Certech International Limited

Directors' report and financial statements

Registered number 1893781

For the year ended 30 June 2008

Contents

Directors' report

The directors present their directors' report and financial statements for the year ended 30 June 2008.

Business Review and Principal Activities

The Company is a wholly-owned subsidiary of The Morgan Crucible Company Plc ('Morgan Crucible') and operates as part of the Morgan Technical Ceramics division.

The Company's principal activities are the manufacture and sale of technical ceramic components for the investment casting industry. The primary purpose of these components is to provide a complex formed feature within the centre of a turbine blade. The major industries served are aerospace, industrial gas turbines and general foundry hardware. The scope of the industry served is predominantly Europe, Asia and in part USA. There have not been any significant changes in the Company's principal activities in the year under review. The Directors are not, at the date of this report, aware of any likely major changes in the Company's activities in the next year.

The Technical Ceramics division, of which the Company is a part, invests in research and development activities appropriate to the nature and size of its operations with the aim of supporting the future development of the Company, as a part of the division, in the medium to long-term future. This research and development activity has resulted in a number of updates to existing products.

As shown in the Company's profit and loss account on page 6, the Company's turnover has increased by 6% over the prior year and profit after tax has also increased by 1%. The major factors resulting in the increase in profit after tax were predominantly organic growth, with significantly higher demand in air travel and the introduction of new aircraft. In addition demand for quick reliable energy has resulted in a high demand for gas turbines to support the rapidly growing energy demands.

The balance sheet on page 7 of the financial statements shows that the Company's financial position at the year-end and is consistent with the prior year. The intercompany debtor balance with Carpenter Technology Corporation was fully paid on transfer of ownership.

With effect from 1 April 2008 the company was acquired by The Morgan Crucible Company Plc from the previous owners Carpenter Technology Corporation.

Morgan Crucible manages its operations on a divisional basis. For this reason, the Company's directors believe that further key performance indicators for the Company are not necessary or appropriate for an understanding of the development, performance or position of the business. The performance of the Technical Ceramics division of Morgan Crucible, which includes the company, is discussed in Morgan Crucible's Annual Report which does not form part of this Report.

Principal risks and uncertainties

Competitive pressure in France and the UK is a continuing risk for the Company, which could result in it losing sales to its key competitors. To manage this risk, the Company strives to provide added-value products and services to its customers: prompt response times in the supply of products and services and in the handling of customer queries; strong relationships with customers.

The Company sells products into international markets and it is therefore exposed to currency movements on such sales. Where appropriate, the Company manages this risk with forward foreign exchange contracts in line with Morgan Crucible's treasury policies.

The Company's businesses may be affected by fluctuations in the price and supply of key raw materials, although purchasing policies and practices seek to mitigate, where practicable, such risks.

The Company does not offer a defined benefit pension plan. The Company contributes to individual employee stakeholder personal pension plans.

The Company is self financed.

The Group risks to which Morgan Crucible is exposed are discussed in Morgan Crucible's Annual Report which does not form part of this Report.

Directors' report *(continued)*

Environment

Certech International Limited recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to mitigate any adverse impact that might be caused by its activities. The Company operates in accordance with Morgan Crucible policies, as noted in Morgan Crucible's Annual Report, which does not form part of this Report. Initiatives aimed at minimising the Company's impact on the environment include safe disposal of manufacturing waste, recycling and reducing energy consumption. The company is actively striving to achieve the national environmental standard of ISO14001.

Employees

Details of the number of employees and related costs can be found in note 5 to the financial statements.

Applications for employment by disabled persons are considered fully, 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 promotion of disabled persons should, as far as possible, be identical with that of other employees.

The Company participates in Morgan Crucible's policies and practices to keep employees informed on matters relevant to them as employees through appropriate means, such as employee meetings and newsletters.

Proposed dividend

The directors do not recommend the payment of a dividend *(2007: £Nil)*. On 28 March 2008, a dividend of £3.0 million was paid to Carpenter Technology Corporation prior to acquisition of the company by the Morgan Crucible Company Plc.

Directors

The directors who held office during the year were as follows:

S Hogan	
SJR Halliday	(appointed 31 March 2008)
CA Cobb	(appointed 31 March 2008)
M Kasberg	(appointed 31 March 2008)
KD Ralph	(resigned 31 March 2008)
AL Stevens	(resigned 31 March 2008)

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

By order of the board

S Hogan
Director

92c Brunel Road
Earlstrees Industrial Estate
Corby
Northampton
NN17 2JW

18 August 2009

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to 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 judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements 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 company and to prevent and detect fraud and other irregularities.

KPMG

KPMG Audit Plc

2 Cornwall Street
Birmingham
B3 2DL
United Kingdom

Independent auditor's report to the members of Certech International Limited

We have audited the financial statements of Certech International Limited for the year ended 30 June 2008 which comprises the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company'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.

Independent auditors' report to the members of Certech International Limited *(continued)*

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 June 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

18 August 2009

Profit and Loss Account
for the year ended 30 June 2008

	Note	2008 £000	2007 £000
Turnover	2	**13,395**	12,675
Cost of sales		**(9,230)**	(8,679)
Gross profit		**4,165**	3,996
Distribution costs		**(489)**	(232)
Administrative expenses		**(1,129)**	(1,047)
Operating profit	3	**2,547**	2,717
Interest receivable and other similar income	6	**85**	48
Profit on ordinary activities before taxation		**2,632**	2,765
Tax on profit on ordinary activities	7	**(747)**	(892)
Profit for the financial year		**1,885**	1,873

All of the activities relate to continuing operations.

There were no recognised gains or losses during the current period or preceding year apart from the profit for the periods shown above.

Balance Sheet
as at 30 June 2008

	Note	2008 £000	2008 £000	2007 £000	2007 £000
Fixed assets					
Tangible assets	*8*		**2,347**		2,608
Current assets					
Stocks	*9*	**1,030**		867	
Debtors	*10*	**4,215**		5,510	
Cash at bank and in hand		**1,930**		1,617	
		7,175		7,994	
Creditors: amounts falling due within one year	*11*	**(2,258)**		(2,103)	
Net current assets			**4,917**		5,891
Total assets less current liabilities			**7,264**		8,499
Creditors: amounts falling due after more than one year	*12*		**(16)**		(5)
Provisions for liabilities	*13*		**(153)**		(255)
Net assets			**7,095**		8,239
Capital and reserves					
Called up share capital	*14*		**300**		300
Profit and loss account	*15*		**6,795**		7,939
Shareholder's funds			**7,095**		8,239

These financial statements were approved by the board of directors on 18 August 2009 and were signed on its behalf by:

S Hogan
Director

Notes
(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Under FRS 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements.

As the Company is a wholly owned subsidiary of The Morgan Crucible Company Plc, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of The Morgan Crucible Company Plc, within which this Company is included, can be obtained from the address given in note 17.

Tangible fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold buildings	-	4% per annum
Plant and machinery	-	5 to 20% per annum
Motor vehicles	-	$33^1/_2$% per annum
Fixture and fittings, tools and equipment	-	10% - $33^1/_2$% per annum

No depreciation is provided on freehold land.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Regional Development Grants

Regional development 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.

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Post-retirement benefits

The Company does not operate a defined benefit or defined contribution plan. Company contributions are made into individual employee stakeholder plans.

Stocks

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, the purchase price is used on a FIFO basis. For work in progress and finished goods cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

Notes *(continued)*

1 Accounting policies *(continued)*

Taxation

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

A deferred tax asset is recognised only to the extent that future taxable profits will be available against which the asset can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be removed.

2 Turnover

Turnover represents the invoiced value of services to third parties exclusive of value added tax, less returns and allowances given in the normal course of trade. Turnover is recognised when invoices are raised on goods and services.

Turnover attributable to the geographical markets of the company was:

	2008
	£000
United Kingdom	7,233
Continental Europe	4,019
The Americas	402
Rest of World	1,741
	13,395

No disclosure has been made of turnover for the year ended 30 June 2007 by geographical market as the directors are of the opinion that this would be seriously prejudicial to the company's interests.

3 Notes to the profit and loss account

	2008	2007
	£000	£000
Profit on ordinary activities before taxation is stated after charging/(crediting:)		
Depreciation and other amounts written off tangible fixed assets:		
Owned	**489**	431
Amortisation of regional development grant	**(1)**	(1)
Hire of plant and machinery - operating leases	**34**	-
Hire of other assets - operating leases	**108**	68

Notes *(continued)*

3 Notes to the profit and loss account *(continued)*

Auditor's remuneration:

	2008 £000	2007 £000
Audit of these financial statements	29	26
Other services relating to taxation	-	5

4 Remuneration of directors

	2008 £000	2007 £000
Directors' emoluments	115	80

5 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	Number of employees 2008	2007
Production	221	193
Selling and distribution	2	1
Administration	9	8
	232	202

The aggregate payroll costs of these persons were as follows:

	2008 £000	2007 £000
Wages and salaries	4,331	3,553
Social security costs	381	294
Other pension costs	51	44
	4,763	3,891

6 Interest receivable and other similar income

	2008 £000	2007 £000
Bank Interest	85	48

Notes *(continued)*

7 Taxation

Analysis of charge in period

	2008 £000	£000	2007 £000	£000
UK corporation tax				
Current tax on income for the period	849		851	
Adjustments in respect of prior periods	-		37	
	849		888	
Total current tax				
Deferred tax (see note 13)				
Origination/reversal of timing differences	(23)		(18)	
Effect of change in tax rates	-		17	
Adjustment in respect of previous years	(79)		5	
Total deferred tax	(102)		4	
Tax on profit on ordinary activities		747		892

Factors affecting the tax charge for the current period

The current tax charge for the period is higher *(2007: higher)* than the effective rate of corporation tax in the UK of 29.5% *(2007: 30%)*. The differences are explained below.

	2008 £000	2007 £000
Current tax reconciliation		
Profit on ordinary activities before tax	2,632	2,765
Current tax at 29.5% *(2007: 30%)*	776	830
Effects of:		
Expenses not deductible for tax purposes	19	38
Depreciation in excess of capital allowances	27	(17)
Transfer pricing adjustment	27	-
Adjustments to tax charge in respect of previous periods	-	37
Total current tax charge (see above)	849	888

On 1 April 2008 the current tax rate reduced from 30% to 28%. Therefore the current tax rate applied to the period ended 30 June 2008 is a hybrid rate of 29.5%.

Notes *(continued)*

8 Tangible fixed assets

	Land and Buildings £000	Plant and machinery £000	Fixtures, fittings, tools and equipment £000	Motor vehicles £000	Total £000
Cost					
At beginning of year	1,273	5,269	481	33	7,056
Additions	9	195	24	-	228
At end of year	1,282	5,464	505	33	7,284
Depreciation					
At beginning of year	719	3,432	268	29	4,448
Charge for period	45	362	78	4	489
At end of year	764	3,794	346	33	4,937
Net book value					
At 30 June 2008	**518**	**1,670**	**159**	**-**	**2,347**
At 30 June 2007	554	1,838	212	4	2,608

9 Stocks

	2008 £000	2007 £000
Raw materials and consumables	**396**	366
Work in progress	**460**	445
Finished goods and goods for resale	**174**	56
	1,030	867

10 Debtors

	2008 £000	2007 £000
Trade debtors	**4,083**	3,688
Amounts owed by group undertakings	**-**	1,731
Prepayments and accrued income	**132**	91
	4,215	5,510

Notes *(continued)*

11 Creditors: amounts falling due within one year

	2008 £000	2007 £000
Trade creditors	**498**	814
Amounts owed to group undertakings	**138**	135
Corporation tax	**436**	456
Other taxation and social security	**405**	332
Accruals and deferred income	**781**	366
	2,258	2,103

12 Creditors: amounts falling due after more than one year

	2008 £000	2007 £000
Accruals and deferred income	**16**	5

Deferred income of £4,000 *(2007: £5,000)* represents the EEC Regional Development Grant from Corby Industrial Development Council. Income is being released to the profit and loss account on a reducing balance basis at the rate of 20% per annum.

13 Provisions for liabilities

	Deferred taxation £000
At beginning of year	255
Credit to the profit and loss for the year	(102)
At end of year	**153**

The elements of deferred taxation are as follows:

	2008 £000	2007 £000
Difference between accumulated depreciation and amortisation and capital allowances	**178**	268
Other timing differences	**(25)**	(13)
	153	255

14 Called up share capital

	2008 £000	2007 £000
Authorised, allotted, called up and fully paid		
300,000 Ordinary shares of £1 each	**300**	300

Notes *(continued)*

15 Profit and loss account

	Profit and loss account £000
At beginning of year	7,939
Profit for the year	1,889
Dividend paid	(2,984)
At end of year	**6,844**

16 Commitments

(a) Capital commitments at the end of the financial year for which no provision has been made, are as follows:

	2008 £000	2007 £000
Contracted	46	-

(b) Annual commitments under non-cancellable operating leases are as follows:

	2008 Land and buildings £000	2008 Other £000	2007 Land and buildings £000	2007 Other £000
Operating leases which expire:				
Within one year	59	14	-	-
In the second to fifth years inclusive	-	70	59	15
Over five years	-	1	-	-
	59	85	59	15

17 Ultimate parent company and parent undertaking of larger group of which the company is a member

The directors regard The Morgan Crucible Company Plc, incorporated in England and Wales, as being the company's immediate and ultimate parent undertaking. The Annual Report and Accounts thereof may be obtained from its registered office situated at Quadrant, 55-57 High Street, Windsor, Berkshire, SL4 1LP.