
MORGANITE CRUCIBLE LIMITED

**DIRECTORS' REPORT AND AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

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MORGANITE CRUCIBLE LIMITED

COMPANY INFORMATION

Directors	P A Boulton (appointed 31 March 2015) S H Mackie (appointed 28 June 2018, resigned 4 July 2022) E K Martin (appointed 16 December 2021) A Bechhold (appointed 20 May 2021, resigned 1 November 2021)
Company secretary	S H Mackie (resigned 4 July 2022)
Registered number	02133533
Registered office	York House Sheet Street Windsor United Kingdom SL4 1DD
Independent auditor	Deloitte LLP Abbots House Abbey Street Reading United Kingdom RG1 3BD
Bankers	Lloyds Bank Plc Po Box 72, Bailey Drive Gillingham Business Park Gillingham United Kingdom Kent ME8 0LS

MORGANITE CRUCIBLE LIMITED

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MORGANITE CRUCIBLE LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

The Directors present their annual report with the audited financial statements of Morganite Crucible Limited ('the Company') for the year ended 31 December 2021.

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.

Results and dividends

The profit for the year, after taxation, amounted to £880,000 (2020 - £159,000).

An interim dividend totalling £nil (2020: £nil) in respect of the year ended 31 December 2021 was paid during the year. The Directors do not recommend the payment of a final dividend (2020: £nil).

Directors

The directors who served during the year to date of signing were:

P A Boulton (appointed 31 March 2015)
S H Mackie (appointed 28 June 2018, resigned 4 July 2022)
E K Martin (appointed 16 December 2021)
A Bechhold (appointed 20 May 2021, resigned 1 November 2021)

Strategic Report

The Directors have not prepared a strategic report, taking a small Companies exemption as permitted by the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

Disclosure of information to auditor

prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418(2) of the Companies Act 2006.

Going Concern

The Directors have prepared Group cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the Company will have sufficient funds, through funding from its ultimate parent Company, Morgan Advanced Materials plc, to meet its liabilities as they fall due for that period.

The Company is dependent on Morgan Advanced Materials plc providing additional financial support during that period. Morgan Advanced Materials plc has indicated its intention to continue to make available such funds as are needed by the Company, and that it does not intend to seek repayment of the amounts due as the balance sheet date, for the period covered by the forecasts. As with any company placing reliance on other

MORGANITE CRUCIBLE LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

group entities for financial support, the Directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

The current economic climate continues to have an impact on the Morgan Group, its customers and its suppliers. The Morgan Advanced Materials plc Board and Executive Committee have regular reporting and review processes in place in order to monitor the ongoing operational and financial performance of the Group closely. These processes include the ongoing review of the impact of the prevailing macroeconomic environment on the Group and its stakeholders.

As at 31 December 2021 the Group had significant headroom on its covenants and available liquidity with the Group's undrawn £200 million multi-currency revolving credit facility and a strong cash position. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, exchange rates and plausible downside scenarios show the Group operating within its debt financial covenants.

The Morgan Advanced Materials plc Board also reviewed the Group's reverse stress testing performed to demonstrate how much headroom is available on covenant levels. Based on this assessment, a combined reduction in EBITDA of 40% and an increase in net debt of 80% would still allow the Group to operate within its financial covenants and the Directors continue to adopt a going concern basis.

Consequently, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Financial Risk Management

The management of financial risk is as described in the Morgan Advanced Materials 2021 Annual Report.

Future Developments

The Directors do not envisage any change to the business of the Company in the foreseeable future.

Post balance sheet events

Information relating to events since the end of the year is given in note 13 to the financial statements.

Auditor

Under section 487(2) of the Companies Act 2006, Deloitte LLP will be deemed to have been reappointed as auditor 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

This report was approved by the board on 1 September 2022 and signed on its behalf.



E K Martin
Director

MORGANITE CRUCIBLE LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 accounting estimates that are reasonable and prudent;
- 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

MORGANITE CRUCIBLE LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MORGANITE CRUCIBLE LIMITED

Opinion on financial statements

In our opinion the financial statements of MORGANITE CRUCIBLE LIMITED (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the statement of accounting policies; and
- the related notes 1 to 14.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework"(United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

MORGANITE CRUCIBLE LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MORGANITE CRUCIBLE LIMITED

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: . This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and internal audit about their own identification and assessment of the risks of irregularities.

MORGANITE CRUCIBLE LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MORGANITE CRUCIBLE LIMITED

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included export controls, anti-bribery and corruption legislation.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing correspondence with relevant regulatory authorities.

Report on other legal and regulatory requirements

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the directors' report.

MORGANITE CRUCIBLE LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MORGANITE CRUCIBLE LIMITED

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

We have nothing to report in respect of these matters.

Use of our report

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.

Jane Makrakis

Jane Makrakis (FCA) (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Reading, United Kingdom

Date: 1 September 2022

MORGANITE CRUCIBLE LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Note	2021 £000	2020 £000
Turnover		-	-
Gross profit		-	-
Other operating income/(expenses)		7	(5)
Operating profit/(loss)	4	7	(5)
Income from shares in group undertakings		891	181
Reversal of impairment losses		73	-
Interest receivable and similar income		1	-
Profit before tax	4	972	176
Tax charge on profit	7	(92)	(17)
Profit for the financial year		<u>880</u>	<u>159</u>
Other comprehensive income:			
Other comprehensive income		-	-
Total comprehensive income for the year		<u>880</u>	<u>159</u>

The notes on pages 11 to 19 form part of these financial statements.

All of the above figures relate wholly to continuing operations.

MORGANITE CRUCIBLE LIMITED
REGISTERED NUMBER: 02133533

BALANCE SHEET
AS AT 31 DECEMBER 2021

	Note	2021 £000	2020 £000
Non-current asset			
Investments	8	1,468	1,395
		<u>1,468</u>	<u>1,395</u>
Current assets			
Debtors: amounts falling due within one year	9	1,571	1
Cash at bank and in hand	8	770	
		<u>1,579</u>	<u>771</u>
Current liabilities			
Creditors: amounts falling due within one year	10	(8)	(7)
Net current assets		<u>1,571</u>	<u>764</u>
Total assets less current liabilities		<u>3,039</u>	<u>2,159</u>
Net assets		<u><u>3,039</u></u>	<u><u>2,159</u></u>
Capital and reserves			
Called up share capital	11	1,158	1,158
Profit and loss account		1,881	1,001
		<u><u>3,039</u></u>	<u><u>2,159</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 1 September 2022.



E K Martin
Director

The notes on pages 11 to 19 form part of these financial statements.

MORGANITE CRUCIBLE LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
At 1 January 2020	1,158	842	2,000
Comprehensive income for the year			
Profit for the year and other comprehensive income	-	159	159
At 1 January 2021	1,158	1,001	2,159
Comprehensive income for the year			
Profit for the year and other comprehensive income	-	880	880
At 31 December 2021	<u>1,158</u>	<u>1,881</u>	<u>3,039</u>

The notes on pages 11 to 19 form part of these financial statements.

MORGANITE CRUCIBLE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1. General information

Morganite Crucible Limited (the Company) is a private Company limited by shares incorporated in the United Kingdom under the Companies Act 2006. The address of its registered office is York House, Sheet Street, Windsor, United Kingdom, SL4 1DD.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Financial reporting standard 101 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases. The requirements of paragraph 58 of IFRS 16, provided that the disclosure of details in indebtedness relating to amounts payable after 5 years required by company law is presented separately for lease liabilities and other liabilities, and in total
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
 - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

MORGANITE CRUCIBLE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

2.3 Financial instruments

Financial assets and financial liabilities are recognised in the Company balance sheet when the Company becomes party to the contractual provisions of the instrument.

2.4 Debtors

Trade and other debtors are recorded initially at transaction price and subsequently measured at amortised cost. This results in their recognition at nominal value less an allowance for any doubtful debts. The allowance for doubtful debts is recognised based on management's expectation of losses without regard to whether an impairment trigger happened or not (an "expected credit loss" model). The Company measures the loss allowance for trade receivables at an amount equal to lifetime ECL.

2.5 Classification of financial instruments issued by the Company

Financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and

(b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability.

2.6 Creditors

Trade and other creditors are recognised initially at transaction price. Subsequent to initial recognition they are measured at amortised cost using the effective interest method. The Directors consider that the carrying amount of trade payables approximates to their fair value.

2.7 Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity, trade and other debtors, cash and cash equivalents, and trade and other creditors.

2.8 Taxation

Tax on the profit or loss for the year comprises of 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.

MORGANITE CRUCIBLE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

2.9 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in 'Pounds Sterling' (£), which is also the Company's functional currency.

(b) Transactions and balances

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

2.10 Consolidation

The Company is a wholly owned subsidiary of Morgan Advanced Materials plc. It is included in the consolidated financial statements of Morgan Advanced Materials plc, which are publicly available. Therefore the Company is exempt, by virtue of section 400 of the Companies Act 2006, from the requirement to prepare consolidated financial statements. The address of the ultimate parent's registered office is York House, Sheet Street, Windsor, United Kingdom, SL4 1DD.

2.11 Investment in subsidiaries

Investments in subsidiaries are carried at cost less provision for impairment. The Company tests the investment balances for impairment annually or when there are indicators of impairment. If any such indication of impairment exists, the Company makes an estimate of its recoverable amount. Where the carrying amount of an investment exceeds its recoverable amount, the investment is considered impaired and is written down to its recoverable amount. Where these circumstances have reversed, the impairment previously made is reversed to the extent of the original cost of the investment.

MORGANITE CRUCIBLE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

2.12 Going concern

The Directors have prepared Group cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the Company will have sufficient funds, through funding from its ultimate parent Company, Morgan Advanced Materials plc, to meet its liabilities as they fall due for that period.

The Company is dependent on Morgan Advanced Materials plc providing additional financial support during that period. Morgan Advanced Materials plc has indicated its intention to continue to make available such funds as are needed by the Company, and that it does not intend to seek repayment of the amounts due as the balance sheet date, for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the Directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

The current economic climate continues to have an impact on the Morgan Group, its customers and its suppliers. The Morgan Advanced Materials plc Board and Executive Committee have regular reporting and review processes in place in order to monitor the ongoing operational and financial performance of the Group closely. These processes include the ongoing review of the impact of the prevailing macroeconomic environment on the Group and its stakeholders.

As at 31 December 2021 the Group had significant headroom on its covenants and available liquidity with the Group's undrawn £200 million multi-currency revolving credit facility and a strong cash position. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, exchange rates and plausible downside scenarios show the Group operating within its debt financial covenants.

The Morgan Advanced Materials plc Board also reviewed the Group's reverse stress testing performed to demonstrate how much headroom is available on covenant levels. Based on this assessment, a combined reduction in EBITDA of 40% and an increase in net debt of 80% would still allow the Group to operate within its financial covenants and the Directors continue to adopt a going concern basis.

Consequently, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

2.13 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each balance sheet date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each balance sheet date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

MORGANITE CRUCIBLE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

3. Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis.

Management do not assess any of the applied judgements, estimates and assumptions as having a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4. Profit before taxation

The profit before taxation is stated after charging/(crediting):

	2021 £000	2020 £000
Dividends received from Group undertakings	(891)	(181)
Foreign exchange differences	(7)	5
General overheads	(1)	-
Reversal of impairment losses	(73)	-
	<u>(972)</u>	<u>(176)</u>

5. Auditor's remuneration

	2021 £000	2020 £000
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	2	2
	<u>2</u>	<u>2</u>

The Company has taken advantage of the exemption not to disclose amounts paid for non audit services as these are disclosed in the group accounts of the parent Company.

6. Employees

The Company has no employees (2020: none).

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

MORGANITE CRUCIBLE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

7. Taxation

	2021 £000	2020 £000
Corporation tax		
Current tax on profits for the year	92	17
Total current tax	<u>92</u>	<u>17</u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2020 - lower than) the standard rate of corporation tax in the UK of 19% (2020 - 19%). The differences are explained below:

	2021 £000	2020 £000
Profit on ordinary activities before tax	<u>972</u>	<u>176</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	185	33
Effects of:		
Income not taxable for tax purposes	(183)	(34)
Foreign tax credits	90	18
Total tax charge for the year	<u>92</u>	<u>17</u>

Factors that may affect future tax charges

The UK budget on 3 March 2021 included an increase to the UK's main corporation tax rate to 25%, which is due to be effective from 1 April 2023. These changes were not substantially enacted until 21 June 2021 after the balance sheet date and hence have not been reflected in the measurement of deferred tax balances. The impact is not considered material.

MORGANITE CRUCIBLE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

8. Fixed asset investments

	Investments in subsidiary companies £000
Cost or valuation	
At 1 January 2021	1,468
At 31 December 2021	<u>1,468</u>
At 1 January 2021	73
Reversal of impairment losses	(73)
At 31 December 2021	<u>-</u>
Net book value	
At 31 December 2021	<u><u>1,468</u></u>
At 31 December 2020	<u><u>1,395</u></u>

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

Name	Country of Incorporation	Registered Office Address	Principal Activity	% of Shares held
Subsidiary undertakings - directly owned				
Morganite Crucible (India) Ltd	India	B-11, MIDC Industrial Area, Waluj, Aurangabad, 431 136, Maharashtra, India	Crucible manufacture	38.5%

MORGANITE CRUCIBLE LIMITED

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9. Debtors

	2021 £000	2020 £000
Amounts owed by group undertakings	1,571	-
Tax recoverable	-	1
	<u>1,571</u>	<u>1</u>

Amounts owed by Group undertakings are three year floating facilities. The terms are expected to be renewed after each three year period. The interest rate as at 31 December 2021 was 0.35%.

10. Creditors: Amounts falling due within one year

	2021 £000	2020 £000
Corporation tax	1	-
Other creditors	7	7
	<u>8</u>	<u>7</u>

11. Share capital

	2021 £000	2020 £000
Authorised, allotted, called up and fully paid		
1,158,000 (2020 - 1,158,000) Ordinary shares of £1.00 each	<u>1,158</u>	<u>1,158</u>

12. Contingent liabilities

The Company participates in a cash pooling arrangement provided by Lloyds Bank plc with other UK Group companies. As part of that pooling arrangement, the Company has provided a Guarantee for any 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; and
- b) an amount equal to the base currency amount of such guarantor's own net credit balance in the cash pool.

At the balance sheet date, the guaranteed amount was £nil (2020: £800,000).

13. Post balance sheet events

There were no reportable subsequent events following the balance sheet date.

MORGANITE CRUCIBLE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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14. Ultimate parent company

The immediate and ultimate parent company is Morgan Advanced Materials plc, a company incorporated and registered in the United Kingdom.

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 York House, Sheet Street, Windsor, United Kingdom, SL4 1DD.