

**MNA Finance Limited**

Directors' report and financial  
statements

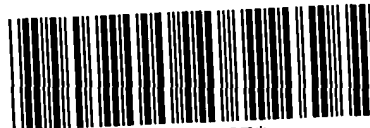
Registered number

10423297

For the period ended

31 December 2017

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## Contents

Strategic report	1
Directors' report	2
Statement of Directors' responsibilities in respect of the Strategic report, Directors' report and the financial statements	3
Independent auditor's report to the members of MNA Finance Limited	4
Profit and loss account and other comprehensive income	5
Balance sheet	6
Statement of changes in equity	7
Notes	8-11

## Strategic report

The Directors presents their strategic report for the period ended 31 December 2017.

### Business review

The Company was incorporated on 12 October 2016 and is a wholly-owned subsidiary of Morgan Advanced Materials plc. The Company operates as an investment holding company. Its investment activities during the period are detailed in note 5. During the period the Company acquired investments in Morgan Finance Management Limited. The Directors do not envisage any change to the business of the Company in the foreseeable future.

### Results

The loss before tax for the period was £29,325,000. Dividends of £10,488,000 were received in the period from its subsidiary- Morgan Finance Management Limited. During the period, the Company recorded an impairment loss of £15,156,000 on its investment in Morgan Finance Management Limited.

### Risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks. The principal risk to the Company is the permanent diminution in the value of its investments. Investments are tested for impairment at each balance sheet date.

A secondary risk relates to the Company's treasury operations. These are monitored and co-ordinated by the central treasury department at Morgan Advanced Materials plc on behalf of the entire Morgan group. This includes the risk of potential failure by counterparties holding cash deposits on behalf of group companies.

By order of the board

CR Collins  
Director



6 July

2018

## Directors' report

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

### Dividends

The Directors do not recommend the payment of a final dividend.

### Directors

The Directors who held office during the period and at the date of this report were as follows:

MJ Read - appointed 12 October 2016 and resigned 16 October 2017

CR Collins - appointed 12 October 2016

SA Kent - appointed 16 October 2017

Morgan Advanced Materials plc purchases directors' and officers' insurance cover on behalf of all group companies in the UK.

### Disclosure of information to auditors

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

### Auditor

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

By order of the board



CR Collins

Director

Quadrant

55-57 High Street

Windsor

Berkshire

SL4 1LP

6 only

2018

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

*The Directors are responsible for preparing the Strategic report, 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

*The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.*



KPMG LLP  
15 Canada Square  
London E14 5GL  
United Kingdom

## Independent auditor's report to the members of MNA Finance Limited

### Opinion

We have audited the financial statements of MNA Finance Limited ("the company") for the period ended 31 December 2017 which comprise the Profit and loss account and other comprehensive income, the Balance sheet, the 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 loss for the period 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.

Anthony Sykes  
(Senior Statutory Auditor)  
for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
15 Canada Square  
London  
E14 5GL  
United Kingdom

KPMG LLP

6 July 2018

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

	<i>Note</i>	<b>2017</b>
		<b>£000</b>
General overheads		(14,892)
Income from other fixed asset investments		10,488
Amounts written off investments	5	(15,156)
Interest payable and similar charges	3	(9,765)
<b>Loss Before Tax</b>		<b>(29,325)</b>
Tax on loss	4	4,746
<b>Loss and total comprehensive expense for the financial period</b>		<b><u>(24,579)</u></b>

All of the above figures relate wholly to continuing operations.

The notes on pages 8 to 11 form part of these accounts.

**Balance sheet**  
 at 31 December 2017

	Note	2017 £000
<b>Fixed assets</b>		
Derivative financial asset		445
Investments	5	179,800
Interest bearing loans given	6	179,800
<b>Current Assets</b>		
Debtors	7	5,179
Cash at bank		<u>1,085</u>
		6,264
<b>Total assets</b>		<u>366,309</u>
<b>Non-current liabilities</b>		
Derivative financial liability		(4,625)
Interest bearing loans and borrowings	8	(374,815)
<b>Current liabilities</b>		
Creditors	9	(797)
Derivative financial liability		<u>(10,651)</u>
<b>Total liabilities</b>		<u>(390,888)</u>
<b>Net assets</b>		<u>(24,579)</u>
<b>Capital and reserves</b>		
Called up share capital	10	-
Profit and loss account	11	(24,579)
<b>Shareholder's funds</b>		<u>(24,579)</u>

The notes on pages 8 to 11 form part of these accounts.

The financial statements were approved by the board of Directors on its behalf by: *6 only* 2018 and were signed on



CR Collins  
 Director

*6 only* 2018



**Statement of changes in equity**  
*for the period ended 31 December 2017*

	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at beginning of the period	-	-	-
Share capital issued during the period	-	-	-
Total comprehensive expense for the period	-	(24,579)	(24,579)
Balance at 31 December 2017	-	(24,579)	(24,579)

The notes on pages 8 to 11 form part of these accounts.

**Notes**  
*(forming part of the financial statements)*

**1 Accounting policies**

MNA Finance Limited is a 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:

- cash flow statement and related notes;
- comparative period reconciliations for share capital and tangible fixed 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; and
- 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; and
- the disclosures required by IFRS 7 Financial Instrument Disclosures.

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirements to prepare group financial statements. The financial statements present information about the Company as an individual undertaking and not about its group.

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

There are no significant estimates or judgements made in the preparation of these financial statements.

**Measurement convention**

The financial statements are prepared on the historical cost basis.

**Functional and presentation currency**

The Company's financial statements are presented in pounds sterling, which is also the Company's functional currency.

**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 year ended 31 December 2017.

**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.

**Related Party Transactions**

As the Company is a wholly owned subsidiary of Morgan Advanced Materials plc, the Company has taken advantage of the exemption contained in IAS 24 and has therefore not disclosed transactions or balances with wholly-owned subsidiaries which form part of the group.

**Taxation**

Tax on the profit or loss for the period comprises current tax. Tax is recognised in the profit and loss account 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 year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

**Investments**

Fixed asset investments are stated at cost less provision for impairment. Impairment provisions are determined by comparing the carrying value of the investment with its recoverable amount. The recoverable amount is the value of expected discounted cash flows arising from owning the investment. In assessing value in use, the expected future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the rate of return expected on an equally risky investment. Impairment losses are recognised in the profit and loss account.

**2 Directors' emoluments, audit fees and employees**

The directors performed no qualifying services for the company in respect of the current period and therefore received no emoluments.

In the period ended 31 December 2017, an amount of £2,000 receivable by the auditor and their associates in respect of audit services has been paid by another group company.

There are no employees in this Company.

**3 Interest payable and similar charges**

	2017 £000
Interest payable to group undertakings	<u>9,765</u>

**4 Taxation**

*Analysis of credit in period:*

	2017 £000
<i>UK corporation tax</i>	
Current tax on expenses for the period	(4,746)
Total current tax	<u>(4,746)</u>
Tax on profit/(loss)	<u>(4,746)</u>

*Reconciliation of effective tax rate:*

The tax credit for the period is lower than the standard rate of corporation tax in the UK of 19.25%. The differences are explained below.

	2017 £000
<i>Tax reconciliation</i>	
Loss	<u>(29,325)</u>
	(29,325)
Current tax at 19.25%	(5,645)
<i>Effects of:</i>	
Non deductible expenses	2,918
Non-taxable income	<u>(2,019)</u>
Total tax credit (see above)	<u>(4,746)</u>

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions 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.

5 Investments

	Shares in group undertakings £000
<i>Cost</i>	
At beginning of year	-
Purchases during the year	194,956
	<u>194,956</u>
<i>Provisions</i>	
At beginning of year	-
Impairments booked during the year	(15,156)
<i>Net book value</i>	
At 31 December 2017	<u>179,800</u>

During the year the Company invested £194,956,078 in Morgan Finance Management Limited for a 100% stake in it.

Management have measured the recoverable amount of fixed asset investments by use of the discounted cash flow model. Respectively, the assumptions used for those investments subject to

- discount rate of 10.1%,
- growth rate of 2% and
- a cash flow projection through to 2020.

The companies in which the Company's interest at the year end is 20% or more are as follows:

Name of undertaking	Country of incorporation	Registered Office Address	Principal activity	% shareholding held at 2017
<i>Directly owned:</i>				
Morgan Finance Management Limited	United Kingdom	Quadrant, 55-57 High Street, Windsor, Berkshire, SL4 1LP	Holding Company	100.0%

**6 Interest bearing loans given**

	2017 £000
Amounts owed by group undertakings	<u>179,800</u>

**7 Debtors**

	2017 £000
Amounts owed by group undertakings	433
Income tax receivable	<u>4,746</u>
	<u>5,179</u>

**8 Interest bearing loans and borrowings**

	2017 £000
Amounts owed to group undertakings	<u>374,815</u>

**9 Creditors**

	2017 £000
Amounts owed to group undertakings	<u>797</u>

**10 Called up share capital**

	2017 £
<i>Allotted, called up and fully paid</i>	
1 ordinary share of £1.00 issued to Morgan Advanced Materials plc.	<u>1</u>

**11 Reserves**

	2017 £000
<b>Profit and loss account</b>	
At beginning of period	-
Loss for the period	<u>(24,579)</u>
At end of period	<u>(24,579)</u>

**12 Ultimate parent company**

The Directors regard Morgan Advanced Materials plc, incorporated in England and Wales, as being the Company's 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.