

Terrassen Holdings Limited
Directors' report and financial
statements

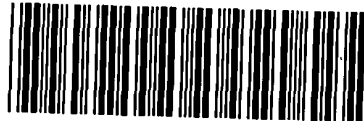
Registered number

01352995

For the year ended

31 December 2017

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Strategic report

The Directors present their strategic report for the year ended 31 December 2017.

Business review

The Company is a wholly-owned subsidiary of Morgan Advanced Materials plc and operates as an investment holding company. Its investment activities during the year are detailed in note 6. There were no additions to investments in the year. The Directors do not envisage any change to the business of the Company in the foreseeable future.

Results

The profit before tax for the year was £7,130,000 (2016: £20,360,000). A dividend of £5,799,590 was received during the year. This comprised of £3,521,348 received from Morgan Holding Netherlands BV, £1,948,896 from Thermal Ceramics Italiana Srl. and £329,346 from Morgan Technical Ceramcis SA de CV. (2016: £15,367,000 dividend was received from Morgan Holding Netherlands BV, £4,641,000 from Thermal Ceramics Italiana Srl. and £321,000 from Morgan Technical Ceramcis SA de CV.) There is no impairment in 2017 to record any impairment adjustment to reduce the carrying value of investments to fair value (2016: £nil).

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 Companies' 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



28 JAN 2018

Directors' report

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

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.

Dividends

An interim dividend in respect of the year ended 31 December 2017 was paid during the year of 1,335p per share, total £13.35 million (2016: 1,537p per share, total £15.4 million). The Directors do not recommend the payment of a final dividend (2016: £nil).

Director

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

PA Boulton
CR Collins

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

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 aware, there is no relevant audit information of which the Company's auditor is unaware; and they have 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

2018

28 JUN 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, 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 judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping 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 Terrassen Holdings Limited

Opinion

We have audited the financial statements of Terrassen Holdings Limited ("the company") for the year 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 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.

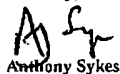
Auditor's responsibilities

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.

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

28 June 2018

KPMG LLP

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

	<i>Note</i>	2017 £000	2016 £000
Operating expenses		(77)	-
Operating loss		<u>(77)</u>	<u>-</u>
Income from shares in group undertakings	3	7,138	20,329
Other interest receivable and similar income	4	69	31
Profit		<u>7,130</u>	<u>20,360</u>
Tax on profit	5	(204)	(6)
Profit and total other comprehensive income for the financial year		<u><u>6,926</u></u>	<u><u>20,354</u></u>

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	2016 £000
Fixed assets			
Investments	6	128,152	128,768
		<u>128,152</u>	<u>128,768</u>
Current assets			
Debtors	7	1	6,179
Cash at bank and in hand		463	43
		<u>464</u>	<u>6,222</u>
Creditors: amounts falling due within one year	8	<u>(57)</u>	<u>(7)</u>
Net current assets		<u>407</u>	<u>6,215</u>
Total assets less current liabilities		<u>128,559</u>	<u>134,983</u>
Net assets		<u>128,559</u>	<u>134,983</u>
Capital and reserves			
Called up share capital	9	1,000	1,000
Capital redemption reserve	10	1,000	1,000
Capital contribution account	10	1,322	1,322
Profit and loss account	10	125,237	131,661
Shareholders' funds		<u>128,559</u>	<u>134,983</u>

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

The financial statements were approved by the board of Directors on 28 June 2018 and were signed by:



CR Collins
 Director

28 June 2018

Statement of changes in equity
for the year ended 31 December 2017

	Called up share capital £000	Capital redemption reserve £000	Capital contribution account £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2016	1,000	1,000	1,322	126,674	129,996
Total comprehensive income for the year	-	-	-	20,354	20,354
Dividends	-	-	-	(15,367)	(15,367)
Balance at 31 December 2016	1,000	1,000	1,322	131,661	134,983
Total comprehensive income for the year	-	-	-	6,926	6,926
Dividends	-	-	-	(13,350)	(13,350)
Balance at 31 December 2017	1,000	1,000	1,322	125,237	128,559

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

Notes

(forming part of the financial statements)

1 Accounting policies

Terrassen Holdings Limited is a company incorporated and domiciled in the UK.

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

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;
- 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;
- 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.

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.

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.

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 year 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.

Dividends on shares presented within shareholders' funds

Dividends are only recognised as a liability at that date to the extent that they are declared prior to the year end.

2 Directors' emoluments, audit fees and employees

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

In the year ended 31 December 2017, an amount of £3,000 (2016: £3,000) 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 (2016: none).

3 Income from shares in group undertakings

	2016	2015
	£000	£000
Income from fixed asset investments	7,138	20,329

4 Other interest receivable and similar income

	2017	2016
	£000	£000
Interest receivable from Group undertakings	69	31

5 Taxation

Analysis of charge in the year:

	2017	2016
	£000	£000
<i>UK corporation tax</i>		
Current tax on income for the year	153	6
Adjustments in respect of prior years	51	-
	204	6
Total current tax	204	6
Tax on profit	204	6

Reconciliation of effective tax rate:

The 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
<i>Tax reconciliation</i>		
Profit	7,130	20,360
	7,130	20,360
Current tax at 19.25% (2016: 20%)	1,373	4,072
<i>Effects of:</i>		
Non-taxable income	(1,374)	(4,066)
Expenses not deductible for tax purposes	-	-
Adjustments in respect of prior years	51	-
Withholding tax	154	-
Total tax charge (see above)	204	6

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.

6 Investments

Shares in group
undertakings

	£000
<i>Cost</i>	
At beginning and end of year	205,637
Less: Disposed off during the year	(616)
At beginning and end of year	205,021
<i>Provisions</i>	
At beginning of year	(76,869)
Provided in year	-
At end of year	(76,869)
<i>Net book value</i>	
At 31 December 2017	128,152
At 31 December 2016	128,768

The investments have not been written down as the Directors consider their value to be £128,152,000 (2016: £128,768,000).

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 impairment were as follows:

- discount rate of 10.1%,
- growth rate of 2% and
- a cash flow projection through to 2022.

The companies in which the Company's interest at the year end is 20% or more (held in ordinary shares unless otherwise stated) are as follows:

Name of undertaking	Country of incorporation	Registered Office Address	Principal activity	% of shares held at 2017 and 2016
<i>Directly owned:</i>				
Beijing Morgan Ceramics Limited	China	Room 601, 6F, Building 17, No.A1 Chaoqian Rd, Changping District, Beijing, 102200, China	Manufacturing	75%
Thermal Ceramics Italiana Srl	Italy	Via Vittor Pisani 20, 20124, Milan, Italy	Manufacturing	100%
Morgan Technical Ceramics S.A. de CV	Mexico	Av. Fulton No.20, Fracc.Ind. Valle de Oro, San Juan del Rio, Queretaro C.P. 76802, Mexico	Manufacturing	98%
Morgan Holding Netherlands BV	Netherlands	Oude Veiling 3, 1689 AA, Zwaag, The Netherlands	Holding Company	100%
Morgan Thermal Ceramic Sukhoy Limited Liability Company	Russian Federation	Russia 624800, Sverdlovsk District, Sukhoi Log, 624800, Ul. Militsevska 2	Manufacturing	51%
<i>Indirectly owned:</i>				
Carbo San Luis SA	Argentina	Talcahuano 736, 4th Floor, Buenos Aires, C1013AAP, Argentina	Manufacturing	84.6%
Morganite Brasil Ltda	Brazil	Avenida do Taboao 3265, Taboao, Sao Bernardo do Campo, Sao Paulo, CEP 09656-000, Brazil	Manufacturing	25.5%
Carbo Chile SA	Chile	Avenida San Eugenio 12462, Sitio 3, Lotco Estrella del Sur, Santiago, Chile	Manufacturing	99.99%
Morgan Guangzhou Co Limited	China	2F Guangye Building, No. 5, No. 3 Minghua Street, Jinxiu Rd, Guangzhou Economic & Technological Development District, Guandun, 510730, China	Manufacturing	100%
Thermal Ceramics de Colombia	Colombia	Calle 18 No 23-31 Bodega 1, Guadalajara de Buga-Valle, AA 5086, Colombia	Manufacturing	100%
Marshall Morganite SA	France	99 quai du Dr Dervaux, 92600, Asnieres, France	Manufacturing	99.87%
Morgan Carbon France SA	France	6 rue du Reservoir, 68420 Eguishiem, France	Manufacturing	99.99%
Morgan Thermic SAS	France	17 Rue De Tivoli, 17130, Montendre, France	Manufacturing	100%
Thermal Ceramics de France SAS	France	Centre de Vic, 3 rue du 18 Juin, 1827-BP 75, 42162, Andrezieux-Bouthon, France	Manufacturing	100%
Thermal Ceramics SA	France	Centre de Vic BP 75, 3 rue du 18 Juin 1827, 42162, Andrezieux-Bouthon, France	Manufacturing	98%
Morgan AM&T Hong Kong Company Limited	Hong Kong	Unit 4-6, 11/F, Siu Wai Industrial Centre, 29-33 Wing Hong S, Cheung Sha Wan, Kowloon, Hong Kong	Manufacturing	100%
Ciria India Limited	India	P-11 Pandav Nagar, Mayur Vihar Phase-I, Delhi, 110091, India	Manufacturing	70%
Morganite Crucible (India) Limited	India	B-11, MIDC Industrial Area, Waluj, Aurangabad, 431 136, Maharashtra, India	Manufacturing	36.5%
Morgan Carbon Italia Srl	Italy	Via Roma, 338, Martinsicuro TE, 64014	Manufacturing	100%
Morganite Carbon Kabushiki Kaisha	Japan	30-31 Enoki-Cho, Suita City, Osaka, 564-0053, Japan	Manufacturing	100%
Gunac BV	Netherlands	Oude Veiling 3, 1689 AA, Zwaag, The Netherlands	Manufacturing	100%
Morgan AM&T BV	Netherlands	Oude Veiling 3, 1689 AA, Zwaag, The Netherlands	Manufacturing	100%
Morgan Electro Ceramics BV (in liquidation)	Netherlands	Oude Veiling 3, 1689 AA, Zwaag, The Netherlands	Manufacturing	100%
Morgan Terrassen BV	Netherlands	Oude Veiling 3, 1689 AA, Zwaag, The Netherlands	Manufacturing	100%
Thermal Ceramics Benelux BV	Netherlands	Tramweg 27, 3255 MB Oude Tonge, The Netherlands	Manufacturing	100%
Morgan Carbon Polska Spolka zoo	Poland	Towarowa 9, 44-100 Gliwice, Poland	Manufacturing	100%
Grandtech Industrial Ceramics (Pty) Limited	South Africa	149 South Rand Road, Tulisa Park, Johannesburg, 2197, South Africa	Manufacturing	100%
Morganite South Africa (Pty) limited	South Africa	149 South Rand Road, Tulisa Park, Johannesburg, 2197, South Africa	Manufacturing	100%
Morganite Ujanishi (Pty) Limited	South Africa	149 South Rand Road, Tulisa Park, Johannesburg, 2197, South Africa	Manufacturing	100%
Thermal Ceramics South Africa (Pty) Limited	South Africa	149 South Rand Road, Tulisa Park, Johannesburg, 2197, South Africa	Manufacturing	100%
Morganite Espanola SA	Spain	Juan Pablo II, 6, 2e Local A, 12003 Castellon, Spain	Manufacturing	100%
Morgan Matroc SA (In liquidation)	Spain	Roger de Lluria 104 5º-2º, 08037 Barcelona, Spain	Manufacturing	100%
Thermal Ceramics Espana SL	Spain	C/ Juan Pablo II, no 6, 2. local A, 12003, Castellon, Spain	Manufacturing	100%
Morganite National Carbon AG	Switzerland	Steinackerstrasse 34, 8302 Kloten, Switzerland	Manufacturing	100%
Morgan Karbon Grafit Sanayi Anonim Sirketi	Turkey	Osmangazi Mahallesi 2647 Sokak No:27/3 Kırac Esenyurt, Istanbul, 34522 Turkey	Manufacturing	100%

7 Debtors

	2017 £000	2016 £000
Amounts owed by group undertakings	<u>1</u>	<u>6,179</u>

8 Creditors: amounts falling due within one year

	2017 £000	2016 £000
Income tax payable	<u>57</u>	<u>7</u>
	<u>57</u>	<u>7</u>

9 Called up share capital

	2017 £000	2016 £000
<i>Allotted, called up and fully paid</i>		
1,000,000 (2016: 1,000,000) 'A' Ordinary shares of £1 each	1,000	1,000
	<u>1,000</u>	<u>1,000</u>

10 Reserves

	Capital redemption reserve £000	Capital contribution account £000	Profit and loss account £000
At 1 January 2016	1,000	1,322	126,674
Profit for the year	-	-	20,354
Dividends	-	-	(15,367)
At 31 December 2016	<u>1,000</u>	<u>1,322</u>	<u>131,661</u>
Profit for the year	-	-	6,926
Dividends	-	-	(13,350)
At 31 December 2017	<u>1,000</u>	<u>1,322</u>	<u>125,237</u>

11 Ultimate parent company and parent undertaking of larger group of which the company is a member

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.