
TCG GUARDIAN 2 LIMITED

DIRECTORS' REPORT AND UNAUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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TCG GUARDIAN 2 LIMITED

COMPANY INFORMATION

Directors	P A Boulton (appointed 24 September 2019) M J Coll (appointed 9 November 2017, resigned 22 June 2023) N A Frost (appointed 14 August 2023) T M S Carney (appointed 14 August 2023)
Company secretary	S Arsenic (appointed 21 September 2022, resigned 30 June 2023)
Registered number	05564065
Registered office	York House Sheet Street Windsor United Kingdom SL4 1DD
Bankers	Lloyds Bank Plc Po Box 72, Bailey Drive Gillingham Business Park Gillingham Kent United Kingdom ME8 0LS

TCG GUARDIAN 2 LIMITED

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TCG GUARDIAN 2 LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their report with the unaudited financial statements of TCG Guardian 2 Limited ('the Company') for the year ended 31 December 2022.

Results and dividends

The profit for the year, after taxation, amounted to £1,208,000 (2021 - £5,789,000).

The Company made an interim dividend payment of £nil (2021: £nil) in respect of the year ended 31 December 2022. The Directors do not recommend the payment of a final dividend (2021: £nil).

Directors

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

P A Boulton (appointed 24 September 2019)

M J Coll (appointed 9 November 2017, resigned 22 June 2023)

N A Frost (appointed 14 August 2023)

T M S Carney (appointed 14 August 2023)

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.

TCG GUARDIAN 2 LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

Going Concern

The Morgan Group, including the Company, experienced a cyber security incident in January 2023, having detected unauthorised activity on the network. Immediate steps were taken to contain the incident, launch incident response plans, engage specialist support services and embark on restoring systems, with the Company now being operational. This has been treated as a non-adjusting post balance sheet event and there has been no impact on the financial results reported for the year ended 31 December 2022. The Directors are confident that this does not impact the going concern status of the Company.

The Directors have prepared 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.

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 at 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 cyber security incident on the Group and its stakeholders.

As at 31 December 2022, the Group had both significant available liquidity and headroom on its covenants. Total committed borrowing facilities were £418.3 million. The amount drawn under these facilities was £264.3 million, which together with net cash and cash equivalents of £116.2 million, gave a total headroom of £270.3 million. The multi-currency revolving credit facility was £76.0 million drawn. £34.5 million of senior notes are due to mature in October 2023. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, exchange rates and plausible downside, including the impact of the cyber security incident on 2023 cashflows, 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 45% 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 2022 Annual Report.

Future Developments

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

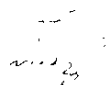
TCG GUARDIAN 2 LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

Post balance sheet events

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

This report was approved by the board on 25 September 2023 and signed on its behalf.



N A Frost
Director

TCG GUARDIAN 2 LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

The directors are responsible for preparing the Directors' Report and the unaudited financial statements of TCG Guardian 2 Limited ('the Company') in accordance with applicable law and regulations.

Company law requires the directors to prepare unaudited financial statements of TCG Guardian 2 Limited ('the Company') for each financial year. Under that law the directors have elected to prepare the unaudited financial statements of TCG Guardian 2 Limited ('the Company') 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 unaudited financial statements of TCG Guardian 2 Limited ('the Company') 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 unaudited financial statements of TCG Guardian 2 Limited ('the Company'), the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting 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;
- 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.

TCG GUARDIAN 2 LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 £000	2021 £000
Turnover		-	-
Other operating income		1,073	5,780
Operating profit	4	1,073	5,780
Interest receivable and similar income	6	135	9
Profit before tax	4	1,208	5,789
Profit for the financial year		<u>1,208</u>	<u>5,789</u>
Other comprehensive income:			
Other comprehensive income		-	-
Total comprehensive income for the year		<u>1,208</u>	<u>5,789</u>

The notes on pages 9 to 16 form part of these financial statements.

TCG GUARDIAN 2 LIMITED
REGISTERED NUMBER: 05564065

BALANCE SHEET
AS AT 31 DECEMBER 2022

	Note	2022 £000	2021 £000
Current assets			
Debtors: amounts falling due within one year	8	9,665	8,501
Cash at bank and in hand		2	120
		<u>9,667</u>	<u>8,621</u>
Creditors: amounts falling due within one year	9	(214)	(376)
Net current assets		<u>9,453</u>	<u>8,245</u>
Total assets less current liabilities		<u>9,453</u>	<u>8,245</u>
Provisions for liabilities			
Other provisions	10	(200)	(200)
		<u>(200)</u>	<u>(200)</u>
Net assets		<u><u>9,253</u></u>	<u><u>8,045</u></u>
Capital and reserves			
Profit and loss account		9,253	8,045
		<u><u>9,253</u></u>	<u><u>8,045</u></u>

The members have not required the Company to obtain an audit for the year in question in accordance with section 476 of the Companies Act 2006.

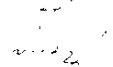
The Company was entitled to exemption from the requirement to have an audit under section 479A of the Companies Act 2006.

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

TCG GUARDIAN 2 LIMITED
REGISTERED NUMBER: 05564065

BALANCE SHEET
AS AT 31 DECEMBER 2022

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 25 September 2023.



N A Frost
Director

The notes on pages 9 to 16 form part of these financial statements.

TCG GUARDIAN 2 LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
At 1 January 2021	-	2,256	2,256
Comprehensive income for the year			
Profit for the year and other comprehensive income	-	5,789	5,789
At 1 January 2022	-	8,045	8,045
Comprehensive income for the year			
Profit for the year and other comprehensive income	-	1,208	1,208
At 31 December 2022	-	9,253	9,253

The notes on pages 9 to 16 form part of these financial statements.

TCG GUARDIAN 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

1. General information

TCG2 Guardian 2 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 paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 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

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.

TCG GUARDIAN 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting policies (continued)

2.4 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.

2.5 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.

2.6 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.

2.7 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.

2.8 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event that can be reliably measured, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability where the effect of discounting is expected to be material.

2.9 Financial guarantee contracts

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its Group, the Company considers these to be insurance arrangements, and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee, at which point a liability would be recognised.

TCG GUARDIAN 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting policies (continued)

2.10 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.

2.11 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.

2.12 Finance income and expense

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method, interest receivable on funds invested and gains and losses on hedging instruments that are recognised in the income statement. Interest income is recognised in the income statement as it accrues, using the effective interest method.

TCG GUARDIAN 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting policies (continued)

2.13 Going concern

The Morgan Group, including the Company, experienced a cyber security incident in January 2023, having detected unauthorised activity on the network. Immediate steps were taken to contain the incident, launch incident response plans, engage specialist support services and embark on restoring systems, with the Company now being operational. This has been treated as a *non-adjusting post balance sheet event and there has been no impact on the financial results reported for the year ended 31 December 2022*. The Directors are confident that this does not impact the going concern status of the Company.

The Directors have prepared 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.

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 at 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.

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As at 31 December 2022, the Group had both significant available liquidity and headroom on its covenants. Total committed borrowing facilities were £418.3 million. The amount drawn under these facilities was £264.3 million, which together with net cash and cash equivalents of £116.2 million, gave a total headroom of £270.3 million. The multi-currency revolving credit facility was £76.0 million drawn. £34.5 million of senior notes are due to mature in October 2023. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, exchange rates and plausible downside, including the impact of the cyber security incident on 2023 cashflows, 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 45% 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.

TCG GUARDIAN 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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.

The key judgements made in the application of these accounting policies are primarily in respect of provisions.

The Company recognises a provision at the point when the outcome of a matter can be reliably estimated. Estimates are based on past experience of similar issues, professional advice received and the Group's assessment of the most likely outcome. The timing of the utilisation of these provisions is frequently uncertain, reflecting the complexity of issues and the outcome of associated negotiations, refer also to note 12.

4. Profit before taxation

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

	2022 £000	2021 £000
Depreciation of tangible fixed assets	-	51
Income from leasing owned assets	-	(161)
Interest received from Group undertakings	(135)	(9)
Release of provisions	-	(2,290)
Other income	(1,073)	(3,272)
Profit on disposal of fixed assets	-	(114)
General overheads	-	6
	<u>(1,208)</u>	<u>(5,789)</u>

5. Employees

The Company has no employees (2021: none).

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

TCG GUARDIAN 2 LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

6. Interest receivable

	2022 £000	<i>2021 £000</i>
Interest received from Group undertakings	135	9
	<u>135</u>	<u><i>9</i></u>

7. Taxation

	2022 £000	<i>2021 £000</i>
Total current tax	<u>-</u>	<u><i>-</i></u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than (*2021 - lower than*) the standard rate of corporation tax in the UK of 19% (*2021 - 19%*). The differences are explained below:

	2022 £000	<i>2021 £000</i>
Profit on ordinary activities before tax	<u>1,208</u>	<u><i>5,789</i></u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (<i>2021 - 19%</i>)	229	<i>1,100</i>
Effects of:		
Income not taxable for tax purposes	-	<i>(435)</i>
Non-qualifying depreciation	-	<i>10</i>
Expenses not deductible	-	<i>(105)</i>
Group relief claimed FOC	(229)	<i>(570)</i>
Total tax charge for the year	<u>-</u>	<u><i>-</i></u>

TCG GUARDIAN 2 LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

8. Debtors

	2022 £000	2021 £000
Amounts owed by group undertakings	9,664	8,500
Other debtors	1	1
	<u>9,665</u>	<u>8,501</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 2022 was 2.2% (31 December 2021: 0.35%).

9. Creditors: Amounts falling due within one year

	2022 £000	2021 £000
Corporation tax	-	59
VAT	214	317
	<u>214</u>	<u>376</u>

10. Provisions

	Legal and other provisions £000
At 1 January 2022	200
At 31 December 2022	<u>200</u>

In 2018, the Company recognised certain provisions following the sale of NP Aerospace Limited, its indirect subsidiary and participating interest. Legal and other provisions represent disposal warranties agreed as part of the transaction.

Provisions released during the period relate to the lapse of certain warranty timeframes.

TCG GUARDIAN 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

11. Share capital

	2022 £	2021 £
Authorised, allotted, called up and fully paid		
100 (2021 - 100) Ordinary shares of £1.00 each	<u>100</u>	<u>100</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 £3,131 (2021: £50,000).

13. Post balance sheet events

The Morgan Group, including the Company, experienced a cyber security incident in January 2023, having detected unauthorised activity on the network. Immediate steps were taken to contain the incident, launch incident response plans, engage specialist support services and embark on restoring systems, with the Company now being operational.

This has been treated as a non-adjusting post balance sheet event and there has been no impact on the financial results reported for the year ended 31 December 2022 the Directors are confident that this does not impact the going concern status of the Company.

14. Ultimate parent company

The immediate parent company is TCG Guardian 1 Limited, a company incorporated and registered in the United Kingdom. At 31 December 2022 the company's ultimate parent company was Morgan Advanced Materials Plc, 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.