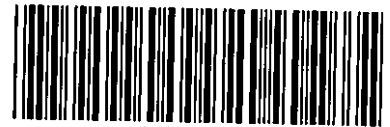


**Strategic Report, Directors' Report and  
Audited Financial Statements for the Year Ended 31 December 2019  
for  
MNA Finance Limited**

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**MNA Finance Limited**

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for the Year Ended 31 December 2019**

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**MNA Finance Limited**

**Strategic Report  
for the Year Ended 31 December 2019**

The directors present their strategic report for the year ended 31 December 2019.

**BUSINESS REVIEW**

The Company is a wholly-owned subsidiary of Morgan Advanced Materials plc (Morgan Group) and operates as an investment holding company. Its investment activities during the year are detailed in note 8. 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.

**SECTION 172 STATEMENT**

The Company shares a clear purpose with the Morgan Group, to use advanced materials to help make more efficient use of the world's resources and to improve the quality of life. The Morgan Group is committed to the creation of value through sustainable growth and delivers its strategy whilst always working safely, ethically and inclusively, to strengthen and grow the business and to promote its long-term success.

When making decisions relating to the Company's activities as an investment holding company, the Company's directors comply with the requirements of s172 of the Companies Act, in alignment with the Morgan Group's purpose and its key stakeholders, as described on pages 9 and 18 of the Morgan Advanced Materials plc 2019 Annual Report.

**RESULTS**


The loss before tax for the year was £888,000 (2018: Profit £15,821,000). Dividends of £10,676,000 (2018: £13,068,000) were received from subsidiaries in the year.

**RISKS AND UNCERTAINTIES**

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

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

**ON BEHALF OF THE BOARD:**

  
.....  
S H Mackle - Director

Date: 30<sup>th</sup> October 2020

**MNA Finance Limited**

**Directors' Report  
for the Year Ended 31 December 2019**

The Directors present their annual report and audited financial statements for the year ended 31 December 2019.

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**

The Directors do not recommend the payment of a final dividend (2018: Nil).

**EVENTS SINCE THE END OF THE YEAR**

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

**DIRECTORS**

The directors shown below have held office during the whole of the period from 1 January 2019 to the date of this report.

S A Kent  
S H Mackie

Other changes in directors holding office are as follows:

C R Collins ceased to be a director after 31 December 2019 but prior to the date of this report.

**DISCLOSURE OF INFORMATION TO AUDITOR**

The Directors who held the 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 directors to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

**AUDITOR**

The auditor, KPMG LLP, will not be re-appointed and will therefore not continue in office. Deloitte LLP have been appointed as the Company's new auditors.

**ON BEHALF OF THE BOARD:**



.....  
S H Mackie - Director

Date: 30<sup>th</sup> October 2020

**MNA Finance Limited**

**Statement of Directors' Responsibilities  
for the Year Ended 31 December 2019**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

**Independent Auditor's Report to the Members of  
MNA Finance Limited**

**Opinion**

We have audited the financial statements of MNA Finance Limited ("the company") for the year ended 31 December 2019 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 2.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 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**

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

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 a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

**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.

**Independent Auditor's Report to the Members of  
MNA Finance Limited**

**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.

**Responsibilities of directors**

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

**Auditor's responsibilities**

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

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

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

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Paul Sawdon (Senior Statutory Auditor)  
for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
15 Canada Square  
London  
E14 5GL

Date: 4 November 2020

**MNA Finance Limited**

**Statement of Comprehensive Income  
for the Year Ended 31 December 2019**

|  | Notes | 31.12.19<br>£'000 | 31.12.18<br>£'000 |
|--|-------|-------------------|-------------------|
| <b>TURNOVER</b>                                |       | -                 | -                 |
| Other operating (expenses) / income            |       | (729)             | 13,336            |
| <b>OPERATING (LOSS)/PROFIT</b>                 |       | (729)             | 13,336            |
| Income from shares in group undertakings       |       | 10,676            | 13,068            |
| Interest receivable and similar income         |       | 10,675            | 13,000            |
|  |       | 20,622            | 39,404            |
| Amounts written off investments                | 5     | (3,000)           | -                 |
|  |       | 17,622            | 39,404            |
| Interest payable and similar expenses          | 6     | (18,510)          | (23,583)          |
| <b>(LOSS)/PROFIT BEFORE TAXATION</b>           | 7     | (888)             | 15,821            |
| Tax on (loss)/profit                           | 8     | 1,976             | (1,426)           |
| <b>PROFIT FOR THE FINANCIAL YEAR</b>           |       | 1,088             | 14,395            |
| <b>OTHER COMPREHENSIVE INCOME</b>              |       | -                 | -                 |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b> |       | <u>1,088</u>      | <u>14,395</u>     |


The notes form part of these financial statements



**Balance Sheet**  
**31 December 2019**

|  | Notes | 31.12.19<br>£'000 | £'000          | 31.12.18<br>£'000 | £'000           |
|--|-------|-------------------|----------------|-------------------|-----------------|
| <b>FIXED ASSETS</b>                          |       |                   |                |                   |                 |
| Investments and other financial assets       | 9     |                   | 364,708        |                   | 372,176         |
| <b>CURRENT ASSETS</b>                        |       |                   |                |                   |                 |
| Debtors                                      | 10    | 1,803             |                | 3,675             |                 |
| Cash at bank                                 |       | 517               |                | -                 |                 |
|  |       | <u>2,320</u>      |                | <u>3,675</u>      |                 |
| <b>CREDITORS</b>                             |       |                   |                |                   |                 |
| Amounts falling due within one year          | 11    | 432               |                | 3,395             |                 |
|  |       | <u></u>           |                | <u></u>           |                 |
| <b>NET CURRENT ASSETS</b>                    |       |                   | 1,888          |                   | 280             |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b> |       |                   | 366,596        |                   | 372,456         |
| <b>CREDITORS</b>                             |       |                   |                |                   |                 |
| Amounts falling due after more than one year | 12    |                   | 375,692        |                   | 382,640         |
|  |       |                   | <u></u>        |                   | <u></u>         |
| <b>NET LIABILITIES</b>                       |       |                   | <u>(9,096)</u> |                   | <u>(10,184)</u> |
| <b>CAPITAL AND RESERVES</b>                  |       |                   |                |                   |                 |
| Called up share capital                      | 14    |                   | -              |                   | -               |
| Retained earnings                            | 15    |                   | (9,096)        |                   | (10,184)        |
|  |       |                   | <u></u>        |                   | <u></u>         |
| <b>SHAREHOLDERS' FUNDS</b>                   |       |                   | <u>(9,096)</u> |                   | <u>(10,184)</u> |

The financial statements were approved by the Board of Directors and authorised for issue on 30<sup>th</sup> October 2020 and were signed on its behalf by:

  
.....  
S H Mackle - Director

**MNA Finance Limited**

**Statement of Changes in Equity  
for the Year Ended 31 December 2019**

|                                    | Called up<br>share<br>capital<br>£'000 | Retained<br>earnings<br>£'000 | Total<br>equity<br>£'000 |
|------------------------------------|--|-------------------------------|--------------------------|
| <b>Balance at 1 January 2018</b>   | -                                      | (24,579)                      | (24,579)                 |
| <b>Changes in equity</b>           |  |                               |                          |
| Total comprehensive income         | -                                      | 14,395                        | 14,395                   |
| <b>Balance at 31 December 2018</b> | -                                      | (10,184)                      | (10,184)                 |
| <b>Changes in equity</b>           |  |                               |                          |
| Total comprehensive income         | -                                      | 1,088                         | 1,088                    |
| <b>Balance at 31 December 2019</b> | -                                      | (9,096)                       | (9,096)                  |

The notes form part of these financial statements

## **MNA Finance Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2019**

#### **1. STATUTORY INFORMATION**

The company is a private limited company and is incorporated and domiciled in the UK. The address of its registered office is York House, Sheet Street, Windsor, United Kingdom, SL4 1DD.

#### **2. ACCOUNTING POLICIES**

##### **Basis of preparation**

These financial statements have been prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 101 "Reduced Disclosure Framework":

- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91 to 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;
- 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; and
  - 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 and 111 of IAS 1 Presentation of Financial Statements;
- the requirements of paragraphs 134 to 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 paragraphs 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;
- the requirements of paragraphs 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairments of Assets.

##### **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.

##### **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**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges. All other foreign exchange gains and losses are presented in the income statement within 'Other operating income'.

**Notes to the Financial Statements - continued  
for the Year Ended 31 December 2019**

**2. ACCOUNTING POLICIES - continued**

**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.

**Investment in subsidiaries**

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 assessment of the rate of return expected on an equally risky investment. Impairment losses are recognised in the profit and loss account.

**Going concern**

Notwithstanding the company's net liabilities of £9,096,000 as at 31 December 2019, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

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 its overdraft facility and in downside cases funding from its ultimate parent company, Morgan Advanced Materials plc, to meet its liabilities as they fall due for that period.

Those forecasts are dependent on Morgan Advanced Materials plc not seeking repayment of the amounts currently due to the group, which at 31 December 2019 amounted to £371,202,000, and 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 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 impact of Covid-19 continues to have an impact on the Group, its customers and its suppliers. Morgan Advanced Materials plc's principal and emerging risks and uncertainties has been reviewed in depth by its Board together with related mitigations, and identified a range of potential economic scenarios, including severe but plausible decreases in revenue of between 20% and 30% compared to 2019, followed by an extended recovery period. Morgan Advanced Materials plc has headroom against its available facilities under all scenarios, and considers there are sufficient controllable actions it can take, even if the severe downside case were to materialise, to operate within its financial covenants, and the its Directors continue to adopt the 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.

**3. EMPLOYEES AND DIRECTORS**

The Company has no employees (2018: none).

**4. DIRECTORS' EMOLUMENTS**

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 2019, an amount of £2,000 receivable by the auditor and its associates in respect of audit services has been paid by another group company (2018: £2,000).

**5. AMOUNTS WRITTEN OFF INVESTMENTS**

|                                 | 31.12.19          | 31.12.18          |
|---------------------------------|-------------------|-------------------|
|                                 | £'000             | £'000             |
| Amounts written off investments | 3,000             | -                 |
|                                 | <u>          </u> | <u>          </u> |

**MNA Finance Limited**

**Notes to the Financial Statements - continued  
for the Year Ended 31 December 2019**

**6. INTEREST PAYABLE AND SIMILAR EXPENSES**

|                                     | 31.12.19      | 31.12.18      |
|-------------------------------------|---------------|---------------|
|                                     | £'000         | £'000         |
| Interest paid to Group undertakings | 18,510        | 23,583        |
|                                     | <u>18,510</u> | <u>23,583</u> |

**7. (LOSS)/PROFIT BEFORE TAXATION**

The loss before taxation (2018 - profit before taxation) is stated after charging/(crediting):

|  | 31.12.19   | 31.12.18    |
|--|------------|-------------|
|  | £'000      | £'000       |
| Fair value movements in respect of derivatives | 736        | (13,309)    |
| Dividends received from Group undertakings     | (10,676)   | (13,068)    |
| Interest received from Group undertakings      | (10,675)   | (13,000)    |
| Interest payable to Group undertakings         | 18,510     | 23,583      |
| General overheads                              | (7)        | (28)        |
|  | <u>(7)</u> | <u>(28)</u> |

**8. TAXATION**

**Analysis of tax (income)/expense**

|   | 31.12.19       | 31.12.18     |
|---|----------------|--------------|
|   | £'000          | £'000        |
| Current tax:  |                |              |
| Corporation tax charge  | (1,976)        | 1,426        |
| Total tax (income)/expense in statement of comprehensive income | <u>(1,976)</u> | <u>1,426</u> |

**Factors affecting the tax expense**

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

|  | 31.12.19       | 31.12.18     |
|--|----------------|--------------|
|  | £'000          | £'000        |
| (Loss)/profit before Income tax  | (888)          | 15,821       |
| (Loss)/profit multiplied by the standard rate of corporation tax in the UK of 19% (2018 - 19%) | (169)          | 3,006        |
| Effects of:  |                |              |
| Income not taxable for tax purposes  | (2,028)        | (2,483)      |
| Adjustments in respect of prior periods  | (538)          | 903          |
| Movement in unrecognised deferred tax  | 189            | -            |
| Expenses not taxable for tax purposes  | 570            | -            |
| Tax (income)/expense   | <u>(1,976)</u> | <u>1,426</u> |

**9. INVESTMENTS AND OTHER FINANCIAL ASSETS**

|                              | 31.12.19       | 31.12.18       |
|------------------------------|----------------|----------------|
|                              | £'000          | £'000          |
| Shares in group undertakings | 176,800        | 179,800        |
| Loans to group undertakings  | 185,244        | 190,439        |
| Other investments not loans  | 2,664          | 1,937          |
|                              | <u>364,708</u> | <u>372,176</u> |

**MNA Finance Limited**

**Notes to the Financial Statements - continued  
for the Year Ended 31 December 2019**

**9. INVESTMENTS AND OTHER FINANCIAL ASSETS - continued**

Additional information is as follows:

|                       | Shares in<br>group<br>undertakings<br>£'000 |
|-----------------------|---|
| <b>COST</b>           |   |
| At 1 January 2019     |   |
| and 31 December 2019  | 194,956                                     |
| <b>PROVISIONS</b>     |   |
| At 1 January 2019     | 15,156                                      |
| Provision for year    | 3,000                                       |
| At 31 December 2019   | 18,156                                      |
| <b>NET BOOK VALUE</b> |   |
| At 31 December 2019   | 176,800                                     |
| At 31 December 2018   | 179,800                                     |

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:

|                               | Country of<br>Incorporation | Registered Office Address                                     | Principal<br>activity | % of<br>ordinary<br>shares<br>held                     |
|-------------------------------|-----------------------------|---|-----------------------|--|
| <b>Directly owned:</b>        |                             |   |                       |  |
| Morgan Finance Management Ltd | United Kingdom              | York House, Sheet Street, Windsor,<br>United Kingdom, SL4 1DD | Holding<br>Company    | 100%   |
|                               |                             |   |                       | Amounts<br>owed from<br>Group<br>undertakings<br>£'000 |
| At 1 January 2019             |                             |   |                       | 190,439  |
| Additions                     |                             |   |                       | 4,500  |
| Repayment                     |                             |   |                       | (2,500)  |
| Other movements               |                             |   |                       | (7,195)  |
| At 31 December 2019           |                             |   |                       | 185,244  |

The movement of £7,195,000 in the year is as a result of foreign exchange.

Other financial assets were as follows:

|                            | 31.12.19<br>£'000 | 31.12.18<br>£'000 |
|----------------------------|-------------------|-------------------|
| Derivative financial asset | 2,664             | 1,937             |

**MNA Finance Limited**

**Notes to the Financial Statements - continued  
for the Year Ended 31 December 2019**

**10. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

|                                    | 31.12.19     | 31.12.18     |
|------------------------------------|--------------|--------------|
|                                    | £'000        | £'000        |
| Amounts owed by Group undertakings | 350          | 355          |
| Corporation tax receivable         | 1,453        | 3,320        |
|                                    | <u>1,803</u> | <u>3,675</u> |

**11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

|   | 31.12.19   | 31.12.18     |
|---|------------|--------------|
|   | £'000      | £'000        |
| Bank loans and overdrafts (see note 13) | -          | 525          |
| Amounts owed to Group undertakings      | 432        | 484          |
| Derivative financial liability          | -          | 2,386        |
|   | <u>432</u> | <u>3,395</u> |

**12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

|                                    | 31.12.19       | 31.12.18       |
|------------------------------------|----------------|----------------|
|                                    | £'000          | £'000          |
| Derivative financial liability     | 4,922          | 1,073          |
| Amounts owed to Group undertakings | 370,770        | 381,567        |
|                                    | <u>375,692</u> | <u>382,640</u> |

Amounts owed to group undertakings include fixed and floating facilities. The terms are expected to be renewed after each loan matures. The interest rates as at 31 December 2019 were 3.53-6.75% (31 December 2018: 3.75-6.75%).

**13. FINANCIAL LIABILITIES - BORROWINGS**

|                 | 31.12.19 | 31.12.18   |
|-----------------|----------|------------|
|                 | £'000    | £'000      |
| Current:        |          |            |
| Bank overdrafts | -        | 525        |
|                 | <u>-</u> | <u>525</u> |

**14. CALLED UP SHARE CAPITAL**

| Allotted, issued and fully paid: |          |                | 31.12.19 | 31.12.18 |
|----------------------------------|----------|----------------|----------|----------|
| Number:                          | Class:   | Nominal value: | £        | £        |
| 1                                | Ordinary | £1             | <u>1</u> | <u>1</u> |

**15. RESERVES**

|                     | Retained earnings<br>£'000 |
|---------------------|----------------------------|
| At 1 January 2019   | (10,184)                   |
| Profit for the year | 1,088                      |
| At 31 December 2019 | <u>(9,096)</u>             |

Notes to the Financial Statements - continued  
for the Year Ended 31 December 2019

**16. ULTIMATE PARENT COMPANY**

The Directors regard Morgan Advanced Materials plc, Incorporated in England and Wales, as being the Company's ultimate parent undertaking. The smallest and largest group in which the results of the Company are consolidated is that headed by Morgan Advanced Materials plc. The Consolidated accounts of Morgan Advanced Materials plc are available to the public and may be obtained from its registered office situated at York House, Sheet Street, Windsor, United Kingdom, SL4 1DD.

**17. CONTINGENT LIABILITIES**

The Company participates in a cash pooling arrangement provided by Barclays Bank plc with other UK Group companies. As part of that pooling arrangement, the Company has provided a Guarantee for 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 credit balance in the cash pool.

At the balance sheet date, the guaranteed amount was £0.5m (2018: £nil)

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) the aggregate of all Debt Balances of all Participants; and
- b) the Credit Balance of that Participant.

At the balance sheet date, the guaranteed amount was £nil (2018: £nil)

**18. POST BALANCE-SHEET EVENTS**

The Covid-19 pandemic has led to significant challenges across the world. The Group continues to work hard to respond to these unprecedented circumstances and actively manage the ongoing risks to our employees, operations and customers.

The Group reduced activity and closed sites in geographies where that was required. This included the closure of sites in China, Italy, India, South Africa and Mexico for a period of time. Those plants have now re-opened, however we may experience future plant closures where local outbreaks are identified, and government lockdown restrictions are implemented.

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