

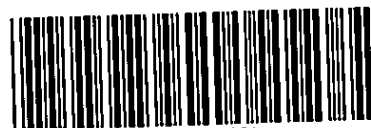
**Terrassen Holdings Limited**

**Directors' report and financial  
statements**

Registered number 1352995

4 January 2007

WEDNESDAY



\*AAPL6U93\*

A09

31/10/2007

140

COMPANIES HOUSE

## Contents

Directors' report	1
Statement of directors' responsibilities in respect of the Directors' Report and the financial statements	2
Independent auditors' report to the members of Terrassen Holdings Limited	3
Profit and loss account	4
Balance sheet	5
Notes	6

## Directors' report

The directors present their annual report and the audited financial statements for the year ended 4 January 2007

### Principal activities and business review

The company was an intermediate holding and investment company during the period under review and it is intended that the company will continue in this role for the foreseeable future

The company changed its name from Morgan Holding International Limited to Terrassen Holdings Limited on 22 October 2004

### Results and dividend

The company made a loss after taxation for the period of £502,000 (2005 profit of £179,602,000) An ordinary dividend of £nil (2005 £2,713,000) was paid

### Directors and director's interests

The directors who held office during the year were as follows

Mr D J Coker (resigned 31 December 2006)

Mr K J Dangerfield

Mr T Sill (appointed 7 August 2006, resigned 10 November 2006)

None of the directors had any interest in the shares of the company

### Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the company is to be proposed at the forthcoming Annual General Meeting

By order of the board



**P. A. Boulton**  
*Secretary*

Quadrant  
55-57 High Street  
Windsor  
Berkshire  
SL4 1LP

25th October 2007

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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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



KPMG Audit Plc

8 Salisbury Square  
London  
EC4Y 8BB  
United Kingdom

## **Independent auditors' report to the members of Terrassen Holdings Limited**

We have audited the financial statements of Terrassen Holdings Limited for the year ended 4 January 2007 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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

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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 2.

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

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

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

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

### **Basis of audit opinion**

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

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

### **Opinion**

#### **In our opinion**

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 4 January 2007 and of its result for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and,
- the information given in the Directors' Report is consistent with the financial statements.

KPMG Audit Plc  
Chartered Accountants  
Registered Auditor

25/10/2007

**Profit and loss account**  
*for the year ended 4 January 2007*

	<i>Note</i>	<b>2006</b> <b>£000</b>	<b>2005</b> <b>£000</b>
<b>Operating profit</b>		-	-
Exceptional items	3	(642)	176,896
Impairment of investment		(502)	-
Dividends received		379	2,713
Loss on foreign exchange		(9)	-
		<hr/>	<hr/>
<b>Profit / (loss) on ordinary activities before interest and tax</b>		(774)	179,609
Interest paid	4	(7)	(7)
Interest income	4	279	-
		<hr/>	<hr/>
<b>Profit / (loss) on ordinary activities before tax</b>		(502)	179,602
Taxation	5	-	-
		<hr/>	<hr/>
<b>Profit / (loss) for the financial year</b>		<b>(502)</b>	<b>179,602</b>
		<hr/> <hr/>	<hr/> <hr/>

There are no recognised gains or losses other than those shown in the profit and loss accounts above

The notes on pages 6 to 10 form part of these financial statements

**Balance sheet**  
*at 4 January 2007*

	<i>Note</i>	<b>£000</b>	<b>2006 £000</b>	<b>£000</b>	<b>2005 £000</b>
<b>Fixed assets</b>					
Investments	6		204,185		195,873
<b>Current assets</b>					
Debtors	7	218,673		224,976	
<b>Creditors</b> amounts falling due within one year	8	(2,518)		(7)	
<b>Net current assets</b>			<b>216,155</b>		<b>224,969</b>
<b>Net assets</b>			<b>420,340</b>		<b>420,842</b>
<b>Capital and reserves</b>					
Called up share capital	9		219,090		219,090
Capital redemption reserve			1,000		1,000
Profit and loss account	10		200,250		200,752
<b>Equity shareholders' funds</b>	11		<b>420,340</b>		<b>420,842</b>

The notes on pages 6 to 10 form part of these financial statements

These financial statements were approved by the board of directors on 25<sup>th</sup> Oct 07 and were signed on its behalf by

*K. Dangerfield*

**Kevin Dangerfield**  
*Director*

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements

#### *(a) Basis of preparation*

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

The financial statements are prepared on a going concern basis. The balance sheets for the current year and the comparative period have been drawn up as at 4 January 2007 and 4 January 2006 respectively. The profit and loss statements are for the years ended 4 January 2007 and 4 January 2006. For convenience these periods and balance sheet dates are referred to in the body of the accounts as 2006 and 2005 respectively.

#### *(b) 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 retranslated at the rate of exchange ruling at the balance sheet date. Exchange differences are taken directly to the profit and loss account.

#### *(c) Related Party Transactions*

The company has taken advantage of the exemption under FRS 8 from disclosing transactions with related parties that are part of The Morgan Crucible plc group of companies.

### 2 Directors emoluments and audit fees

There were no emoluments paid to directors during the period (2005 £nil). Auditors' remuneration is borne by other group companies for nil consideration.

### 3 Exceptional items

	2006 £000	2005 £000
Professional and other fees incurred in the establishment of joint ventures	642	-
Gain on sale of shares in Morgan Holding Netherlands BV	-	176,896
	<u>        </u>	<u>        </u>

Professional and other fees incurred in the establishment of joint ventures relate to preliminary costs incurred in setting up both successful and unsuccessful joint ventures. These costs relate to professional fees, bank fees and other costs.

## Notes (continued)

### 4 Interest

	2006 £000	2005 £000
Group interest paid	(7)	(7)
Group interest received	214	-
Third party interest received	65	-
	279	-

### 5 Taxation

Tax charge for the year ended 4 January 2007 was £nil

### 6 Investments

	£000
<b>Cost</b>	
At 4 January 2006	195,873
Investment in TC Sukhoy	1,540
Investment in Diamond Crucible	616
Investment in TC Polska	1,580
Investment in Morgan Luyang (Shandong)	502
Investment in Yingtelai	4,540
Investment in Morgan Carbon Czech	36
Cost at 4 January 2007	204,687
<b>Impairment</b>	
At 4 January 2006	-
Investment in Morgan Luyang (Shandong)	(502)
Impairment at 4 January 2007	(502)
Carrying value at 4 January 2007	204,185

## Notes (continued)

### 6 Investments (continued)

Shares are held in the following companies

Company name	Country of incorporation and principle country ownership of operation	Nature of Business	Percentage
Morgan Holding Netherlands BV	Netherlands	Holding Company	100%
Thermal Ceramics Italiana	Italy	Ceramics	97.7%
Thermal Ceramics de Columbia SA	Columbia	Ceramics	2%
Thermal Ceramics Saveh Company Limited	Iran	Ceramics	80%
TC Sukhoy	Russia	Ceramics	51%
Diamond Crucible	India	Crucibles	49%
TC Polska	Poland	Ceramics	100%
Morgan Luyang (Shandong)	China	Ceramics	51%
Yingtela	China	Ceramics	75%
Morgan Carbon Czech	Czech Republic	Carbon	100%

The directors are of the opinion that the value of these investments is not less than the value stated above

### 7 Debtors

	2006 £000	2005 £000
Amounts owed by group undertakings	218,673	218,176
Deferred consideration receivable	-	6,800
	<u>218,673</u>	<u>224,976</u>

### 8 Creditors: amounts falling due within one year

	2006 £000	2005 £000
Deferred consideration	2,518	-
Amounts owed to group undertakings	-	7
	<u>2,518</u>	<u>7</u>

## Notes (continued)

### 9 Called up share capital

	2006 £000	2005 £000
<i>Authorised</i>		
Equity share capital		
260,000,000 'A' ordinary shares of £1 each	260,000	260,000
Non-equity share capital		
9,999,998 'B' redeemable preference shares of £1 each	10,000	10,000
	<u>270,000</u>	<u>270,000</u>
<i>Allotted, called up and fully paid</i>		
Equity share capital		
219,090,222 'A' ordinary shares of £1 each	219,090	219,090
	<u>219,090</u>	<u>219,090</u>

### 10 Reserves

	Profit and loss account £000
At 4 January 2006	200,752
Loss for the financial year	(502)
	<u>200,250</u>
At 4 January 2007	<u>200,250</u>

## Notes (continued)

### 11 Reconciliation of shareholders' funds

	2006 £000	2005 £000
Profit for the financial year	(502)	179,602
Ordinary dividend paid	-	(2,713)
Opening shareholders' funds	420,842	243,953
	<hr/>	<hr/>
Closing shareholders' funds	420,340	420,842
	<hr/>	<hr/>

### 12 Group accounts

Group accounts have not been prepared as the company was, at the end of its financial period, the wholly owned subsidiary of another body incorporated in England and Wales

### 13 Cash flow statement

As the company is a wholly owned subsidiary undertaking of The Morgan Crucible Company plc, a company registered in England and Wales, which prepared a consolidated cash flow statement, the company has taken advantage of the exemption provided under paragraph 5 of FRS 1 (revised) not to prepare a cash flow statement

### 14 Ultimate holding company

The Morgan Crucible Company plc, incorporated in England and Wales, is the company's immediate and ultimate holding company. Copies of their accounts can be obtained from Quadrant, 55-57 High Street, Windsor, Berkshire, SL4 1LP