

**Certech International Limited**

**Directors' report and financial  
statements**

**Registered number 1893781**

**For the year ended 3 January 2010**

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## Directors' report

The directors present their annual report and audited financial statements for the year ended 3 January 2010

### Principal activities and review of the business

The Company is a wholly-owned subsidiary of The Morgan Crucible Company plc (Morgan Group) and operates as part of Morgan Technical Ceramics (MTC) 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 MTC 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.

The Company's turnover has decreased by 28%, on a like for like basis, over the previous 12 month period, as the global economic downturn has severely affected the markets in which the company operates.

The balance sheet on page 8 of the financial statements shows the Company's financial position at the year-end and is consistent with the prior year.

There have been no significant events since the balance sheet date which should be considered for a proper understanding of these financial statements.

Morgan Group 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 MTC division of Morgan Group, which includes the Company, is discussed in Morgan Group's Annual Report which does not form part of this Report.

### Principal risks and uncertainties

Competitive pressure in low cost countries 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, respond promptly in the supply of products and services and in the handling of customer queries, maintain 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 in accordance with Morgan Group 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 is a member of Morgan Group's multi-employer UK defined benefit pension plan which is currently in deficit. The funding level of this pension plan is subject to adverse change resulting from movements in the actuarial assumptions underlying the calculation of plan liabilities, including decreasing discount rates and increasing longevity of plan members, as well as declines in the market value of plan investments. Significant adverse changes in the actuarial assumptions underlying the UK plan valuation and the Company's share of any deficit-reduction contributions made into the plan could materially impact the Company's trading results.

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

## **Directors' report** *(continued)*

### **Dividend**

The directors do not recommend the payment of a dividend (2008 £Nil)

### **Research and development**

The company will continue its programme of research and development, including projects to research new uses for ceramic products. Expenditure incurred in the year was £90,000 (2008 £Nil)

### **Directors**

The directors who held office during the year were as follows

S Hogan (resigned 31 March 2010)  
SJR Halliday  
CA Cobb  
M Kasberg (resigned 15 March 2010)

A Hosty and M Thomas were appointed directors on 15 March 2010

Morgan Group purchases directors' and officers' insurance cover on behalf of all Group companies in the UK

### **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 Group's policies and practices to keep employees informed on matters relevant to them as employees through appropriate means, such as employee meetings and newsletters.

### **Environment**

The Company 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 Group policies, as noted in Morgan Group'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.

### **Political and charitable contributions**

During the course of the year, the company made no charitable donations (2008 £Nil) and no political donations (2008 £Nil)

### **Supplier payment policy**

The company agrees payment terms with all its major suppliers and abides by these terms, subject to satisfactory performance by the supplier. Amounts owed to other suppliers are settled on or before the end of the month following receipt of a valid invoice. The company's average creditor period at 3 January 2010 was 61 days (2008 60)

## Directors' report *(continued)*


### 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

### Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and will therefore continue in office

By order of the board



SJR Halliday  
Director

92C Brunel Road  
Earlstrees Industrial Estate  
Corby  
Northants  
NN17 2JW

8 September 2010

## **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)

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They 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 Audit Plc  
One Snowhill  
Snow Hill Queensway  
Birmingham  
B46GH

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

We have audited the financial statements of Certech International Limited for the year ended 3 January 2010 set out on pages 7 to 19. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

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

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's web-site at [www.frc.org.uk/apb/scope/UKNP](http://www.frc.org.uk/apb/scope/UKNP).

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 3 January 2010 and of its loss for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.



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

**Matters on which we are required to report by exception**

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

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



**M Steventon (Senior Statutory Auditor)**  
for and on behalf of KPMG Audit Plc, Statutory Auditor  
*Chartered Accountants*

8 September 2010

**Profit and loss account**  
*for the year ended 3 January 2010*

	<i>Note</i>	12 months to 3 January 2010 £000	£000	6 months to 4 January 2009 £000	£000
<b>Turnover</b>	2				
Continuing operations			10,287		7,136
Change in stocks of finished goods and work in progress		(101)		(81)	
Raw materials and consumables		1830		1,148	
Other external charges		3,528		1 640	
Staff costs	5	4,509		3,387	
Depreciation and other amounts written off tangible assets	3	359		217	
			10,125		6,311
<b>Operating profit</b>	3		162		825
Other interest receivable and similar income	6		112		20
<b>Profit on ordinary activities before taxation</b>			274		845
Tax on profit on ordinary activities	7		(323)		(250)
<b>Loss/profit for the financial year</b>			(49)		595

There are no recognised gains and losses for the current and preceding financial periods other than the loss of £49,000 (2008 profit £595,000) shown above


There is no difference between the reported profit shown above and the profit for the year restated on an historical cost basis. Accordingly, no note of historical cost profits is presented

The amounts presented for the current and preceding financial periods are derived from continuing operations

**Balance sheet**  
*at 3 January 2010*

	<i>Note</i>	2009 £000	2008 £000
<b>Fixed assets</b>			
Tangible assets	8	2,376	2,161
<b>Current assets</b>			
Stocks	9	979	1,111
Debtors	10	5,976	3,816
Cash at bank and in hand		985	4,088
<b>Creditors</b> amounts falling due within one year	11	7,940 (2,522)	9,015 (3,372)
<b>Net current assets</b>		5,418	5,643
<b>Total assets less current liabilities</b>		7,794	7,804
<b>Creditors</b> amounts falling due after more than one year	12	(11)	(15)
<b>Provisions for liabilities</b>	13	(142)	(99)
<b>Net assets</b>		7,641	7,690
<b>Capital and reserves</b>			
Called up share capital	14	300	300
Profit and loss account	15	7,341	7,390
<b>Shareholders' funds</b>		7,641	7,690

These financial statements were approved by the board of directors on 8 September 2010 and were signed on its behalf by

  
SJR Hatfield  
Director

**Reconciliation of movements in shareholders' funds**  
*for the year ended 3 January 2010*

	2009 £000	2008 £000
(Loss)/profit for the financial year	(49)	595
Net reduction in shareholders' funds	(49)	595
Opening shareholders' funds	7,690	7,095
Closing shareholders' funds	7,641	7,690

## 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

#### *Basis of preparation*

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

The balance sheets for the current year and the comparative period have been drawn up as at 3 January 2010 and 4 January 2009 respectively. The profit and loss account, reconciliation of movements in shareholder's funds and statement of historical costs profits and losses are for the year ended 3 January 2010 and period ended 4 January 2009. For convenience, these periods and balance sheet dates are referred to in the body of the financial statements as 2009 and 2008 respectively.

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 (or investees of the group qualifying as related parties). 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 19.

#### *Going concern*

The directors have assessed the responses of the directors of the Company's parent The Morgan Crucible Company plc ("The Group") to their enquiries and have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Group to continue as a going concern.

On the basis of their assessment of the Company's cash flow projections, ongoing support by The Morgan Crucible Company plc and of the enquiries made of the directors of the Group, the Company's directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

#### *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% and 10%
Computer equipment	-	20% and 33%
Motor vehicles	-	33%
Fixtures and fittings	-	10% – 16 2/3%

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 contracted rate or 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.

## Notes (continued)

### 1 Accounting policies (continued)

#### *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

#### *Leases*

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. 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

#### *Research and development expenditure*

Expenditure on research and development is written off to the profit and loss account in the year in which it is incurred. Development expenditure is capitalised only where there is a clearly defined project, the expenditure is separately identifiable, the outcome of the project can be assessed with reasonable certainty, aggregate costs are expected to exceed related future sales and adequate resources exist to enable the project to be completed

#### *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 weighted average purchase price is used. For work in progress and finished goods cost is taken as production cost, which includes an appropriate proportion of attributable overheads

#### *Taxation*

The charge for taxation is based on the results for the year 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

#### *Turnover*

Turnover represents the invoiced value of services to fellow subsidiary undertakings and sales 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 the provision of goods and services

#### *Share based payments*

The share option programme grants rights to employees of the Company to acquire equity instruments of its parent company, The Morgan Crucible Company plc. The fair value of options granted is recognised as an employee expense. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting

#### *Dividends on shares presented within shareholders' funds*

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements

## Notes (continued)

### 2 Analysis of turnover

	Turnover	
	2009 £000	2008 £000
<i>By activity</i>		
Manufacture and sale of high precision ceramic cores, wax patterns and assemblies	10,287	7,136
<i>By geographical market</i>		
United Kingdom	6,747	5,027
Continental Europe	2,088	1,443
The Americas	693	308
Other	759	358
	10,287	7,136

### 3 Notes to the profit and loss account

	2009 £000	2008 £000
<i>Profit on ordinary activities before taxation is stated</i>		
<i>after charging/(crediting)</i>		
Depreciation and other amounts written off tangible fixed assets		
Owned	359	217
<i>Auditors remuneration</i>		
Audit of these financial statements	29	15
Research and development expenditure	90	-
Operating lease rentals		
Land and buildings	57	48
Plant and machinery	74	11

Amounts receivable by the Company's auditors and their associates in respect of services to the Company and its associates, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's parent, The Morgan Crucible Company plc

## Notes (continued)

### 4 Remuneration of directors

The emoluments of Mr Halliday were paid by The Morgan Crucible Company plc and were then included within the total for the management recharge. A proportion of this total is allocated to Certeck International Limited.

The emoluments of Mr Cobb were paid by Morgan Advanced Ceramics Limited and were then included within the total for the management recharge. A proportion of this total is allocated to Certeck International Limited.

The emoluments of Mr Hogan were paid by Morgan Advanced Ceramics Limited and were then included within a management recharge.

There were no emoluments for Mr Kasberg.

### 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	
	2009	2008
Sales and marketing	4	2
Manufacturing	184	237
Administration	7	11
	<u>195</u>	<u>250</u>

The aggregate payroll costs of these persons were as follows:

	£000	£000
	2009	2008
Wages and salaries	4,067	3,139
Social security costs	367	218
Other pension costs	75	30
	<u>4,509</u>	<u>3,387</u>

### 6 Other interest receivable and similar income

	2009	2008
	£000	£000
Interest receivable from bank deposits	6	20
Income from loans to group undertakings	47	-
Net exchange gains	59	-
	<u>112</u>	<u>20</u>



## Notes (continued)

### 7 Taxation

#### Analysis of charge in period

	2009 £000	2008 £000
<i>UK corporation tax</i>		
Current tax on income for the period	263	300
Adjustments in respect of prior periods	17	4
	<hr/>	<hr/>
	280	304
	<hr/>	<hr/>
Total current tax		
<i>Deferred tax (see note 13)</i>		
Origination/reversal of timing differences	43	(54)
Adjustment in respect of previous years	-	-
	<hr/>	<hr/>
Total deferred tax	43	(54)
	<hr/>	<hr/>
Tax on profit on ordinary activities	323	250
	<hr/>	<hr/>

#### Factors affecting the tax charge for the current period

The current tax charge for the period is higher (2008 higher) than the standard rate of corporation tax in the UK (28%, 2008 28.5%). The differences are explained below

	2009 £000	2008 £000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	274	845
	<hr/>	<hr/>
Current tax at 28% (2008 28.5%)	77	237
	<hr/>	<hr/>
<i>Effects of</i>		
Expenses not deductible for tax purposes	186	41
Capital allowances for period in excess of depreciation	-	22
Adjustments to tax charge in respect of previous periods	17	4
	<hr/>	<hr/>
Total current tax charge (see above)	280	304
	<hr/>	<hr/>

The Emergency Budget on 22 June 2010 announced that the UK corporation tax rate will reduce from 28% to 24% over a period of 4 years from 2011. The first reduction in the UK corporation tax rate from 28% to 27% was substantively enacted on 20 July 2010 and will be effective from 1 April 2011. This will reduce the company's future current tax charge accordingly.

## Notes (continued)

### 8 Tangible fixed assets

	Land and buildings	Plant and machinery	Fixtures, fittings, tools and equipment	Motor vehicles	Total
	£000	£000	£000	£000	£000
<b>Cost</b>					
At beginning of year	1,282	5,626	505	33	7,446
Additions	263	311	-	-	574
Disposals	-	(376)	(125)	-	(501)
At end of year	1,545	5,561	380	33	7,519
<b>Depreciation</b>					
At beginning of year	786	4,080	386	33	5,285
Charge for year	49	245	65	-	359
On disposals	-	(376)	(125)	-	(501)
At end of year	835	3,949	326	33	5,143
<b>Net book value</b>					
At 3 January 2010	710	1,612	54	-	2,376
At 4 January 2009	496	1,546	119	-	2,161

The net book value of land and buildings comprises

	2009 £000	2008 £000
Freehold	710	496

### 9 Stocks

	2009 £000	2008 £000
Raw materials and consumables	281	514
Work in progress	513	372
Finished goods and goods for resale	185	225
	979	1,111

## Notes (continued)

### 10 Debtors

	2009 £000	2008 £000
Trade debtors	1,443	3,651
Amounts owed by group undertakings	4,364	-
Prepayments and accrued income	169	165
	<u>5,976</u>	<u>3,816</u>

### 11 Creditors amounts falling due within one year

	2009 £000	2008 £000
Trade creditors	272	786
Amounts owed to group undertakings	839	867
Corporation tax	781	518
Taxation and social security	86	166
Accruals and deferred income	544	1,035
	<u>2,522</u>	<u>3,372</u>

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

	2009 £000	2008 £000
Accruals and deferred income	11	15

### 13 Provisions for liabilities

	Deferred taxation £000
At beginning of year	99
Charge to the profit and loss for the year	43
At end of year	<u>142</u>

The elements of deferred taxation are as follows

	2009 £000	2008 £000
Difference between accumulated depreciation and amortisation and capital allowances	179	125
Other timing differences	(37)	(26)
Deferred tax liability	<u>142</u>	<u>99</u>

## Notes (continued)

### 14 Called up share capital

	2009 £000	2008 £000
<i>Allotted, called up and fully paid</i>		
300 000 (2008 300,000) Ordinary shares of 1 each	300	300

### 15 Reserves

	Profit and loss account £000
At beginning of year	7 390
Profit for the year	(49)
At end of year	7,341

### 16 Commitments

- (a) Capital commitments at the end of the financial year for which no provision has been made, are Nil (2008 Nil) (b) Annual commitments under non-cancellable operating leases are as follows

	2009 Land and buildings £000	Other £000	2008 Land and buildings £000	Other £000
Operating leases which expire				
Within one year	59	68	59	32
In the second to fifth years inclusive	-	50	-	84
Over five years	-	-	-	3
	59	118	59	119

### 17 Pensions

The Company is a participating employer in The Morgan Pension Scheme and The Morgan Group Senior Staff Pension and Life Assurance Scheme. Both pension schemes provide benefits on a career-average re-valued earnings (CARE) basis. As the Company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS 17 'Retirement benefits', the schemes have been accounted for in these financial statements as if they were defined contribution schemes.

The latest full actuarial valuations were carried out at 6 April 2009 and 1 April 2009 respectively by a qualified independent actuary. Updated actuarial valuations are expected as at 6 April 2011 and 31 March 2011 respectively.

Details of these schemes and actuarial valuations are included in the accounts of The Morgan Crucible Company plc, the ultimate parent undertaking.

The pension cost charged to the profit and loss account in the year was £75,000 (2008 £30,000). Total pension contributions outstanding at the year end amounted to £Nil (2008 £Nil).

## Notes (continued)

### 18 Employee share schemes

#### Share based payments

In 2008 and 2009 the employees of the Company were granted options to purchase shares of its parent, The Morgan Crucible Company plc, under its UK all-Employee Sharesave Scheme

The terms and conditions of grants are as follows

Grant date/Employees entitled/nature of scheme	Method of settlement accounting	Number of instruments	Vesting conditions	Contractual life of options
Options granted to UK employees in 2009 under the Employee Sharesave Scheme 2004	Equity	1,937,568	Three years of service	3 years
Options granted to UK employees in 2008 under the Employee Sharesave Scheme 2004	Equity	1,089,783	Three years of service	3 years

#### Employee Sharesave Schemes UK

#### 2009 awards

Fair value at measurement date	56.03p
Share price	160.00p
Exercise price	128.00p
Expected volatility (expressed as weighted average volatility used in the model)	40%
Option life (expressed as weighted average life used in the model)	3 years
Expected dividends	2.5%
Risk-free interest rate	2.1%

The number and weighted average exercise prices of share options are as follows

	2009 Weighted average exercise price	2009 Number of options	2008 Weighted average exercise price	2008 Number of options
Outstanding at the beginning of the year	94.08p	13,455,505	99.86p	11,803,800
Granted during the year	28.33p	10,449,762	51.24p	6,947,362
Forfeited during the year	149.95p	(1,283,019)	153.89p	(895,840)
Exercised during the year	0.00p	-	27.09p	(4,160,580)
Lapsed during the year	181.21p	(2,503,056)	76.34p	(239,237)
Outstanding at the end of the year	45.53p	20,119,192	94.08p	13,455,505
Exercisable at the end of the year	153.71p	1,625,391	157.39p	2,449,879

The weighted average share price at the date of exercise of share options exercised during the year was nil pence (2008 216.52 pence)

The options outstanding at the year end have an exercise price in the range of nil to 256.00 pence and a weighted average contractual life of 0.7 years

**Notes** *(continued)*

**18 Employee share schemes** *(continued)*

**Share based payments** *(continued)*

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimates of the fair value of the services received is measured using a Monte Carlo model, a Binomial Lattice option pricing model or a Black-Scholes Merton model. The choice of model takes into account the terms and conditions upon which the options were granted.

**19 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 may be obtained from its registered office situated at Quadrant, 55-57 High Street, Windsor, Berkshire SL4 1LP.