The Morgan Crucible Company plc
Half-year report 2009

Morgan Crucible

Advanced materials for technically complex applications

What we do

Contents

Morgan Crucible is a world leader in advanced materials. Our highly skilled, dynamic people provide high technology solutions for specialised applications in diverse markets around the world.

Operational and financial highlights

Commenting on the results, strategy and outlook for Morgan Crucible, Chief Executive Officer, Mark Robertshaw said:

"The Group's results for the first half of 2009 demonstrate the improved resilience of the business in what is a particularly difficult market environment. Our strategy of reducing exposure to economically cyclical markets has mitigated the worst effects of a very significant downturn in global industrial demand. The most notable example of this positive mix shift towards a more resilient portfolio is the excellent performance of our NP Aerospace business which is on track to deliver a record year of sales and profits.

Operationally we remain focussed on self-help initiatives rather than relying on a market recovery. To this end, we have undertaken significant cost reductions over the past several months and expect to see progressively increasing benefits coming through to the bottom line in the second half of this year to mitigate any further end market softening. In parallel, we are also maintaining a very rigorous focus on cash generation and balance sheet management and have improved our net debt to EBITDA ratio as a result of strong operational cash inflows.

The global economic environment has been particularly challenging in the first half of 2009 and it is our expectation that industrial markets will remain weak for the second half of the year. Whilst we believe it is still premature to call an end to the downturn, there are some signs of a stabilisation in order books and sales levels in recent weeks in certain sectors. Having acted decisively in our cost reduction initiatives we believe that we are well placed to capitalise on any recovery as and when it occurs. Overall, we believe that Morgan Crucible is a higher quality, more resilient business than in the past."

Highlights

- Revenue for the half year increased to £492.0 million (2008: £401.2 million) up 22.6% on the first half of 2008.
- On a pro forma constant currency basis revenues declined by 7.3% (the pro forma calculation assumes that NP Aerospace had also been consolidated in 2008 to enable a like for like comparison).
- Group EBITA* before restructuring charges and one-off items was £45.3 million (2008: £51.3 million) at a margin of 9.2% (2008: 12.8%).
- Underlying operating profit (EBITA after restructuring costs and one-off items) was £38.2 million (2008: £46.4 million) at a margin of 7.8% (2008: 11.6%).
- NP Aerospace, in which we increased our ownership from 49% to 60% in January, continues to perform very well, with revenues in the first half of the year at £95.5 million (2008: £36.8 million) and with a strong order book providing good visibility through to the end of this year and into 2010.
- The Group has acted decisively on cost reduction initiatives across its businesses over the past several months with the majority of the benefits expected to come through in the second half of the year. Restructuring costs in the first half of the year were £8.2 million.
- Net cash flow from operations increased substantially to £58.6 million (2008: £33.0 million) up 78% on the previous year and free cash flow before one-off items and dividends was a positive £30.6 million (2008: negative £1.7 million).
- Net debt reduced to £282.9 million (2008 year end: £290.4 million) and net debt to EBITDA** ratio improved to 2.0 times.
- The Group refinanced its maturing bank debt in the first half of the year with a new 3 year multi-currency facility for £280 million leaving the Group with a supportive banking group going forward.
- The interim dividend is maintained at last year's level at 2.5 pence per share.

* Earnings before interest, tax and amortisation of intangible assets.
** Earnings before interest, tax, depreciation and amortisation of intangible assets.

£m unless otherwise stated	Six months 2009	Six months 2008	Change
Revenue	**492.0**	401.2	+22.6%
Underlying operating profit♦	**38.2**	46.4	-17.7%
Underlying profit before tax♦♦	**23.4**	40.8	-42.6%
Underlying earnings per share† (pence)	**6.4**	11.3	-43.4%
Net cash inflow from operating activities	**58.6**	33.0	+78.0%
Basic earnings per share (pence)	**3.4**	10.8	-68.5%
Operating profit	**30.1**	45.1	-33.3%
Profit before tax	**15.3**	39.5	-61.3%

♦ Underlying operating profit is defined as operating profit of £30.1 million (2008: £45.1 million) before amortisation of £8.1 million (2008: £1.3 million).
♦♦ Underlying profit before tax ("PBT") is defined as operating profit of £30.1 million (2008: £45.1 million) and share of profit of associate of £nil (2008: £0.7 million) before amortisation of £8.1 million (2008: £1.3 million), less net financing costs of £14.8 million (2008: £6.3 million).
† Underlying earnings per share ("EPS") is defined as basic earnings per share of 3.4 pence (2008: 10.8 pence) adjusted to exclude amortisation of 3.0 pence (2008: 0.5 pence).

Financial review

Reference is made to 'Underlying operating profit' and 'Underlying EPS' below, both of which are defined at the front of this statement. These measures of earnings are shown because the Directors consider that they give a better indication of underlying performance.

Group revenue in the first half of 2009 was £492.0 million, an increase of 22.6% compared to 2008. On a pro forma constant currency basis, revenues declined by 7.3% (the pro forma calculation assumes that NP Aerospace had also been consolidated in 2008 to enable a like for like comparison).

Group EBITA before restructuring charges and one-off items was £45.3 million (2008: £51.3 million) representing a margin of 9.2% (2008: 12.8%).

Group underlying operating profit (EBITA after restructuring costs and one-off items) for the first half of the year was £38.2 million (2008: £46.4 million). Underlying operating profit margins were 7.8%, compared to 11.6% for 2008.

The Group has undertaken extensive cost reduction programmes across its businesses in the past several months. Our cost reduction actions have reduced annualised first half 2009 total employment costs by c.£40 million (at constant currency) compared to the first half of last year. This underlines our focus on decisively resizing and adjusting our cost base to reflect market demand. Restructuring costs were £8.2 million in the first half of the year. Full year costs are anticipated to be c.£15 million as we continue the implementation of our programmes in the second half of the year.

With the purchase of a further 11% stake in NP Aerospace in January 2009, taking Morgan Crucible's stake to a controlling 60% holding, this business has been consolidated into the Group results for the first time in 2009. Please refer to note 3 of the Condensed consolidated financial statements for further details of the accounting in respect of this transaction.

The net finance charge was £14.8 million (2008: £6.3 million). Net bank interest and similar charges were £11.4 million (2008: £6.1 million), an increase of £5.3 million, due mainly to the increase in average net debt in 2009 following the NP Aerospace and Carpenter business acquisitions over the past year and to the impact of a stronger US$ and Euro in the first half of 2009. A significant part of the finance charge under IFRSs is the net interest charge on pension scheme net liabilities which was £2.3 million (2008: £0.2 million). Also included in the finance charge for the half year results is an 'interest expense on the unwinding of discount on deferred consideration' of £1.1 million (2008: £nil) which relates to the NP Aerospace acquisition.

The Group amortisation charge for the first half of the year was £8.1 million (2008: £1.3 million). The increase in amortisation is based on a fair value assessment of the assets of NP Aerospace at the date of the 11% acquisition. The amortisation calculation is driven by the NP Aerospace order book which has been 'fair valued' as part of the intangible assets and amortised over the 12 month period over which the orders are to be delivered. Hence in 2009 the Group will have a one-off increase in its amortisation charge for the year. In 2010 the Group amortisation charge will be reduced to c.£7 million per annum which includes the amortisation on the other ongoing intangible assets the Group has booked on the acquisition of NP Aerospace, the Carpenter businesses and other historical acquisitions.

The tax charge for the period was £4.3 million (2008: £9.3 million). The effective tax rate at this half year is 28% (2008: 24%) which represents our best estimate for the full year tax rate. The medium-term view is that the effective tax rate will trend to c.30%.

Underlying EPS was 6.4 pence (2008: 11.3 pence).

The Group pension deficit has improved by £3.9 million since last year end to £97.9 million on an IAS 19 basis. The main movements have been in the US and UK pension schemes. The US scheme deficit improved by £14.4 million to £46.8 million (2008: £61.2 million) while the UK scheme deficit deteriorated to £26.7 million (2008: £13.1 million) mainly due to an increase in the inflation rate assumption to 3.5% (2008: 2.8%).

The net cash inflow from operating activities was £58.6 million (2008: £33.0 million), an increase of 78% over the equivalent period last year. Free cash flow before one-off items was £30.6 million, a substantial increase in cash generation on the previous year (negative £1.7 million), driven by strong working capital management. Working capital generation was a net inflow of £5.4 million compared to last year's outflow of £28.7 million.

Our net debt at the half-year was £282.9 million, an improvement of £7.5 million compared to the 2008 year end position. With a good cash generation, our net debt to EBITDA ratio at the half-year had improved to 2.0 times (2008 year end 2.1 times). The bank facility headroom at the half year remained substantial at c.£125 million.

Cash flow

	Six months 2009 £m	Six months 2008 £m
Net cash inflow from operating activities	**58.6**	33.0
Net capital expenditure	**(9.3)**	(12.3)
Net interest paid	**(11.2)**	(9.3)
Tax paid on ordinary activities	**(7.5)**	(13.1)
Free cash flow before one-off costs and dividends	**30.6**	(1.7)
One-off costs:		
– Restructuring costs and other one-off items	**(5.1)**	(6.3)
– Tax settlement	**(19.0)**	–
Dividends paid	**–**	(12.9)
Cash flows from other investing and financing activities	**(31.2)**	(88.7)
Exchange rate movement	**32.2**	2.5
Opening net debt*	**(290.4)**	(119.7)
Closing net debt	**(282.9)**	(226.8)

* Net debt is defined as interest-bearing loans and borrowings, bank overdrafts less cash and cash equivalents.

Interim dividend

The Board has declared an interim dividend of 2.5 pence per Ordinary share. This is at the same level as the interim dividend declared in 2008. The dividend will be paid on 12 January 2010 to Ordinary shareholders on the register of members at the close of business on 4 December 2009.

Operating review

Operating review

Reference is made to Divisional EBITA throughout the operational reviews for each of our divisions and is shown in the table below.

	Carbon Six months 2009 £m	Carbon Six months 2008 £m	Technical Ceramics Six months 2009 £m	Technical Ceramics Six months 2008 £m	Insulating Ceramics Six months 2009 £m	Insulating Ceramics Six months 2008 £m	Consolidated Six months 2009 £m	Consolidated Six months 2008 £m
Revenue	**200.6**	118.1	**110.6**	98.3	**180.8**	184.8	**492.0**	401.2
Divisional EBITA*	**19.2**	17.4	**12.3**	14.0	**15.8**	21.9	**47.3**	53.3
Unallocated central costs							**(2.0)**	(2.0)
Group EBITA							**45.3**	51.3
Restructuring costs and other one-off items							**(7.1)**	(4.9)
Underlying operating profit							**38.2**	46.4

* Divisional EBITA is defined as segment operating profit before restructuring costs, other one-off items and amortisation of intangible assets.

Carbon

Revenues for the total Carbon division were up by 69.9% on a reported basis compared to the same period last year at £200.6 million (2008: £118.1 million). This increase reflects the inclusion of NP Aerospace in the division's consolidated results for the first time following the increase in Morgan Crucible's shareholding in NP Aerospace from 49% to 60% on 5 January 2009. Our like for like revenue increase (ie including NP Aerospace revenues in the first half of 2008 when they were accounted for as an associate) on a constant currency basis was 12.9%. This was driven by a particularly strong performance from the NP Aerospace business for which revenues were £95.5 million, up 160% on the previous half-year (2008: £36.8 million).

Revenues for the underlying Carbon business, excluding NP Aerospace, were down 25.4% on a like for like constant currency basis, reflecting the impact of the economic downturn on our traditional electrical and mechanical businesses combined with reduced levels of North America body armour revenues at US$9.4 million in the first half of 2009 compared with US$27.5 million in the equivalent period last year.

Divisional EBITA on a reported basis for the first half of 2009 was £19.2 million, a margin of 9.6%, compared to £17.4 million, and a margin of 14.7%, for the comparative period in 2008. These respective profit margins were 14.4% in NP Aerospace and 5.2% in the underlying Carbon business.

Our aggressive cost reduction programmes in the underlying Carbon business were initiated in the second half of 2008 in anticipation of weakening demand and these will have a progressively increasing benefit to the division's cost base as 2009 unfolds. Permanent headcount has been reduced by over 650 employees since June of last year. Furthermore, the majority of our operations in Europe and in the Americas have implemented reduced working weeks and temporary unpaid leave to align our cost base to market demand levels. We have also continued our strategy of relocating manufacturing to lower cost regions such as Mexico, China and Hungary wherever possible. In parallel to our rigorous management of the operating cost base, we continue to pursue future revenue growth opportunities, not least in the renewable energy markets. In the first half of 2009 we have further developed our high temperature business which serves the solar industry, positioning us well for the future growth potential in this market. We have also had a number of successes in expanding our presence in the wind energy market, which we expect to be an attractive growth area in the coming years.

The NP Aerospace business continues to trade very well. The order book remains strong through the balance of this year and into 2010 and we are actively pursuing a number of additional domestic and international opportunities with existing and new customers.

With end-market demand appearing to be stabilising in certain sectors in the underlying Carbon business, benefits of cost reductions coming through and NP Aerospace continuing to trade strongly, our expectation is for the overall Carbon division to improve its performance in the second half of the year compared to the first half.

Technical Ceramics

Total revenues for the first half of 2009 were £110.6 million (2008: £98.3 million), an increase of 12.5%. This included £26.0 million (2008: £14.4 million) of revenue contributed by the businesses acquired from Carpenter in 2008. At constant currency, revenue in Technical Ceramics excluding the Carpenter businesses declined by 15.7%.

Divisional EBITA was £12.3 million (2008: £14.0 million), a decrease of 12.1%. This included £3.5 million (2008: £2.4 million) of EBITA from the acquired Carpenter businesses. EBITA margin in the underlying Technical Ceramics businesses was 10.4% (2008: 13.8%), and in the acquired Carpenter businesses 13.5% (2008: 16.7%), resulting in an overall divisional EBITA margin for the first half of 11.1% (2008: 14.2%).

Demand in the Technical Ceramics businesses has inevitably been impacted by the overall economic environment although there are some end-markets which have continued to show resilience. In the USA during the first half, demand held up well for Industrial Gas Turbine applications in our Certech business and for our advanced medical components. Aerospace markets started the year well but weakened during the second quarter as customers have been de-stocking. Consumer electronic customers also saw a period of de-stocking in the supply chain which now appears to be stabilising.

Our European and Asian regions had a challenging first half with weak market conditions in general industrial markets and in construction, affecting our thermal processing business, particularly in Germany. Niche business in defence and medical markets was more robust. The more commodity product focussed site in Shanghai was successfully closed on time and to plan during the first half of the year.

In response to the weaker global market conditions, we took early and decisive action to protect our margins. These cost actions included headcount reductions of close to 600 employees relative to June of last year. These cost measures will deliver progressively greater benefits in the second half of the year without detriment to our ability to respond to better market conditions as and when the macroeconomic climate improves. As a result, we expect the division to continue its performance in line with first half trading.

Insulating Ceramics

Within the Insulating Ceramics division there are two reportable segments: Thermal Ceramics and Molten Metal Systems.

Revenues within the Insulating Ceramics division in the first half were down by 2.2% at £180.8 million (2008: £184.8 million). On a constant currency basis revenues were down by 16.9%.

Divisional EBITA was £15.8 million, down from £21.9 million in 2008, representing margins of 8.7% and 11.9% respectively.

In the first half of 2009 the Thermal Ceramics business revenues were at a similar level to last year taking into account favourable currency translation. However on a constant currency basis, the global slowdown has led to a 16.0% year on year reduction in revenue.

Regionally, our business has shown resilience in Asia and Latin America with the expectation that the industrial markets of China, India and Brazil will be the first economies to show recovery in the last quarter of 2009 and into 2010. In contrast, our North American and European markets have been weak with recovery in these two regions not expected until 2010.

Many of our markets continue to remain challenging, such as construction, automotive and iron and steel. There are, however, positive signs in specific regions; China accounts for more than 50% of the world's iron and steel capacity, and government infrastructure incentives are already inducing improved utilisation, and demand in the Petrochemical sector has also remained robust through the first half of 2009.

The business has implemented a global cost reduction programme with divisional headcount having been reduced by approximately 350 since June last year. We have also announced the closure of two fibre plants, Erwin USA, and Skawina Poland, which will take effect in the second half of this year.

Looking forward, considerable efforts remain focussed on the development of new products and the continued commercialisation of recently launched products such as Superwool HT™ and Superwool Plus™. At the same time, engineering and research resource is also being utilised to optimise manufacturing processes to improve gross margins through improved raw material and energy yield enhancements. Overall, the later cycle characteristics of the Thermal Ceramics business mean that we expect end market demand to be more challenging in the second half of the year.

Operating review
continued

Half-year revenues in the Molten Metal Systems business were £15.2 million compared with £18.2 million last year, with the business operating at just above break even in the first half. Trading conditions have been difficult with reduced demand and de-stocking in most markets. Action has been taken at all sites to reduce operating costs, with particular focus on our western world operations, for which the majority of the benefits will come through in the second half of the year. Demand has been stable now over several weeks with signs of potential pick-up in activity in the second half of the year. As a result, we expect a higher level of performance in the Molten Metal Systems business in the second half than in the first half of 2009.

Risks and uncertainties

The main risks to the Group continue to be those that were reported on pages 43 and 44 of the 2008 Annual Report and Accounts, which is available on request from the Company's registered office at Quadrant, 55-57 High Street, Windsor, Berkshire SL4 1LP or at www.morgancrucible.com. The Group continues to monitor and manage these risks within acceptable tolerances. Currently, there is an increased focus on managing the risks related to the continuing changes to the world economy and the potential impact of the current flu pandemic.

Going concern

As highlighted on page 42 of the 2008 Annual Report and Accounts, the Group meets its day to day working capital requirements through local banking arrangements. During the interim period, the Group refinanced its facility due to mature in 2010 with a new three year multi-currency facility for £280 million. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group is able to operate within the level of its committed facilities. The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Condensed consolidated financial statements for the six months ended 5 July 2009.

Tim Stevenson
Chairman

Mark Robertshaw
Chief Executive Officer

Responsibility statement

We confirm that to the best of our knowledge:

- The Condensed consolidated financial statements for the six months ended 5 July 2009 have been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU;
- The interim management report includes a fair review of the information required by:
  - a. DTR 4.2.7R (indication of important events during the first six months and description of principal risk and uncertainties for the remaining six months of the year);
  - b. DTR 4.2.8R (disclosure of related party transactions and changes therein).

By order of the Board

Tim Stevenson
Chairman

Mark Robertshaw
Chief Executive Officer

Condensed consolidated income statement
for the six months ended 5 July 2009

	Note	Six months 2009 £m	Six months 2008 £m	Year 2008 £m
Revenue	2	**492.0**	401.2	835.0
Operating costs before restructuring costs, other one-off items and amortisation of intangible assets		**(446.7)**	(349.9)	(726.2)
Profit from operations before restructuring costs, other one-off items and amortisation of intangible assets		**45.3**	51.3	108.8
Restructuring costs and other one-off items:				
Restructuring costs and costs associated with settlement of prior period anti-trust litigation	6	**(7.2)**	(5.5)	(11.4)
Gain on disposal of property		**0.1**	0.6	0.8
Profit from operations before amortisation of intangible assets	2	**38.2**	46.4	98.2
Amortisation of intangible assets		**(8.1)**	(1.3)	(3.2)
Operating profit	2	**30.1**	45.1	95.0
Finance income		**11.9**	15.8	34.3
Finance expense		**(26.7)**	(22.1)	(47.0)
Net financing costs	4	**(14.8)**	(6.3)	(12.7)
Loss on disposal of business		**–**	–	(0.7)
Share of profit of associate (net of income tax)		**–**	0.7	1.2
Profit before taxation		**15.3**	39.5	82.8
Income tax expense	5	**(4.3)**	(9.3)	(20.1)
Profit after taxation and for the period		**11.0**	30.2	62.7
Profit for the period attributable to:				
Equity holders of the parent		**9.0**	28.8	59.2
Non-controlling interests		**2.0**	1.4	3.5
		11.0	30.2	62.7
Earnings per share	7			
Basic		**3.4p**	10.8p	22.2p
Diluted		**3.2p**	10.5p	21.6p
Dividends				
Interim dividend – pence		**2.50p**	2.50p	
– £m		**6.8**	6.8	
Final dividend – pence				4.50p
– £m				12.2

The interim Ordinary dividend is based upon the number of shares outstanding at the balance sheet date.
All results derive from continuing activities.

Condensed consolidated statement of other comprehensive income
for the six months ended 5 July 2009

	Six months 2009 £m	Six months 2008 £m	Year 2008 £m
Foreign exchange translation differences	**(24.8)**	3.9	61.6
Actuarial loss on defined benefit plans	**(8.3)**	(3.6)	(47.0)
Deferred tax associated with employee benefit schemes	**(2.5)**	0.3	5.4
Revaluation on step acquisition (see note 3)	**10.8**	–	–
Net gain/(loss) on hedge of net investment in foreign subsidiary	**14.6**	–	(42.8)
Cash flow hedges:			
Effective portion of changes in fair value	**3.9**	(0.1)	(3.4)
Change in fair value of equity securities available-for-sale	**–**	–	(3.8)
Total other comprehensive (loss)/income	**(6.3)**	0.5	(30.0)
Profit for the period	**11.0**	30.2	62.7
Total comprehensive income for the period	**4.7**	30.7	32.7
Attributable to:			
Equity holders of the parent	**2.7**	29.3	29.2
Non-controlling interests	**2.0**	1.4	3.5
Total comprehensive income for the period	**4.7**	30.7	32.7

Condensed consolidated balance sheet
as at 5 July 2009

	5 July 2009 £m	4 July 2008 £m	4 January 2009 £m
Assets			
Property, plant and equipment	**280.9**	257.2	319.6
Intangible assets	**295.3**	139.5	177.0
Investment in associate	**1.5**	5.9	6.4
Other investments	**3.7**	6.6	5.2
Other receivables	**2.9**	36.7	39.0
Deferred tax assets	**34.4**	26.8	36.6
Total non-current assets	**618.7**	472.7	583.8
Inventories	**151.8**	111.8	143.9
Derivative financial assets	**0.3**	–	0.2
Trade and other receivables	**175.2**	170.6	196.3
Cash and cash equivalents	**141.3**	120.9	154.5
Total current assets	**468.6**	403.3	494.9
Total assets	**1,087.3**	876.0	1,078.7
Liabilities			
Interest-bearing loans and borrowings	**392.0**	310.1	410.9
Employee benefits	**97.9**	47.3	101.8
Grants for capital expenditure	**0.1**	0.3	0.2
Provisions	**6.2**	5.0	7.2
Non-trade payables	**38.5**	3.5	4.0
Derivative financial liabilities	**–**	–	0.8
Deferred tax liabilities	**52.8**	30.2	40.8
Total non-current liabilities	**587.5**	396.4	565.7
Bank overdrafts	**18.3**	25.4	17.3
Interest-bearing loans and borrowings	**13.9**	12.2	16.7
Trade and other payables	**251.5**	210.1	220.9
Current tax payable	**1.1**	13.6	22.4
Provisions	**8.0**	10.8	12.5
Derivative financial liabilities	**8.6**	1.3	15.2
Total current liabilities	**301.4**	273.4	305.0
Total liabilities	**888.9**	669.8	870.7
Total net assets	**198.4**	206.2	208.0
Equity			
Issued capital	**67.9**	67.9	67.9
Share premium	**85.3**	85.3	85.3
Reserves	**49.8**	37.9	45.3
Retained earnings	**(33.7)**	(6.7)	(20.7)
Total equity attributable to equity holders of parent company	**169.3**	184.4	177.8
Non-controlling interests	**29.1**	21.8	30.2
Total equity	**198.4**	206.2	208.0

Condensed consolidated statement of changes in equity
for the six months ended 5 July 2009

	Share capital £m	Share premium £m	Translation reserve £m	Hedging reserve £m	Fair value reserve £m	Special reserve £m	Capital redemption reserve £m	Other reserves £m	Retained earnings £m	Total parent equity £m	Non-controlling interests £m	Total equity £m
Balance at 5 January 2008	69.5	85.3	(8.9)	(1.2)	1.1	6.0	34.1	1.4	(11.1)	176.2	20.1	196.3
Profit for the period	–	–	–	–	–	–	–	–	28.8	28.8	1.4	30.2
Other comprehensive income	–	–	3.9	(0.1)	–	–	–	–	(3.3)	0.5	–	0.5
Other movements	–	–	–	–	–	–	–	–	–	–	1.1	1.1
Transactions with owners:												
Dividends	–	–	–	–	–	–	–	–	(12.1)	(12.1)	(0.8)	(12.9)
Own shares acquired for share buy-back programme	(1.6)	–	–	–	–	–	1.6	–	(12.1)	(12.1)	–	(12.1)
Own shares acquired for share incentive schemes	–	–	–	–	–	–	–	–	0.4	0.4	–	0.4
Equity-settled share-based payment transactions	–	–	–	–	–	–	–	–	2.7	2.7	–	2.7
Balance at 4 July 2008	67.9	85.3	(5.0)	(1.3)	1.1	6.0	35.7	1.4	(6.7)	184.4	21.8	206.2
Balance at 5 January 2008	69.5	85.3	(8.9)	(1.2)	1.1	6.0	34.1	1.4	(11.1)	176.2	20.1	196.3
Profit for the period	–	–	–	–	–	–	–	–	59.2	59.2	3.5	62.7
Other comprehensive income	–	–	18.8	(3.4)	(3.8)	–	–	–	(41.6)	(30.0)	–	(30.0)
Other movements	–	–	–	–	–	–	–	(0.4)	–	(0.4)	8.1	7.7
Transactions with owners:												
Dividends	–	–	–	–	–	–	–	–	(18.7)	(18.7)	(1.5)	(20.2)
Own shares acquired for share buy-back programme	(1.6)	–	–	–	–	–	1.6	–	(12.1)	(12.1)	–	(12.1)
Own shares acquired for share incentive schemes	–	–	–	–	–	–	–	–	0.4	0.4	–	0.4
Equity-settled share-based payment transactions	–	–	–	–	–	–	–	–	3.2	3.2	–	3.2
Balance at 4 January 2009	67.9	85.3	9.9	(4.6)	(2.7)	6.0	35.7	1.0	(20.7)	177.8	30.2	208.0
Balance at 5 January 2009	**67.9**	**85.3**	**9.9**	**(4.6)**	**(2.7)**	**6.0**	**35.7**	**1.0**	**(20.7)**	**177.8**	**30.2**	**208.0**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**9.0**	**9.0**	**2.0**	**11.0**
Other comprehensive income	**–**	**–**	**(10.2)**	**3.9**	**–**	**–**	**–**	**10.8**	**(10.8)**	**(6.3)**	**–**	**(6.3)**
Other movements	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(2.7)**	**(2.7)**
Transactions with owners:												
Dividends	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(12.2)**	**(12.2)**	**(0.4)**	**(12.6)**
Equity-settled share-based payment transactions	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1.0**	**1.0**	**–**	**1.0**
Balance at 5 July 2009	**67.9**	**85.3**	**(0.3)**	**(0.7)**	**(2.7)**	**6.0**	**35.7**	**11.8**	**(33.7)**	**169.3**	**29.1**	**198.4**

The movement in other reserves in 2009 reflects the increase in the fair value of the Group's original 49% interest in Clearpower Limited from the date of its original acquisition to 5 January 2009 excluding goodwill and to the extent not previously recognised as the Group's share of the results of Clearpower Limited. See note 3 for further details.

Condensed consolidated statement of cash flows
for the six months ended 5 July 2009

	Note	Six months 2009 £m	Six months 2008 £m	Year 2008 £m
Operating activities				
Profit for the period		**11.0**	30.2	62.7
Adjustments for:				
Depreciation		**16.6**	13.5	27.6
Amortisation		**8.1**	1.3	3.2
Net financing costs		**14.8**	6.3	12.7
Loss on disposal of business		**–**	–	0.7
Share of profit of associate		**–**	(0.7)	(1.2)
Gain on sale of property, plant and equipment		**(0.1)**	(0.6)	(0.7)
Income tax expense		**4.3**	9.3	20.1
Equity-settled share based payment expenses		**0.7**	1.7	2.2
Cash generated from operations before changes in working capital and provisions		**55.4**	61.0	127.3
Decrease/(increase) in trade and other receivables		**11.0**	(15.8)	(8.7)
Increase in inventories		**(1.1)**	(7.0)	(11.9)
Decrease in trade and other payables		**(4.4)**	(5.9)	(1.2)
Non-cash operating costs relating to restructuring		**1.4**	–	4.2
Decrease in provisions and employee benefits		**(8.8)**	(5.7)	(10.0)
Cash generated from operations		**53.5**	26.6	99.7
Interest paid		**(12.1)**	(10.7)	(21.1)
Taxation		**(26.5)**	(13.1)	(28.1)
Net cash from operating activities		**14.9**	2.8	50.5
Investing activities				
Purchase of property, plant and equipment		**(9.9)**	(13.4)	(33.4)
Proceeds from sale of property, plant and equipment		**0.6**	1.1	1.9
Sale of investments		**0.4**	0.8	1.9
Interest received		**0.9**	1.5	4.2
Acquisitions of subsidiaries and associate, net of debt acquired		**(31.6)**	(77.4)	(79.2)
Forward contracts used in net investment hedging		**–**	–	(8.9)
Net cash from investing activities		**(39.6)**	(87.4)	(113.5)
Financing activities				
Purchase of own shares		**–**	(12.1)	(12.1)
Increase in borrowings	8	**24.7**	114.0	127.2
Payment of finance lease liabilities	8	**(0.3)**	(0.1)	(0.3)
Dividends paid		**–**	(12.9)	(18.8)
Net cash from financing activities		**24.4**	88.9	96.0
Net (decrease)/increase in cash and cash equivalents		**(0.3)**	4.3	33.0
Cash and cash equivalents at start of period		**139.4**	90.1	90.1
Effect of exchange rate fluctuations on cash held		**(10.6)**	1.8	16.3
Cash and cash equivalents at period end	8	**128.5**	96.2	139.4

Cash and cash equivalents for the purpose of the Condensed consolidated statement of cash flows includes bank overdrafts subject to cash pooling arrangements.

Notes to the Condensed consolidated financial statements

1. Basis of preparation

The Morgan Crucible Company plc (the "Company") is a company domiciled in the United Kingdom. The Condensed consolidated financial statements of the Company as at and for the six months ended 5 July 2009 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in associates.

Historically the Group has drawn up its half-year and annual consolidated financial statements to 4 July and 4 January respectively. These half-year Condensed consolidated financial statements have been drawn up to Sunday 5 July 2009. As from this year, the Group will maintain a 52 or 53 week fiscal year ending on the Sunday nearest to the Accounting Reference Date of the Company, 1 January.

The Condensed consolidated financial statements for the six months ended 5 July 2009 have been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

As required by the Disclosure and Transparency Rules of the Financial Services Authority, these Condensed consolidated financial statements have been prepared applying the accounting policies that were applied in the preparation of the Company's published consolidated financial statements for the year ended 4 January 2009 except for the impact of adopting the accounting standards below.

During the period, the Group has applied IAS 1 *Presentation of Financial Statements (revised 2007)* which has introduced a number of terminology changes and has resulted in a number of changes in presentation and disclosure. The revised standard has had no impact on the reported results or financial position of the Group. In addition, the Group has adopted IFRS 2 *Amendment regarding Vesting Conditions and Cancellations*, IFRS 8 *Operating Segments*, IAS 23 *Borrowing Costs (revised 2007)* and Amendments to IAS 32 *Financial Instruments: Presentation* and IAS 1 *Presentation of Financial Statements*, none of which have had a significant effect on the reported results or financial position of the Group.

Step acquisitions

Step acquisitions arise when the Group acquires control of an entity through successive share purchases. The identifiable assets, liabilities and contingent liabilities acquired are recorded at their fair value on the date that control is acquired. The amount recognised as goodwill or negative goodwill is determined separately for each tranche acquired, calculated as the difference between the fair value of the consideration paid and the fair value of the identifiable assets, liabilities and contingent liabilities acquired, in accordance with IFRS 3 *Business Combinations.* Any changes in the fair value of the identifiable assets and liabilities acquired between the acquisition date and the date that control is obtained are recorded in other reserves in equity to the extent that they have not previously been recognised in the income statement.

The comparative figures for the financial year ended 4 January 2009 are not the Company's statutory consolidated accounts for that financial year. Those accounts have been reported on by the Company's auditors and delivered to the registrar of companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 237(2) or (3) of the Companies Act 1985. The consolidated financial statements of the Group as at and for the year ended 4 January 2009 are available on request from the Company's registered office at Quadrant, 55-57 High Street, Windsor, Berkshire SL4 1LP or at www.morgancrucible.com.

The Condensed consolidated financial statements for the six months ended 5 July 2009 and the comparative period have neither been audited or reviewed.

The Condensed consolidated financial statements for the six months ended 5 July 2009 were approved by the Board on 29 July 2009.

2. Segment information

As a result of the adoption of IFRS 8 *Operating Segments* the Directors are of the opinion that the business segments, as previously reported under IAS 14 *Segment Reporting*, should remain unchanged. Hence the Group comprises the following main reportable segments:

- Carbon – the Carbon Division produces a wide variety of technological solutions from carbon, graphite and silicon carbide.
- Technical Ceramics – the Technical Ceramics Division makes an extensive range of industrial ceramics products for a wide variety of applications.
- Insulating Ceramics (comprising the Thermal Ceramics and Molten Metal Systems reportable segments) – the Insulating Ceramics Division designs and manufactures a wide variety of heat insulation products.

Segment profit is defined as profit from operations before restructuring costs, other one-off items, amortisation of intangible assets and unallocated central costs.

	Carbon		Technical Ceramics		Thermal Ceramics		Molten Metal Systems		Consolidated	
	Six months 2009 £m	Six months 2008 £m	Six months 2009 £m	Six months 2008 £m	Six months 2009 £m	Six months 2008 £m	Six months 2009 £m	Six months 2008 £m	Six months 2009 £m	Six months 2008 £m
Revenue from external customers	**200.6**	118.1	**110.6**	98.3	**165.6**	166.6	**15.2**	18.2	**492.0**	401.2
Segment profit	**19.2**	17.4	**12.3**	14.0	**15.7**	19.9	**0.1**	2.0	**47.3**	53.3
Unallocated costs									**(2.0)**	(2.0)
Profit from operations before restructuring costs, one-off items and amortisation of intangible assets									**45.3**	51.3
Restructuring costs and other one-off items									**(7.1)**	(4.9)
Profit from operations before amortisation of intangible assets									**38.2**	46.4
Amortisation of intangible assets									**(8.1)**	(1.3)
Operating profit									**30.1**	45.1
Finance income									**11.9**	15.8
Finance expense									**(26.7)**	(22.1)
Share of profit of associate (net of income tax)									**–**	0.7
Profit before tax									**15.3**	39.5
Segment assets	**388.2**	190.6	**224.7**	212.0	**262.4**	248.4	**31.5**	31.7	**906.8**	682.7
Unallocated assets									**180.5**	193.3
Total assets									**1,087.3**	876.0

Notes to the Condensed consolidated financial statements
continued

2. Segment information continued

	Carbon Year 2008 £m	Technical Ceramics Year 2008 £m	Thermal Ceramics Year 2008 £m	Molten Metal Systems Year 2008 £m	Consolidated Year 2008 £m
Revenue from external customers	239.9	212.2	347.4	35.5	835.0
Segment profit	36.3	31.6	41.4	4.2	113.5
Unallocated costs					(4.7)
Profit from operations before restructuring costs, one-off items and amortisation of intangible assets					108.8
Restructuring costs and other one-off items					(10.6)
Profit from operations before amortisation of intangible assets					98.2
Amortisation of intangible assets					(3.2)
Operating profit					95.0
Finance income					34.3
Finance expense					(47.0)
Loss on disposal of business					(0.7)
Share of profit of associate (net of income tax)					1.2
Profit before tax					82.8
Segment assets	235.0	256.1	317.0	36.7	844.8
Unallocated assets					233.9
Total assets					1,078.7

3. Acquisitions

Acquisitions in the six months ended 5 July 2009

In 2007 the Group acquired 49% of the Ordinary share capital of Clearpower Limited, a company that via two intermediary holding companies owns 100% of NP Aerospace Limited. On 5 January 2009 the Group acquired the remaining 51% of the Ordinary share capital of Clearpower Limited for a total of £56.8 million. This comprised £12.2 million in cash for 11% of the Ordinary share capital and £44.6 million in deferred contingent consideration for 40% of the Ordinary share capital.

The deferred contingent consideration takes the form of four synthetic forwards each to acquire 10% of the Ordinary share capital of Clearpower Limited at future dates, the amount of which is based on a fixed EBITDA multiple of Clearpower Limited. In accordance with IAS 32 *Financial Instruments: Presentation*, the Group has recognised a liability representing the present value of the redemption amount in respect of its obligation to acquire these shares and has treated them as if they were acquired by the Group on 5 January 2009. Since this consideration is contingent on the future performance of Clearpower the liability will be re-measured at each reporting date with any adjustments recorded through goodwill, in accordance with IFRS 3 *Business Combinations*.

The principal activity of NP Aerospace Limited is the development, manufacture and marketing of ballistic and non ballistic products in the defence and civil sectors. In the 6 months to 5 July 2009 Clearpower Limited and its subsidiaries contributed profit from operations before amortisation of intangible assets of £13.8 million to the consolidated net profit for the period.

3. Acquisitions continued

The details of the transaction, result and fair value adjustments arising from the change in ownership are shown below:

	Acquiree's carrying amount 2009 £m	Fair value to the Group 2009 £m
Clearpower		
The figures in the table below represent a 100% interest in Clearpower Limited		
Intangible assets	**–**	**51.5**
Property, plant and equipment	**2.9**	**2.9**
Other working capital	**0.4**	**0.4**
Derivative financial liabilities	**(0.8)**	**(0.8)**
Interest bearing loans and other borrowings	**(58.3)**	**(58.3)**
Non-controlling interest	**(1.2)**	**(1.2)**
Deferred taxation	**–**	**(14.4)**
Net liabilities acquired	**(57.0)**	**(19.9)**
Goodwill		**89.4**
Fair value of net liabilities acquired and goodwill arising		**69.5**
Components of cost of acquisition		
Fair value of consideration for initial 49% shareholding in 2007		**0.5**
Fair value of consideration for remaining 51% shareholding in 2009		**56.8**
Total cost of acquisition		**57.3**
Earnings under equity method of initial 49% shareholding (while Clearpower Limited was an associate)		**1.4**
Revaluation surplus arising on step acquisition		**10.8**
Fair value of net liabilities acquired and goodwill arising		**69.5**
Cash paid on acquisition of 11% of the Ordinary share capital		**12.2**
Acquisition costs		**0.1**
Net cash outflow to the Group in 2009		**12.3**

The fair value adjustments are made to reflect the fair value of the assets/liabilities acquired and principally represent the recognition of the fair value of non-contractual customer relationships, order book and technology and the associated deferred tax on the temporary timing difference created by the fair value adjustments.

Goodwill represents future economic benefits arising from assets that are not capable of being identified individually or recognised as separate assets. This includes acquirer specific synergies such as cross selling opportunities and the enhancement of technologies and processes between existing and acquired sites.

Provisional fair values have been attributed to the assets and liabilities acquired and those values will be finalised prior to the first anniversary of the acquisition. Management does not expect any adjustments to the provisional fair values to be material. The fair value of the purchase consideration, which is dependent on future results, represents Management's best estimate of the likely final purchase consideration.

Recognised goodwill comprises £22.5 million arising on the initial purchase of the 49% interest in 2007 and £66.9 million arising on the effective acquisition of the remaining 51% interest on 5 January 2009. The revaluation surplus arising reflects the increase in the fair value of the Group's original 49% interest in Clearpower Limited from the date of its original acquisition to 5 January 2009 excluding goodwill and to the extent not previously recognised as the Group's share of the results of Clearpower Limited.

Notes to the Condensed consolidated financial statements
continued

3. Acquisitions continued

Acquisitions in year ended 4 January 2009

On 31 March 2008 the Group acquired 100% of the shares in the Technical Ceramics business of Carpenter Technology Corporation known as Certech and Carpenter Advanced Ceramics for £74.6 million. The principal activity of Certech is the manufacture of complex injection moulded ceramic components. The principal activity of Carpenter Advanced Ceramics is the manufacture of engineered ceramic products. In the nine months to 4 January 2009 these subsidiaries contributed profit from operations before amortisation of intangible assets of £6.6 million to the consolidated net profit for the period. The Group revenue and profit from operations before amortisation of intangible assets, had the acquisition taken place at the beginning of the period, is £849.2 million and £100.4 million respectively.

Effect of acquisitions

The acquisitions had the following effect on the assets and liabilities of the Group:

	Carrying values before acquisition 2008 £m	Fair value to the Group 2008 £m
Certech and Carpenter Advanced Ceramics		
Intangible assets	3.2	32.2
Property, plant and equipment	8.3	9.0
Other working capital	11.9	11.3
Provisions	–	(1.7)
Deferred taxation	–	(11.3)
Net identifiable assets and liabilities	23.4	39.5
Goodwill on acquisition		38.6
Consideration payable, excluding acquisition costs, satisfied in cash		74.6
Acquisition costs		3.5
Net cash outflow		78.1

Goodwill represents future economic benefits arising from assets that are not capable of being identified individually or recognised as separate assets. This will include acquirer specific synergies such as cross selling opportunities and the enhancement of technologies and processes between existing and acquired sites.

4. Finance income and expense

	Six months 2009 £m	Six months 2008 £m	Year 2008 £m
Interest income	**0.9**	3.4	7.1
Expected return on IAS 19 scheme assets	**11.0**	12.4	25.7
Foreign exchange gains recognised on net investment hedge	**–**	–	1.5
Finance income	**11.9**	15.8	34.3
Interest expense on financial liabilities measured at amortised cost	**(12.3)**	(9.5)	(21.4)
Interest on IAS 19 obligations	**(13.3)**	(12.6)	(25.6)
Interest expense on unwinding of discount on deferred consideration	**(1.1)**	–	–
Finance expense	**(26.7)**	(22.1)	(47.0)

5. Income tax expense

	Six months 2009 £m	Six months 2008 £m	Year 2008 £m
Tax on profit	**4.3**	9.3	20.1

The Group's consolidated effective tax rate in respect of continuing operations for the six months ended 5 July 2009 is based on the Directors' best estimate of the effective tax rate for the year.

6. Restructuring costs and other one-off items

Costs of restructing were £8.2 million (2008: £5.5 million) and net legal costs recoverable associated with the settlement of prior period anti-trust litigation were £1.0 million (2008: £nil). Gain on disposal of property was £0.1 million (2008: £0.6 million).

7. Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 5 July 2009 was based on the profit attributable to equity holders of The Morgan Crucible Company plc of £9.0 million (4 July 2008: £28.8 million) and a weighted average number of Ordinary shares outstanding during the period ended 5 July 2009 of 267,923,219 (4 July 2008: 266,141,166) calculated as follows:

	Six months 2009 £m	Six months 2008 £m	Year 2008 £m
Profit attributable to equity holders of The Morgan Crucible Company plc	**9.0**	28.8	59.2
Weighted average number of Ordinary shares:			
Issued Ordinary shares at beginning of the period	**270,206,256**	276,414,074	276,414,074
Effect of shares issued in period and treasury shares held by the Company	**(2,283,037)**	(10,272,908)	(9,531,704)
Weighted average number of Ordinary shares during the period	**267,923,219**	266,141,166	266,882,370
Basic earnings per share (pence)	**3.4p**	10.8p	22.2p

Diluted earnings per share

The calculation of diluted earnings per share at 5 July 2009 was based on the profit attributable to equity holders of The Morgan Crucible Company plc of £9.0 million (4 July 2008: £28.8 million) and a diluted weighted average number of Ordinary shares outstanding during the period ended 5 July 2009 of 277,753,388 (4 July 2008: 273,647,019), calculated as follows:

	Six months 2009 £m	Six months 2008 £m	Year 2008 £m
Profit attributable to equity holders of The Morgan Crucible Company plc	**9.0**	28.8	59.2
Weighted average number of Ordinary shares:			
Weighted average number of Ordinary shares	**267,923,219**	266,141,166	266,882,370
Effect of share options/incentive schemes	**9,830,169**	7,505,853	7,347,097
Diluted weighted average number of Ordinary shares	**277,753,388**	273,647,019	274,229,467
Diluted earnings per share (pence)	**3.2p**	10.5p	21.6p

Notes to the Condensed consolidated financial statements
continued

7. Earnings per share continued

Underlying earnings per share

The calculation of underlying earnings per share at 5 July 2009 was based on operating profit and share of profit of associate before amortisation, less net financing costs, loss on disposal of business, income tax expense and non-controlling interests of £17.1 million (4 July 2008: £30.1 million) and a weighted average number of Ordinary shares outstanding during the period ended 5 July 2009 of 267,923,219 (4 July 2008: 266,141,166) calculated as follows:

	Six months 2009 £m	Six months 2008 £m	Year 2008 £m
Operating profit and share of profit of associate before amortisation, less net financing costs, loss on disposal of business, income tax expense and non-controlling interests	**17.1**	30.1	62.4
Weighted average number of Ordinary shares:			
Issued Ordinary shares at beginning of the period	**270,206,256**	276,414,074	276,414,074
Effect of shares issued in period and treasury shares held by the Company	**(2,283,037)**	(10,272,908)	(9,531,704)
Weighted average number of Ordinary shares during the period	**267,923,219**	266,141,166	266,882,370
Underlying earnings per share (pence)	**6.4p**	11.3p	23.4p

Underlying diluted earnings per share

The calculation of underlying diluted earnings per share at 5 July 2009 was based on operating profit and share of profit of associate before amortisation, less net financing costs, loss on disposal of business, income tax expense and non-controlling interests of £17.1 million (4 July 2008: £30.1 million) and a diluted weighted average number of Ordinary shares outstanding during the period ended 5 July 2009 of 277,753,388 (4 July 2008: 273,647,019) calculated as follows:

	Six months 2009 £m	Six months 2008 £m	Year 2008 £m
Operating profit and share of profit of associate before amortisation, less net financing costs, loss on disposal of business, income tax expense and non-controlling interests	**17.1**	30.1	62.4
Weighted average number of Ordinary shares:			
Weighted average number of Ordinary shares	**267,923,219**	266,141,166	266,882,370
Effect of share options/incentive schemes	**9,830,169**	7,505,853	7,347,097
Diluted weighted average number of Ordinary shares	**277,753,388**	273,647,019	274,229,467
Underlying diluted earnings per share (pence)	**6.2p**	11.0p	22.8p

8. Cash and cash equivalents/bank overdrafts

	Six months 2009 £m	Six months 2008 £m	Year 2008 £m
Bank balances	**110.3**	79.7	100.4
Cash deposits	**31.0**	41.2	54.1
Cash and cash equivalents per Condensed consolidated balance sheet	**141.3**	120.9	154.5
Bank overdrafts subject to cash pooling arrangements	**(12.8)**	(24.7)	(15.1)
Cash and cash equivalents per Condensed consolidated statement of cash flows	**128.5**	96.2	139.4
Bank overdrafts subject to cash pooling arrangements	**(12.8)**	(24.7)	(15.1)
Other bank overdrafts	**(5.5)**	(0.7)	(2.2)
Total bank overdrafts	**(18.3)**	(25.4)	(17.3)

In accordance with IAS 32 *Financial Instruments: Presentation*, bank overdrafts subject to cash pooling arrangements are not offset against cash and cash equivalents as the Group does not intend to settle on a net basis.

Reconciliation of cash and cash equivalents to net debt*

	Six months 2009 £m	Six months 2008 £m	Year 2008 £m
Opening borrowings	**(429.8)**	(209.8)	(209.8)
Net new borrowings	**(0.7)**	(114.0)	(127.2)
Other movement resulting from acquisition of subsidiary	**(24.0)**	–	–
Payment of finance lease liabilities	**0.3**	0.1	0.3
Effect of movements in foreign exchange on borrowings	**42.8**	0.7	(93.1)
Closing borrowings	**(411.4)**	(323.0)	(429.8)
Cash and cash equivalents per Condensed consolidated statement of cash flows	**128.5**	96.2	139.4
Closing net debt	**(282.9)**	(226.8)	(290.4)

* Net debt is defined as interest-bearing loans and borrowings, bank overdrafts less cash and cash equivalents.

Notes to the Condensed consolidated financial statements
continued

9. Related parties
The Company has related party relationships with its subsidiaries.

	Six months 2009 £m	Six months 2008 £m	Year 2008 £m
Transactions with associate			
Sales to associate	–	1.5	3.6
Interest income from associate	–	1.8	4.1
Loan to associate	–	36.0	36.0
Trade receivables due from associate	–	0.7	0.3
Non-trade receivables due from associate	–	3.3	5.7

Except as disclosed in the table above:

- There were no related party transactions during the period that have materially affected the financial position or the performance of the Group during the period; and
- There have been no changes in the related party transactions as described in note 27 of the Group's 2008 Annual Report and Accounts that could have a material effect on the financial position or performance of the Group during the period.

During the period, the Group acquired a controlling interest in Clearpower Limited. As a result, Clearpower Limited ceased to be an associate and is accounted for as a subsidiary from the date control was attained. The Group had related party relationships with Clearpower Limited, as an associate, in the comparative period.

If you have finished reading this report and no longer wish to retain it, please pass it on to other interested readers, return it to Morgan Crucible or dispose of it in your recycled paper waste. Thank you.

This half-year report is available at www.morgancrucible.com

Designed and produced by The College www.thecollege.uk.com

The Morgan Crucible Company plc
Quadrant, 55-57 High Street,
Windsor, Berkshire SL4 1LP
Tel: +44 (0)1753 837000
Fax: +44 (0)1753 850872

www.morgancrucible.com