

Certech International Limited

Annual report and financial statements  
for the year ended 30 June 2007

Registered number 1893781

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# **Certech International Limited**

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# **Certech International Limited**

## **Directors and advisors**

### **Directors**

S Hogan  
M Kasberg  
S J R Halliday  
C A Cobb

### **Secretary**

S J R Halliday

### **Registered office**

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

### **Bankers**

National Westminster Bank plc  
P O Box 21  
41 The Drapery  
Northampton  
NN1 2EY

### **Independent Auditors**

PricewaterhouseCoopers LLP  
Exchange House  
Central Business Exchange  
Midsummer Boulevards  
Central Milton Keynes  
MK9 2DF

# **Certech International Limited**

## **Directors' report for the year ended 30 June 2007**

The directors present their report and the audited financial statements of the company for the year ended 30 June 2007

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

Certech International are manufacturers of high precision ceramic cores, wax patterns and assemblies

On 31 March 2008 The Morgan Crucible Company plc, a company incorporated in the United Kingdom acquired the entire share capital of the company from Carpenter Technology Corporation

The results for the company show a pre-tax profit of £2,765,408 (2006 £2,309,792) for the year and sales of £12,674,461 (2006 £12,380,409) Final dividends of £nil (2006 £2,700,000) were paid during the year resulting in £nil being transferred from reserves (2006 £1,181,536 to reserves).

### **Future outlook**

Worldwide demand for Aerospace and Industrial Gas Turbine applications remains buoyant The company is confident it will maintain its current level of performance for the future

### **Principal risks and uncertainties.**

The management of the business and execution of the company's strategy are subject to a number of risks

The key business risks and uncertainties affecting the company are considered to relate to the level of demand from the airline industry, currency fluctuations and utility prices Further discussion of these risks and uncertainties, in the context of the Carpenter Technologies Inc group as a whole, is provided on page A-26 of the Group's annual report which does not form part of this report

### **Key Performance Indicators ("KPI's")**

Certech International Limited is managed on a global basis as part of the Certech division of Carpenter Technologies Inc For this reason an analysis using key performance indicators is not appropriate for an understanding of the development, performance or position of the business of Certech International Limited

### **Directors and their interests**

The directors who held office during the year are given below

S Hogan

A L Stevens

R L Simons (appointed 8 May 2007)

D Kornblatt (appointed 1 August 2006 and resigned 7 May 2007)

R J Torcolini (resigned 1 December 2006)

T Geremski (resigned 1 August 2006)

Since the year end there have been the following changes

R L Simons has resigned as a director (9 July 2007) and A L Stevens has resigned as a director (17 April 2008)

## **Directors' report for the year ended 30 June 2007 (continued)**

M Kasberg has been appointed as a director (4 April 2008), S J R Halliday has been appointed as a director (17 April 2008) and C A Cobb has been appointed as a director (31 March 2008).

K D Ralph has been appointed a director (23 July 2007) and subsequently resigned (17 April 2008)

There are no notifiable interests of the directors in shares or share options of group companies

### **Directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial year that 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. The directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently unless otherwise stated. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 30 June 2007 and that applicable accounting standards have been followed.

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 the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **Statement of disclosure of information to auditors**

In accordance with section 234 of the Companies Act, each director who was director at the time the report was approved confirms the following:

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

### **Auditors**

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

On behalf of the board



S Hogan  
Director

# **Certech International Limited**

## **Independent auditors' report to the members of Certech International Limited**

We have audited the financial statements of Certech International Limited for the year ended 30 June 2007 which comprise the Profit and Loss Account, Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

### **Respective responsibilities of directors and auditors**

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

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 June 2007 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

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
Milton Keynes

4 July 2008

## Certech International Limited

### Profit and loss account for the year ended 30 June 2007

	Notes	2007 £	2006 £
<b>Turnover</b>	2	12,674,461	12,380,409
Cost of sales		(8,678,739)	(8,710,549)
<b>Gross profit</b>		3,995,722	3,669,860
Administration expenses		(1,046,796)	(971,933)
Distribution costs		(232,118)	(412,285)
<b>Operating profit</b>		2,716,808	2,285,642
Interest receivable and similar income		48,600	24,150
<b>Profit on ordinary activities before taxation</b>	5	2,765,408	2,309,792
Tax charge on profit on ordinary activities	6	(892,253)	(791,328)
<b>Profit for the financial year</b>	15	1,873,155	1,518,464

All of the company's activities related to continuing operations during both the current and prior year

The company has no recognised gains and losses other than the profit above and therefore no separate statement of total recognised gains and losses has been presented

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents

# Certech International Limited

## Balance sheet as at 30 June 2007

	Notes	2007 £	2006 £
<b>Fixed assets</b>			
Tangible assets	8	2,607,558	2,487,031
<b>Current assets</b>			
Stocks	9	866,511	984,992
Debtors	10	5,510,026	5,564,437
Cash at bank and in hand		1,617,446	464,576
		<b>7,993,983</b>	<b>7,014,005</b>
<b>Creditors</b> amounts falling due within one year	11	<b>(2,102,727)</b>	<b>(2,878,433)</b>
<b>Net current assets</b>		<b>5,891,256</b>	<b>4,135,572</b>
<b>Total assets less current liabilities</b>		<b>8,498,814</b>	<b>6,622,603</b>
<b>Creditors</b> amounts falling due after more than one year	12	<b>(5,240)</b>	<b>(6,550)</b>
<b>Provisions for liabilities and charges</b>	13	<b>(254,722)</b>	<b>(250,356)</b>
<b>Net assets</b>		<b>8,238,852</b>	<b>6,365,697</b>
<b>Capital and reserves</b>			
Called up share capital	14	300,000	300,000
<b>Profit and loss account</b>	15	<b>7,938,852</b>	<b>6,065,697</b>
<b>Total equity shareholders' funds</b>	16	<b>8,238,852</b>	<b>6,365,697</b>

The financial statements on pages 6 to 17 were approved by the board of directors on 27 June 2008 and were signed on its behalf by

  
S Hogan  
Director

# **Certech International Limited**

## **Notes to the financial statements for the year ended 30 June 2007**

### **1 Accounting policies**

These financial statements are prepared under the historical cost convention, the accounting policies set out below, the Companies Act 1985 and in accordance with applicable accounting standards in the United Kingdom, on a going concern basis. All accounting policies and estimation techniques have been applied consistently in the year. Where a choice of treatment is available the directors have applied the most appropriate accounting policies and estimation techniques in accordance with FRS18.

#### **Tangible fixed assets**

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition.

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

	%
Freehold land	Nil
Freehold buildings	4
Plant and machinery	5-20
Motor vehicles	33 ⅓
Fixtures and fittings	10
Office equipment	16⅔ - 33⅓

#### **Operating leases**

Costs in respect of operating leases are charged on a straight line basis over the lease term.

#### **Stocks and work in progress**

Stocks and work in progress are stated at the lower of cost and net realisable value. The cost is all costs incurred in bringing each product to its present location and condition. Net realisable value is based on estimated selling price less any further costs expected to be incurred in completion and disposal. Where necessary, provision is made for obsolete, slow moving and defective stock.

#### **Turnover**

Turnover, which excludes value added tax and trade discounts, represents the invoiced value of goods sold and is recognised on despatch.

#### **Deferred taxation**

Deferred tax is recognised on all timing differences where the transactions or events that give the company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets and liabilities have not been discounted.

# **Certech International Limited**

## **Notes to the financial statements for the year ended 30 June 2007 (continued)**

### **1 Accounting policies (continued)**

#### **Foreign currencies**

Transactions of the company denominated in foreign currencies are translated into sterling at the exchange rates ruling at the time of the transactions

Assets and liabilities expressed in foreign currencies are translated into sterling at rates of exchange ruling at the end of the financial year

#### **Deferred income**

Deferred income in the form of Regional Development Grants is credited to the profit and loss account using amortisation rates consistent with depreciation rates used for plant and machinery for which the grant has been given

#### **Pension costs**

The company makes payments of pension contributions into personal pension schemes maintained by its employees. The amount of any contribution payable to the schemes in respect of the accounting year is charged to the profit and loss account. Any outstanding or prepaid contributions at the balance sheet date are shown as liabilities or assets respectively.

#### **Cash flow statement**

As at the balance sheet date, the company is a wholly owned subsidiary of Carpenter Technology Corporation incorporated in USA. Under Financial Reporting Standard 1 (revised 1996), the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent company includes the company in its own published consolidated financial statements. Copies of Carpenter Technology Corporation consolidated financial statements can be obtained from the Company Secretary, Carpenter Technology Corporation, P O Box 14662, Reading, PA 19612-4662, USA.

#### **Related party transactions and balances**

As at the balance sheet date, the company is a wholly owned subsidiary of Carpenter Technology Corporation incorporated in USA, the company has taken advantage of the exemption in FRS 8 and has not disclosed transactions or balances with entities which form part of the group.

# **Certech International Limited**

## **Notes to the financial statements for the year ended 30 June 2007 (continued)**

### **2 Turnover**

Turnover is attributable to the company's sole activity as manufacturers of ceramic cores and wax assemblies

No disclosure has been made of turnover by geographical market as the directors are of the opinion that this would be seriously prejudicial to the company's interests

### **3 Directors' emoluments**

	2007	2006
	£	£
Aggregate emoluments	80,340	69,113

Retirement benefits are accruing to no (2006 none) directors under a money purchase scheme

### **4 Employee information**

The average monthly number of persons (including executive directors) employed by the company during the year was

	2007	2006
	Number	Number
<b>By activity</b>		
Production	193	152
Selling and distribution	1	1
Administration	8	9
	202	162

## **Certech International Limited**

### **Notes to the financial statements for the year ended 30 June 2007 (continued)**

#### **4 Employee information (continued)**

	2007	2006
	£	£
<b>Staff costs (for the above persons)</b>		
Wages and salaries	3,553,366	2,899,111
Social security costs	294,188	269,365
Other pension costs	44,192	41,761
	<b>3,891,746</b>	<b>3,210,237</b>

#### **5 Profit on ordinary activities before taxation**

	2007	2006
	£	£
<b>Profit on ordinary activities before taxation is stated after charging/(crediting)</b>		
<b>Depreciation charge for the year</b>		
Tangible owned fixed assets	<b>431,063</b>	407,560
Loss on sale of fixed assets	-	32,780
Regional development grant amortisation	<b>(1,310)</b>	(1,644)
<b>Auditors' remuneration for</b>		
Audit	<b>26,100</b>	26,487
Other services	<b>5,000</b>	6,925
Other operating leases	<b>68,000</b>	59,000

# Certech International Limited

## Notes to the financial statements for the year ended 30 June 2007 (continued)

### 6 Tax charge on profit on ordinary activities

	2007	2006
	£	£
<b>Current tax</b>		
UK corporation tax at 30% (2006 30%)	850,604	738,321
Adjustments made in respect of prior years	37,283	77,664
<b>Total current tax</b>	<b>887,887</b>	<b>815,985</b>
<b>Deferred tax</b>		
Adjustment in respect of prior years	5,094	(9,414)
Change in tax rates	17,467	-
Origination and reversal of timing differences	(18,194)	-
<b>Total tax charge on profit on ordinary activities</b>	<b>892,253</b>	<b>791,328</b>

### Tax reconciliation

<b>Profit before taxation</b>	<b>2,765,408</b>	<b>2,309,792</b>
Tax at 30% (2006 30%)	829,622	692,940
Permanent differences	38,448	47,424
Accelerated capital allowances	(17,467)	(2,043)
Adjustments made in respect of prior years	37,283	77,664
<b>Current tax charge for the year</b>	<b>892,253</b>	<b>815,985</b>

### 7 Dividends

	2007	2006
	£	£
Interim paid £ nil (2006 6 06) per £1 share	-	1,820,000
Final paid £ nil (2006 2 93) per £1 share	-	880,000
<b>Total dividends</b>	<b>-</b>	<b>2,700,000</b>

# Certech International Limited

## Notes to the financial statements for the year ended 30 June 2007 (continued)

### 8 Tangible fixed assets

	Freehold land & buildings	Plant & machinery	Motor vehicles	Fixtures & fittings	Total
	£	£	£	£	£
<b>Cost</b>					
At 1 July 2006	1,272,530	4,866,508	61,799	332,199	6,533,036
Additions	-	402,964	-	148,625	551,589
Disposals	-	-	(29,300)	-	(29,300)
<b>At 30 June 2007</b>	<b>1,272,530</b>	<b>5,269,472</b>	<b>32,499</b>	<b>480,824</b>	<b>7,055,325</b>
<b>Depreciation</b>					
At 1 July 2006	674,455	3,112,015	51,182	208,353	4,046,005
Charge for year	43,901	319,922	7,172	60,067	431,063
Disposals	-	-	(29,300)	-	(29,300)
<b>At 30 June 2007</b>	<b>718,356</b>	<b>3,431,937</b>	<b>29,054</b>	<b>268,420</b>	<b>4,447,768</b>
<b>Net book value</b>					
<b>At 30 June 2007</b>	<b>554,174</b>	<b>1,837,535</b>	<b>3,445</b>	<b>212,404</b>	<b>2,607,558</b>
At 30 June 2006	598,075	1,754,493	10,617	123,846	2,487,031

### 9 Stocks

	2007	2006
	£	£
Raw materials	365,939	265,595
Work in progress	444,391	474,411
Finished goods	56,181	244,986
	<b>866,511</b>	<b>984,992</b>

# **Certech International Limited**

## **Notes to the financial statements for the year ended 30 June 2007 (continued)**

### **10 Debtors**

	2007	2006
	£	£
<b>Amounts falling due within one year</b>		
Trade debtors	3,688,309	3,813,877
Amounts owed by group undertakings	1,730,972	1,666,219
Prepayments and accrued income	90,745	84,341
	<b>5,510,026</b>	<b>5,564,437</b>

### **11 Creditors: amounts falling due within one year**

	2007	2006
	£	£
Trade creditors	813,744	1,603,026
Amounts owed to group undertakings	135,334	128,157
Corporation tax	455,929	358,322
Other taxation and social security costs	332,262	263,413
Accruals and deferred income	365,458	525,515
	<b>2,102,727</b>	<b>2,878,433</b>

### **12 Creditors: amounts falling due after more than one year**

	2007	2006
	£	£
Accruals and deferred income	5,240	6,550

Deferred income 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.

## **Certech International Limited**

### **Notes to the financial statements for the year ended 30 June 2007 (continued)**

#### **13 Provisions for liabilities and charges**

	2007	2006
	£	£
At 1 July 2006	250,356	265,599
Profit and loss account (note 6)	4,366	(15,243)
At 30 June 2007	254,722	250,356

Deferred taxation is fully provided in the financial statements as follows

	2007	2006
	£	£
Tax effect of timing differences at 28% because of		
Excess of capital allowances over depreciation	268,208	250,356
Short term timing differences	(13,486)	-
	254,722	250,356

#### **14 Called up share capital**

	2007	2006
	£	£
Authorised, allotted, called up and fully paid		
300,000 ordinary shares of £1 each	300,000	300,000

## **Certech International Limited**

### **Notes to the financial statements for the year ended 30 June 2007 (continued)**

#### **15 Profit and loss account**

	2007	2006
	£	£
At 1 July 2006	6,065,697	7,247,233
Profit for the year	1,873,155	1,518,464
Dividend	-	(2,700,000)
At 30 June 2007	7,938,852	6,065,697

#### **16 Reconciliation of movements in total shareholders' funds**

	2007	2006
	£	£
Shareholders' funds at 1 July 2006	6,365,697	7,547,233
Profit for the financial year	1,873,155	1,518,464
Dividend	-	(2,700,000)
<b>Total shareholders' funds at 30 June 2007</b>	<b>8,238,852</b>	<b>6,365,697</b>

#### **17 Capital commitments**

	2007	2006
	£	£
Contracts placed for future capital expenditure not provided in the financial statements	-	-

# **Certech International Limited**

## **Notes to the financial statements for the year ended 30 June 2007 (continued)**

### **18 Financial commitments**

At 30 June 2007, the company has annual commitments under non-cancellable operating leases expiring as follows

	<b>Other</b>		<b>Land and Buildings</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Expiring within two to five years inclusive	<b>15,000</b>	<b>-</b>	<b>59,000</b>	<b>59,000</b>

### **19 Ultimate parent undertaking and controlling party**

At the balance sheet date, the directors regarded Carpenter Technology Corporation, a company incorporated in the USA, as the ultimate parent undertaking and ultimate controlling party. According to the register kept by the company, Certech Inc has a 100% interest in the equity capital of Certech International Limited at 30 June 2006 and consequently is the immediate controlling party. The company has not disclosed transactions with fellow subsidiaries where the group shareholding is above 90% in accordance with the exemption under the terms of Financial Reporting Standard no. 8. Copies of Carpenter Technology Corporation consolidated financial statements can be obtained from the Company Secretary, Carpenter Technology Corporation, P O Box 14662, Reading, PA 19612-4662, USA.

### **20 Subsequent events**

On 31 March 2008 The Morgan Crucible Company plc, a company incorporated in the United Kingdom acquired the entire share capital of the company from Carpenter Technology Corporation.