepared under the historical cost convention adjusted by the revaluation of certain tangible fixed assets and in accordance with applicable accounting standards.

BASIS OF CONSOLIDATION

The group accounts consolidate the accounts of the company and its subsidiary undertakings, all of which are made up to 31st December. Unless otherwise stated the acquisition method of accounting has been adopted. The results of subsidiaries acquired or sold during the year are consolidated from or to the date on which effective control passes.

Goodwill arising on acquisition of subsidiaries is written off to reserves in the year in which the cost is recognised. The profit or loss on disposal or closure of a business includes any goodwill previously charged to reserves.

A separate profit and loss account dealing with the results of the company has not been presented in accordance with Section 230 of the Companies Act 1985.

TURNOVER

Turnover represents amounts receivable for goods and services sold to outside customers, excluding value added tax.

TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at cost or at valuation. Depreciation is provided on a straight line basis, to reduce the carrying value to the estimated residual value at the point of sale, at the following annual rates:

Land	nil
Buildings	2%
Leasehold property	over the period of the lease
Plant and machinery	5% to 10%
Fixtures and fittings	10% to 20%
Motor vehicles	25%

STOCK

Stock is valued at the lower of cost and net realisable value. In the case of manufactured products cost includes the attributable proportion of manufacturing overhead costs. Net realisable value is the estimated selling price less all further costs to completion and all costs to be incurred in selling and distribution.

TAXATION

Provision is made under the liability method for taxation deferred by all timing differences to the extent that there is a reasonable probability that the liability will crystallise in the foreseeable future. Advance corporation tax on dividends paid and proposed is carried forward to the extent that it can be recovered.

FOREIGN CURRENCIES

The accounts of overseas subsidiaries and foreign currency loans are translated into sterling at the rates of exchange ruling at the balance sheet date. Currency differences arising from the translation at closing rates of the investment in subsidiary undertakings are taken to reserves, together with exchange gains and losses arising on foreign currency borrowings which finance a proportion of foreign currency investments.

PENSION COSTS

Contributions are charged against profits so as to spread the cost of pensions over employees' working lives.

LEASING

Operating lease rentals are charged to the profit and loss account as incurred.

GOVERNMENT GRANTS

Capital based government grants are included within accruals and deferred income in the balance sheet and credited to the profit and loss account over the estimated useful economic lives of the assets to which they relate. Revenue based government grants are credited to the profit and loss account in the period in which they are receivable.

Notes on the accounts

1. Net assets, turnover and profit before taxation

(a) Segmental analysis
(i) By activity

	Net assets		Turnover		Profit	
	1995	1994	1995	1994	1995	1994
	£000	£000	£000	£000	£000	£000
Metal technology	69,633	47,836	66,452	48,229	17,723	12,538
EHCO-KLM	-	17,159	5,924	26,461	80	1,509
Industrial and general	7,932	8,930	8,016	9,638	1,465	2,095
	77,565	73,925	80,392	84,328	19,268	16,142
Head office expenses and net interest payable					(832)	(969)
Profit on ordinary activities before exceptional items					18,436	15,173
Profit on disposal of discontinued operations					506	659
Profit on ordinary activities before taxation					18,942	15,832

(ii) By geographical area

	Net assets		Turnover		Profit	
	1995	1994	1995	1994	1995	1994
	£000	£000	£000	£000	£000	£000
United Kingdom	45,055	36,800	40,386	39,870	10,962	10,320
United States	13,817	12,611	13,554	9,871	3,616	2,471
Netherlands	3,402	16,549	3,441	10,777	677	1,378
Germany	7,003	1,505	10,866	9,769	1,080	647
Sweden	5,550	3,690	8,826	1,801	1,772	302
Rest of Europe	2,738	2,770	3,319	12,240	835	714
	77,565	73,925	80,392	84,328	18,942	15,832

Turnover is stated by destination. In the opinion of the directors, turnover by origin is not materially different to that shown above.

(b) Profit on ordinary activities before taxation is stated after charging/(crediting):	1995 £000	1994 £000
Depreciation	5,869	5,280
Hire of plant and machinery	814	919
Other operating leases	143	-
Directors' emoluments	519	533
Compensation for loss of office payable to former director	-	132
Audit fees	205	237
Fees to auditors for non-audit services	138	173
Government grants receivable	(66)	(54)
Rents receivable	(434)	(334)

2. Operating profit

	1995			1994		
	Continuing	Discontinued	Total	Continuing	Discontinued	Total
	£000	£000	£000	£000	£000	£000
Turnover	71,181	9,211	80,392	50,818	33,510	84,328
Cost of sales	40,233	6,868	47,101	26,521	22,485	49,006
Gross profit	30,948	2,343	33,291	24,297	11,025	35,322
Distribution costs	2,970	961	3,931	2,719	4,717	7,436
Administrative expenses	10,168	906	11,074	9,166	3,242	12,408
Operating profit	17,810	476	18,286	12,412	3,066	15,478

3. Net interest receivable/(payable)

	1995	1994
	£000	£000
Bank interest payable	(882)	(792)
Bank loans repayable within 5 years	(158)	(408)
Bank loans repayable wholly or partly in more than 5 years	(618)	(389)
Loan stock interest	-	(14)
Interest payable	(1,658)	(1,603)
Bank interest receivable	1,808	1,298
	150	(305)

4. Directors' emoluments

	Salary and fees	Benefits	Bonus	Total emoluments excluding pension 1995	Total emoluments excluding pension 1994	Pension 1995	Pension 1994
	£000	£000	£000	£000	£000	£000	£000
Executive							
J. C. Dwek	100	7	-	107	102	9	12
J. Chesworth	140	5	10	155	145	128	28
R. M. Green	80	6	-	86	84	7	10
R. M. Bailey	-	-	-	-	244*	-	9
				348	575	144	59
Non-executive							
J. A. S. Wallace	9	-	-	9	7	-	-
Prof. H. C. A. Hankins	9	-	-	9	9	-	-
Prof. J. S. Metcalfe	9	-	-	9	-	-	-
Rt. Hon. Lord Barnett	-	-	-	-	15	-	-
				375	606	144	59

*includes compensation for loss of office of £132,000.

Benefits incorporate all assessable tax benefits arising from employment by the company, which relate in the main to the provision of a company car and of private medical insurance. Bonus payments are based on divisional performance targets and are approved by the remuneration committee. An analysis of directors' share options is given in note 16 to the accounts.

Notes on the accounts

4. Directors' emoluments *continued*

Until detailed guidance is available from the Institute of Actuaries under the Greenbury Code of Best Practice the figures for pensions are the contributions paid by the company.

Directors' emoluments excluding pension contributions were within the following ranges:

	1995 Number	1994 Number		1995 Number	1994 Number
£ 5,001 - £ 10,000	3	2	£105,001 - £110,000	1	-
£ 10,001 - £ 15,000	-	1	£110,001 - £115,000	-	1
£ 80,001 - £ 85,000	-	1	£140,001 - £145,000	-	1
£ 85,001 - £ 90,000	1	-	£150,001 - £155,000	1	-
£100,001 - £105,000	-	1			

5. Employees

The average number of persons employed by the group during the year was:	1995 Number	1994 Number
Metal technology	924	820
EHCO-KLM	69	411
Industrial and general	378	453
	1,371	1,684
Total employee costs were:	£000	£000
Wages and salaries	19,444	22,886
Social security costs	2,887	3,619
Other pension costs	909	893
	23,240	27,398

6. Tax on profit on ordinary activities

The charge for tax comprises:		
UK corporation tax at 33%	2,958	3,046
Overseas tax	2,065	749
UK deferred tax	173	106
Overseas deferred tax	508	758
Adjustment to previous years	(161)	(81)
	5,543	4,578

The UK corporation tax charge for the year has been reduced by £535,000 (1994: £539,000) as a result of accelerated capital allowances and other timing differences. The overseas tax charge takes account of the utilisation of past tax losses.

7. Profit for the financial year

The profit for the financial year dealt with in the financial statements of the company amounts to £16,201,000 (1994: £3,891,000).

8. Dividends

	1995	1994
	£000	£000
Interim - 2.4p per share on 58,287,084 shares paid 29th December 1995	1,399	1,244
Final - 4.1p per share on 58,317,084 shares proposed	2,391	2,082
	3,790	3,326

9. Earnings per share

	1995	1994
Profit for the financial year before exceptional items	12,596	10,090
Profit on sale of discontinued operations	506	659
Tax on sale of discontinued operations	(950)	-
Profit for the financial year	12,152	10,749
Headline earnings per share	21.7p	17.5p
Earnings per share	20.9p	18.6p

The average ordinary shares in issue during the year, weighted on a time basis, amounted to 58,120,507 (1994: 57,821,567). Headline earnings per share has been calculated in accordance with Statement of Investment Practice Number 1, issued by The Institute of Investment Management and Research, and is provided in order to assist users of accounts to identify earnings derived from trading activities. Earnings per share calculated on a fully diluted basis are not materially different from that shown above.

10. Tangible fixed assets

	Land and buildings			Plant	Fixtures	
		Long	Short	and	and	
	Freehold	leasehold	leasehold	machinery	fittings	Total
Group	£000	£000	£000	£000	£000	£000
Cost or valuation						
1st January 1995	25,290	249	335	74,094	6,405	106,373
Subsidiaries acquired	6,180	748	-	16,156	2,370	25,454
Subsidiaries sold	(5,830)	-	(18)	(5,830)	(1,838)	(13,516)
Currency adjustments	689	-	1	2,049	183	2,922
Additions	1,219	9	20	12,270	434	13,952
Disposals	(288)	-	-	(1,348)	(252)	(1,888)
	27,260	1,006	338	97,391	7,302	133,297
Depreciation						
1st January 1995	3,915	46	105	32,430	3,573	40,069
Subsidiaries acquired	1,813	348	-	11,267	1,920	15,348
Subsidiaries sold	(1,501)	-	(14)	(3,138)	(1,196)	(5,849)
Currency adjustments	111	-	-	1,144	156	1,411
Charge for the year	532	26	36	4,917	358	5,869
Disposals	(5)	-	-	(1,129)	(245)	(1,379)
	4,865	420	127	45,491	4,566	55,469
Net book value						
31st December 1995	22,395	586	211	51,900	2,736	77,828
31st December 1994	21,375	203	230	41,664	2,832	66,304

Notes on the accounts

10. Tangible fixed assets *continued*

	Land and buildings Freehold £000	Long leasehold £000	Short leasehold £000	Plant and machinery £000	Fixtures and fittings £000	Total £000
Analysis by years of valuation						
At professional valuation of open market value						
1979	634	-	-	-	-	634
1980	81	-	-	-	-	81
1981	444	-	-	-	-	444
1988	206	-	-	-	-	206
1993	330	-	-	-	-	330
Valuation	1,695	-	-	-	-	1,695
Cost	25,565	1,006	338	97,391	7,302	131,602
Cost or valuation	27,260	1,006	338	97,391	7,302	133,297
Original cost equivalent						
At 31st December 1995						
Cost	26,810	1,006	338	97,391	7,302	132,847
Accumulated depreciation	4,728	420	127	45,491	4,566	55,332
	22,082	586	211	51,900	2,736	77,515
At 31st December 1994						
Cost	23,802	249	335	74,094	6,405	104,885
Accumulated depreciation	4,127	46	105	32,430	3,573	40,281
	19,675	203	230	41,664	2,832	64,604

Company	Freehold land and buildings £000	Plant and machinery £000	Fixtures and fittings £000	Total £000
Cost				
1st January 1995	210	201	88	499
Additions	-	18	10	28
Intergroup additions	70	-	-	70
Disposals	(70)	(132)	(9)	(211)
	210	87	89	386
Depreciation				
1st January 1995	14	164	54	232
Charge for the year	3	20	9	32
Disposals	-	(130)	(8)	(138)
	17	54	55	126
Net book value				
31st December 1995	193	33	34	260
31st December 1994	196	37	34	267

11. Investments

Company	Group undertakings Shares £000	Loans £000	Total £000
Cost or valuation			
1st January 1995	23,992	30,276	54,268
Acquisitions and advances	7,972	11,136	19,108
Disposals and repayments	(13,525)	(3,158)	(16,683)
Amount provided	(700)	-	(700)
	17,739	38,254	55,993
Original cost equivalent			
31st December 1995	19,740	38,254	57,994
31st December 1994	25,293	30,276	55,569

Details of group undertakings are given on pages 44 to 46.

12. Stocks

Group	1995 £000	1994 £000
Raw materials and consumables	3,860	6,144
Work in progress	1,100	1,221
Finished goods and goods for resale	815	6,216
	5,775	13,581

13. Debtors

	Group 1995 £000	Group 1994 £000	Company 1995 £000	Company 1994 £000
Amounts falling due within one year:				
Trade debtors	17,937	17,722	-	-
Amounts owed by subsidiary undertakings	-	-	4,553	4,962
Other debtors	1,857	810	17	5
Prepayments and accrued income	1,260	1,462	253	118
Advance corporation tax recoverable	-	-	1,468	1,301
	21,054	19,994	6,291	6,386
Amounts falling due after more than one year:				
Other debtors	468	386	35	62
	21,522	20,380	6,326	6,448

Notes on the accounts

14. Creditors

	Group 1995 £000	Group 1994 £000	Company 1995 £000	Company 1994 £000
Amounts falling due within one year:				
Bank loans	2,628	1,899	-	-
Bank overdrafts	2,786	2,864	10,305	7,918
Loan notes	-	100	-	100
Trade creditors	7,855	7,093	80	11
Amounts owed to subsidiary undertakings	-	-	197	68
Corporation tax	4,787	2,286	950	-
Proposed dividends	2,391	2,082	2,391	2,082
Advance corporation tax	947	675	947	675
Other taxes and social security	2,261	2,204	31	27
Other creditors	2,960	2,338	1,507	1,252
Dividends to minority interests	21	238	-	-
Accruals and deferred income	4,330	2,719	188	163
	30,966	24,498	16,596	12,296
Amounts falling due after more than one year:				
Bank loans	15,343	12,540	6,757	3,690
Amounts owed to subsidiary undertakings	-	-	4,664	10,362
Other creditors	2,212	1,011	-	-
	17,555	13,551	11,421	14,052
Medium and long term bank loans:				
Not wholly repayable within 5 years	11,791	5,654	6,757	-
Wholly repayable between 1 and 5 years	3,552	6,886	-	3,690
	15,343	12,540	6,757	3,690
Bank loans are repayable as follows:				
After 5 years	2,757	2,389	1,351	-
Between 2 and 5 years	8,675	7,866	4,055	3,690
Between 1 and 2 years	3,911	2,285	1,351	-
	15,343	12,540	6,757	3,690
Within 12 months	2,628	1,899	-	-
	17,971	14,439	6,757	3,690

Interest on loans and overdrafts was at variable rates determined in relation to bank base rates. Bank loans of DM1.5 million (£676,000) are secured against a property in Germany.

15. Deferred taxation

	Group 1995 £000	Group 1994 £000
1st January 1995	5,398	4,413
Transfer from profit and loss account	681	864
Currency adjustments	87	23
Transfer from advance corporation tax recoverable	(77)	(52)
Subsidiaries acquired and sold	(789)	150
	5,300	5,398
Details of the liability are as follows:		
Capital expenditure allowances	5,903	5,498
Stock appreciation relief relating to overseas subsidiary	-	353
Advance corporation tax recoverable	(603)	(526)
Other timing differences	-	73
	5,300	5,398
The potential liability of the group not provided for in the accounts is:		
Chargeable gains rolled over	287	574
Chargeable gains on revaluation of tangible fixed assets	84	376
Capital expenditure allowances	3,350	3,117
	3,721	4,067

The above figures do not include an amount of £nil (1994: £499,000) of contingent tax liability on the undistributed reserves of overseas subsidiary undertakings which the group does not expect to remit to the UK.

16. Capital and reserves

	£000	£000
Share capital		
Authorised		
80,000,000 (1994: 80,000,000) ordinary shares of 25p each	20,000	20,000
Called up and fully paid		
58,287,084 (1994: 57,852,084) ordinary shares of 25p each	14,572	14,463

The called up share capital was increased during the year by the issue of 435,000 ordinary shares of 25p each in connection with the exercise of options under the senior executive share option scheme. The aggregate consideration received amounted to £445,000.

Senior executive share option schemes

An analysis of current directors' share options is as follows:

Director	Number of options 1st January 1995	Exercised during year	31st December 1995	Option price	Date from which exercisable	Expiry date
J. C. Dwek	40,000		40,000	100.5p	28.09.96	04.05.2000
J. Chesworth	100,000		100,000	100.5p	28.09.96	04.05.2000
	30,000		30,000	161.5p	11.10.96	11.10.2001
	50,000		50,000	191.5p	27.04.97	27.04.2002
	60,000		60,000	309.0p	28.11.97	28.11.2004
R. M. Green	50,000		50,000	100.5p	28.09.96	04.05.2000
	30,000		30,000	161.5p	11.10.96	11.10.2001
	35,000		35,000	309.0p	28.11.97	28.11.2004
M. Hallas	20,000		20,000	100.5p	04.05.95	04.05.2000
	20,000		20,000	161.5p	11.10.96	11.10.2001
	30,000		30,000	309.0p	28.11.97	28.11.2004
B. A. Rickinson	30,000		30,000	161.5p	11.10.96	11.10.2001
	30,000		30,000	309.0p	28.11.97	28.11.2004
D. R. Sleight	20,000	20,000	0	100.5p	04.05.95*	
	15,000		15,000	161.5p	04.05.98	11.10.2001
	10,000		10,000	191.5p	04.05.98	27.04.2002
	25,000		25,000	309.0p	04.05.98	28.11.2004
M. A. Wilton	15,000		15,000	100.5p	04.05.95	04.05.2000
	15,000		15,000	161.5p	11.10.96	11.10.2001
	20,000		20,000	191.5p	27.04.97	27.04.2002
	30,000		30,000	309.0p	28.11.97	28.11.2004

* date of exercise

The market price of the shares at 31st December 1995 was 412p and the range during 1995 was 309p to 420p. The market price of the shares on 4th May 1995 was 337p. Options are granted and approved by the remuneration committee. The rules of the schemes provide that options can only be exercised if certain earnings per share criteria are met.

During the year options covering 153,500 ordinary shares were granted to 33 employees pursuant to the rules of the Bodycote International Executive Share Option Scheme 1994. Options covering 435,000 ordinary shares were exercised and 4,000 options lapsed.

At 31st December 1995 options under the schemes were outstanding in respect of 2,312,000 ordinary shares granted to 150 executives and directors at prices ranging from 100.5p to 417p per share and expire at dates between 30th June 1996 and 16th October 2005.

16. Capital and reserves *continued*

An analysis of outstanding options at 31st December 1995 was as follows:

Date of grant		Option price	Exercise period	Number of options 1995	Number of options 1994
May	1990	100.5p	1995-2000	270,000	695,000
May	1991	131.5p	1996-2001	20,000	20,000
October	1991	161.5p	1996-2001	345,000	345,000
April	1992	191.5p	1997-2002	350,000	360,000
May	1993	282.0p	1998-2003	60,000	60,000
November	1994	309.0p	1997-2004	1,113,500	1,117,500
May	1995	333.0p	1998-2005	55,000	-
October	1995	417.0p	1998-2005	98,500	-
				2,312,000	2,597,500

Reserves

	Share premium account £000	Revaluation reserve £000	Currency and other reserve £000	Profit and loss account £000	Total £000
Group					
1st January 1995	11,857	741	3,499	35,650	51,747
Currency adjustments	-	-	1,342	-	1,342
Retained profit for the year	-	-	-	8,362	8,362
Premium on shares issued	336	-	-	-	336
	12,193	741	4,841	44,012	61,787
Goodwill on acquisitions	-	-	-	(3,057)	(3,057)
Goodwill on disposals	-	-	-	3,121	3,121
	12,193	741	4,841	44,076	61,851
Company					
1st January 1995	11,857	-	877	13,884	26,618
Currency adjustments	-	-	(188)	-	(188)
Retained profit for the year	-	-	-	12,411	12,411
Premium on shares issued	336	-	-	-	336
	12,193	-	689	26,295	39,177

Cumulative goodwill written off to reserves at 31st December 1995 amounted to £16,958,000 (1994: £17,022,000).

17. Minority interests

	£000
At 1st January 1995	7,715
Currency exchange	636
Share of profits for the year	297
Dividend payable	(21)
Disposals	(7,485)
	1,142

18. Financial commitments

	Group	
	1995	1994
	£000	£000
Capital expenditure not provided for in the accounts:		
Contracted	2,444	7,001
Authorised but not contracted	8,309	2,397

Lease commitments:

The minimum annual commitment for payments under operating leases was as follows:	Land and buildings		Other	
	1995	1994	1995	1994
	£000	£000	£000	£000
Within 12 months	147	-	170	207
Between 2 and 5 years	205	-	852	624
After 5 years	145	-	-	-
	497	-	1,022	831

19. Acquisition of subsidiary undertakings

Acquisitions were made at a cost of £8,019,000. The following table sets out the net assets acquired, the resulting goodwill and the cash flow effect of the acquisitions.

	Mahler	Other	Total
Book and fair value	£000	£000	£000
Tangible fixed assets	9,168	938	10,106
Stocks	567	47	614
Debtors	5,298	661	5,959
Creditors	(7,607)	(1,153)	(8,760)
Bank loans	(2,041)	(256)	(2,297)
Cash	291	-	291
Bank overdraft	(948)	(3)	(951)
Net assets acquired	4,728	234	4,962
Consideration	6,897	1,122	8,019
Goodwill written off to reserves	2,169	888	3,057

The business of Mahler contributed turnover of £3.5 million and a profit before tax of £98,000 since the date of acquisition.

20. Disposal of discontinued operations

The following table sets out the net assets disposed, the goodwill previously written off, the profit on sale and the cash proceeds from the disposal of discontinued operations.

	£000
Tangible fixed assets	7,667
Stock	10,110
Debtors	7,130
Creditors	(5,723)
Deferred tax	(789)
Cash	6,578
Bank overdraft	(2,876)
Minority interest	(7,485)
Dividend waived	281
Net assets disposed	14,893
Goodwill previously written off	3,121
Profit on sale	506
Cash consideration	18,520

21. Pension schemes

The group operated a number of pension schemes during the year. The major UK schemes are of the defined benefit type and were merged into a single scheme on 1st April 1995. The assets of the schemes are held in separate trustee administered funds.

The cost for the group of these schemes was £909,000 (1994: £893,000) of which £379,000 (1994: £423,000) relates to the overseas schemes. The pension cost relating to the UK scheme is assessed in accordance with the advice of qualified actuaries using the projected unit method.

The last actuarial assessment of the UK scheme was performed in advance of the merger on 1st June 1994. The assumptions which have the most significant effect on the results of the actuarial assessment are those relating to the rate of return on investments and the rate of increase in salaries. It was assumed that the investment return would be 9% per annum and that salary increases would average 7% per annum.

At the date of the last actuarial assessment the respective notional fund values of the assets of the UK scheme totalled £5,876,000 and the actuarial value of those assets represented 112% of the benefits that had accrued to members after allowing for expected future increases in earnings.

The overseas pension scheme of IMT is a defined contribution retirement plan covering all employees. The amount of annual premium is established each year in advance. Benefits are directly related to the contributions.

The pension provision of Mahler is stated at current values in accordance with section 6a of the German Income Tax Act. It is based upon an actuarial report, calculated on the going concern basis.

22. Contingent liabilities

The company has guaranteed bank overdrafts and loans of certain subsidiary undertakings amounting to £10,422,000 (1994: £11,606,000).

Directors' responsibility statement

The directors are required by company law to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and the group and of the profit for that year. In preparing the accounts the directors are required to:

select suitable accounting policies and then apply them consistently;

make judgements and estimates that are reasonable and prudent;

state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;

prepare the accounts on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Report of the auditors, KPMG

To the members of Bodycote International plc

We have audited the financial statements on pages 24 to 41.

Respective responsibilities of directors and auditors

As described above the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 31st December 1995 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

KPMG
Chartered Accountants
Registered Auditors

Manchester
18th April 1996

Five year financial summary

	1995 £000	1994 £000	1993 £000	1992 £000	1991 £000
Turnover					
Metal technology	66,452	48,229	41,422	38,230	26,922
EHCO-KLM	5,924	26,461	25,207	31,606	27,653
Industrial and general	8,016	9,638	8,389	10,457	11,906
	80,392	84,328	75,018	80,293	66,481
Profits					
Operating profit	18,286	15,478	12,010	13,683	11,547
Profit on disposal of discontinued operations	506	659	-	-	-
Net interest receivable/(payable)	150	(305)	(189)	(57)	(36)
Profit before taxation	18,942	15,832	11,821	13,626	11,511
Taxation	6,493	4,578	3,504	4,064	3,582
Profit after taxation	12,449	11,254	8,317	9,562	7,929
Minority interests	297	505	218	631	731
Extraordinary items	-	-	-	-	797
Profit for the financial year	12,152	10,749	8,099	8,931	6,401
Headline earnings per share (pence)	21.7	17.5	14.1	15.8	13.9
Dividend per share (pence)	6.5	5.75	5.25	5.0	4.625
Assets employed					
Fixed assets	77,828	66,304	58,002	51,226	37,654
Other net (liabilities)/assets	(263)	7,917	7,083	9,450	8,115
	77,565	74,221	65,085	60,676	45,769
Financed by					
Share capital	14,572	14,463	14,439	7,175	6,563
Reserves	61,851	51,747	44,242	46,911	32,828
Shareholders' funds	76,423	66,210	58,681	54,086	39,391
Minority interests	1,142	7,715	6,404	6,590	5,330
Net borrowings	-	296	-	-	1,048
	77,565	74,221	65,085	60,676	45,769
Net assets per share (pence)	131.1	114.5	101.6	94.2	75.0
Return on capital employed (%)	24.1	22.2	19.1	25.7	26.9

The figures for 1991 to 1993 are as previously reported and do not include the effects of FRS3.

Principal subsidiary undertakings

Metal Technology	*Country of Incorporation or Registration*
Heat Treatment and Brazing	
*Bodycote (UK) Limited, Macclesfield, Woodford, Aldridge, Corby Vacuum and controlled atmosphere heat treatments plasma nitriding and titanium nitride coatings.	England
Bodycote (Stockport) Limited, Hazel Grove, Stockport, Cheshire Vacuum heat treatments and gas nitriding.	England
Bodycote (Rotherham) Limited, Rotherham, South Yorkshire Vacuum and controlled atmosphere heat treatments.	England
Bodycote (Cheltenham) Limited, Cheltenham, Gloucestershire Vacuum heat treatments.	England
Bodycote (Somerset) Limited, Chard, Somerset Vacuum and controlled atmosphere heat treatments.	England
Bodycote (Birmingham) Limited, Great Barr, Birmingham Controlled atmosphere heat treatments and associated processes.	England
*Bodycote (Edinburgh) Limited, Broxburn, West Lothian Stress relieving, annealing, oil and water hardening treatments.	Scotland
Bodycote (Bright Brazing) Limited, Walsall, West Midlands Furnace brazing.	England
Bodycote (Metals) Limited, Willenhall, West Midlands Manufacture of furnace jigs and fixtures.	England
Härterei VTN GmbH, Nürnberg Vacuum, controlled atmosphere and fluidised bed heat treatments.	Germany
Mahler Dienstleistungs GmbH, Esslingen, Essen, Karben, Landsberg, Lüdenscheid, München, Hanau Vacuum and controlled atmosphere heat treatments and furnace brazing. Manufacture of mesh belt furnace equipment.	Germany
Schmetz GmbH, Menden Manufacture of vacuum furnace equipment.	Germany
Eurobras GmbH, Menden, Ehingen and Oelde Vacuum heat treatments and brazing.	Germany

Principal subsidiary undertakings

Metal Technology *continued*	*Country of Incorporation or Registration*
Hot Isostatic Processing	
HIP Limited, Chesterfield and Hereford	England
Industrial Materials Technology, Inc., Boston, Oregon and Ohio	U.S.A.
IMT (Ky) Limited, Kentucky	U.S.A.
IMT (Europe) NV, St. Niklaas	Belgium
IMT Industrial Materials Technology GmbH, Essen	Germany
Powdermet Sweden AB, Surahammar (80% owned)	Sweden
Infutec Limited, Chesterfield	England

Application of the hot isostatic pressing process and the manufacture of specialist steels and products using hot isostatic processing technology.

Materials Testing Services	
*MTS International Limited, Newbridge, Midlothian	England
MTS Scotland Limited, Newbridge, Midlothian and Glasgow	Scotland
MTS Healthcare Limited, Newbridge, Midlothian	England
MTS Teesside Limited, Middlesbrough, Cleveland	Scotland
MTS Humberside Limited, Scunthorpe, South Humberside	Scotland
MTS North West Limited, Salford, Greater Manchester	Scotland
MTS Midlands Limited, Brierley Hill, West Midlands	England
MTS Daventry Limited, Daventry, Northamptonshire *Formerly MTS Testwell Limited*	England
MTS Pendar Limited, Bridgwater, Somerset	England
MTS Norge A/S, Sandnes	Norway
MTS Matcon BV, Emmen and Spijkenisse	Netherlands
MTS International Holdings Limited, Abu Dhabi	Guernsey
MTS (LPT) Srl, Milan	Italy

Testing services for producers and users. Mechanical, corrosion, physical and chemical testing of ferrous and non-ferrous alloys, ceramics, composites and plastics. Healthcare testing, microbiological assessment, water analysis, drug, pharmaceutical and food product testing.

Metal Technology *continued*

Country of Incorporation or Registration

Anti-corrosion Coatings

*Zinc Alloy Limited, Wolverhampton, Rochdale and Caerphilly Anti-corrosion processing including sherardizing, mechanical plating, zinc electroplating, phosphating and shot blasting.	England
*Bodycote (Electroplating) Limited, Farnworth, Greater Manchester Metal plating.	England
Harvey Plating Limited, Darlington, County Durham Metal Plating.	England

Industrial and General

*Stephens-Itex Safety Limited, Leiston, Suffolk Manufacture and distribution of industrial protective wear including helmets, respirators, goggles, industrial boots and shoes, prescription spectacles, welding visors, ear defenders, hand protection and special project clothing.	England
*Supercraft (Garments) Limited, Westhoughton, Greater Manchester Manufacture of military uniforms and bullet proof vests.	England
*Thomas Cook & Son Insurance Brokers Limited, Burnley, Lancashire (75% owned) Insurance broking, industrial and commercial risk management, life assurance and pension consultants, independent financial advisers.	England
*Bodycote Developments Limited, Baildon, West Yorkshire Managers of the group's property interests at Baildon.	England

All the principal subsidiaries are wholly owned, unless otherwise stated, and have only one class of issued shares. Subsidiaries marked with an asterisk* are held directly by Bodycote International plc.