

**Morgan Technical Ceramics Limited**

**Directors' report and financial statements**

Registered number

00262938

For the

year ended 31 December 2017

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## Strategic report

### Overview

As shown in the Company's profit and loss account on page 5, the Company's overall turnover has decreased by 16.9% over the prior year and profit after tax has increased by £33,368,000. This is partly due to sale of the Electro-Ceramics business partly offset by the purchase of the Redditch business and increased revenue in the Seals & Bearings business.

The balance sheet on page 6 of the financial statements shows the Company's financial position at the year end.

On 1st January 2017, Morgan Technical Ceramics Limited purchased the trade and certain assets and liabilities of the Seals & Bearings business from Morgan Electrical Carbon Limited. This transfer was to facilitate the cooperation between the two sites, Stourport and Redditch, arising from the growing overlap in products and customers. The transfer was funded by a short-term interest-bearing loan from Morgan Electrical Carbon Limited.

On 22nd February 2017, it was announced that the assets of Morgan Technical Ceramics Ltd's UK Electro-Ceramics business (based in Ruabon & Southampton) would be sold to CeramTec UK Ltd. The disposal date was 3rd April 2017. The divestment is in line with Morgan Advanced Materials plc's strategy to simplify its portfolio and focus on global technology businesses of scale.

### Strategy

The Company invests in research and development activities appropriate to the nature and size of its operations with the aim of supporting the future development of the Company, in the medium to long-term. This research and development activity has resulted in a number of updates to existing products.

The Company is a member of the Morgan Advanced Materials plc group (Morgan Group), which, from March 2016, managed its operations on a global business unit basis. For this reason, the Company's Directors believe that further key performance indicators for the Company are not necessary or appropriate for an understanding of the development, performance or position of the business. The performance of the Seals & Bearings, Specialty ceramics & Advanced Ceramic & Metals global business units of Morgan Group, which include the Company, is discussed in Morgan Group's Annual Report which does not form part of this Report.

### Principal risks and uncertainties

Competitive pressure in low cost countries is a continuing risk for the Company, which could result in it losing sales to its key competitors. To manage this risk, the Company strives to provide added-value products and services to its customers, respond promptly in the supply of products and services and in the handling of customer queries and maintain strong relationships with customers.

The Company sells products into international markets and it is therefore exposed to currency movements on such sales. Where appropriate, the Company manages this risk in accordance with Morgan Group Treasury policies.

The Company's businesses may be affected by fluctuations in the price and supply of key raw materials, although purchasing policies and practices seek to mitigate, where practicable, such risks.

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

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

### Environment

The Company recognises the importance of its environmental responsibilities, monitors its impact on the environment and designs and implements policies to mitigate any adverse impact that might be caused by its activities. The Company operates in accordance with Morgan Group policies, as noted in Morgan Group's Annual Report, which does not form part of this Report. Initiatives aimed at minimising the Company's impact on the environment include safe disposal of manufacturing waste, recycling and reducing energy consumption.

By order of the board



M.N.C. Parker

Director

Morgan Drive

Stourport-on-Severn

DY13 8DW

30/08/2018

## Directors' report

The Directors present their annual report and audited financial statements for the year ended 31 December 2017.

### Principal activities

The Company's principal activities are the manufacture and sale of specialist ceramic components for a variety of demanding markets including medical, defence, electronics and fluid handling. Around 68% of production is exported from the UK to customers in Europe, the Americas and the Far East. During the year the trade and assets of Morgan Technical Ceramics Ltd's UK Electro-Ceramics business (based in Ruabon & Southampton) were sold to CeramTec UK Ltd on 3rd April 2017, as detailed in the Strategic Report.

### Dividend

No dividend has been paid in the year (2016: £22,000,000).

### Directors

The Directors who held office during the year were as follows:

M.G. Thomas

D.T.U. Chieng (resigned 30 June 2017)

A.G. Kirchmeyer (resigned 20 March 2017)

G.M. Simpson (appointed 3 April 2017, resigned 01 May 2018)

M.N.C. Parker (appointed 30 June 2017)

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

### Employees

Details of the number of employees and related costs can be found in note 6 to the financial statements.

Applications for employment by disabled persons are considered fully, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

The Company participates in Morgan Group's policies and practices to keep employees informed on matters relevant to them as employees through appropriate means, such as employee meetings and newsletters.

### Political and charitable contributions

During the course of the year, the Company made charitable donations amounting to £20 (2016: £1,875) and no political donations (2016: £nil).

### Research and development

The Company will continue its programme of research and development within the sphere of the manufacturing and applications of technical ceramics. Expenditure incurred in the year was £3,012,000 (2016: £3,466,000).

### Disclosure of information to auditor

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

### Other Information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on page 1.

### Auditor

In accordance with Section 487 of the Companies Act 2006, the auditor will be deemed to be re-appointed and KPMG LLP will therefore continue in office.

By order of the board



M.N.C. Parker

Director

Morgan Drive

Stourport-on-Severn

DY13 8DW

30/08/2018

## **Statement of Directors' responsibilities in respect of the Strategic report, the Directors' report and the financial statements**

The directors are responsible for preparing the Strategic Report, 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), including FRS 101 *Reduced Disclosure Framework*.

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 judgements 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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

## Independent auditor's report to the member of Morgan Technical Ceramics Limited

We have audited the financial statements of Morgan Technical Ceramics Limited ("the company") for the year ended 31 December 2017 which comprise the Profit and Loss account and other comprehensive income, Balance sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of, the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

### Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

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

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

### Directors' responsibilities

As explained more fully in their statement set out on page 3, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

### The purpose of our audit work and to whom we owe our responsibilities

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.



Nicola Davies (Senior Statutory Auditor)  
for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
KPMG LLP  
One Snowhill  
Snow Hill Queensway  
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B4 6GH  
30/08/2018

**Profit and loss account and other comprehensive income**  
for the year ended 31 December 2017

	Note	2017			2016		
		Continuing £000	Discontinued £000	Total £000	Continuing £000	Discontinued £000	Total £000
Turnover	2	40,343	5,534	45,877	32,392	22,808	55,200
Change in stocks of finished goods and work in progress		32	202	234	(388)	(176)	(564)
Raw materials and consumables		(7,630)	(1,256)	(8,886)	(5,996)	(4,556)	(10,552)
Other external expenses		(4,610)	(700)	(5,310)	(3,334)	(2,510)	(5,844)
Staff costs	6	(18,283)	(1,790)	(20,073)	(16,349)	(7,003)	(23,352)
Depreciation and other amounts written off tangible and intangible fixed assets	3	(1,653)	(183)	(1,836)	(1,378)	(569)	(1,947)
Reorganisation expenses	7	-	(217)	(217)	(74)	-	(74)
Other operating expenses		(6,186)	(583)	(6,769)	(815)	(2,728)	(3,543)
		(38,330)	(4,527)	(42,857)	(28,334)	(17,542)	(45,876)
Operating profit		2,013	1,007	3,020	4,058	5,266	9,324
Profit on disposal of business	4	-	39,234	39,234	-	-	-
Interest receivable and similar income	8	1,403	1	1,404	267	108	375
Interest payable and similar expense	9	(1,300)	-	(1,300)	(300)	-	(300)
Profit before taxation		2,116	40,242	42,358	4,025	5,374	9,399
Tax (excluding tax on disposal of discontinued operation)	10	(753)	(359)	(1,112)	(651)	(870)	(1,521)
Tax on disposal of discontinued operation		-	-	-	-	-	-
Tax on Profit				(1,112)			(1,521)
Profit for the financial year				41,246			7,878
Other comprehensive income							
Items that are or may be recycled subsequently to profit or loss:							
Net change in fair value of cash flow hedges recycled to profit or loss				3,285			(2,186)
Items that will not be reclassified subsequently to profit or loss:							
Remeasurement gain/(loss) on defined benefit plans				1,800			(52,700)
Other comprehensive income for the year, net of income tax				5,085			(54,886)
Total comprehensive income for the year				46,331			(47,008)

The notes on pages 8 to 33 form part of these financial statements.

**Balance sheet**  
**at 31 December 2017**

	Note	2017 £000	2016 £000
<b>Fixed assets</b>			
Intangible assets	11	109	168
Tangible assets	12	12,878	13,608
		<u>12,987</u>	<u>13,776</u>
<b>Current assets</b>			
Stocks	13	5,398	6,023
Debtors (including £56,759,000 (2016: £13,155,000) due after more than one year)	14	65,168	26,682
Cash at bank and in hand		8,279	7,171
		<u>78,845</u>	<u>39,876</u>
<b>Creditors: amounts falling due within one year</b>	15	(11,439)	(16,594)
<b>Net current assets</b>		<u>67,406</u>	<u>23,282</u>
<b>Total assets less current liabilities</b>		<u>80,393</u>	<u>37,058</u>
<b>Provisions for liabilities</b>			
Pension Liability	19	(49,645)	(52,641)
<b>Net assets/(liabilities)</b>		<u>30,748</u>	<u>(15,583)</u>
<b>Capital and reserves</b>			
Called up share capital	16	27,500	27,500
Revaluation reserve		687	687
Other reserves		2,222	(1,063)
Profit and loss account		339	(42,707)
<b>Shareholder's funds /(deficit)</b>		<u>30,748</u>	<u>(15,583)</u>

The notes on pages 8 to 33 form part of these financial statements.

These financial statements were approved by the board of directors on 30 August 2018 and were signed on its behalf by:



M.N.C. Parker  
Director  
30/08/2018



**Statement of Changes in Equity**  
*for the year ended 31 December 2017*

	Called up share capital	Revaluation reserve	Other reserves	Profit and loss account	Total equity
Balance at 1 January 2016	27,500	687	1,123	24,115	53,425
<b>Total comprehensive income for the year</b>					
Profit for the year	-	-	-	7,878	7,878
Other comprehensive income	-	-	(2,186)	(52,700)	(54,886)
Total comprehensive income for the year	-	-	(2,186)	(44,822)	(47,008)
<b>Transactions with owners, recorded directly in equity</b>					
Credit in relation to share based payments	-	-	-	-	-
Dividends paid in the year	-	-	-	(22,000)	(22,000)
Total contributions by and distributions to owners	-	-	-	(22,000)	(22,000)
<b>Balance at 31 December 2016</b>	<b>27,500</b>	<b>687</b>	<b>(1,063)</b>	<b>(42,707)</b>	<b>(15,583)</b>
Balance at 1 January 2017	27,500	687	(1,063)	(42,707)	(15,583)
<b>Total comprehensive income for the year</b>					
Profit for the year	-	-	-	41,246	41,246
Other comprehensive income	-	-	3,285	1,800	5,085
Total comprehensive income for the year	-	-	3,285	43,046	46,331
<b>Transactions with owners, recorded directly in equity</b>					
Credit in relation to share based payments	-	-	-	-	-
Dividends paid in the year	-	-	-	-	-
Total contributions by and distributions to owners	-	-	-	-	-
<b>Balance at 31 December 2017</b>	<b>27,500</b>	<b>687</b>	<b>2,222</b>	<b>339</b>	<b>30,748</b>

The notes on pages 8 to 33 form part of these financial statements.

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

Morgan Technical Ceramics Limited is a private company incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101').

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ('Adopted IFRSs'), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company's ultimate parent undertaking, Morgan Advanced Materials plc, includes the Company in its consolidated financial statements. The consolidated financial statements of Morgan Advanced Materials plc are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Quadrant, 55-57 High Street, Windsor, Berkshire, SL4 1LP.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- comparative period reconciliations for share capital, tangible fixed assets and intangible assets;
- the effects of new but not yet effective IFRSs;
- disclosures in respect of the compensation of Key Management Personnel and the services provided to them;
- disclosures in respect of capital management.

As the consolidated financial statements of Morgan Advanced Materials plc include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 Share Based Payments in respect of group settled share based payments;
- Disclosures required by IFRS 5 Non-current Assets Held for Sale and Discontinued Operations in respect of the cash flows of discontinued operations;
- Certain disclosures required by IFRS 3 Business Combinations in respect of business combinations undertaken by the Company; and
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

The accounting policies set out below have, unless otherwise stated, been applied consistently to the period presented in these financial statements.

In accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations', the comparative profit and loss account has been re-presented so that the disclosures in relation to discontinued operations relate to all operations that have been discontinued by the balance sheet date.

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value - derivative financial instruments classified as fair value through the profit and loss account.

#### **Going concern**

The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company is able to operate within the level of its available facilities. 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 financial statements for the period ended 31 December 2017.

The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show

#### **Goodwill**

Goodwill is stated at cost less any accumulated impairment losses and amortisation made under UK GAAP and was fully amortised prior to conversion to FRS101. Goodwill is allocated to cash-generating units. Any future goodwill would not be amortised but tested annually for impairment.

#### **Other intangible assets**

Technology related operating intangible fixed assets purchased by the Company are amortised to nil by equal annual instalments over their useful economic lives of 10 years.

#### **Tangible fixed assets and depreciation**

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is charged to the profit and loss account on a straight line basis over the estimated useful lives of each part of an item of tangible fixed assets. Freehold land is not depreciated. The estimated useful lives are as follows:

Freehold buildings	- 2% per annum
Plant and machinery	- 5% and 10%
Computer equipment	- 20% and 33%
Motor vehicles	- 33%
Fixtures and fittings	- 5% and 10%

## 1 Accounting policies (continued)

### *Foreign currencies*

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account. The Company's functional currency is the British pound.

### *Related Party Transactions*

As the Company is a wholly-owned subsidiary of Morgan Europe Holding Limited, part of Morgan Advanced Materials plc, the Company has taken advantage of the exemption contained under paragraph 8(k) of FRS101 and has therefore not disclosed transactions or balances with wholly-owned subsidiaries which form part of the Group.

### *Derivative financial instruments and hedging*

#### *Derivative financial instruments*

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

#### *Cash flow hedges*

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in the hedging reserve. Any ineffective portion of the hedge is recognised immediately in the income statement.

#### *Fair value hedges*

Where a derivative financial instrument is designated as a hedge of the variability in fair value of a recognised asset or liability or an unrecognised firm commitment, all changes in the fair value of the derivative are recognised immediately in the income statement. The carrying value of the hedged item is adjusted by the change in fair value that is attributable to the risk being hedged (even if it is normally carried at cost or amortised cost) and any gains or losses on remeasurement are recognised immediately in the income statement (even if those gains would normally be recognised directly in reserves).

### *Non-derivative financial instruments*

Non-derivative financial instruments comprise trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors. Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

#### *Trade and other debtors*

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

#### *Trade and other creditors*

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

### *Discontinued operations*

A discontinued operation is a component of the Company's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative profit and loss account is restated as if the operation has been discontinued from the start of the comparative period.

### *Expenses*

#### *Operating lease payments*

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

### *Research and development expenditure*

Expenditure on research activities is recognised in the income statement as an expense as incurred.

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Company intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Company can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve a plan or design for the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads and capitalised borrowing costs. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

## 1 Accounting policies (continued)

### Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is based on the weighted average principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

### Taxation

Tax on the profit or loss for the period comprises current tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

### Turnover

Turnover represents the invoiced value of services to fellow subsidiary undertakings and sales to third parties exclusive of value added tax, less returns and allowances given in the normal course of trade. Revenue relating to sales of goods is recognised when the entity has transferred to the buyer the significant risks and rewards of ownership of the goods and it is probable that the economic benefits associated with the transaction will flow to the company. The principal sales activity of the company relates to specialist ceramic components.

### Employee benefits

#### Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

#### Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) and any unrecognised past service costs are deducted. The liability discount rate is the yield at the balance sheet date on AA credit rated bonds denominated in the currency of, and having maturity dates approximating to the terms of the Company's obligations. The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognised asset is limited to the total of any unrecognised past service costs and the present value of benefits available in the form of any future refunds from the plan, reductions in future contributions to the plan or on settlement of the plan and takes into account the adverse effect of any minimum funding requirements.

The Company participates in two defined benefit schemes in the UK. The assets of these schemes are held in separate trustee-administered funds, The Morgan Pension Scheme (MPS) and the Morgan Group Senior Staff Pension and Life Assurance Scheme (SSS). These schemes were closed to new entrants on 1 August 2011, with any new employees receiving benefits through the Morgan Group Personal Pension Plan, a defined contribution arrangement. The Morgan Group Senior Staff Pension and Life Assurance Scheme was closed to the future accrual of benefits on and with effect from 6 April 2016. Employees active in the Scheme as at that date were enrolled in The Morgan Group Personal Pension Plan, with the option to opt out under relevant UK legislation.

During 2016 the Company adopted a new Morgan-Group policy to allocate costs associated with the UK pension schemes between the various Participating Employers, based on an evaluation of each entity's share of overall Scheme liabilities. This ensures that the pension liability is reflected in the entity that employed the participant. This resulted in a reallocation of £61,600,000 of the Schemes' net liabilities into the Company. Previously none of the scheme assets and liabilities were recognised on the balance sheet of the Company.

### Share based payments

The share option programme allows employees to acquire shares of the ultimate parent company. The Company took advantage of the option available in IFRS 1 to apply IFRS 2 only to equity instruments that were granted after 7 November 2002 and that had not vested by 1 January 2015. The fair value of these options are recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

For cash-settled share based payment transactions, with the exception of those awards settled before the transition date, the fair value of the amount payable to the employee is recognised as an expense with a corresponding increase in liabilities. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to payment. The fair value is measured based on an option pricing model taking in to account the terms and conditions upon which the instruments were granted. The liability is revalued at each balance sheet date and settlement date with any changes to fair value being recognised in the profit and loss account.

Where the Company's ultimate parent grants rights to its equity instruments to the Company's employees, which are accounted for as equity-settled in the consolidated accounts of the parent, the Company accounts for these share-based payments as equity-settled.

***Significant accounting estimates and judgements***

The preparation of financial statements in conformity with FRS 101 requires the directors to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. The most significant judgements and estimates made in applying the Company accounting policies relate to:

***Measurement of defined benefit scheme liabilities***

The company recognises and measures costs relating to defined benefit schemes in accordance with IAS 19 (Revised) *Employee Benefits* ("IAS 19 (Revised)"). In applying IAS 19 (Revised) the costs are assessed in accordance with the advice of independent qualified actuaries. This requires the exercise of judgement in relation to the estimation of future changes in salaries and inflation, as well as mortality rates, expected return on plan assets and the selection of suitable discount rates. Further detail is provided in note 19.

## 2 Analysis of turnover

	Turnover	
	2017 £000	2016 £000
<i>By activity</i>		
Sales of specialist ceramic components and materials	45,877	55,200
	<u>45,877</u>	<u>55,200</u>
<i>By geographical market</i>		
United Kingdom	14,491	18,264
Continental Europe	21,316	24,423
The Americas	6,804	9,545
Other	3,266	2,968
	<u>45,877</u>	<u>55,200</u>

**3 Notes to the profit and loss account**

	2017	2016
	£000	£000
<i>Profit before taxation is stated after charging</i>		
Depreciation and other amounts written off tangible and intangible fixed assets	1,836	1,947
<i>Auditor remuneration</i>		
Audit of these financial statements	43	69
Research and development expenditure	3,012	3,466
Operating lease rentals:		
Land and buildings	495	545
Plant and machinery	126	62

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

#### 4 Profit on Disposal of Business

On 22nd February 2017, it was announced that the assets of Morgan Technical Ceramics Ltd's UK Electro-Ceramics business (based in Ruabon & Southampton) would be sold to CeramTec UK Ltd. The disposal date was 3rd April 2017. The divestment is in line with Morgan Advanced Materials plc's strategy to simplify its portfolio and focus on global technology businesses of scale.

	2017
	£000
<i>Effect of the disposal on individual assets and liabilities</i>	
Tangible fixed assets	(2,749)
Stocks	(2,410)
Trade Debtors	(2,634)
Trade Creditors	2,094
Net identifiable assets and liabilities	<u>(5,699)</u>
Consideration received	46,870
Transaction Expenses	<u>(1,937)</u>
Net Cash inflow	44,933
Carrying value of net assets disposed	<u>(5,699)</u>
Profit on disposal	<u><u>39,234</u></u>



**5 Remuneration of Directors**

	2017	2016
	£000	£000
Directors' emoluments	366	280
Aggregate amount of money paid to directors on the exercise of share options	4	-
Company contributions to defined benefit pension schemes	-	9
Company contributions to money purchase pension schemes	9	10
	<u>379</u>	<u>299</u>

The aggregate of emoluments and amounts receivable under long-term incentive schemes of the highest paid Director was £191,000 (2016: £180,000), and Company pension contributions of £nil (2016: £9,000) were made to a defined benefit scheme on their behalf.

	Numbers of Directors	
	2017	2016
Retirement benefits are accruing to the following number of directors under:		
Defined benefit schemes	-	-
Money purchase schemes	1	2
	<u>1</u>	<u>2</u>

The emoluments of A.G. Kirchmeyer were paid by other Group companies. He performed no qualifying services for the company in respect of the current or preceding financial years and therefore no emoluments were recharged to Morgan Technical Ceramics Limited.

**6 Staff numbers and costs**

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2017	2016
Sales and marketing	24	29
Administration	69	102
Manufacturing	497	693
	<u>590</u>	<u>824</u>

The aggregate payroll costs of these persons were as follows:

	£000	£000
Wages and salaries	16,751	20,045
Social security costs	1,604	1,888
Other pension costs	1,718	1,419
	<u>20,073</u>	<u>23,352</u>

**7 Reorganisation costs**

	2017	2016
	£000	£000
Redundancy and reorganisation, net of provision releases	217	74

**8 Interest receivable and similar income**

	2017 £000	2016 £000
Interest receivable from third parties	7	4
Interest receivable from Group undertakings	1,397	371
	<u>1,404</u>	<u>375</u>

**9 Interest payable and similar expense**

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Net interest on defined benefit liabilities	(1,300)	(300)
	<u>(1,300)</u>	<u>(300)</u>

10 **Taxation**

**Analysis of charge in year**

	2017	2016
£000	£000	£000
<i>UK corporation tax</i>		
Current tax on profit for the year	297	1,446
Adjustments in respect of prior years	815	75
	<u>1,112</u>	<u>1,521</u>
Tax on profit		
	<u>1,112</u>	<u>1,521</u>

Deferred tax assets of £10,724,000 (capital allowances £1,910,000, pensions £8,814,000) have not been recognised due to the inherent uncertainty within the UK group over the use of the potential asset against future profits.

**Factors affecting the tax charge for the current year:**

The current tax charge for the year is lower (2016: lower) than the standard rate of corporation tax in the UK of 19.25% (2016: 20%).

The differences are explained below.

	2017	2016
£000	£000	£000
<i>Total tax reconciliation</i>		
Profit before tax	42,358	9,399
	<u>42,358</u>	<u>9,399</u>
Current tax at 19.25% (2016: 20%)	8,152	1,880
<i>Effects of:</i>		
Expenses not deductible for tax purposes	85	6
Income not taxable for tax purposes	(7,551)	-
Capital allowances for period (in excess of)/less than depreciation	-	(440)
Adjustment in respect of prior years	815	75
Deferred tax not recognised	(389)	-
Total tax charge (see above)	<u>1,112</u>	<u>1,521</u>

Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly.

**11 Intangible fixed assets**

	<b>Technology related intangible assets</b>	<b>Goodwill</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<i><b>Cost</b></i>			
At beginning of year	527	6,129	6,656
Additions	-	-	-
At end of year	<b>527</b>	<b>6,129</b>	<b>6,656</b>
<i><b>Amortisation</b></i>			
At beginning of year	359	6,129	6,488
Charged in year	59	-	59
At end of year	<b>418</b>	<b>6,129</b>	<b>6,547</b>
<i><b>Net book value</b></i>			
At 31 December 2017	<b>109</b>	<b>-</b>	<b>109</b>
At 31 December 2016	<b>168</b>	<b>-</b>	<b>168</b>
<i><b>Amortisation charge</b></i>			
The amortisation charge is recognised in the following line item in the income statement:			
	<b>2017</b>	<b>2016</b>	
	<b>£000</b>	<b>£000</b>	
Depreciation and other amounts written off intangible fixed assets	<b>59</b>	<b>59</b>	

**12 Tangible fixed assets**

	Land and buildings	Plant and machinery	Total
	£000	£000	£000
<b>Cost</b>			
At beginning of year	5,577	36,193	41,770
Additions	289	2,435	2,724
Transfers from Group undertakings	-	3,048	3,048
Disposals	(1,195)	(20,341)	(21,536)
At end of year	<b>4,671</b>	<b>21,335</b>	<b>26,006</b>
<b>Depreciation</b>			
At beginning of year	1,736	26,426	28,162
Charge for year	131	1,646	1,777
Transfers from Group undertakings	-	1,976	1,976
Disposals	(546)	(18,241)	(18,787)
At end of year	<b>1,321</b>	<b>11,807</b>	<b>13,128</b>
<b>Net book value</b>			
At 31 December 2017	<b>3,350</b>	<b>9,528</b>	<b>12,878</b>
At 31 December 2016	<b>3,841</b>	<b>9,767</b>	<b>13,608</b>

The net book value of land and buildings comprises:

	2017 £000	2016 £000
Freehold	<b>3,350</b>	<b>3,841</b>



**13 Stocks**

	2017	2016
	£000	£000
Raw materials and consumables	2,528	2,077
Work in progress	2,113	3,083
Finished goods and goods for resale	757	863
	<u>5,398</u>	<u>6,023</u>

Included within finished goods are £146,000 (2016: £244,000) of stocks held on consignment.

The amount of stocks expensed to the profit and loss account in the year was £23,087,000. (2016 : £28,018,000)

The value of stocks written down and expensed in the profit and loss account amounted to £146,000. (2016:£188,000)

**14 Debtors**

	2017 £000	2016 £000
Trade debtors	5,389	6,134
Amounts owed by Group undertakings	58,710	19,482
Other debtors	44	268
Derivative financial instruments	740	377
Prepayments and accrued income	285	421
	<b>65,168</b>	<b>26,682</b>
Due within one year	8,409	13,527
Due after more than one year	56,759	13,155

Debtors include amounts owed by Group undertakings of £56,759,000 (2016: £13,155,000) due after more than one year.  
 Interest has been charged on this loan at libor plus 0.82% during the year. (2016: libor plus 0.9%).

**15 Creditors: amounts falling due within one year**

	2017	2016
	£000	£000
Trade creditors	4,935	6,259
Amounts owed to Group undertakings	1,529	825
Corporation tax	2,562	3,545
Derivative financial instruments	198	2,598
Other creditors	2,215	3,367
	<u>11,439</u>	<u>16,594</u>

Amounts owed to group undertakings are repayable on demand and no interest is charged.

**16 Capital and reserves**

**Share capital**

**Ordinary shares**  
**2017**

*In thousands of shares*

**On issue at 1 January 2017 and 31 December 2017**

**27,500**

**2017**                      **2016**  
**£000**                      **£000**

*Allotted, called up and fully paid*

Ordinary shares of £1 each

**27,500**                      **27,500**

**17 Contingent liabilities**

The Company participates in a cash pooling arrangement provided by Barclays Bank plc with other UK Group companies. As part of that pooling arrangement, the Company has provided a Guarantee for the liabilities of the other participating companies to the bank limited to the lower of:

- (a) an amount equal to the base currency amount of the total liabilities in the cash pool (Dec 2017: £33.6m); and
- (b) an amount equal to the base currency amount of such Guarantor's own credit balance in the cash pool (Dec 2017: £8.3m).

The Company, together with a number of other Group companies, has provided guarantees to support the liabilities of Morgan Advanced Materials plc in respect of the revolving credit facility agreement entered into in October 2014 (RCF) and the Euro private placement notes raised in June 2010 (PP) and October 2016. The Company has similarly provided guarantees to support the liabilities of Morganite Industries Inc under the terms of private placement notes raised in 2007 (PP). The Group's RCF and PP are disclosed in the Annual Report of Morgan Advanced Materials plc.

The Group's revolving credit facility was drawn at the year end (Dec 2017: £31.6m).

## 18 Operating leases

Non-cancellable operating leases are payable as follows:

	2017		2016	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Total Operating leases commitments:				
Less than one year	440	102	545	92
In the second to fifth years inclusive	1,652	185	2,192	111
Over five years	2,186	-	3,118	-
	<b>4,278</b>	<b>287</b>	<b>5,855</b>	<b>203</b>

During the year £621,000 (2016: £607,000) was recognised as an expense in the income statement in respect of operating leases.

19

## Employee benefits: pensions

### The Morgan Pension Scheme and the Morgan Group Senior Staff Pension and Life Assurance Scheme

The Company participates in two defined benefit schemes in the UK. The assets of these schemes are held in separate trustee-administered funds, The Morgan Pension Scheme (MPS) and the Morgan Group Senior Staff Pension and Life Assurance Scheme (SSS). These schemes were closed to new entrants on 1 August 2011, with any new employees receiving benefits through the Morgan Group Personal Pension Plan, a defined contribution arrangement. The Morgan Group Senior Staff Pension and Life Assurance Scheme was closed to the future accrual of benefits on and with effect from 6 April 2016. Employees active in the Scheme as at that date were enrolled in The Morgan Group Personal Pension Plan, with the option to opt out under relevant UK legislation.

On 30th September 2016 the Company adopted a new Morgan-Group policy to allocate costs associated with the UK pension schemes between the various Participating Employers, based on an evaluation of each entity's share of overall Scheme liabilities. This ensures that the pension liability is reflected in the entity that employed the participant. This resulted in a reallocation of £61,600,000 of the Schemes' net liabilities into the Company. Previously none of the scheme assets and liabilities were recognised on the balance sheet of the Company.

	2017 £000	2016 £000
<b>Pension plans and employee benefits</b>		
Present value of funded defined benefit obligations	(165,641)	(161,194)
Fair value of plan assets	115,996	108,553
<b>Net obligations</b>	<b>(49,645)</b>	<b>(52,641)</b>
<b>Movements in present value of defined benefit obligation</b>		
At 1 January 2017	(161,194)	-
Reallocation of defined benefit obligation	(2,400)	(173,200)
Current service cost	(1,047)	(300)
Interest cost	(4,100)	(1,300)
Remeasurement (losses)/gains:		
Changes in financial assumptions	(4,700)	41,706
Changes in demographic assumptions	2,600	(29,900)
Experience adjustments on benefit obligations	(700)	1,000
Benefits paid	6,200	1,200
Contributions by members	(300)	(400)
<b>At 31 December 2017</b>	<b>(165,641)</b>	<b>(161,194)</b>
<b>Movements in fair value of plan assets</b>		
At 1 January 2017	108,553	-
Reallocation of fair value of plan assets	1,600	111,600
Interest on plan assets	2,800	1,000
Remeasurement of gains/(losses):	5,400	(3,900)
Contributions by employer	3,643	700
Contributions by members	300	400
Benefits paid	(6,200)	(1,200)
Administrative expenses	(100)	(47)
<b>At 31 December 2017</b>	<b>115,996</b>	<b>108,553</b>
Actual return on assets	8,200	(2,900)
<b>Pension plans and employee benefits</b>	<b>£000</b>	<b>£000</b>
<b>Expense recognised in the consolidated income statement</b>		
Current service cost	(1,047)	(300)
Administrative expenses	(100)	(47)
Net interest on defined benefit liability	(1,300)	(300)
<b>Total expense</b>	<b>(2,447)</b>	<b>(647)</b>
<b>The fair values of the plan assets were as follows:</b>		
	<b>£000</b>	<b>£000</b>
Equities and growth assets	41,800	47,900
Bonds	25,100	11,900
Matching insurance policies	44,200	45,300
Other	4,853	3,453
<b>Total</b>	<b>115,953</b>	<b>108,553</b>

The assumptions used are best estimate assumptions chosen from a range of possible actuarial assumptions which may not be borne out in practice. The principal assumptions are the discount rate and inflation assumptions which are long-term and measured on external factors, based upon each plan's duration. In addition to these, the mortality assumption in the UK is material to the cost of the promised benefits. The assumed increases in salaries and pensions in payment are derived from assumed future inflation. Principal actuarial assumptions at the year end were as follows:

	2017 %	2016 %
<b>Assumptions:</b>		
Inflation (RPI & CPI)	3.10/2.00	3.20/2.10
Discount rate	2.40	2.62
Pensions increase	3.00/3.00/3.60	3.00/3.10/3.70
Salary increase	n/a	n/a
Mortality - post-retirement:		
Life expectancy of a male aged 60 in accounting year	26.6 years	26.8 years
Life expectancy of a male aged 60 in accounting year + 20	28.2 years	28.7 years

#### History of the plans

The history of the plans are as follows:

#### Balance Sheet

	2017 £000	2016 £000
Present value of the defined benefit obligation	(165,641)	(161,194)
Fair value of plan assets	115,996	108,553
<b>Deficit</b>	<b>(49,645)</b>	<b>(52,641)</b>

#### Funding:

The most recent full actuarial valuations of the UK Schemes were undertaken as at March 2016 and resulted in combined assessed deficits of £132 million. On the basis of these full valuations, the Trustees of the UK Schemes, having consulted with the Group, agreed past service deficit recovery payments totalling £12 million a year from April 2017, increasing by 2.75% pa until 2025, with further payments to Morgan Pension Scheme for 2026 and 2027 and contributions in respect of future service as accrued. New full valuations are due with effective dates of March 2019 and the outcome of those consultations will determine the Group's future contribution requirements, with any new deficit arising needing to be met through the payment of additional contributions.

#### Sensitivity analysis

The sensitivities of the Company's net balance sheet to the principal assumptions are:

		2017 Increase effect £000	2016 Increase effect £000
<b>Change in assumption</b>			
Discount rate	Decrease by 0.1%	2,400	2,400
Inflation	Increase by 0.1%	1,300	1,200
Mortality - post retirement	Pensioners live 1 year longer	4,600	5,100

These sensitivities have been calculated to show the movement in the net balance sheet in isolation, and assuming no other changes in market conditions at the accounting date. This is unlikely in practice - for example, a change in discount rate is unlikely to occur without any movement in the value of the assets held by the Company's schemes.

#### Defined contribution plans

The Company operates a defined contribution pension plan (the Morgan Group Personal Pension Plan). The total Company expense relating to this plan in 2017 was £412,000 (2016: £445,000). Total pension contributions outstanding at the year end amounted to £66,000 (2016: £71,000).

## 20 Employee share schemes

### Share-based payments

Certain employees of the Company participate in various share option programmes that allow Morgan Group employees to acquire shares in the ultimate parent company. Under the Morgan Advanced Materials plc Long-Term Incentive Plan ('LTIP') awards of shares are made or have been made to various key executives. The ultimate parent company also maintains a UK all-employee Sharesave scheme ('Employee Sharesave Scheme 2004'). The grant date fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options. *The amount recognised as an expense is adjusted to reflect the actual number of share options for which the related service and non-market vesting conditions are met.*

Note 22 to the consolidated financial statements of Morgan Advanced Materials plc gives full information on the terms and conditions applying to share options outstanding at 31 December 2017.



**21 Derivative financial assets and liabilities**

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
<b>Derivative financial assets</b>		
Forward foreign exchange contracts designated as cash flow hedges	<b>740</b>	377
<b>Derivative financial liabilities</b>		
Forward foreign exchange contracts designated as cash flow hedges	<b>(198)</b>	(2,598)
	<b>542</b>	(2,221)

Fair values are measured using a hierarchy where the inputs are:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities,

Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly,

Level 3 - inputs for the assets or liability that are not based on observable market data (unobservable inputs).

The derivative financial assets and liabilities are all measured using Level 2 inputs. The fair value of forward foreign exchange contracts is estimated by discounting the future cash flows using appropriate market sourced data at the balance sheet date.

**22 Ultimate parent company and parent undertaking of the larger Group of which the Company is a member**

The Directors regard Morgan Europe Holding Limited, incorporated in England and Wales, as being the Company's immediate parent undertaking and Morgan Advanced Materials plc, incorporated in England and Wales, the ultimate parent undertaking. The smallest and largest group in which the results of the Company are consolidated is that headed by Morgan Advanced Materials plc. The Consolidated accounts of Morgan Advanced Materials plc are available to the public and may be obtained from its registered office situated at Quadrant, 55-57 High Street, Windsor, Berkshire SL4 1LP.

## 23 Acquisitions of trade and assets from group companies

On 1st January 2017, Morgan Technical Ceramics Limited purchased the trade and certain assets and liabilities of the Seals & Bearings business from Morgan Electrical Carbon Limited. This transfer was to facilitate the cooperation between the two sites, Stourport and Redditch, arising from the growing overlap in products and customers. The transfer was funded by a short-term interest-bearing loan from Morgan Electrical Carbon Limited.

	Book Value £000
<i>Effect of the acquisition on individual assets and liabilities</i>	
Tangible fixed assets	1,072
Stocks	532
Trade Debtors	442
Trade Creditors	(101)
Net identifiable assets and liabilities	<u>1,945</u>
Consideration	<u>1,945</u>

The consideration for the above acquisition was by way of a loan agreement between Morgan Technical Ceramics Ltd and Morgan Electrical Carbon Ltd.