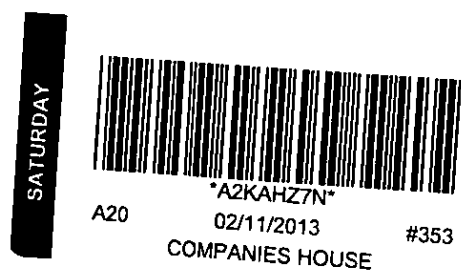


AETC LIMITED

Report and Financial Statements

31 March 2013



AETC LIMITED

REPORT AND FINANCIAL STATEMENTS 2013

CONTENTS

Page

Officers and professional advisers	1
Directors' report	2
Directors' responsibilities statement	5
Independent auditor's report	6
Profit and loss account	7
Statement of total recognised gains and losses	7
Balance sheet	8
Notes to the financial statements	9

AETC LIMITED

REPORT AND FINANCIAL STATEMENTS 2013

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

N P Gorman
S Blackmore
S R Hagel
R A Cooke
R P Becker
G L Wormald
S G Hackett

SECRETARY

S F M Martin
P Edelstyn

REGISTERED OFFICE

Victoria Avenue
Yeadon
Leeds
LS19 7AW

BANKERS

Bank of America
London Branch
P O Box 407
5 Canada Square
London
E14 5AQ

AUDITOR

Deloitte LLP
Chartered Accountants and Statutory Auditor
Leeds

AETC LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements of the company for the period ended 31 March 2013

PRINCIPAL ACTIVITIES

The company's principal activity is the manufacture and repair of airfoils and gas turbine components

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The results of the company show a pre tax profit of £7,211,000 (2012 £567,000 loss) for the period and sales of £75,052,000 (2012 £64,889,000) The company has net assets of £30,748,000 (2012 £14,934,000)

Sales in FY13 increased over the prior year by 16% The Industrial Gas Turbine ("IGT") sector remained relatively flat year on year with a small increase of 2%, however Aerospace showed a large increase of 46% mainly driven by the AsiaTrent 900 Program moving into full production for the A380 as demand ramps up and a "one off" Trent 900 Machining opportunity following a Tsunami affecting IHI's ability to support Rolls Royce machining for the A380 Rolls Royce have increased demands for military programs and this has offset some reduction in Snecma demand

Aerospace for FY14 will remain flat in comparison to FY13 Sales to Rolls Royce will still include the Trent 900 Blade Machining, which will conclude in FY14 Snecma has now been secured on a Long Term Agreement through December 2015 with minimum volume guarantees and is expected to remain flat at around 850 sets per year market share Rolls Royce machining volumes are also guaranteed within the Long Term Agreement ensuring flat line sales and reflecting the mature military programs

IGT markets remain flat, however sales in this sector are expected to increase due to new product development releases and new awards being qualified for Siemens Alstom demands increase in FY14 mainly due to arrears from FY13 and increased demands for GT13E2M and GT13E2M XL2 engine sales GE demand remains flat and there is an expectation that Dresser Rand demand will reduce due to cyclic demands for oil and gas drilling platforms

PRINCIPAL RISKS AND UNCERTAINTIES

The management of the business and the execution of the company's strategy are subject to a number of risks The key business risks affecting the company are considered to relate to the state of world markets, competition and to foreign currency

World markets

The current global economic environment creates uncertainty over the level of demand for the company's products

Competition

The company operates in a highly competitive market around price and product quality This can have an impact in downward pressure on our margins but also in the risk that we do not meet our customers' expectations In order to mitigate this risk our sales team monitor market prices on an ongoing basis Furthermore, our quality team continually monitor the quality of product being produced and ensure we maintain a rigorous quality system

Foreign currency

The company sells into a number of markets worldwide Some of these sales are in foreign currency, and therefore the company has an exposure to foreign currency movements In order to mitigate this risk, the group treasury function provides natural hedges against currency exposures

AETC LIMITED

DIRECTORS' REPORT

KEY PERFORMANCE INDICATORS

The level of operating working capital as a percentage of sales ("OWC") has increased from the prior year. At the period end OWC was 22.1% (2012: 20.8%). This degradation was mainly due to the increased Debtors related to Rolls Royce sales increase as well as the increase of their payment terms from 60 days up to 75 days.

The gross profit margin has increased from the prior year to 17.4% (2012: 11.8%). Several reasons explain such an improvement, a better fixed cost absorption due to Sales volume increase, secondly improved margins due to price increases, finally a better operational performance.

GOING CONCERN

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review above.

The current economic conditions create uncertainty particularly over the level of demand for the company's products and foreign currency exchange rates. The company is not reliant on external credit facilities, has a strong balance sheet and sells into a number of markets and geographical areas worldwide. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, and having reviewed the latest trading and cashflow forecasts, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

AETC LIMITED

DIRECTORS' REPORT

DIVIDENDS

No dividend (2012 £nil) was paid during the period. The directors do not recommend the payment of a final dividend in respect of the period (2012 £nil) and accordingly the loss has been transferred to reserves.

DIRECTORS

The directors who served during the period and subsequently were as follows:

N P Gorman
S Blackmore
S R Hagel
R A Cooke
R P Becker
G L Wormald
S G Hackett

DISABLED PERSONS

Applications for employment by disabled persons are fully considered, bearing in mind the respective aptitudes and abilities 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 the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

EMPLOYEE INVOLVEMENT

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that views are taken into account when decisions are made which are likely to affect their interests, and that all employees are aware of the financial and economic performance of their business units, and of the company as a whole.

DONATIONS

During the period the company made charitable donations of £847 (2012 £1,205).

CREDITOR PAYMENT POLICY

The company's policy is to negotiate terms of payment with suppliers when agreeing terms of transactions and then to abide by those terms once satisfactory performance of service or receipt of goods is achieved. Creditor days for the company have been calculated at 60 days (2012 56 days).

AUDITOR

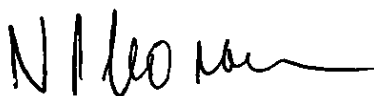
Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the 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 auditor is aware of that information.

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

A resolution for the appointment of Deloitte LLP as auditor of the company is to be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



N P Gorman
Director
30 October 2013

DIRECTORS' RESPONSIBILITIES STATEMENT

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

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

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting 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 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AETC LIMITED

We have audited the financial statements of AETC Limited for the period ended 31 March 2013 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses and the related notes 1 to 22. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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 auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on 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 Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2013 and of its profit for the period then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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



Matthew Hughes, BSc (Hons) ACA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Leeds, UK
30 October 2013

AETC LIMITED

PROFIT AND LOSS ACCOUNT Period ended 31 March 2013

	Note	31 March 2013 £'000	1 April 2012 £'000
TURNOVER	2	75,052	64,889
Cost of sales		(62,009)	(57,228)
Gross profit		13,043	7,661
Distribution costs		(257)	(249)
Administrative expenses		(5,784)	(7,860)
OPERATING PROFIT/(LOSS)	4	7,002	(448)
Interest payable and similar charges	5	(310)	(676)
Interest receivable and similar income	6	6	26
Other finance income	21	513	531
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		7,211	(567)
Taxation	7	(2,073)	217
RETAINED PROFIT/(LOSS) FOR THE FINANCIAL PERIOD	18	5,138	(350)

All results in the period derive from continuing operations

There is no difference between the profit on ordinary activities before taxation and the retained profit/(loss) for the period as stated above, and their historical cost equivalents

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES Period ended 31 March 2013

		31 March 2013 £'000	1 April 2012 £'000
Retained profit/(loss) for the financial period	18	5,138	(350)
Actuarial gain/(loss) on pension scheme	21	13,456	(13,751)
Movement on current tax relating to pension scheme		113	157
Movement on deferred tax relating to pension scheme		(3,365)	3,030
Total gains and losses recognised since last annual report		15,342	(10,914)

AETC LIMITED

BALANCE SHEET As at 31 March 2013

	Note	31 March 2013 £'000	1 April 2012 £'000
FIXED ASSETS			
Goodwill	9	2,090	2,792
Tangible assets	10	11,399	12,121
		<u>13,489</u>	<u>14,913</u>
CURRENT ASSETS			
Stocks	12	11,736	12,554
Debtors	13	48,680	29,394
Cash at bank and in hand		-	16
		<u>60,416</u>	<u>41,964</u>
CREDITORS, amounts falling due within one year	14	<u>(41,149)</u>	<u>(29,615)</u>
NET CURRENT ASSETS		<u>19,267</u>	<u>12,349</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		32,756	27,262
PROVISION FOR LIABILITIES	16	<u>(318)</u>	<u>(75)</u>
Net assets excluding pension liability		32,438	27,187
Pension liability	21	<u>(1,690)</u>	<u>(12,253)</u>
NET ASSETS		<u>30,748</u>	<u>14,934</u>
CAPITAL AND RESERVES			
Called up share capital	17	-	-
Profit and loss account	18	27,591	12,249
Share based payment reserve	19	3,157	2,685
TOTAL SHAREHOLDERS' FUNDS	20	<u>30,748</u>	<u>14,934</u>

These financial statements of AETC Limited (company registration number 3206792), were approved and authorised for issue by the Board of Directors on

Signed on behalf of the Board of Directors



N P Gorman

Director

30 October 2013

NOTES TO THE FINANCIAL STATEMENTS

Period ended 31 March 2013

1. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the period and the preceding period.

Basis of accounting

The financial statements have been prepared under the historical cost convention in accordance with the reporting requirements of the Companies Act 2006 and applicable United Kingdom accounting standards. The financial statements are made up to the Sunday nearest to the accounting reference date for each financial period.

Consolidated financial statements

AETC Limited is exempt from preparing consolidated financial statements for its group, under S401 of the Companies Act 2006 because it is a wholly owned subsidiary of Precision Castparts Corp, a company included within the United States of America, whom prepare consolidated financial statements which include the results of this group.

Going concern

After making enquiries, and having reviewed the latest trading and cashflow forecasts, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Further details regarding the adoption of the going concern basis can be found in the Directors' report.

Intangible assets - goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, which is 20 years. Provision is made for any impairment.

Tangible fixed assets

Tangible fixed assets are stated at cost, together with any incidental expenses of acquisition, net of depreciation. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost of each asset less estimated residual value on a straight-line basis over its expected useful life, as follows:

Freehold buildings	2% to 2½%
Leasehold buildings	Over the life of the lease
Plant and machinery	7½% to 15%
Fixtures and fittings	15% to 20%
Computers	20% to 33%
Motor vehicles	25%

Assets in the course of construction are held on the balance sheet at cost until completion of the asset and capitalisation into the relevant fixed asset category. Provision is made for any impairment.

Investments

In the company's financial statements, fixed asset investments are stated at cost less provision for impairment.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

NOTES TO THE FINANCIAL STATEMENTS

Period ended 31 March 2013

1. ACCOUNTING POLICIES (continued)

Taxation

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

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

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

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

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate. All exchange differences are dealt with through the profit and loss account

Turnover

Turnover is stated net of VAT and trade discounts. Turnover from the sale of goods is recognised upon the transfer of the goods to the customer

Leases

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

Cash flow statement

The company has taken advantage of the exemption granted under Financial Reporting Standard 1 (Revised) not to produce a cash flow statement, as the amounts are reported within the parent company's accounts, which are publicly available

Share based payment

The company has applied the requirements of FRS 20 'Share based payment'

The company's ultimate parent company, Precision Castparts Corp ("PCC"), issues equity settled share based payments to certain employees of the company. Equity settled share based payments are measured at fair value (excluding the effect of non market based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity settled share based payment is expensed on a straight line basis over the vesting period, based on the group's estimate of the shares that will eventually vest and adjusted for the effect of non market based vesting conditions

Fair value is measured by use of the Black-Scholes pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations

The company also provides employees with the ability to purchase PCC's ordinary shares at 85% of the current market value. The company records an expense based on its estimate of the 15% discount related to shares expected to vest on a straight line basis over the vesting period

NOTES TO THE FINANCIAL STATEMENTS

Period ended 31 March 2013

1 ACCOUNTING POLICIES (continued)

Pension costs

For defined benefit schemes the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Company, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

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

2. TURNOVER

The company has only one principal class of business, that of the manufacture, machining and repair of airfoils and gas turbine components. Sales were made to the following geographical areas:

	31 March 2013 £'000	1 April 2012 £'000
Switzerland	20,332	27,206
United Kingdom	13,745	7,145
North America	9,558	4,416
Germany	6,056	6,649
Other European	22,806	17,460
Rest of World	2,555	2,013
	75,052	64,889

AETC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Period ended 31 March 2013

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	31 March 2013 £'000	1 April 2012 £'000
Aggregate emoluments	305	179

Retirement benefits are accruing to one director (2012 one) under the defined benefits scheme. One director exercised share options during the year (2012 none). Only one director is paid through this company, all the other directors' emoluments are paid by the ultimate parent company. Their services to the company are of a non-executive nature and their emoluments are deemed to be wholly attributable to their services to the parent company. Accordingly, the above details include no emoluments in respect of these directors.

The average number of persons employed was	31 March 2013 No	1 April 2012 No
Production	345	338
Administration	143	150
	488	488
Employee costs	£'000	£'000
Wages and salaries	15,374	14,478
Social security costs	1,696	1,519
Pension costs	1,941	1,913
	19,011	17,910

4. OPERATING PROFIT/(LOSS)

	31 March 2013 £'000	1 April 2012 £'000
Operating profit/(loss) is stated after charging/(crediting):		
Depreciation	1,341	1,904
Operating lease rentals		
Hire of plant and machinery	151	150
Land and buildings	20	20
Amortisation of intangible fixed assets- goodwill	702	702
Redundancy costs	-	29
Loss/(profit) on disposal of fixed assets	130	(13)
Net foreign currency (losses)	175	163
Fees payable to the company's auditors for the audit of the company's annual financial statements	47	45
- The audit of the Company's subsidiaries pursuant to legislation	-	-
Total fees	47	45

AETC LIMITED

NOTES TO THE FINANCIAL STATEMENTS Period ended 31 March 2013

5. INTEREST PAYABLE AND SIMILAR CHARGES

	31 March 2013 £'000	1 April 2012 £'000
Amounts payable to group undertakings	310	676

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	31 March 2013 £'000	1 April 2012 £'000
Interest on amount due from group undertakings	6	26

7. TAXATION

	31 March 2013 £'000	1 April 2012 £'000
Current tax		
UK corporation tax charge	1,838	(13)
Adjustments in respect of prior years	(8)	(7)
Total current tax	1,830	(20)
Deferred tax		
Origination and reversal of timing differences	243	(197)
Adjustments in respect of prior years	-	-
	243	(197)
Deferred tax on pension scheme movements		
Tax charge on profit on ordinary activities	2,073	(217)

NOTES TO THE FINANCIAL STATEMENTS

Period ended 31 March 2013

7. TAXATION (continued)

The effective rate of tax is different from the standard UK corporation tax rate of 24% (2012 26%) and the differences are explained below

	31 March 2013 £'000	1 April 2012 £'000
Profit/(loss) on ordinary activities before tax	7,211	(567)
Tax at 24 % (2012 26%) thereon	1,731	(147)
Effects of		
- Expenses not deductible for tax purposes	332	322
- Accelerated capital allowances	58	113
- Other timing differences	(10)	(37)
- Tax relief on share options	(273)	(252)
- Adjustment to tax charge in respect of prior years	(8)	(7)
- Rate difference	-	(12)
Current tax charge for period	1,830	(20)

The Finance Act 2012, which was substantively enacted in July 2012, included provisions to reduce the rate of corporation tax to 23% with effect from 1 April 2013. Accordingly, this rate reduction has been reflected in the calculation of deferred tax at the balance sheet date.

In March 2013, the government announced that it intends to further reduce the rate of corporation tax to 21% with effect from 1 April 2014 and to 20% with effect from 1 April 2015. As the legislation was not substantively enacted by 31 March 2013, the impact of the anticipated rate changes is not reflected in the tax provisions reported in these financial statements.

8. SHARE BASED PAYMENTS

Equity-settled share option scheme

The company's ultimate parent company, PCC issues share options over ordinary shares in PCC to certain employees of the company. Options are exercisable at prices equal to the quoted market price of the parent company's shares on the date of grant. Options become exercisable at a rate of 25% each year over four years from the date of grant. Options are forfeited if the employee leaves the Company before the options vest.

PCC has an Employee Share Purchase Plan ("ESPP") whereby the company is authorised to issue shares to its full-time employees, nearly all of whom are eligible to participate. Under the terms of the plan, employees can choose to have up to 10 percent of their annual base salary withheld to purchase the company's shares. Employees then have the option to use the withheld funds to purchase shares at the lower of 85 percent of the fair market value of the stock on the date of grant or on the date of purchase.

Details of the share options outstanding during the period are as follows:

	2013 Number of share options	2013 Weighted average exercise price (£)	2012 Number of share options	2012 Weighted average exercise price (£)
Outstanding at beginning of period	43,228	67.10	52,441	61.81
Granted during the period	8,638	114.13	4,894	101.56
Forfeited during the period	(3,520)	77.91	(2,400)	70.02
Exercised during the period	(15,556)	50.24	(11,707)	49.35
Outstanding at the end of the period	32,790	86.33	43,228	67.10
Exercisable at the end of the period	17,394	57.86	25,150	101.50

NOTES TO THE FINANCIAL STATEMENTS

Period ended 31 March 2013

8. SHARE BASED PAYMENTS (continued)

The weighted average share price at the date of exercise for the share options exercised during the period was £114.29. The options outstanding at 3 April 2013 have a weighted average exercise price of £86.33 and a weighted average remaining contractual life of 6.84 years.

During the current financial period, options were granted on 14 November 2012. The aggregate of the estimated fair values of the options granted on those dates is £326,000. During the 2012 financial period, options were granted on 16 November 2011. The aggregate of the estimated fair values of the options granted on that date is £180,000.

The company recognised total expenses of £472,000 and £457,000 related to equity-settled share based payment transactions in 2013 and 2012 respectively.

The inputs into the Black-Scholes Option Pricing Model are as follows:

	31 March 2013	1 April 2012
Weighted average share price	£114.13	£101.56
Weighted average exercise price	£114.13	£101.56
Expected volatility	39.9%	42.7%
Expected life (years)	4.2-4.4	2.7-4.4
Risk-free rate	0.5%	0.7%
Expected dividend yield	0.1%	0.1%

Expected volatility was determined by calculating the historical volatility of the PCC share price over the previous years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

9. GOODWILL

	£'000
Cost	
At 2 April 2012 and 31 March 2013	11,954
Accumulated amortisation	
At 2 April 2012	9,162
Charge for the period	702
At 31 March 2013	9,864
Net book value	
31 March 2013	2,090
1 April 2012	2,792

AETC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Period ended 31 March 2013

10. TANGIBLE FIXED ASSETS

	Freehold land and buildings £'000	Plant and machinery £'000	Fixtures, fittings tools and equipment £'000	Assets in course of construction £'000	Total £'000
Cost					
At 2 April 2012	5,750	34,342	1,300	560	41,952
Additions	-	-	-	754	754
Transfers	-	1,012	127	(1,139)	-
Disposals	-	(2,139)	(15)	-	(2,154)
At 31 March 2013	5,750	33,215	1,412	175	40,552
Accumulated depreciation					
At 2 April 2012	1,810	26,814	1,207	-	29,831
Charge for the period	101	1,210	30	-	1,341
Disposals	-	(2,004)	(15)	-	(2,019)
At 31 March 2013	1,911	26,020	1,222	-	29,153
Net book value					
At 31 March 2013	3,838	7,196	190	175	11,399
At 1 April 2012	3,940	7,528	93	560	12,121

Assets in the course of construction at 31 March 2013 included £38,250 (2012 £nil) in respect of deposits on machines

11. INVESTMENTS

	Interests in group undertakings £'000
Cost	
At 2 April 2012 and at 31 March 2013	5,319
Provision for impairment	
At 2 April 2012 and at 31 March 2013	(5,319)
Net book value	
At 1 April 2012 and at 31 March 2013	-

The company's investment is in the entire share capital of PCC Flow Technologies Limited, a company registered in Scotland. The principal activity of PCC Flow Technologies Limited was the manufacturer of valves and actuators. The company ceased to trade on 7 December 2005.

12. STOCKS

	31 March 2013 £'000	1 April 2012 £'000
Raw materials and consumables	3,861	2,893
Work in progress	7,400	8,419
Finished goods	475	1,242
	11,736	12,554

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

AETC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Period ended 31 March 2013

13. DEBTORS

	31 March 2013 £'000	1 April 2012 £'000
Amounts falling due within one year:		
Trade debtors	14,874	10,266
Corporation tax	-	1,664
Amounts owed by group undertakings	32,682	16,165
Other debtors	263	513
Prepayments	580	524
	<u>48,399</u>	<u>29,132</u>
Amounts falling due after more than one year:		
Other debtors	281	262
	<u>281</u>	<u>262</u>
	<u>48,680</u>	<u>29,394</u>

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 March 2013 £'000	1 April 2012 £'000
Trade creditors	8,070	7,463
Other taxation and social security	372	427
Other creditors	991	1,397
Corporation tax	950	0
Accruals and deferred income	1,918	998
Amounts due to fellow subsidiary undertakings	28,848	19,330
	<u>41,149</u>	<u>29,615</u>

The amount due to the ultimate parent undertaking is interest bearing at 6% and is repayable on demand

15. FINANCIAL COMMITMENTS

Operating leases	2013 Land and buildings £'000	Other £'000	2012 Land and buildings £'000	Other £'000
Annual commitments which expire				
Within one year	-	18	-	6
Between two and five years	20	119	20	115
	<u>20</u>	<u>137</u>	<u>20</u>	<u>121</u>

AETC LIMITED

NOTES TO THE FINANCIAL STATEMENTS Period ended 31 March 2013

16. PROVISION FOR LIABILITIES

	Deferred tax £'000
At 2 April 2012	75
Charge to profit and loss account (note 7)	243
	<hr/>
At 31 March 2013	318
	<hr/>

The deferred tax provision may be analysed as follows

Provision for deferred tax	31 March 2013 £'000	1 April 2012 £'000
Accelerated capital allowances	641	727
Short term timing differences	(323)	(652)
	<hr/>	<hr/>
	318	75
	<hr/>	<hr/>

17 CALLED UP SHARE CAPITAL

	31 March 2013 £'000	1 April 2012 £'000
Authorised		
100 ordinary shares of £1 each	-	-
	<hr/>	<hr/>
Allotted, called up and fully paid		
10 ordinary shares of £1 each	-	-
	<hr/>	<hr/>

18. PROFIT AND LOSS ACCOUNT

	Capital Contribution £'000	Profit and loss account £'000	Total £'000
At 2 April 2012	23,000	(10,751)	12,249
Profit for the period	-	5,138	5,138
Actuarial gain on pension scheme	-	13,456	13,456
Movement on current tax relating to pension scheme	-	113	113
Movement on deferred tax relating to pension scheme	-	(3,365)	(3,365)
	<hr/>	<hr/>	<hr/>
At 31 March 2013	23,000	4,591	27,591
	<hr/>	<hr/>	<hr/>

AETC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Period ended 31 March 2013

19. SHARE BASED PAYMENT RESERVE

	£'000
At 2 April 2012	2,685
Share based payment charge	472
	<hr/>
At 31 March 2013	3,157
	<hr/>

20. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	31 March 2013 £'000	1 April 2012 £'000
Profit/(loss) for the year	5,138	(350)
Actuarial gain /(loss) on pension scheme	13,456	(13,751)
Movement on current tax relating to pension scheme	113	157
Movement on deferred tax relating to pension scheme	(3,365)	3,030
Share based payment charge	472	457
	<hr/>	<hr/>
Net movement in shareholders' funds	15,814	(10,457)
Opening shareholders' funds	14,934	25,391
	<hr/>	<hr/>
Closing shareholders' funds	30,748	14,934
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS

Period ended 31 March 2013

21. PENSION SCHEME

The company operates a defined benefit pension scheme and a defined contribution pension scheme

Defined benefit pension scheme

A full actuarial valuation was carried out as at 5 April 2012 by a qualified independent actuary. The present values of the defined benefit obligation, the related current service cost and any past service costs were measured using the projected unit credit method. The actuarial valuation has been updated at 31 March 2013 by a qualified actuary using revised assumptions that are consistent with the requirements of FRS 17. In accordance with FRS17, for all assets that do not have a single price, the bid value of the assets has been used.

Key assumptions used	2013 %	2012 %
Rate of increase in salaries	3.15	3.00
Rate of increase of pensions in payment	3.10	3.10
Discount Rate	4.40	4.80
RPI inflation	3.40	3.25
CPI inflation	2.40	2.25

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The assumptions are that members currently aged 65 will live on average for a further 21.3 years if they are male and for a further 24.0 years if they are female.

Amounts recognised in the profit and loss account in respect of these defined benefit schemes are as follows

	31 March 2013 £'000	1 April 2012 £'000
Current service cost	1,825	1,788
Interest cost	7,492	7,770
Expected return on scheme assets	(8,005)	(8,301)
Expense recognised in profit and loss	1,312	1,257

Actuarial gains and losses have been reported in the statement of total recognised gains and losses.

The actual return on scheme assets was £24,731,000 (2012: £6,316,000).

The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and losses since the adoption of FRS 17 is a loss of £3,129,000 (2012: loss of £16,585,000).

The amount included in the balance sheet arising from the company's obligations in respect of its defined benefit retirement benefit schemes is as follows

	31 March 2013 £'000	1 April 2012 £'000
Present value of defined benefit obligations	(165,619)	(157,299)
Fair value of scheme assets	163,424	141,176
Deficit in scheme	(2,195)	(16,123)
Related deferred tax asset	505	3,870
Liability recognised in the balance sheet	(1,690)	(12,253)

NOTES TO THE FINANCIAL STATEMENTS
Period ended 31 March 2013

21. PENSION SCHEME (continued)

Movements in the present value of defined benefit obligations were as follows

	31 March 2013 £'000	1 April 2012 £'000
Opening defined benefit obligation	157,299	139,698
Current service cost	1,825	1,788
Interest cost	7,492	7,770
Contributions by scheme participants	648	670
Actuarial losses on scheme liabilities	3,270	11,766
Net benefits paid out	(4,915)	(4,393)
Closing defined benefit obligation	<u>165,619</u>	<u>157,299</u>

Movements in the fair value of scheme assets were as follows

	31 March 2013 £'000	1 April 2012 £'000
Opening fair value of scheme assets	141,176	136,722
Expected return on scheme assets	8,005	8,301
Actuarial gains/losses on scheme assets	16,726	(1,985)
Contributions by the employer	1,784	1,861
Contributions by scheme participants	648	670
Net benefits paid out	(4,915)	(4,393)
Closing fair value of scheme assets	<u>163,424</u>	<u>141,176</u>

The analysis of the scheme assets and the expected rate of return at the balance sheet date was as follows

	31 March 2013		1 April 2012	
	Expected rate of return %	Market value £'000	Expected rate of return %	Market value £'000
Equities	8.00	70,612	8.40	51,090
Bonds	2.80	47,337	3.10	46,793
Absolute return	4.05	22,478	4.35	21,906
Cash and other assets	0.80	22,997	1.80	21,387
Total market value of assets		<u>163,424</u>		<u>141,176</u>

The company employs a building block approach in determining the long-term rate of return on pension plan assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed long-term rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Scheme at 31 March 2013.

NOTES TO THE FINANCIAL STATEMENTS

Period ended 31 March 2013

21. PENSION SCHEME (continued)

The five-year history of experience adjustments is as follows

	2013 £'000	2012 £'000	2011 £'000	2010 £'000	2009 £'000
Present value of defined benefit obligations	(165,619)	(157,299)	(139,698)	(137,511)	(117,470)
Fair value of scheme assets	163,424	141,176	136,722	134,204	123,178
Surplus / (deficit) in the scheme	(2,195)	(16,123)	(2,976)	(3,307)	5,708
Experience adjustments on scheme liabilities					
Amount	5,048	(756)	-	(3,060)	-
Percentage of scheme liabilities	3.09%	(0.5%)	-	(2.2%)	-
Experience adjustments on scheme assets					
Amount	16,726	(1,985)	(2,885)	8,665	(2,955)
Percentage of scheme assets	10.23%	(1.4%)	(2.1%)	6.5%	(2.4%)

Defined contribution pension scheme

The company also operates a defined contribution scheme for which the pension cost charge for the period amounted to £116,314 (2012 £125,052)

22. ULTIMATE PARENT UNDERTAKING AND RELATED PARTIES

The immediate parent undertaking is PCC European Holdings Sarl. The ultimate parent undertaking and ultimate controlling party is Precision Castparts Corp, a company incorporated in the United States of America and this is the smallest and largest group into which this company is consolidated. Copies of the accounts of Precision Castparts Corp may be obtained by writing to Precision Castparts Corp, Corporate Office, 4650 SW Macadam Avenue, Suite 440 Portland, Oregon 97201-4254, United States of America.

Transactions with other companies within the group are not disclosed as the company has taken advantage of the exemption available under Financial Reporting Standard No 8 'Related Party Disclosures', as the consolidated accounts of Precision Castparts Corp in which the company is included are available at the address noted above.