MORGAN

1993 Annual Report and Accounts

The Morgan Crucible Company plc

*M*organ is a world class Group with over 160 businesses operating in 39 countries and selling into more than 120. The businesses develop, manufacture and market technologically advanced materials, chemicals and components either for new products or to improve the performance of existing ones.

C O N T E N T S

GLOBAL MO

Morgan's businesses are grouped into four focussed product divisions; Carbon, Technical Ceramics, Thermal Ceramics and Specialty Materials and are strategically placed on a global basis in order to service customers and markets with maximum efficiency.

Carbon Division

Morgan is the world's largest producer of carbon brushes and a major producer of commutators, both important components in electric motors. The motors are used in domestic appliances, power tools, cars, trucks, mobile plant, locomotives, subways and rapid transit systems, aircraft, elevators and electrically powered machinery in general. Pantographs for high speed trains and current collectors for tramways and subways are also manufactured, as are contacts for computer disc drives and friction element wear detectors.

Technical Ceramics Division

Morgan is one of the world's leading manufacturers of high performance ceramics. Products include piezo-electric devices, microwave and domestic heating components, dielectric resonators used in television satellite dishes, power transmission and switchgear insulators, capacitors, domestic mixer tap seals, unmanned submersible hulls, textile machine threadguides, cardiac pacemaker components and artificial hip joints.

Thermal Ceramics Division

Morgan is a world leader in the production of crucibles for metal melting, assay and dentalware as well as in the manufacture and marketing of insulating fibre and high temperature insulating bricks. The Division also produces monolithic and shaped refractories. Products are supplied to the petrochemical, glass, cement, power generation, metal melting, heat containment and construction industries. Engineered fibres are used in automotive safety airbags, heat shields and catalytic convertors.

Specialty Materials Division

The Division manufactures advanced lubricants, metalworking and production aids for a wide range of applications. These include corrosion control, fuel conditioning, non-destructive testing, metal forming and glass processing. Its electronic components are used in aerospace, nuclear, telecommunications and military applications. Other products include silicon photo detectors, flexible printed circuits, gallium arsenide lasers and radiation monitors.

Organisation

Apart from its people, materials technology and diversity of products, Morgan's strengths are its worldwide sales, marketing and manufacturing networks.

A significant factor in Morgan's growth is its ability to develop new materials, products and markets. In 1993, approximately 20% of sales were from products developed during the last three years.

Products are supplied to virtually every industry with 85% of sales and over 70% of employees outside the UK. A high research and development expenditure, coupled with quality application engineering and consistent capital spending on the development of new processes ensure a steady flow of new products.

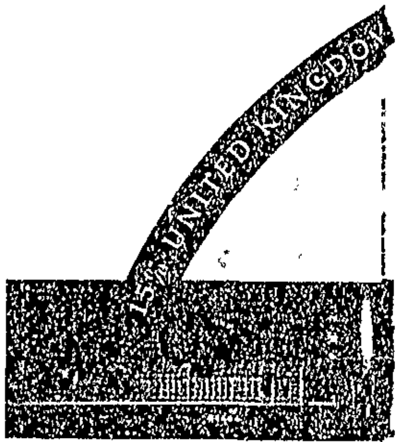
Morgan operates a very decentralised organisation structure with subsidiary and associated companies having a considerable degree of autonomy.

Each company has a clearly defined strategy and budget. Individual profit centres within companies are an important part of the Morgan business philosophy. This structure ensures that accountability for performance in the market place is pushed well down the line. It also lends itself to a flat management structure which ensures good communication, quick response, flexibility and tight management control.

A very small head office team at Windsor plans and coordinates worldwide business development, monitors performance and controls overall legal, tax, treasury, secretarial and intellectual property matters.

As new markets and technologies unfold, Morgan turns innovation into global profit.

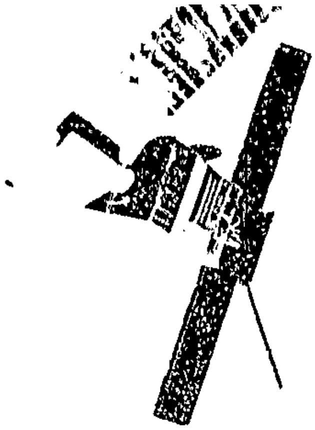
SALES BY



Australia
Austria
Belgium
Brazil
Canada
China
Denmark
France
Germany
Great Britain
Greece

Guatemala
Hong Kong
Hungary
India
Ireland
Italy
Japan
Luxembourg
Malaysia

R G A N

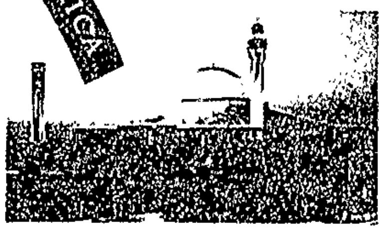


Space satellites are equipped with Morgan's semi-conductor devices.

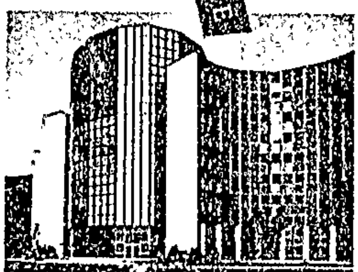
GEOGRAPHICAL AREA

39% THE AMERICAS

3% MIDDLE EAST & AFRICA

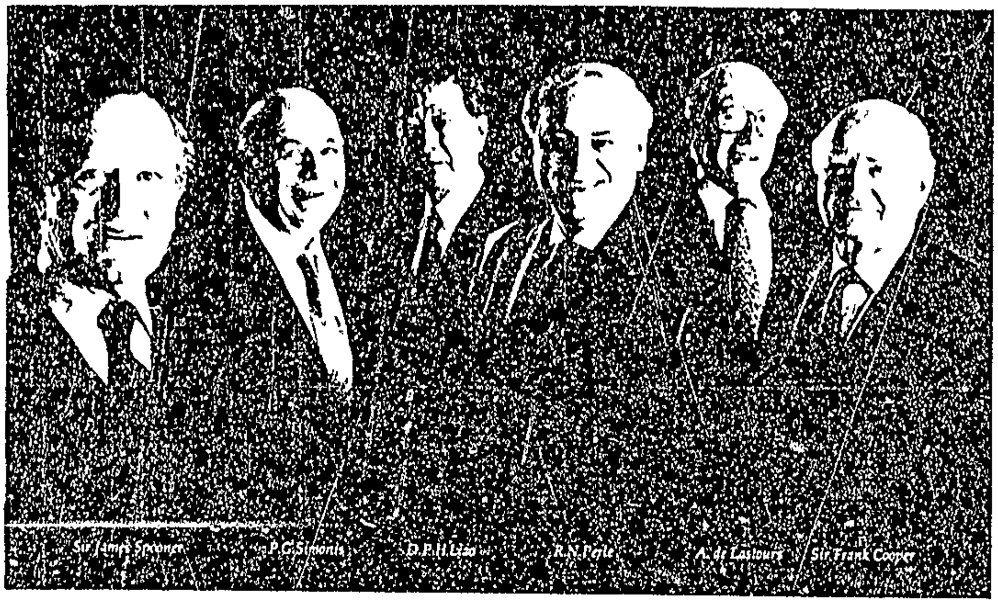


24% REST OF EUROPE



19% FAR EAST & AUSTRALASIA

Mexico	Sweden
Netherlands	Switzerland
New Zealand	Taiwan
Portugal	Thailand
Puerto Rico	Turkey
Russia	USA
Singapore	Venezuela
South Africa	Zambia
South Korea	Zimbabwe
Spain	

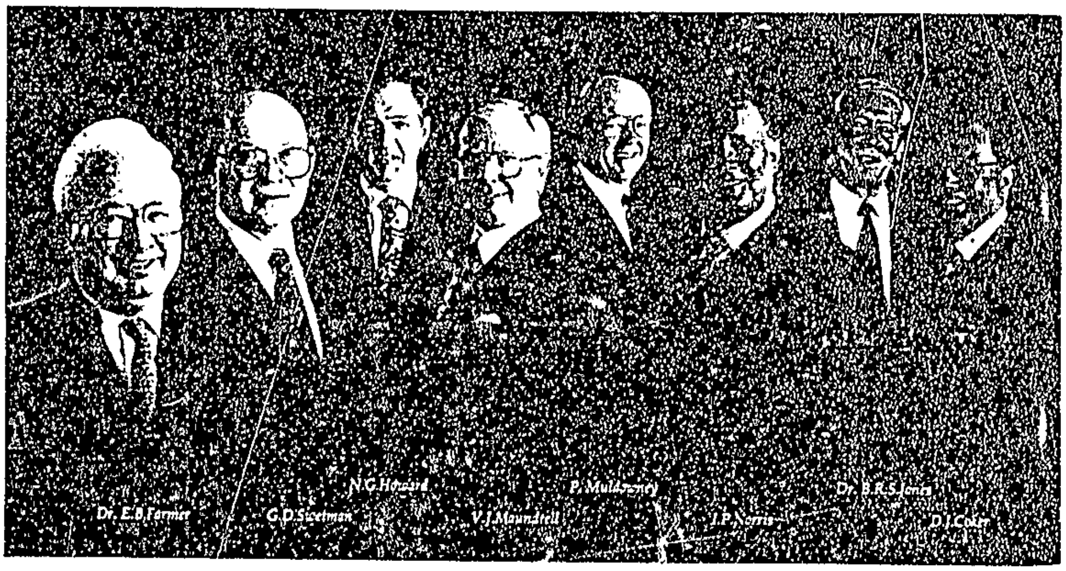


Chairman since 1983. Appointed to the Board in 1974. Director John Swire & Sons, Barclays Bank, J Sainsbury. Chairman King's College, London. Director Royal Opera House, Covent Garden.

Non-executive Director since January 1991. Director The Hong Kong and Shanghai Banking Corporation Limited. Member British Lennox Group 1987 1989. Hong Kong Government Civil Service 1959 to 1989.

Non-executive Director since 1983. Chairman High Integrity Systems. Director N.M. Rothschild & Sons. Chairman, Imperial College, London.

Non-executive Director since 1983. Director British American Offshore; Whessoe, Haden MacLellan Holdings; Rexnord Companies Inc.



Managing Director since [illegible]

Finance Director since [illegible]

Director since July [illegible]

Director since July [illegible]

Chairman Special [illegible]

Director since January [illegible]

Retired as a director on 31st December 1991 having been a Director since January 1988. Chairman Technical Ceramics Division June 1988 to December 1991. Thermal Ceramics Division 1986 to 1988. Joined Morgan in 1978 as Managing Director of Morganite Australia.

Secretary since November 1989. Joined Morgan October 1988 from The Guthrie Corporation where he was Group Secretary.

[illegible]

A. de Laclause (64)
(France)
Non-executive Director since 1979. Senior Vice President: Pechiney. Chairman: Aluminium of Greece S.A.

R.N. Perle (52)
(United States of America)
Non-executive Director since June 1983. Resident Fellow: American Enterprise Institute. Director: Memorex-Telex Corp. United States Assistant Secretary of Defence 1981 to 1987.

THE GROUP

In a year in which both Morgan and its markets have experienced considerable change, sales rose by 16% to £793.3m from £684.0m. Currency accounted for £63.7m of this increase and acquisitions £4.3m. Excluding the impact of these effects, sales rose by 6.0%. During the year, Morgan's markets in Germany, France and Japan declined severely but this was offset by increasing demand in North America and, to a lesser extent, Australasia and the UK. South East Asian business was particularly strong and order levels were good in South America. Worldwide order intake improved by 6.5%. Despite strong pricing pressure, Morgan was able to increase its market share in its principal markets and maintain a similar operating margin to last year.

Operating profit increased by 14.7% to £81.1m (1992 : £70.7m). £7.7m of this increase arose from currency translation and £0.7m from acquisitions. Operating profit was helped by growth in new product sales, especially in the automotive, biomedical and health care sectors. Geographically, there was underlying growth in sales of 13.5% in South East Asia and 6% in The Americas.

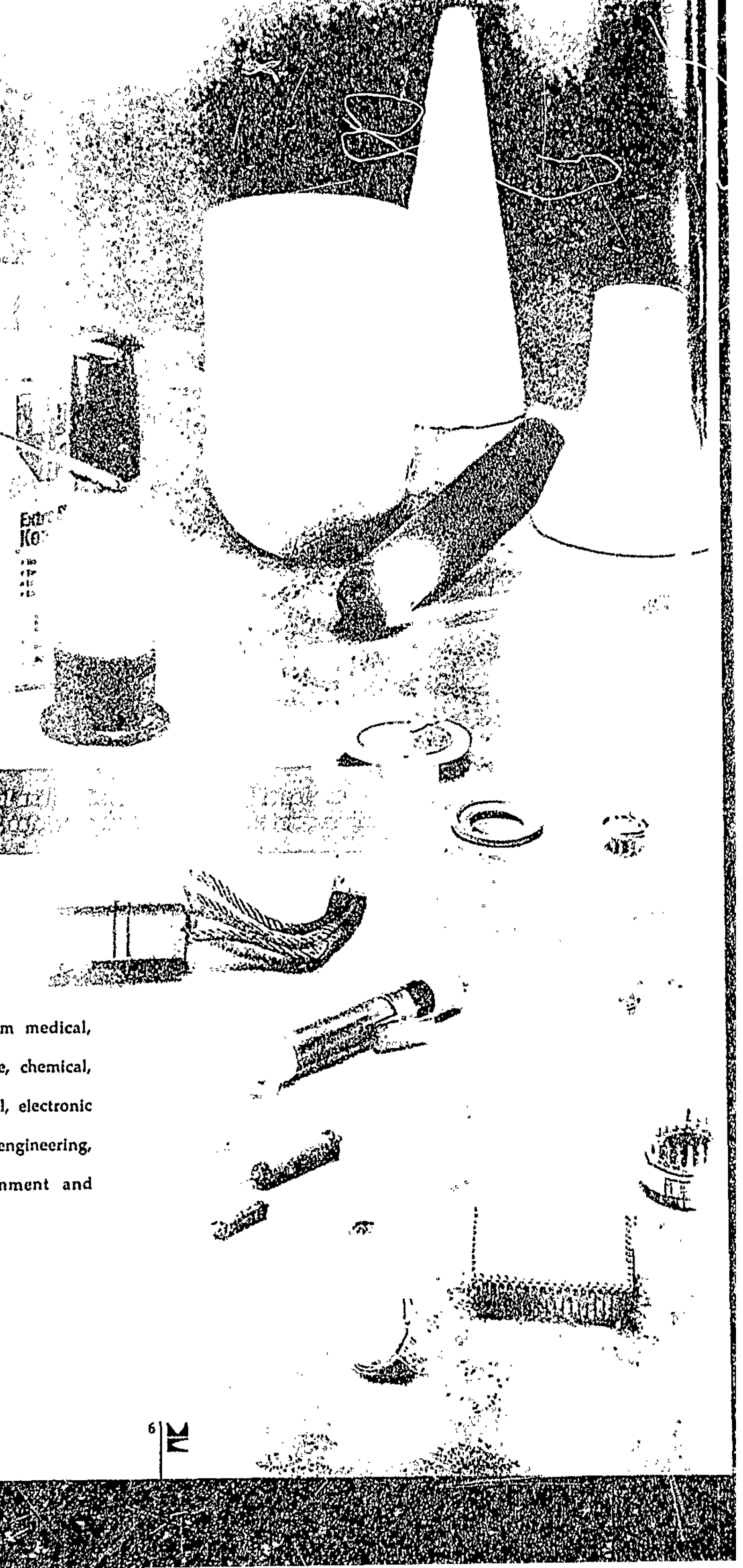
In order to strengthen the Group's future profit position, further restructuring took place across all the divisions. Employee numbers, excluding acquisitions, were reduced by 433 during the year and redundancy and reorganisation charges amounted to £2.4m (1992 : £1.2m). Since the recession started in 1990, the numbers employed have now been reduced by approximately 2,250 or 16% worldwide.

Research and development expenditure increased to £13.1m (1992 : £12.1m) whilst capital expenditure at £35.2m was 1.3 times depreciation, 4.4% of sales. Capital expenditure in 1992 was £40.4 million but this included a number of accelerated projects. Approximately 40% of the capital expenditure was spent on areas where significant sales growth is anticipated and the balance mainly on productivity improvements. Similar levels of research and development and capital expenditure are planned in 1994. Products developed during the last three years accounted for approximately 20% of 1993 sales.

Profit before tax rose by 7.7% to £66.0m from £61.3m despite increased net finance charges of £15.9m (1992 : £9.3m) and after exceptional profit of £1.0m (1992 : (£0.5m)). Finance charges were higher due to currency effects (£1.7m), the reduction in interest rate differentials (£1.5m), the premium paid (£0.4m) on the redemption of 9.5% Debenture Stock and the effect of increased average debt (£3.0m). The tax charge was 28.6% compared with 29.5% in the previous year.

Interest costs were covered five times and the total cash inflow of £0.2m compared with a cash outflow of £55.6m last year. Working capital was reduced from 25% to 21% of sales and the debt equity ratio was 66% (1992 : 67%) on net borrowings of £161.8m. Fully diluted earnings per share rose 7% to 20.0 pence (1992 : 18.7 pence). The final dividend is 6.85 pence making 12.6 pence for the year (1992 : 12.6 pence).

The Group's order intake is currently 6% up on last year with North America and South East Asia, except Japan, showing the best gains. Some improvements in demand are beginning to show through in the UK and Australasia. Problems remain in parts of Europe but the worst of the recession there now appears to be over. With improving market demand, the benefits of new product sales and ongoing restructuring, the year should be one of continued progress for the Group.

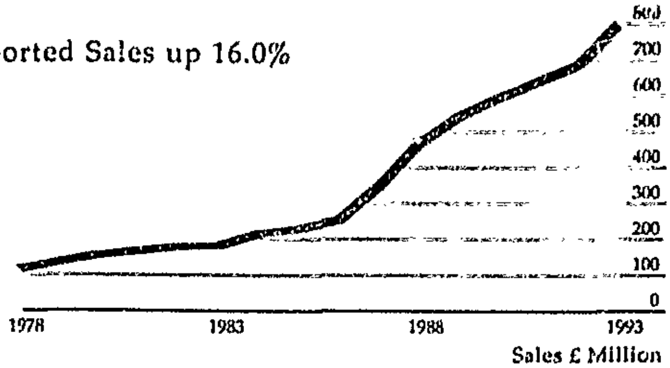


All manufactured by Morgan: electrical and thermal ceramics, specialty chemicals, ...

Morgan's markets range from medical, telecommunications, aerospace, chemical, agricultural, nuclear, electrical, electronic and consumer to transport, engineering, metal-melting, heat containment and leisure.

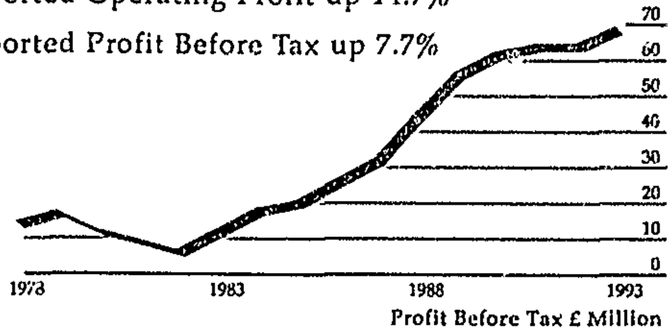
Performance Overview

Reported Sales up 16.0%



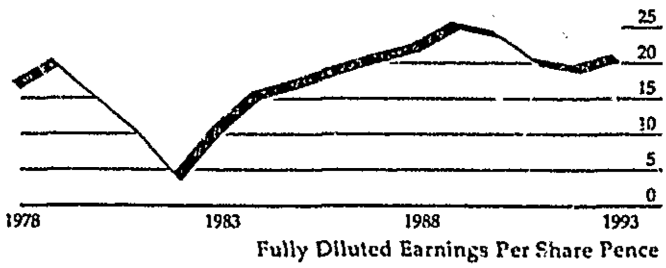
Reported Operating Profit up 14.7%

Reported Profit Before Tax up 7.7%

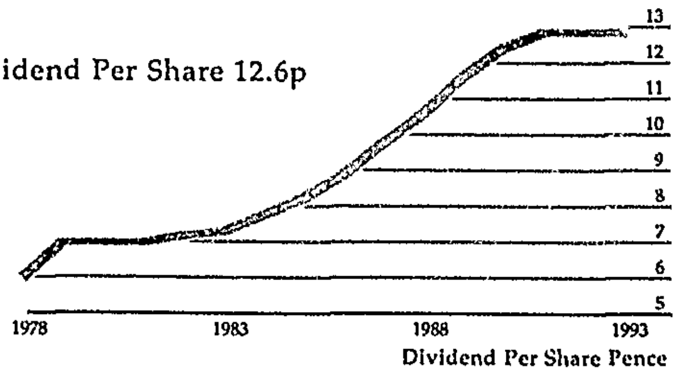


Earnings Per Share up 7.0%

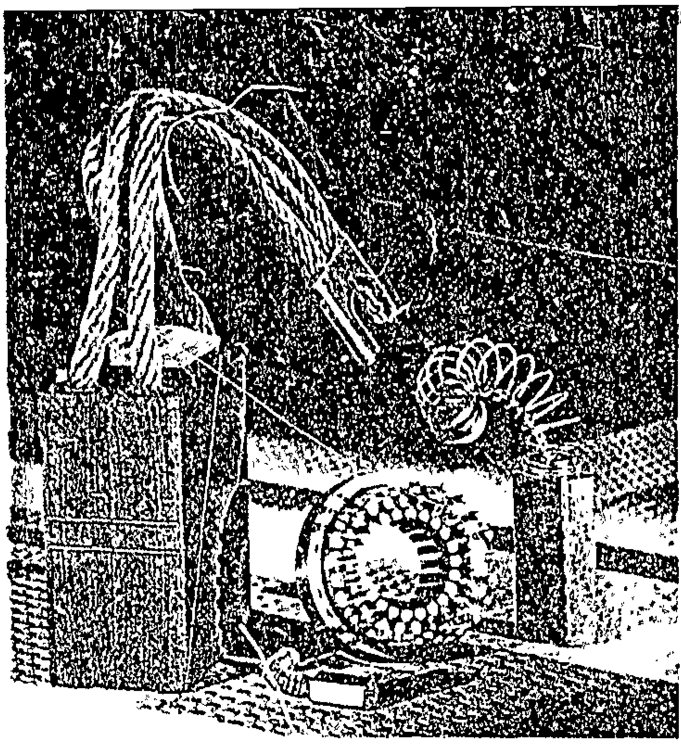
Fully Diluted



Dividend Per Share 12.6p



Net Cash Inflow £0.2m (1992: Cash Outflow £55.6m)



Morgan is one of the world's leading producers of electric motor brushes and commutators

CARBON
Division

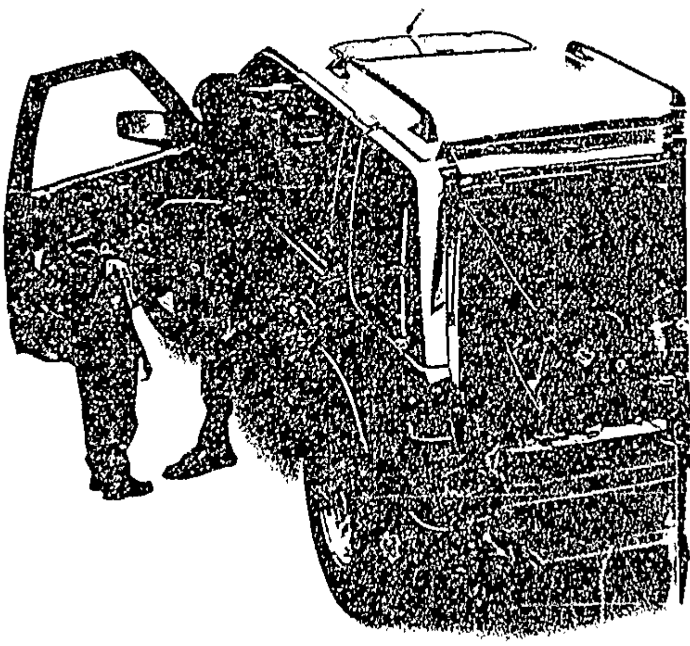
The Carbon Division had a very difficult year with downturns in its major European and Japanese markets, strong pricing pressure, especially in Europe, and the implementation of a major restructuring programme. Nevertheless, it was still able to achieve good increases in sales and operating profits aided by currency translation.

The European companies did well in this difficult environment. Morganite Electrical Carbon in the UK improved its profitability over the previous year despite restructuring costs and lower margins in its industrial products sector. The German and French company profits were substantially reduced and EBN, the Italian automotive and consumer market supplier, suffered severe cut-backs from its key automotive customers. However, the Morganite companies in Spain and Hungary produced very good performances and the European National Carbon businesses, which are focussed on rail and industrial customers, achieved record sales and profits.

In The Americas, the fast rate of growth of Morganite Inc. continued but, whilst sales and profits improved, the rapid introduction of new products and new manufacturing facilities put pressure on marginal costs.

Pumps in domestic appliances use Morgan motor brushes, seals and bearings.

The many electric motors in today's cars all represent applications for Morgan's products.

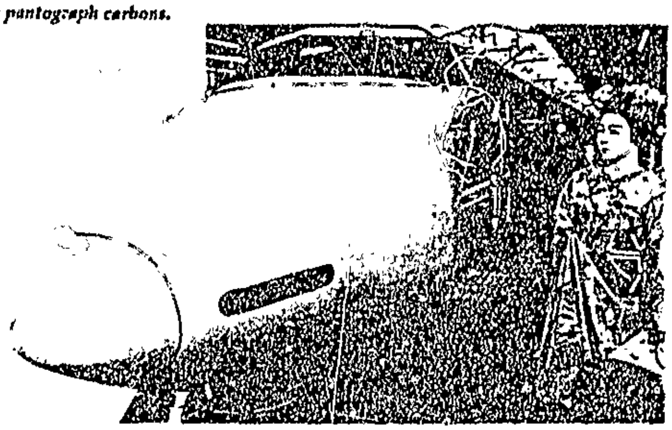


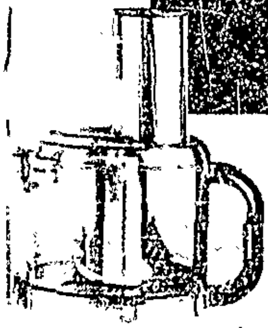
Group Turnover

£ millions	1992	1993
Turnover	124.9	143.8
Operating Profit	15.6	[illegible]

The electric motors on escalators are fitted with Morgan's brushes and commutators.

High speed locomotives collect electrical current through Morgan's pantograph carbons.





Food processors are fitted with Morgan's electric motor brushes.

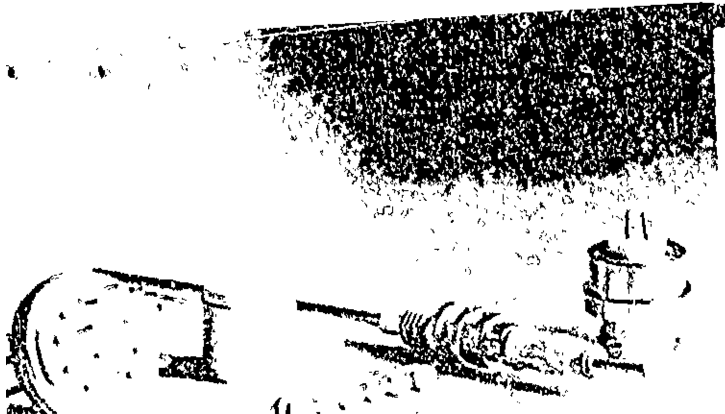
The combined North American industrial, traction and aerospace businesses began to work effectively together with the rationalisation programme continuing ahead of schedule. Fulmer, the brush holder company, had a much improved year. Overall, the North American operations produced good increases in sales and profits.

The Far East operations substantially increased sales and profits. Shanghai Carbon was the best performer although Assam Carbon in India also had a very good year, as did our companies in Taiwan and Hong Kong. Karahm in Korea continued its sales growth but reduced operating margins required a reorganisation and strengthening of the management team.

The Australian operations improved their performance in patchy trading conditions. The South African company, despite the political difficulties there, had a very good year and two small acquisitions were made in Zambia and Zimbabwe in order to improve our penetration into the mining and rail sectors there.

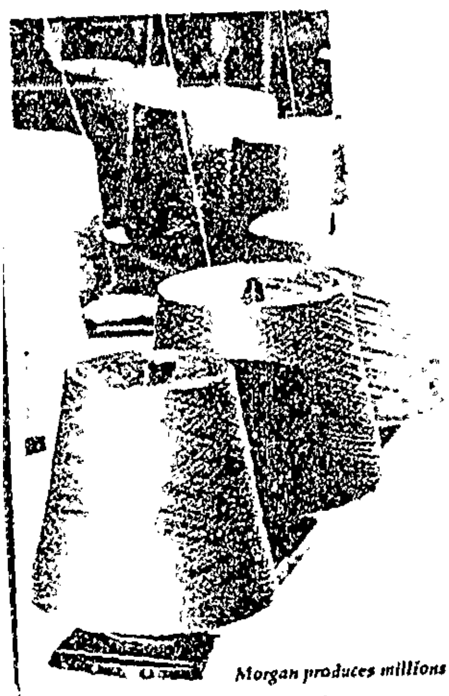
1993 was a major challenge. Overall, the response from the companies was very positive. With the Division's excellent geographic positioning, increased competitiveness and improving gross margins, it is well placed to take advantage of any upturn.

Morgan's motor brushes and commutators are fitted in power tools.



Technical Ceramics Division

Morgan is one of only a few manufacturers of metal bonded ceramics for the electronics industry.



Morgan produces millions of precision threadguides used in textile spinning.

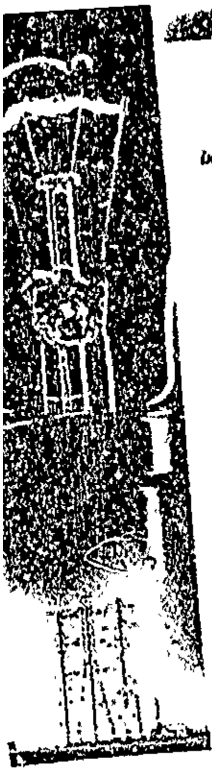
Market conditions did not improve in 1993 but the Division continued to build on its ability to develop new product opportunities whilst reducing costs and improving efficiency. Consequently sales, profits and margins were improved very effectively during the year.

Several rationalisations were successfully carried out. In the USA, the Frenchtown business acquired at the end of 1992 was moved into Wesgo (California), Alberox (Massachussetts) and Wesgo (New Jersey) whilst Duramic (New Jersey) was absorbed by Wesgo (New Jersey). The base businesses of Wesgo and Alberox were exposed to severe cutbacks from the defence and aerospace industries but development of new products into other commercial markets largely offset this. Electro-ceramics (USA) benefitted from the closure of a competitor and continued to develop new products, particularly a new range of actuators.

Matroc (UK) began the move of the Anderman facility to Rugby which will be completed during 1994 and will create a highly efficient advanced ceramics manufacturing facility. Further rationalisation of the Matroc site at Stourport was necessary where fire destroyed a significant part of the facility (38,000 sq.ft.). Major efforts by management, supported by customers and insurers, ensured that limited production began within two weeks and full production was achieved within ten weeks. Matroc (UK) now has a world class facility to manufacture threadguides. Engineered ceramics performed creditably in an extremely competitive market place and all Matroc (UK) operations increased their percentage of exports, overcoming difficulties in the home market. The overseas sales organisation has been expanded further.

Matroc Rugby (UK) had an encouraging year with demand for ballistic tiles and body armour

Morgan's medical implants range from hip joints to shoulder buttons.



Morgan has signed a multi-million dollar contract to supply high voltage insulators to The State Electricity Commission of Victoria, New South Wales.

£ millions	1992	1993
Turnover	156.7	175.5
Operating Profit	15.7	18.1

being particularly good. The Anderman unit also contributed strongly. The extensive re-equipment of Park Royal (UK) has resulted in the company returning to satisfactory levels of profitability.

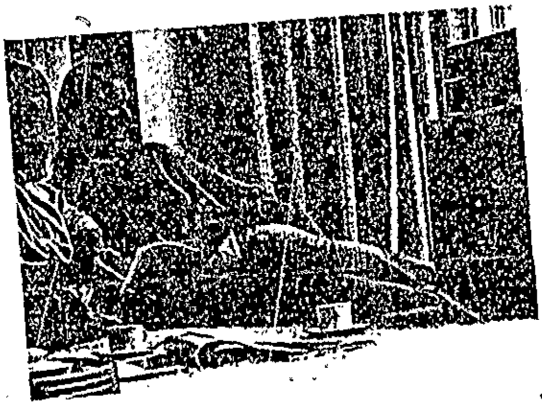
Of the two electro-ceramics businesses in the UK, Unilator achieved the greater growth. Its new range of materials for telecommunications and satellite television applications gained good recognition. Transducer Products did well to maintain 1992 profit levels.

The power industry products group had a more difficult year but still managed to produce a good investment return despite more arduous market conditions. During the year, Morlynn (Australia) entered into a joint venture with NGK Insulation Co., the largest insulator manufacturer in Japan. The joint venture in Melbourne will manufacture remotely controlled switchgear. A major five-year contract has been won from the State Electricity Commission of Victoria which will ensure a sound start for the company.

The Special Carbon operations had a much improved year with substantial gain in sales and profits. After its 1992 reorganisation, Morganite Special Carbons (UK) performed very well, its Graflon product range having a good year. Three smaller European facilities

Both plough coulters and crop spraying nozzles are made in abrasion resistant ceramics.

Satellite television programmes are received via Morgan's dielectric resonators.

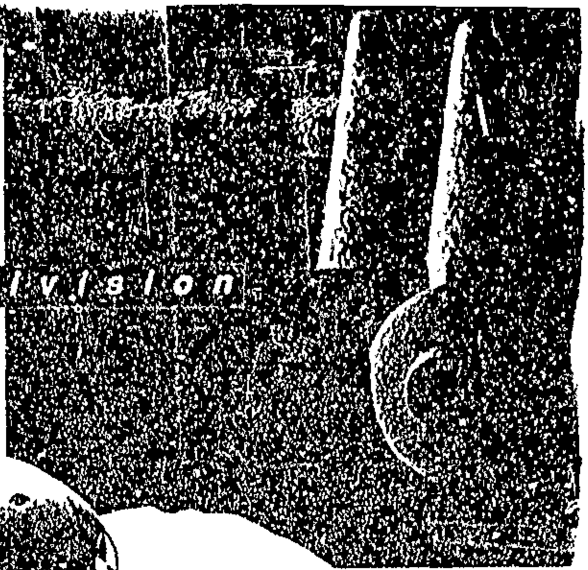


were closed during the year and their operations centred on Luxembourg, which maintained its sales levels but with reduced margins. During 1993, Carbon Technology Inc. and the National Mechanical Carbon operations in the USA were consolidated into an enlarged and modernised Carbon Technology site in Rhode Island. The enlarged company produced a satisfactory increase in sales and profit. The Specialty Carbon business centred in Ohio had a challenging year with rationalisation of its organisation structure and product portfolio taking place.

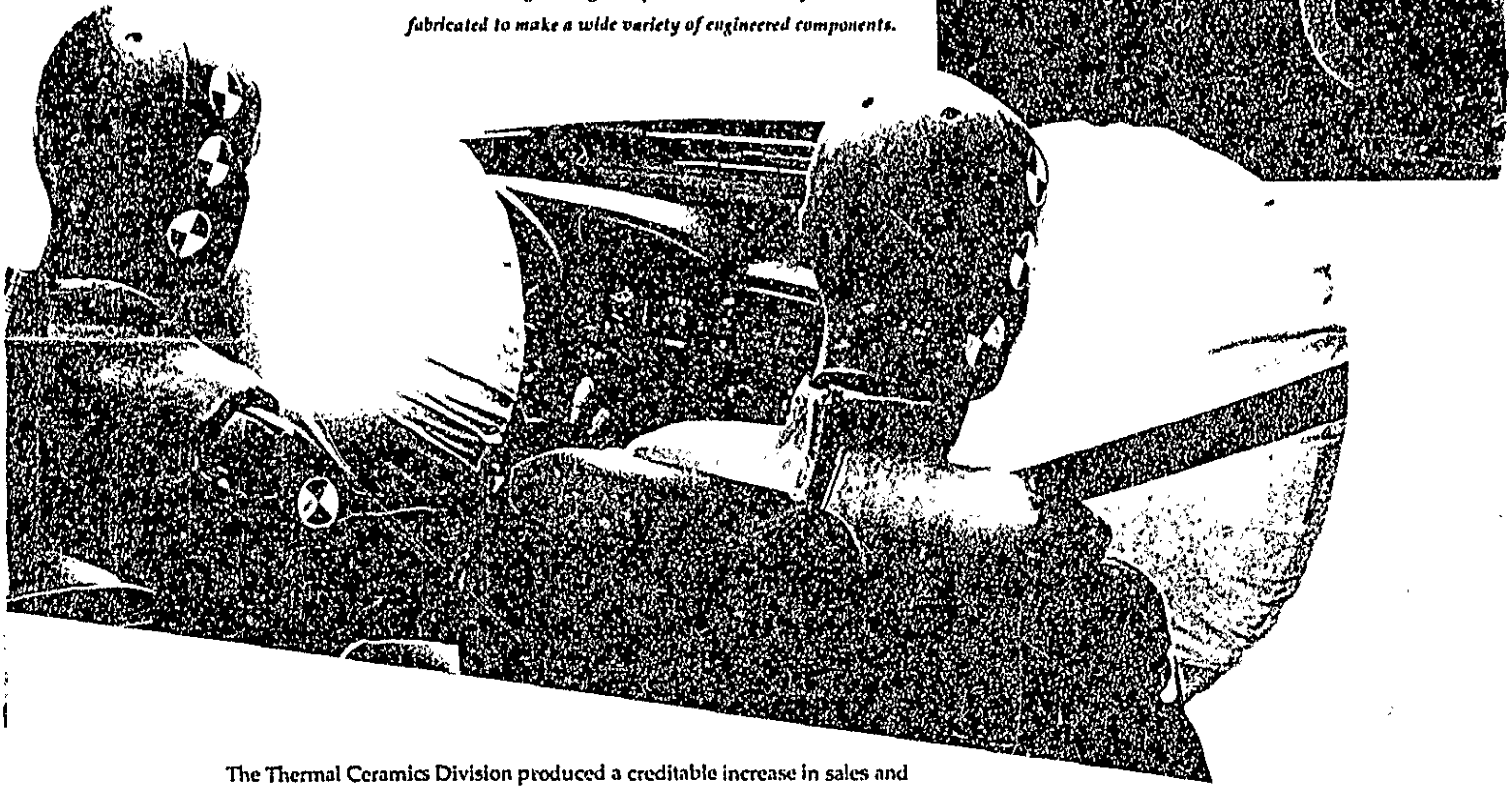
The restructuring of the Division, which is now almost complete, coupled with the ongoing stream of new product introductions, will ensure that the Division has a very bright future.

THERMAL CERAM

Division



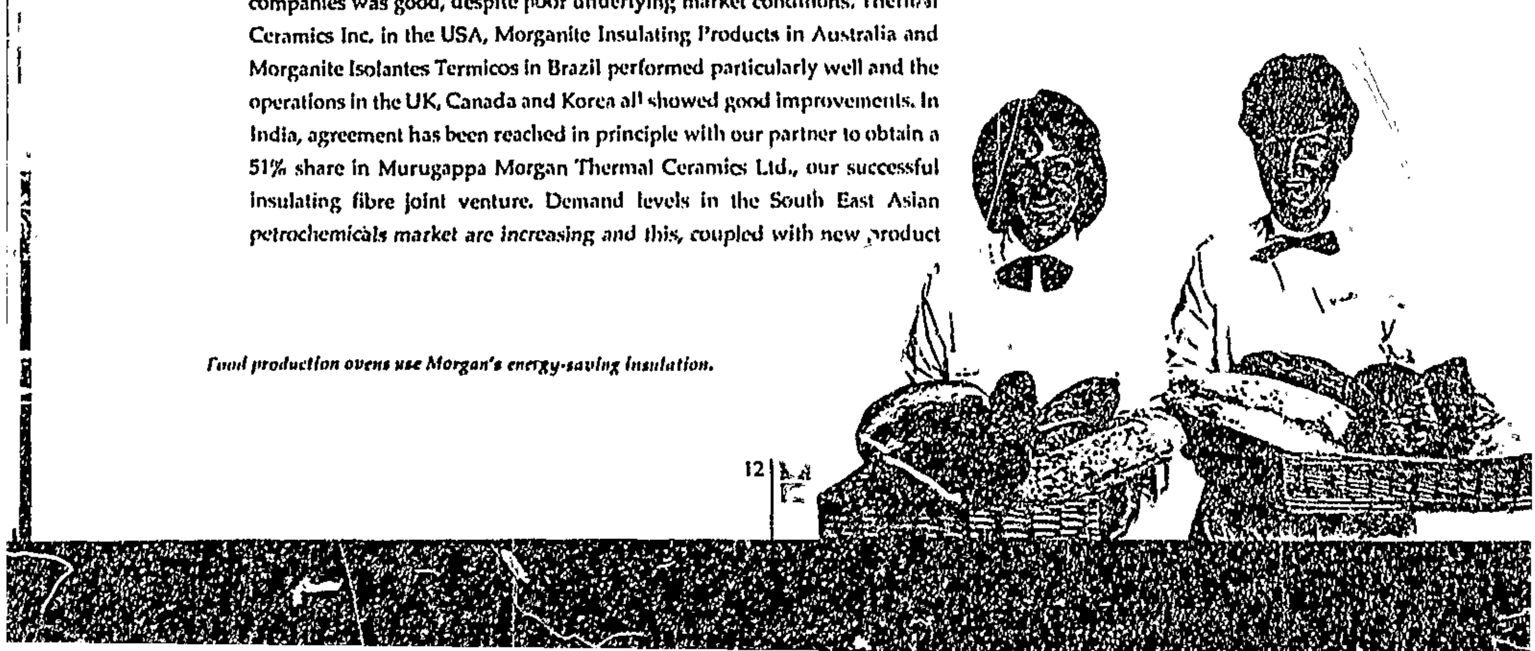
Morgan's high temperature insulation fibre can be fabricated to make a wide variety of engineered components.



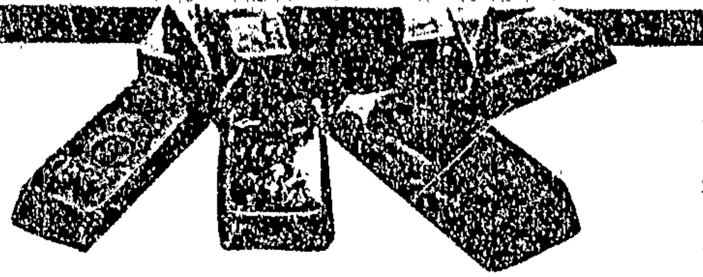
Morgan's insulating fibre components are key elements in car airbags.

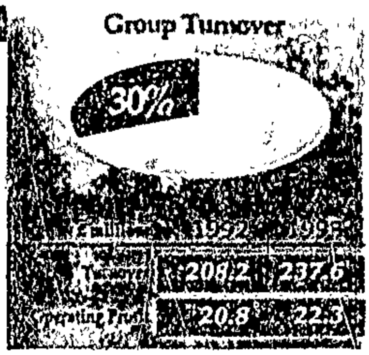
The Thermal Ceramics Division produced a creditable increase in sales and operating profit despite generally hostile economic conditions. The effects of a severe downturn in mainland Europe and softness in its underlying markets elsewhere in the world were more than offset by continued growth from new product introductions, cost reduction programmes and the benefit of currency changes. The extremely competitive situation in most markets put pressure on prices and this, coupled with rationalisation costs, combined to produce a slightly lower operating margin.

In Europe, Thermal Ceramics de France had a very difficult year as demand for insulating fibre in mainland Europe reduced significantly but stringent cost-saving programmes and sales growth from new products put the company into a much more secure and cost-effective position by the year-end. In other parts of the world, the performance of the insulating fibre companies was good, despite poor underlying market conditions. Thermal Ceramics Inc. in the USA, Morganite Insulating Products in Australia and Morganite Isolantes Termicos in Brazil performed particularly well and the operations in the UK, Canada and Korea all showed good improvements. In India, agreement has been reached in principle with our partner to obtain a 51% share in Murugappa Morgan Thermal Ceramics Ltd., our successful insulating fibre joint venture. Demand levels in the South East Asian petrochemicals market are increasing and this, coupled with new product



Food production ovens use Morgan's energy-saving insulation.





growth, offers good expansion opportunities in 1994.

A surge in demand for insulating fire brick from European constructors, mainly driven by increased requirements from the ceramics industry in South East Asia, enabled Thermal Ceramics Italiana to have an outstanding year. In the Americas, demand was more subdued. Thermic Refractories in the USA performed well and produced good profits from their vermiculite based insulating products business despite the low level of demand in the primary aluminium industry.

The world-wide demand for crucibles was considerably affected by the downturn in the Japanese, German and French economies and the demise of the aluminium industry. Consequently, Morgan Thermic (France) had a particularly tough year but American Refractories and Crucible Corporation (USA), Morganite Thermal Ceramics Ltd. (UK) and Carbosil in Brazil all produced good results. Process and material developments should enable these businesses to strengthen their market positions in the future.

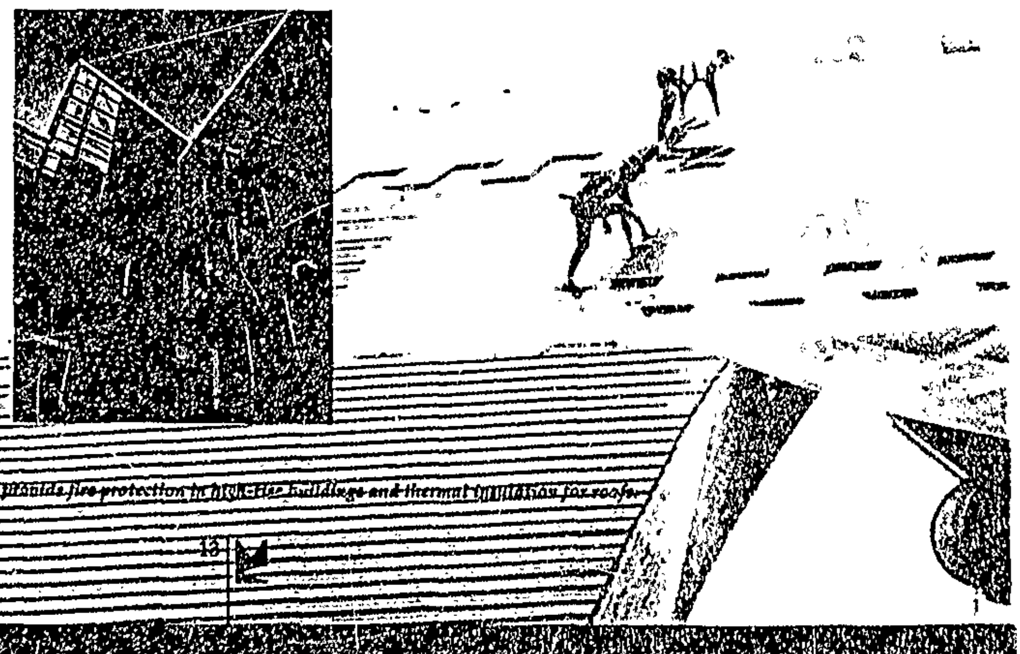
Heat Containment Industries in Australia and New Zealand improved their profits and sales in unhelpful markets, as did Thermal Ceramics Ltd. in the UK. Morganite do Brasil had an excellent year but the results from Morganite South Africa were very disappointing. Morgan's shareholding in Dalian Morgan Refractories in the People's Republic of China was increased to 70%. The company has good growth potential.

Morgan Materials Technology in the UK obtained the prestigious NAMAS accreditation for quality assurance in test laboratories during the year. It continued its development of new processes and materials for Thermal Ceramics, Technical Ceramics and Carbon Divisions. New technologies were transferred to Morgan companies in Europe, the USA, Brazil and Australia.

Some of the Division's major markets will remain depressed in 1994 but growth of new products in the automotive and construction sector, coupled with strengthening markets in the USA, UK and South East Asia should allow Thermal Ceramics to acquit itself well in the coming year.

Ferrous, non-ferrous and precious metals are melted and refined using Morgan's crucibles.

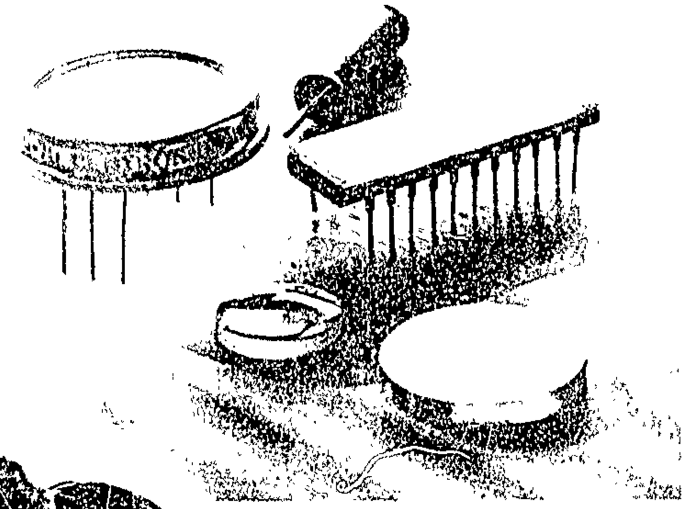
Morgan supplies refractory linings and mouldings used in glassmaking.



Morgan's fibre materials provide fire protection in high-rise buildings and thermal insulation for roofs.

SPECIALTY MATERIALS

Division

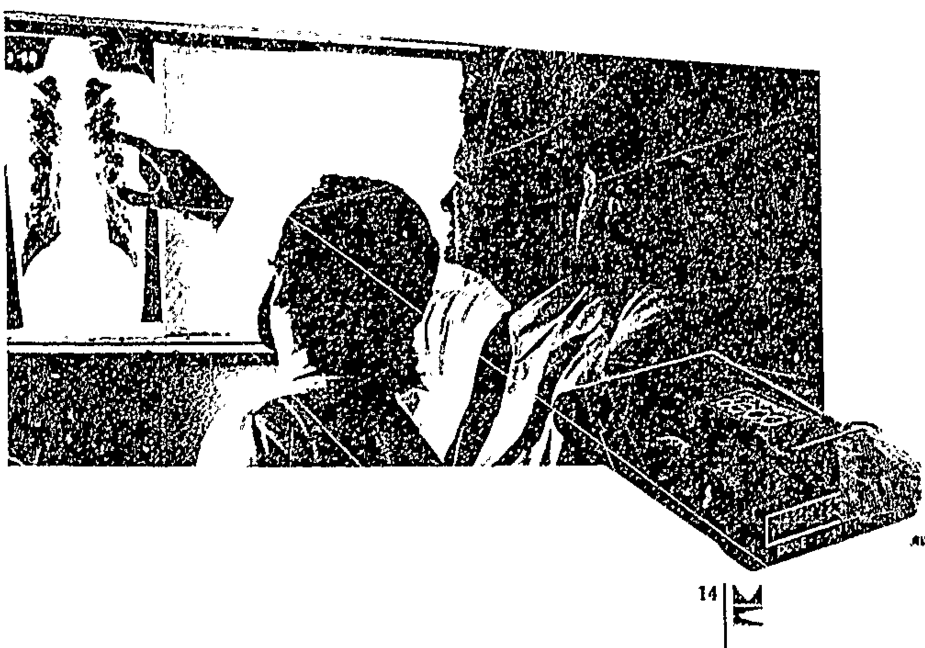


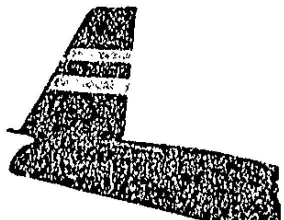
Morgan's electronic devices include laser diodes, Geiger Müller tubes and silicon photo diodes.

Morgan produces electrical coils, fibre optic components and circuitry for telecommunications.

Sales and profits increased significantly from a division with major markets in Japan and Germany, and important product sectors in defence, aerospace and nuclear equipment.

Within the chemical products group, LPS Laboratories in the USA had a record year, expanding its user base in the USA and opening new markets in the Far East and Latin America. Additionally, the K-Poxy acquisition was absorbed without difficulty. Chemtronics (USA) moved ahead strongly as its productivity improvements and new product launches were successfully introduced. American Safety Technologies (USA) saw sales of non-slip coatings to the Navy decline due to cuts in defence spending but this was mainly offset with sales into industrial markets. Hydrotex (USA) had a much improved year, helped particularly by sales of an anti-wear additive to low sulphur diesel fuels. Franklin Oil (USA) also had a record year helped by more favourable market conditions, particularly in the automotive industry. Sales of its joint venture company with Sugumura of Japan increased significantly, particularly to the Japanese transplants in the USA. Despite weak European markets, Rocol (UK) achieved another year of sales and profit growth due to strong sales of maintenance lubricants, site





Morgan manufactures radiation detection and personal dosimetry systems.

Morgan's line marking systems and non-slip coatings are used in sports stadiums.

safety products and a very good performance from its Hong Kong operation.

Holt Lloyd in the car care sector achieved substantial increases in sales and profits due to further successful introductions of new products and material cost reductions.

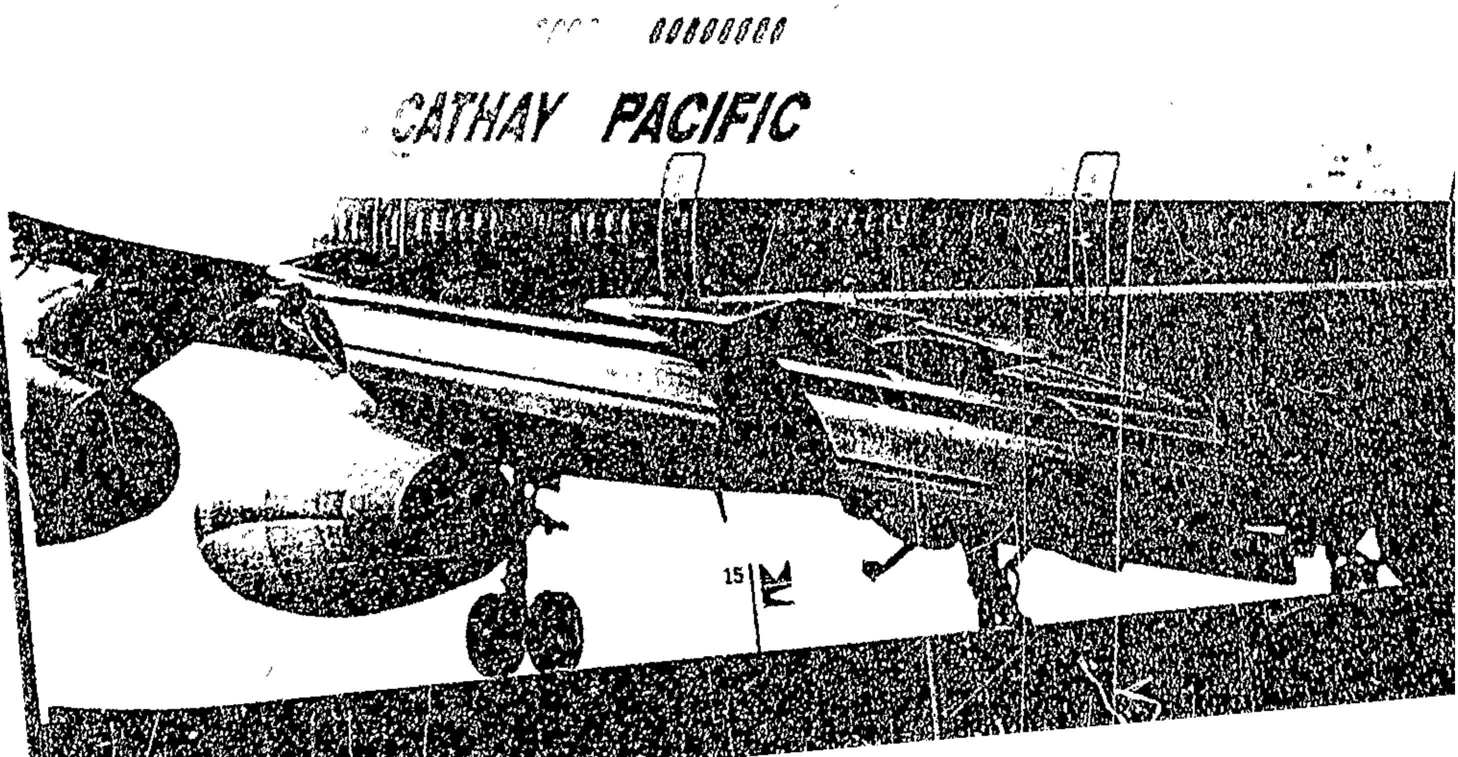
Within the precision engineering group, MBM Technology (UK) and Artisan (USA) produced good results in difficult market conditions. Ormandy and Stollery (UK) benefitted from restructuring and improved its performance substantially.

The demand for nuclear products contracted during the year but Mini Instruments (UK) increased sales and profits whilst Centronic (UK) contained costs well but still suffered a profits shortfall as did Dosimeter Corporation (USA). TGM Detectors (USA) produced a good improvement following reorganisation last year.

In the electro-optics group, Laser Diode (USA) was split into two companies- Laser Diode Products Inc., and Laser Diode Inc., the latter performing strongly in the telecommunications market. Laser Diode Products initiated a series of cost cutting measures in order to enhance performance which included transfer of the Earth City plant to New Brunswick, reorganisation of manufacturing and a reduction in the workforce. Centronic Inc. (USA) increased sales in a very competitive market whilst Centronic (UK) had lower sales due to the recession in Mainland Europe but maintained profitability.

Food processing machinery uses Morgan's non-toxic specialist lubricants.

Morgan's corrosion inhibitors are used to protect aircraft structures.



Profit & Loss Account

Turnover in 1993 increased to £793.3 million from £684.0 million, a 6% increase excluding acquisitions and currency movements. Acquisitions contributed £0.7 million to operating profit. Dalian Morgan Refractories Ltd., previously a 40% associate, is now consolidated as a subsidiary following the purchase of an additional 30% of the company.

Following a fire at Matroc UK, damaged and destroyed assets were replaced under the Group's insurance policy resulting in a net exceptional credit of £3.1 million. Provisions of £2.1 million have been made for the anticipated loss arising on properties which are surplus to the Group's requirements. Overall, this resulted in an exceptional profit of £1 million.

The tax charge at £18.9 million was 28.6% compared with 29.5% last year. Overall, the effective tax rate attributable to profit before tax generated overseas is 25.3% and this, coupled with a further write back of £1.5 million of Advance Corporation Tax in the UK, results in an effective Group rate below the UK standard rate of 33%. After the tax charge of £18.9 million and dividends of £29.7 million, the Group had retained earnings of £16.2 million which have been added to reserves.

Cash Generation

On a 16% increase in turnover, cash generated from operating activities increased to £112.4 million from £64.2 million aided by a £22.7 million improvement in the movement in working capital, a £9.8 million improvement in operating profit, a £7.1 million reduction in costs charged against provisions and a £4.9 million increase in depreciation.

During 1993 Morgan spent £7.2 million on new acquisitions. Additionally, there were payments of £10.4 million for deferred considerations relating to previous acquisitions. The funds generated from increases in share capital (£4.4 million) were mainly due to issues made under the Group's various share option schemes.

Balance Sheet

Tangible fixed assets increased by £8.5 million. Net current assets declined by £52.7 million, due to a reduction in stocks of £5.6 million, an increase of £11.6 million in debtors and an increase of £21.7 million in creditors while cash balances declined from £111.0 million to £74.0 million with a similar reduction in term loans.

Provisions for liabilities and charges decreased by £12.9 million, largely as a result of a reduction in pre-acquisition provisions. A total of £12.6 million was spent on rationalisation moves.

The structure of the Group's capital and reserves was revised following the approval of the High Court to cancel the Share Premium Account. The balance on this account (£88.9 million) was transferred to a Special Reserve against which goodwill on consolidation can be written off. Goodwill of £5.7 million was debited to reserves last year and translation effects produced an adjustment of £11.5 million.

Treasury

Bank funding is provided principally by twenty international banks under a standard multi-currency, multi-borrower revolving credit agreement. Long-term debt, amounting to US $117 million, is in the form of notes which have been placed privately with US insurance companies. The maturity dates range from 1993 to 2006. Of these, $50 million has been swapped from fixed rate into variable rate. In addition, a further US $75 million has been made available under a new shelf facility negotiated during 1993. This may be drawn down in US dollars or sterling and is believed to be the first facility set up this way.

Group Treasury will take positions on the future trend in interest rates from time to time with the objective of smoothing the effect of interest rate movements. This is achieved by the purchase of forward rate agreements and other derivatives. Strategy in this area is reviewed by the Board and/or Executive Committee before contracts are made. The basic policy with respect to currency movements is to hedge the balance sheet by arranging borrowings in currencies where the Group has major asset positions. Subsidiaries buy or sell forward currencies to cover trading positions as considered appropriate at the time. The Group does not enter into foreign exchange contracts except in contemplation and support of trading transactions, asset purchases or international funding operations.

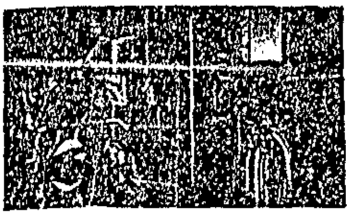
In 1993, the £4.3 million 1995/2000 9.5% Debenture Stock, originally issued in early 1970 and 1973 was repaid. This formed the only secured borrowing of the Company and was redeemed in order to simplify the Group's debt structure.

At the end of 1993, the Group had cash resources of £74.0 million and committed borrowing facilities equivalent to £203 million of which £84.0 million were being utilised.

1993 was a year in which we concentrated on responding to the difficult market conditions by restructuring the businesses to maintain profit margins in the face of strong competitive price pressures. Where there was new growth in our businesses, it occurred as a result of the investment made in developing new products in prior years. Few acquisitions were made.

Morgan is structured as a global business with a management infra-structure capable of supporting a larger group with little extra development. As world economies move out of recession, the Group will be seeking to expand further. In the last few years, we have established positions in a number of emerging markets - particularly in South East Asia - which we hope will become strong focal points for organic growth in the next decade. At the same time, we will seek out acquisitions which complement our existing operations by providing enhanced product or geographic coverage.

The length and depth of the recession of the last four years have severely tested management. I believe that they have demonstrated that they can successfully address these problems.



The response of the Group to the recent adverse market conditions shows a marked improvement compared with the problems that we experienced in similar conditions at the beginning of the 1980's. The fact that profits were maintained in the last four years confirms the success of the policy of building strong market positions and the continuing investment in training and developing the management team.

As we look forward, I am optimistic that, while the recovery in many of the world economies lacks strength, it will provide our management with a more fruitful source of profitable opportunities than has been evident for some time. After a difficult period of restructuring and modest growth, we are looking forward to seeking out and addressing these opportunities.

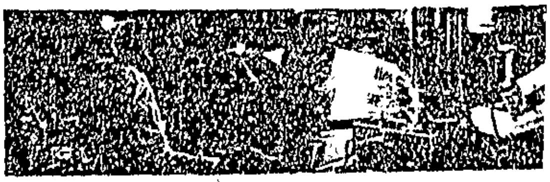
The Group has maintained a high level of investment in the development of new products despite pressures on margins. It has become very clear during the last few years that it was the companies which had the strongest development programmes which were best able to resist these pressures. We have also continued to invest heavily in new plant and equipment so that our materials technology is complemented by a world class manufacturing capability.

Much has been written about corporate governance in the last year, following the publication of the Cadbury Report. This has meant little change at Morgan as it very largely reflects long-standing practice. Where necessary, some procedures have been formalised to comply with the letter of the Code but I can assure shareholders that the spirit of the Code reflects the philosophies which have guided the Group's management and control for many years.

Dr. B.R.S. Jones retired from the Board on 31st December 1993 to return to Australia. He joined the Morgan Board in 1988 having been Managing Director of our Australian company from 1978 to 1986. He came to England in 1986 to be Divisional Chairman of Thermal Ceramics and subsequently of Technical Ceramics, both roles which he carried out with conspicuous success. We are delighted that he will continue as non-Executive Chairman of Morganite Australia Pty. Ltd.

Sir Frank Cooper, who has been a Director since 1st September 1983 is finally retiring from the Board at the AGM. Sir Frank has been a tower of strength and a fount of wisdom and guidance to us and the Board as a whole and I thank him most warmly on behalf of us all. I am delighted to say that Sir Clive Whitmore, a former Permanent Secretary at the Ministry of Defence, who retires this summer as Permanent Secretary at the Home Office, has accepted an invitation to join the Board with effect from 1st September 1994. Finally, I want to place on record my own and the Group Board's deep appreciation to all who work in Morgan worldwide for their dedication and efforts without which the results before you could simply not have been achieved.

SIR JAMES SPOONER
Chairman
Morgan House
Windsor



The Directors present their report together with the statement of accounts and auditors' report for the year ended 4th January 1994.

Principal Activities and Business Review

The Company is the ultimate holding company of a group of some 161 subsidiary and associated undertakings engaged in the manufacture and/or marketing of specialised materials, chemicals and components for application in a wide range of industries and services.

A review of developments affecting the Group during the year and its prospects for the future appears on pages 5 to 17. The Company has continued to implement its policy of organic growth and growth by acquisition.

The Morgan Group is administered on the basis of product-orientated divisions. The Company's principal subsidiary and associated undertakings, together with their country of incorporation and principal place of business are listed on pages 48 and 49.

Acquisitions

During the period under review the Company made a number of acquisitions relating to its core business activities and increased its shareholdings in a number of its subsidiary and associated undertakings amongst which were Musashi Holt KK for a consideration of Yen 30,000,000 (£184,000); Dalian Morgan Refractories Limited taking the Company's holding from 40% to 70% for which a consideration of US$4,000,000 (£2,734,000) was paid; MCG Morgan Carbon Graphite Srl for a consideration of Lire 1,419,000,000 (£582,000); and a further interest in Refrattari Italia Srl for a consideration of Lire 2,285,000,000 (£909,000). The Company's financial advisers have confirmed that in their opinion the consideration for the acquisition of the minority interests of such companies where directors held those interests was fair and reasonable so far as concerns the shareholders of the Company.

In the first half of the financial year LPS Laboratories, Inc purchased the K-Poxy epoxy based resin business and assets of Walter M. McKim & Son Inc. for a consideration of US$1,800,000 (£1,215,000) and the Company acquired the intellectual property rights associated with that business for a consideration of US$200,000 (£138,000). The Company also acquired a 51% interest in Shanghai Morgan Carbon Co. Limited, a joint venture formed to operate the Shanghai Electrical Carbon Factory for a total consideration of US$5,400,000 (£3,571,000).

During the second half of the year under review Morlynn Ceramics Pty Limited set up a joint venture arrangement with NGK Insulators Limited to further the Stanger Switchgear business.

Other investments made by the Group during the financial year include the acquisition of a 51% interest in Morganite Zimbabwe (Private) Limited for a consideration of Z$1,020,000 (£101,000); a 100% interest in Morganite Zambia Limited for a consideration of £225,000; a 90% interest in Morgan Technical Ceramics (Thailand) Limited for a consideration of Bahts 40,500,000 (£1,058,000); and a 70% interest in Morgan Matroc (Thailand) Limited for a consideration of Bahts 5,250,000 (£137,000).

After the period under review Wesgo Inc purchased the precious metals business of Wilkinson Dental Manufacturing Company Inc and the Company acquired the associated intellectual property rights. Further, the Company increased its holding in Musashi Holt KK and Refrattari Italia Srl by a further 30% and 15% respectively bringing its holding to 90% and 100% respectively.

Numbers Employed

In 1993 the average number of employees in Group companies increased to 12,952 from 12,774 in the previous year.

Share Capital

During the period under review, the Company's authorised Ordinary Share Capital increased to 249,862,912 Ordinary shares of 25p each (249,857,668 Ordinary shares in 1992) arising from the conversion to Ordinary shares of 14,459 7.5p (net) Cumulative Convertible Redeemable Third Preference shares of £1 each on 6th July 1993. At the date of this report 218,413,057 Ordinary shares have been issued.

Further, the Company issued a total of 72,557 Ordinary shares in lieu of cash for the interim dividend for 1992, 70,536 Ordinary shares in lieu of cash for the final dividend for 1992 and 53,511 Ordinary shares on 6th January 1994 in respect of the interim dividend for 1993. 5,244 Ordinary shares were issued consequent upon the conversion by a number of shareholders of their 7.5p (net) Cumulative Convertible Redeemable Third Preference shares of £1 each into Ordinary shares and 1,568,980 Ordinary shares were issued in respect of options exercised under the various Morgan share option schemes.

Profit

The net profit after taxation for the year ended 4th January 1994 was £47.1 million (£43.2 million 1992). Profit before tax for the same period was £66 million (£61.3 million for 1992).

Profit Appropriations

On Ordinary capital: Interim Dividend of 5.75p per Ordinary share, £12.5 million. Proposed Final Dividend of 6.85p per Ordinary share, £15 million.

On Preference capital: £2.2 million.

The proposed Final Dividend of 6.85p together with the Interim Dividend of 5.75p provides a net distribution in respect of 1993 of 12.6p per share. Together with the associated tax credit the gross dividend on Ordinary capital for 1993 is equivalent to 15.78p per Ordinary share. It is intended to offer Shareholders the opportunity to receive Ordinary shares in lieu of cash for the Final Dividend.

Transfers to Reserves

The retained profit for the financial year was £16.2 million which has been carried to reserves.

Consolidated Accounts

Turnover amounted to £793.3 million (£684 million in 1992) and operating profit to £81.1 million (£70.7 million in 1992). Fully diluted earnings per share were 20p (18.7p in 1992).

Capital and reserves at the end of the year were £244.8 million (£236 million at the end of 1992) and profit on ordinary activities before taxation provided a return of 27 per cent on that capital (26 per cent for 1992). Accounting policies are set out on page 24.

Tangible Fixed Assets

Details of tangible fixed assets are set out on pages 34 and 35.

Corporate Governance

The Board of Directors of the Company confirms compliance with the Code of Best Practice set out in the Report of the Committee on the Financial Aspects of Corporate Governance (the Cadbury Report) for the year under review other than those paragraphs for which external guidance remains to be developed relating to internal control and going concern. The Board, which currently comprises six non-executive directors and five executive directors, meets regularly throughout the year (normally monthly) and maintains control over appropriate financial, strategic, budgetary and organisational issues including reviewing performance, ensuring adequate financial resources and reporting to shareholders. The Board has appointed the following committees:-

Audit Committee - (Non-executive Chairman and all United Kingdom non-executive Directors).

This Committee has power to and does request the attendance at meetings of the Managing Director, Finance Director, Auditors and any members of the Management as may be considered appropriate by the Chairman. It meets at least twice per annum to review the scope and findings of the Company's Auditors and to review a wide range of financial matters including annual and half year profit figures, financial statements and accompanying reports prior to their submission to the Board, ensuring the integrity of the financial information reported to shareholders.

Remuneration Committee - (Non-executive Chairman and all non-executive Directors).

The Committee has responsibility for determining the remuneration, contract terms and other benefits for executive Directors including performance-related bonus schemes. The Managing Director is also invited to be in attendance on matters which do not directly affect him.

Candidates for appointment to the Board, having regard to the structure and balance of the Board, are considered by all Directors. The re-election of individual directors at the forthcoming Annual General Meeting has also been considered in each case and is recommended by the Board and a bibliography of those directors, together with other members of the Board, can be found on page 4.

A statement of the Directors' responsibilities in respect of the accounts can be found on page 23.

The Company's Auditors, Ernst & Young, have reviewed this statement insofar as it relates to the specific paragraphs of the Cadbury Committee's Code of Best Practice specified for their review. The Auditors have reported to the Directors that, based on their review, they concur with the Directors' statement.

Research and Development

Research and development is carried out by Group companies individually under the control of their boards, and by divisional research centres. Total expenditure incurred by Group companies amounted to £13.1 million. Morgan continues to participate in collaborative European and British research projects on advanced materials.

The Morgan Crucible Bursary Scheme has been instituted to fund post-graduate research at United Kingdom Universities which will investigate significant new materials and process technologies with potential applications in the Group.

Personnel

The Company and its subsidiaries are fully committed to professional and personal development of employees and to a policy of internal promotion.

The training activities of the subsidiary companies are supplemented by the Company through a series of linked, progressive, high quality management development programmes covering a wide range of critical business topics.

The Morgan Crucible Group is an equal opportunities employer. It promotes an active policy of informing and involving employees through briefing groups, works councils, joint discussion groups, performance related bonus schemes and news letters. The Company produces an annual report to employees and a house magazine 'Morgan News'.

The Group has links with many schools, universities and colleges of further education and provides numerous opportunities for student development.

The Company operates five employee share schemes and, following the acquisition of Holt Lloyd International plc in 1987, the Company granted options over the Company's Ordinary shares under the rules of an employee share option scheme to those employees who elected to replace their options over Holt Lloyd shares.

1,688 employees have beneficial interests in the Company's Ordinary shares under the rules of The Morgan Share Participation Scheme and 1,054 employees have options over the Company's Ordinary shares under the rules of the employee and executive share option schemes. Details of outstanding options are given on page 40.

Disabled employees are encouraged to use their skills and aptitudes fully and every effort is made to ensure that the training, career development and promotion of disabled employees should as far as possible be identical to that of other employees. Applications by disabled persons for employment are always fully considered bearing in mind the aptitudes and abilities of the individual applicants.

Health Safety and Environment

It is the policy of the Company to foster a responsible attitude amongst its companies and all its employees to all aspects of health, safety and welfare at work with due recognition of the communities in which they are present and the protection of the environment in which they operate.

Health and safety precautions and environmental compliance are kept under review with the aim of maintaining the highest standards. An environmental audit programme has been established and is being implemented on a country by country basis. The Company reviews the results and closely monitors the implementation of any recommendations for improvement. A programme of risk surveys has also been introduced.

Directors

Directors of the Company at the date of this report are listed on page 4. All served as Directors throughout the year except Mr V.J. Maundrell who was appointed a Director on 9th July 1993 and in accordance with the Articles of Association offers himself for re-election at the forthcoming Annual General Meeting.

Dr B.R.S. Jones retired from the Board with effect from 31st December 1993 and Sir Frank Cooper will retire from the Board at the close of the forthcoming Annual General Meeting. The Board would like to express their thanks and appreciation to both Dr Jones and Sir Frank for their contribution and service to the Morgan Crucible Group.

In accordance with the Articles of Association the Directors who retire by rotation are Mr D.P.H. Liao, Mr G.D. Swetman and Sir James Spooner who being eligible, offer themselves for re-election. Mr G.D. Swetman and Mr V.J. Maundrell both have service contracts with the Company subject to 3 years notice of termination. The non-executive Directors do not have service contracts.

All of the non-executive Directors are members of the Remuneration Committee and United Kingdom based non-executive Directors are members of the Audit Committee. The quorum for both Committees is a minimum of any two UK based non-executive Directors.

Directors' Interests

At no time during the year under review has any Director had any interest in a contract with the Company, or any of its subsidiary undertakings, being a contract of significance in relation to the Company's business.

The interests at 4th January 1994 and 3rd January 1993 or date of appointment of the Directors and their families in shares of the Company, as shown in the Register of Directors' Interests maintained under the Companies Act 1985, were:

	Beneficial Interests in Ordinary shares		Ordinary shares under Option	
	4th Jan 1994	3rd Jan 1993 or date of appointment	4th Jan 1994	3rd Jan 1993 or date of appointment
Sir James Spooner	9,568	9,423	-	-
Dr. E.B. Farmer	8,692	8,320	309,092	167,522
Sir Frank Cooper	15,053	14,961	-	-
N.G. Howard	7,681	7,352	162,598	116,495
A. de Lastours	5,480	5,245	-	-
D.P.H. Liao	10,938	10,468	-	-
V.J. Maundrell	2,000	2,000	166,248	120,464
I.P. Norris	3,058	2,928	166,826	165,000
R.N. Perle	2,055	2,055	-	-
P.G. Simonis	5,150	4,930	-	-
G.D. Swetman	7,023	6,723	185,779	139,380

Beneficial interests of the Directors (and their families) who had interests in the 7.5p (net) Cumulative Convertible Redeemable Third Preference shares of £1 each were:

	4th Jan 1994	3rd Jan 1993
Sir James Spooner	1,275	1,275
Dr. E.B. Farmer	860	860
Sir Frank Cooper	830	830
P.G. Simonis	668	668
G.D. Swetman	668	668

During the period under review Mr I.P. Norris exercised his option under The Morgan Executive Share Option Scheme (1984) on 6th January 1993 over 63,567 Ordinary shares of 25p each at a price of 196.52p per share. Further, on 25th October 1993 the following Directors were granted options over Ordinary shares at an option price of 320.90p:

Dr. E.B. Farmer	141,570
N.G. Howard	46,103
V.J. Maundrell	45,784
I.P. Norris	65,393
G.D. Swetman	46,399

On 6th January 1994 the following Directors received Ordinary shares in lieu of the interim dividend for the period ended 4th January 1994:-

	Ordinary shares
Dr E.B. Farmer	151
Sir Frank Cooper	37
N.G. Howard	134
A. de Lastours	96
D.P.H. Liao	191
V.J. Maundrell	35
I.P. Norris	51
P.G. Simonis	90
G.D. Swetman	122

There have been no other changes in the Directors' interests in the Company's shares since the end of the financial year.

During the year, the Company purchased and maintained Directors' and Officers' Liability Insurance.

Close Company

The Company is not a close company within the provisions of the Income and Corporation Taxes Act 1988.

Donations

Morgan companies made the following donations;

Charities	
United Kingdom	£91,075
Overseas	£27,663
Conservative and Unionist Party	£7,500

Substantial Shareholdings

The Directors have been advised of the following holdings representing 3 per cent or more of the issued Ordinary share capital of the Company as at the date of this report:

Schroder Investment Management Limited - 12,770,917 Ordinary shares (5.85%) (Non-material interest)

Scottish Widows Investment Management Limited - 11,683,115 Ordinary shares (5.35%) (Non-material interest)

Britannic Assurance Plc - 9,174,746 Ordinary shares (4.20%) (Material interest)

Gartmore plc - 11,117,626 Ordinary shares (5.09%) (Non-material interest)

Sun Life Investment Management Services Limited - 9,094,505 Ordinary shares (4.16%) (Material interest)

AMP Asset Management plc - 7,266,262 Ordinary shares (3.33%) (Non-material interest)

The Capital Group, Inc. - 9,862,217 Ordinary shares (4.52%) (Non-material interest)

The Standard Life Assurance Co. - 7,645,570 (3.50%) (Non-material interest)

Auditors

Ernst & Young have expressed their willingness to continue in office and a resolution for their reappointment will be proposed at the Annual General Meeting.

Special Business

An Extraordinary General Meeting will be held immediately after the conclusion or adjournment of the Annual General Meeting to transact the following business:-

1. an increase in the authorised share capital of the Company;

2. a renewal of the Directors' authority to allot shares.

Full details of all these matters will be explained in a circular to shareholders which will be issued in due course.

By Order of the Board
D.J. Coker
Secretary

18th April 1994

Morgan House,
Madeira Walk,
Windsor,
Berkshire.
SL4 1EP

Registered in England No 286773

DIRECTORS' RESPONSIBILITIES

Statement of Directors' responsibilities in respect of the accounts

Company law requires the Directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and of the Group and of the profit or loss of the Group for that period. In preparing those accounts, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors confirm that the accounts comply with the above requirements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By Order of the Board

D.J. Coker
Secretary

REPORT OF THE AUDITORS

Report of The Auditors to The Members of The Morgan Crucible Company plc

We have audited the accounts on pages 25 to 46 and on pages 48 to 49 which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and on the basis of the accounting policies set out on page 24.

Respective Responsibilities of Directors and Auditors

As described above the Company's Directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of Opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 4th January 1994 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young

London
18th April 1994

Ernst & Young
Chartered Accountants
Registered Auditor

THE MORGAN CRUCIBLE COMPANY PLC AND SUBSIDIARY UNDERTAKINGS

Basis of Preparation

The accounts are prepared under the historical cost convention modified to include the revaluation of certain land and buildings and comply with all applicable accounting standards, including the early adoption of Financial Reporting Standard 4 on Capital Instruments.

Basis of Consolidation

The Group accounts include the accounts of the parent undertaking and of all subsidiary and associated undertakings.

Subsidiary undertakings are included from the date that the Group acquires effective control. Goodwill on acquisition, being the excess of purchase price over the fair value of net tangible assets acquired, is written off against reserves.

Results of businesses discontinued or sold are included in the results for the year up to the date of relinquishing control and analysed as discontinued operations; the comparatives are restated to reflect those businesses as discontinued. The surplus over net asset value and the write off of goodwill is shown as an exceptional item. There is a corresponding credit to reserves for the goodwill which had already been written off to reserves on acquisition.

Associated undertakings are companies and partnerships in which the Group has a long-term investment comprising an interest of not less than 20 per cent in the voting capital and over which it exerts significant influence. The Group accounts include the appropriate share of material associated undertakings results and retained reserves based on the latest audited accounts supplemented by unaudited management results. Premiums paid on acquisition of shares are included in the value of the investment.

Foreign Currencies

The results and cashflows of overseas subsidiary and associated undertakings are translated using average exchange rates for the year. The assets and liabilities of overseas subsidiary and associated undertakings at the balance sheet date are translated at year-end rates of exchange. All exchange differences arising on consolidation have been dealt with through reserves.

Exchange differences arising on foreign currency borrowings taken out to hedge against foreign currency assets have been dealt with through reserves.

Turnover

Turnover represents the invoiced value of sales by Morgan companies to third parties, exclusive of sales taxes, less returns and allowances given in the normal course of trade.

Depreciation

Depreciation and amortisation is provided on gross values in equal annual instalments over the expected lives of fixed assets in use at the beginning of the year. The principal annual rates of depreciation are:

Buildings	2%
Motor Vehicles	33⅓% (commencing in the year of purchase)
Plant	10%

Government Grants

Government grants on capital expenditure are credited to a deferred income account and are released to revenue over the expected useful life of the relevant asset by equal annual instalments.

Grants of a revenue nature are credited to income in the period to which they relate.

Leased Assets

Assets held under finance leases and the related lease obligations are recorded in the balance sheet at the fair value of the leased assets at the inception of the leases. The excess of the lease payments over the recorded lease obligations are treated as finance charges which are amortised over each lease term.

Rentals under operating leases are charged to the profit and loss account as incurred.

Stocks

Stocks and work in progress have been valued at the lower of cost and net realisable value. For this purpose "cost" means direct cost and direct expenses including applicable overheads less provisions for obsolescence and for inter-company profit on unsold stocks.

Deferred Taxation

Provision is made for the deferred taxation which in the opinion of the Directors is likely to arise in the foreseeable future. Advance Corporation Tax, arising on dividends paid or proposed during the financial year, is carried forward to the extent that it is expected to be recoverable against the taxation liability in respect of the profits of the following financial year or against provisions for deferred taxation.

No provision is made for any taxation which might arise if reserves of overseas subsidiary undertakings were distributed.

Research and Development

Expenditure on research and development is written off in the year in which it is incurred.

Pensions

Contributions are made to the UK pension schemes in accordance with actuarial advice and are charged to profit and loss account so as to spread the pension cost over the anticipated period of service of the pension scheme members. The actuarial surpluses on the UK schemes have been spread over the expected remaining service lives of current employees.

Contributions and charges to profit and loss in respect of overseas schemes have been determined in accordance with best local practice.

Consolidated Profit Statement

The Morgan Crucible Company plc and Subsidiary Undertakings

For the year ended 4th January 1994	Note	1993 £m	1993 £m	1992 £m	1992 £m
Turnover					
Continuing operations		789.0		679.5	
Acquisitions		4.3			
		793.3			
Discontinued operations		–		4.5	
Group turnover	1		793.3		684.0
Other operating income			2.6		1.9
			795.9		685.9
Operating costs	2		714.8		615.2
Operating profit					
Continuing operations		80.4		71.3	
Acquisitions		0.7			
		81.1			
Discontinued operations		–		(0.6)	
Group operating profit	3		81.1		70.7
Investment income	4		(0.2)		0.4
Exceptional items					
Continuing operations					
– Disposal of fixed assets		1.0		0.3	
Discontinued operations					
– Loss on sale or termination (excluding goodwill)		–		(3.5)	
– Goodwill on disposals		–		(0.7)	
– Less provisions used		–		3.4	
	5		1.0		(0.5)
Profit on ordinary activities before interest			81.9		70.6
Net finance charges	6		15.9		9.3
Profit on ordinary activities before taxation			66.0		61.3
Taxation	7		18.9		18.1
Profit on ordinary activities after taxation			47.1		43.2
Equity minority interest			1.2		0.6
Net profit attributable to *The Morgan Crucible Company plc*	8		45.9		42.6
Preference dividends on non-equity shares		2.2		2.2	
Ordinary dividends on equity shares		27.5		27.2	
	9		29.7		29.4
Retained profit for the year			16.2		13.2
Earnings per share	10				
– undiluted			20.2 p		18.8 p
– adjusted for exceptional items			(0.4)p		0.2 p
– underlying			19.8 p		19.0 p
– fully diluted			20.0 p		18.7 p

The movements in reserves for the year are shown on page 42, note 21.

THE MORGAN CRUCIBLE COMPANY PLC AND SUBSIDIARY UNDERTAKINGS

4th January 1994	Note	1993 £m	1992 £m
Fixed assets			
Tangible assets	11	307.1	298.6
Other investments	13	8.8	7.8
		315.9	306.4
Current assets			
Stocks	14	141.7	147.3
Debtors	15	194.6	183.0
Cash at bank and in hand		74.0	111.0
		410.3	441.3
Creditors – amounts falling due within one year	16	310.5	288.8
Net current assets		99.8	152.5
Total assets less current liabilities		415.7	458.9
Creditors – amounts falling due after more than one year			
Term loans	17	138.8	177.2
Grants for capital expenditure		3.7	4.4
		142.5	181.6
Provisions for liabilities and charges	18	28.4	41.3
		170.9	222.9
		244.8	236.0
Capital and reserves			
Equity shareholders' funds			
Called up share capital	20	54.5	54.1
Share premium account	21	2.4	87.3
Revaluation reserve	21	31.7	31.6
Special reserve	21	56.6	–
Other reserves	21	1.5	0.2
Profit and loss account	21	59.2	29.6
		205.9	202.8
Non-equity shareholders' funds			
Called up share capital	20	30.3	30.3
		236.2	233.1
Equity minority interest		8.6	2.9
		244.8	236.0

Approved by the Board on 18th April 1994

Sir James Spooner Chairman

Bruce Farmer Managing Director

THE MORGAN CRUCIBLE COMPANY PLC AND SUBSIDIARY UNDERTAKINGS

For the year ended 4th January 1994

	Note	1993		1992	
		£m	£m	£m	£m
Net cash inflow from operating activities	27		112.4		64.2
Interest received		3.8		10.8	
Interest paid		(18.9)		(20.5)	
Dividends from associated undertakings		0.2		0.1	
Dividends paid		(29.5)		(29.4)	
Net cash outflow from returns on investments and servicing of finance			(44.4)		(39.0)
UK Corporation tax paid		(9.9)		(12.7)	
Overseas tax paid		(7.0)		(4.9)	
Tax paid			(16.9)		(17.6)
Cash flow generated from operations			51.1		7.6
Capital expenditure		(38.9)		(40.4)	
Insurance proceeds for capital expenditure		3.7		-	
Other proceeds on sale of fixed assets		1.4		1.7	
Acquisition of subsidiary undertakings (net of cash equivalents)	28	(7.2)		(17.4)	
Deferred consideration for prior year acquisitions		(10.4)		(8.8)	
Disposal of subsidiaries/investments		1.2		2.0	
Purchase of investments		(0.7)		(0.3)	
Net cash outflow from investing activities			(50.9)		(63.2)
Net cash inflow/(outflow) before financing			0.2		(55.6)
Financing					
Increase in share capital		4.4		1.8	
Increase in bank loans		23.2		45.9	
Repayment of bank loans		(55.9)		(32.1)	
Net cash (outflow)/inflow from financing	29		(28.3)		15.6
Net (decrease) in cash and cash equivalents	30		(28.1)		(40.0)
Reconciliation to net borrowings					
Opening net borrowings		(158.2)		(67.9)	
Net decrease/(increase) in loans		32.7		(13.8)	
Exchange movement		(8.2)		(36.5)	
			(133.7)		(118.2)
Closing net borrowings			(161.8)		(158.2)

The Cash Flow Statement has been translated at average rates down to net (decrease) in cash and cash equivalents. Net borrowings exclude acceptance credits (see note 16).

Total Recognised Gains and Losses

The Morgan Crucible Company plc and Subsidiary Undertakings

For the year ended 4th January 1994

	1993 £m	1992 £m
Net profit attributable to shareholders	45.9	42.6
Revaluation adjustment	–	(0.2)
Foreign currency translation	(11.5)	5.0
Total recognised gains and losses relating to the year	34.4	47.4

Historical cost profits and losses	1993 £m	1992 £m
Reported profit on ordinary activities before taxation	66.0	61.3
Realisation of property revaluation gains of previous years	–	0.2
Difference between historical cost depreciation charge and the actual charge of the year calculated on the revalued amount	0.2	0.2
Historical cost profit on ordinary activities before taxation	66.2	61.7
Historical cost profit for the year retained after taxation, equity minority interests and dividends	16.4	13.6

Movement in shareholders' funds	1993 £m	1992 £m
Net profit attributable to shareholders	45.9	42.6
Goodwill debited to profit and loss	–	0.7
Dividends	(29.7)	(29.4)
	16.2	13.9
New share capital	4.4	1.8
Goodwill written off against reserves	(5.7)	(26.6)
Revaluation adjustment	(0.3)	(0.2)
Other recognised gains and losses relating to year	(11.5)	5.0
Net increase/(decrease) to shareholders' funds	3.1	(6.1)
Opening shareholders' funds	233.1	239.2
Closing shareholders' funds	236.2	233.1

THE MORGAN CRUCIBLE COMPANY PLC

4th January 1994	Note	1993 £m	1992 £m
Fixed assets			
Tangible assets	11	5.9	5.6
Investment in subsidiary undertakings	12	549.1	436.7
Other investments	13	1.7	1.5
		556.7	443.8
Current assets			
Debtors	15	47.7	53.0
Cash at bank and in hand		27.3	94.5
		75.0	147.5
Creditors – amounts falling due within one year	16	50.3	47.4
Net current assets		24.7	100.1
Total assets less current liabilities		581.4	543.9
Creditors – amounts falling due after more than one year			
Amounts payable to subsidiary undertakings		123.1	89.8
Grants for capital expenditure		1.0	1.0
		124.1	90.8
Provisions for liabilities and charges	18	0.3	0.4
		124.4	91.2
		457.0	452.7
Capital and reserves			
Equity shareholders' funds			
Called up share capital	20	54.5	54.1
Share premium account	21	2.4	87.3
Merger reserve	21	91.6	91.6
Revaluation reserve	21	0.3	0.3
Special reserve	21	87.3	2.8
Profit and loss account	21	190.6	186.3
		426.7	422.4
Non-equity shareholders' funds			
Called up share capital	20	30.3	30.3
		457.0	452.7

Approved by the Board on 18th April 1994

Sir James Spooner Chairman

Bruce Farmer Managing Director

THE MORGAN CRUCIBLE COMPANY PLC AND SUBSIDIARY UNDERTAKINGS

1 Segmental Information

Product Group

	Funds employed		Turnover		Operating profit	
	1993 £m	1992 £m	1993 £m	1992 £m	1993 £m	1992 £m
Carbon	119.8	119.5	145.8	124.9	17.3	15.6
Technical Ceramics	107.4	98.5	175.5	156.7	18.1	15.7
Thermal Ceramics	167.9	167.1	237.6	208.2	22.3	20.8
Specialty Materials	94.8	99.2	234.4	189.7	23.4	19.2
	489.9	484.3	793.3	679.5	81.1	71.3
Discontinued operations	–	–	–	4.5	–	(0.6)
Non-operating assets	(15.2)	(12.0)				
	474.7	472.3	793.3	684.0	81.1	70.7

The non-operating assets include land and buildings, prepayments and other creditors.

Geographical area

The analysis shown below is based on the location of the contributing companies.

	Funds employed		Turnover		Operating profit	
	1993 £m	1992 £m	1993 £m	1992 £m	1993 £m	1992 £m
United Kingdom – Sales in the UK			116.1	112.0		
– Sales overseas			81.3	71.6		
Total United Kingdom	130.9	135.9	197.4	183.6	8.4	7.8
Rest of Europe	71.9	81.0	158.0	142.8	15.4	15.3
The Americas	209.4	198.5	316.9	260.5	41.9	36.3
Far East and Australasia	71.1	64.1	133.4	104.4	14.0	11.0
Middle East and Africa	6.6	4.8	17.9	15.1	1.4	0.9
	489.9	484.3	823.6	706.4	81.1	71.3
Discontinued operations	–	–	–	4.5	–	(0.6)
Non-operating assets	(15.2)	(12.0)				
Inter-segment sales			(30.3)	(26.9)		
	474.7	472.3	793.3	684.0	81.1	70.7

	Average number of employees		Actual number of employees at year end	
	1993	1992	1993	1992
Total United Kingdom	3,884	3,977	3,826	3,947
Rest of Europe	1,739	1,827	1,670	1,820
The Americas	4,453	4,536	4,434	4,513
Far East and Australasia	2,474	2,008	2,468	1,975
Middle East and Africa	402	395	403	393
	12,952	12,743	12,801	12,648
Discontinued operations	–	31	–	–
	12,952	12,774	12,801	12,648

The actual number of employees for 1993 includes 586 relating to acquisitions made in the year. Excluding increases due to acquisitions actual numbers employed decreased by 433.

1 Segmental information (continued)

	Turnover by location of customer	
	1993 £m	1992 £m
United Kingdom	120.2	116.4
Rest of Europe	189.7	171.9
The Americas	307.2	250.8
Far East and Australasia	151.1	118.8
Middle East and Africa	25.1	21.6
	793.3	679.5
Discontinued operations	–	4.5
	793.3	684.0

Analysis of funds employed

	1993 £m	1993 £m	1992 £m	1992 £m
Tangible fixed assets		307.1		298.6
Stocks		141.7		147.3
Trade debtors		146.2		141.4
Other debtors		10.9		11.2
Prepayments		15.1		14.6
Properties held for resale		2.7		–
Prepaid pension contributions		12.7		10.5
		636.4		623.6
Trade creditors	77.2		64.9	
Other creditors	52.2		47.9	
Accruals	32.3		38.5	
		161.7		151.3
Funds employed		474.7		472.3

2 Operating costs

	1993 £m Continuing	1993 £m Discontinued	1992 £m Continuing	1992 £m Discontinued
Change in stocks of finished goods and work-in-progress	21.3	–	11.2	0.8
Raw materials and consumables	196.9	–	179.0	1.4
Other external charges	90.2	–	77.3	0.7
Labour costs: – wages and salaries	207.0	–	187.8	1.3
– social security costs	30.7	–	26.9	–
– other pension costs	11.3	–	7.9	0.1
Depreciation: – owned assets	27.2	–	23.1	0.3
– assets held under finance leases	0.9	–	0.1	–
Rentals under operating leases:				
– hire of plant and machinery	3.4	–	3.3	–
– other operating leases	5.5	–	4.4	0.1
Other operating charges	120.4	–	89.1	0.7
Provision used	–	–	–	(0.3)
	714.8	–	610.1	5.1
Discontinued operations	–		5.1	
	714.8		615.2	

2 Operating costs (continued)

The total figures for continuing operations in 1993 include £3.6 million in respect of acquisitions, comprising raw materials and consumables £0.5 million, labour costs £0.9 million, depreciation £0.2 million, other external charges £1.3 million, and other operating charges £0.7 million.

Operating costs include the release of government grants £0.5 million (1992 – £0.6 million) and research and development expenditure, including application engineering £13.1 million (1992 – £12.1 million).

3 Operating profit

	1993 £	1992 £
The following items have been taken into account in arriving at the operating profit:		
Auditors' remuneration:		
Ernst & Young	794,000	731,000
Other auditors	534,000	426,000
	1,328,000	1,157,000
Non audit fees paid to Ernst & Young in the UK	32,000	65,000

The remuneration of all executive Directors, including bonus schemes, is determined by the Remuneration Committee of the Board.

An annual executive bonus scheme is in place which is based on the annual performance of the Group against key financial targets. The maximum bonus which can be earned under the scheme is 40 per cent of salary. A further bonus of 10 per cent of salary can be earned on the achievement of specific individual objectives. The actual bonus earned for 1993 is 9.8 per cent of salary.

Directors' emoluments:	1993 £	1992 £
Remuneration*	763,152	619,200
Bonuses	74,359	–
Value of benefits	89,256	85,693
Fees	136,250	132,500
Pension scheme contributions	224,694	176,356
Special pension scheme contribution	133,422	–
	1,421,133	1,013,749

The fees for the services of the Chairman were £59,572 (1992: £61,617).

The emoluments of the highest paid Director, excluding pension scheme contributions and bonus, were £233,288 (1992: £221,552). The pension scheme contributions were £72,633 (1992:£59,500) and the bonus was £21,609 (1992: £nil). The table below shows the numbers of Directors of the Group whose emoluments during the year were within the bands stated.

Emoluments	Directors 1993	Directors 1992
£15,001 to £20,000	5	5
£55,001 to £60,000	1	–
£60,001 to £65,000	1	2
£125,001 to £130,000	–	1
£130,001 to £135,000	–	1
£135,001 to £140,000	1	–
£145,001 to £150,000	2	–
£155,001 to £160,000	–	1
£165,001 to £170,000	1	–
£220,001 to £225,000	–	1
£250,001 to £255,000	1	–

*The Directors' remuneration includes amounts paid to Mr N.G. Howard and Mr V.J. Maundrell from their appointments to the Board on 10th July 1992 and 9th July 1993 respectively.

4 Investment Income

	1993 £m	1992 £m
Share of profits of associated undertakings	0.7	0.4
Write-off of other investments	(0.9)	-
	(0.2)	0.4

5 Exceptional Items

Profits or losses on disposal of plant and machinery are not excluded from operating profit if they arise on the normal replacement of assets and are considered part of the normal activities of the Group.

During 1993 one of the Group's factories was partially destroyed by fire. The value to the business of the replacement assets acquired with the insurance proceeds exceed the net book amount of the assets destroyed giving rise to an exceptional credit of £3.5 million. In addition, an exceptional loss of £0.4 million has been recognised in respect of other assets sold or scrapped at the same site. Further provisions of £2.1 million have been made for the anticipated loss arising on properties which are surplus to the Group's requirements. These properties are being actively marketed and are included in current assets.

In 1992, a number of businesses, including Copeland & Jenkins Limited and Morgan Tocera Limited, not considered to be core businesses were sold or closed. The costs of closure, less any provisions, were treated as exceptional items.

6 Net finance charges

	1993 £m	1992 £m
9.5% Debenture Stock 1995/2000	0.5	0.4
Bank and other loans repayable wholly or partly in more than five years	7.0	5.9
Bank and other loans repayable within five years	1.7	5.9
Overdrafts and other short term loans	10.2	8.8
	19.4	21.0
Less interest receivable	3.5	11.7
	15.9	9.3

The charge for the year ended 4th January 1994 includes an amount of £0.4m for the premium on the redemption of the 9.5% Debenture Stock 1995/2000 which took place on 2nd April 1993.

7 Taxation

	1993 £m	1992 £m
Taxation based on profit for the year –		
United Kingdom:		
Corporation tax at 33% (1992 – 33%)	15.5	12.2
Reduced by relief for overseas tax	(1.3)	(0.4)
	14.2	11.8
Advance Corporation Tax written back	(1.5)	(1.4)
Current tax	12.7	10.4
Deferred tax	(0.3)	1.9
Total United Kingdom tax	12.4	12.3
Overseas tax:		
Current tax	7.1	5.4
Deferred tax	(0.6)	0.4
Total overseas tax	6.5	5.8
Total taxation	18.9	18.1

Overseas tax includes £0.2 million (1992: £0.3 million) on associated undertaking income.
The taxation charge includes £0.2 million (1992: £nil) attributable to the exceptional items.

8 Net profit

	1993 £m	1992 £m
Profit dealt with in the accounts of The Morgan Crucible Company plc	27.7	31.4

In accordance with the exemptions allowed by Section 230 of the Companies Act 1985 the Company has not presented its own profit and loss account.

9 Dividends

Dividends of The Morgan Crucible Company plc

	Per ordinary equity share 1993	Per ordinary equity share 1992	1993 £m	1992 £m
Interim	5.75 p	5.75 p	12.5	12.4
Final	6.85 p	6.85 p	15.0	14.8
	12.60 p	12.60 p	27.5	27.2
Preference dividends on non equity shares			2.2	2.2
			29.7	29.4

10 Earnings per share

Undiluted earnings per Ordinary Share are based upon the Group profit after tax, equity minority interests and preference dividends and on the weighted average number of fully paid Ordinary Shares in issue during the year of 216,781,693 (1992: 215,557,624).

Underlying earnings per share are based on adjusted profits attributable to shareholders of £42.9 million (1992: £40.9 million) having added back the effect of exceptional items of £1 million less attributable taxation of £0.2 million. The Directors have disclosed an underlying earnings per share as, in their opinion, this assists comparison with earnings per share figures disclosed for 1992.

Fully diluted earnings per share are based on the adjusted profit attributable to shareholders of £46.7 million (1992: £43.5 million) and shares of 234,028,114 (1992: 232,465,663) allowing for the full conversion of the 7.5p (net) Cumulative Convertible Redeemable Third Preference Shares and full exercise of outstanding share options.

11 Tangible assets

	The Group			The Company		
	Land and buildings £m	Plant, equipment & fixtures £m	Total £m	Land and buildings £m	Plant, equipment & fixtures £m	Total £m
Cost or as valued						
At 4th January 1993	155.3	278.2	433.5	5.4	2.1	7.5
Exchange movements	0.1	(0.5)	(0.4)	–	–	–
Fair value of assets in acquired businesses	4.3	3.5	7.8	–	–	–
Other additions	7.5	32.6	40.1	0.4	0.4	0.8
	167.2	313.8	481.0	5.8	2.5	8.3
Less disposals	(1.2)	(7.7)	(8.9)	–	(0.7)	(0.7)
Transfer to current assets	(6.5)	–	(6.5)	–	–	–
At 4th January 1994	159.5	306.1	465.6	5.8	1.8	7.6
Made up of						
– Assets valued in 1989	63.3	–	63.3	2.4	–	2.4
– Assets valued in 1986	3.7	–	3.7	–	–	–
– Other revaluations	3.0	–	3.0	–	–	–
– Other items at cost	89.5	306.1	395.6	3.4	1.8	5.2
	159.5	306.1	465.6	5.8	1.8	7.6

11 Tangible assets (continued)

	The Group			The Company		
	Land and buildings £m	Plant, equipment & fixtures £m	Total £m	Land and buildings £m	Plant, equipment & fixtures £m	Total £m
Aggregate depreciation						
At 4th January 1993	18.1	116.8	134.9	0.7	1.2	1.9
Exchange movements	0.2	-	0.2	–	–	–
Amount provided for year	3.0	25.1	28.1	0.1	0.3	0.4
Provisions for diminution in value	2.5	2.5	5.0	–	–	–
	23.8	144.4	168.2	0.8	1.5	2.3
Less eliminated in respect of disposals	(0.1)	(5.8)	(5.9)	–	(0.6)	(0.6)
Transfer to current assets	(3.8)	–	(3.8)	–	–	–
At 4th January 1994	19.9	138.6	158.5	0.8	0.9	1.7
Net book amounts at 4th January 1994	139.6	167.5	307.1	5.0	0.9	5.9
Net book amounts at 3rd January 1993	137.2	161.4	298.6	4.7	0.9	5.6

	The Group £m	The Company £m
Land and buildings at cost or as valued comprise the following:		
– Freehold	150.7	2.6
– Long leases	4.5	3.2
– Short leases	4.3	–
	159.5	5.8

The freehold and leasehold properties owned by the Group, other than those in the United States of America, of which the majority were valued on acquisition, Brazil and Mexico, were revalued by the Directors in 1989 based on professional valuations by appropriate independent experts. Due to economic conditions the Directors reviewed the 1989 valuations in 1991 and, where necessary, reduced them after taking into consideration information supplied by independent advisers. Group land and buildings, shown above at valuation of £70.0 million (1992: £75.7 million), would have been stated under historical cost rules at cost £42.9 million (1992: £47.1 million) and at net book amount £31.4 million (1992: £36.2 million).

The net book value of the Group's fixed assets includes £0.8 million (1992: £1.2 million) in respect of assets held under finance leases.

12 Investment in subsidiary undertakings

	The Company		
	Shares £m	Loans £m	Total £m
Cost			
At 4th January 1993	417.0	112.1	529.1
Additions	87.5	37.0	124.5
Less: Disposals/loan repayments	-	(9.0)	(9.0)
At 4th January 1994	504.5	140.1	644.6

12 Investment in subsidiary undertakings (continued)

	The Company		
	Shares £m	Loans £m	Total £m
Amounts provided			
At 4th January 1993	86.2	6.2	92.4
Provisions in the year	3.7	1.1	4.8
Less: released in the year	–	(1.7)	(1.7)
At 4th January 1994	89.9	5.6	95.5
Net book amounts at cost less amounts provided	414.6	134.5	549.1
Net book amounts at 3rd January 1993	330.8	105.9	436.7

A list of principal subsidiary undertakings is shown on pages 48 & 49.

13 Other investments

	As at 04.01.93 £m	Exchange adjustment £m	Additions £m	Disposals/ provisions £m	Share of profits for the year £m	Dividends received £m	As at 04.01.94 £m
The Group							
Associated undertakings	6.1	(0.5)	1.2	(0.6)	0.5	(0.1)	6.6
Premium paid on shares in associated undertakings	0.2	–	–	–	–	–	0.2
Unlisted investments – at cost	0.8	–	0.6	(0.4)	–	–	1.0
Other loans, deposits and amounts receivable after 4th January 1995	0.7	(0.1)	0.5	(0.1)	–	–	1.0
	7.8	(0.6)	2.3	(1.1)	0.5	(0.1)	8.8
The Company							
Unlisted investments – at cost	1.3	–	0.5	(0.3)	–	–	1.5
Other loans, deposits and amounts receivable after 4th January 1995	0.2	–	0.1	(0.1)	–	–	0.2
	1.5	–	0.6	(0.4)	–	–	1.7

Included within disposals is £0.1 million relating to the reclassification of certain investments as subsidiary undertakings upon acquisition of a controlling interest (see note 22).

The Directors consider that the value of unlisted investments is not less than the book value.

14 Stocks and work in progress

	1993 £m	1992 £m
Raw materials	46.2	51.0
Work in progress	33.5	33.7
Finished goods	62.0	62.6
	141.7	147.3

15 Debtors

	The Group		The Company	
	1993 £m	1992 £m	1993 £m	1992 £m
Due within one year:				
Trade debtors	146.2	141.4	–	–
Other debtors	10.9	11.2	1.2	1.8
Prepayments and accrued income	15.1	14.6	4.7	9.9
Amounts receivable from subsidiary undertakings	–	–	32.3	32.9
Properties held for resale	2.7	–	–	–
	174.9	167.2	38.2	44.6
Due after more than one year:				
Advance Corporation Tax recoverable	7.0	5.3	8.6	7.5
Prepaid pension contributions	12.7	10.5	0.9	0.9
	194.6	183.0	47.7	53.0

16 Creditors

	The Group		The Company	
	1993 £m	1992 £m	1993 £m	1992 £m
Due within one year:				
Debenture Stocks, bank loans and overdrafts	97.0	92.0	3.9	4.5
Trade creditors	77.2	64.9	0.5	0.1
Amounts payable to subsidiary undertakings	–	–	1.5	0.9
Other creditors, including social security	52.2	47.9	0.1	0.1
Taxation including Advance Corporation Tax	22.6	16.4	12.2	11.0
Accruals and deferred income	32.3	38.5	3.6	2.5
Obligations under finance leases	0.7	0.8	–	–
Dividends	28.5	28.3	28.5	28.3
	310.5	288.8	50.3	47.4

Other creditors include acceptance credits of £18.9 million (1992: £18.6 million).

Debenture Stock, bank loans and overdrafts include £1.6 million (1992: £5.8 million) for the Group and £nil (1992: £4.3 million) for the Company of loans secured on assets of subsidiary undertakings.

17 Term loans

	The Group		The Company	
	1993 £m	1992 £m	1993 £m	1992 £m
Not wholly repayable within five years:				
9.69% US Dollars Senior Notes 1999	9.2	10.6	–	–
9.11% US Dollars Senior Notes 2003	16.9	16.5	–	–
9.81% US Dollars Senior Notes 2004	22.9	22.4	–	–
7.93% US Dollars Senior Notes 2004	16.9	16.5	–	–
8.76% US Dollars Senior Notes 2006	11.5	11.2	–	–
Bank Loans				
– United States dollars	6.7	20.3	–	–
– Other foreign currencies	1.0	1.0	–	–
	85.1	98.5	–	–
Less instalment due within one year included in current liabilities	1.5	1.5		
	83.6	97.0		
Wholly repayable within five years:				
Secured 9.5% Debenture Stock 1995/2000	–	4.3	–	4.3
Bank and other loans				
– Repayable within two years	125.7	106.3	–	0.1
– Repayable after two years	19.3	49.7	–	–
	145.0	160.3	–	4.4
Less amount repayable within one year included within current liabilities	89.8	80.1	–	4.4
	55.2	80.2	–	–
	138.8	177.2	–	–
Loans repayable within five years comprise the following:				
– Sterling	–	4.5	–	4.4
– United States dollars	109.2	127.2	–	–
– Australian dollars	12.0	16.8	–	–
– Other foreign currencies	23.8	11.8	–	–
	145.0	160.3	–	4.4

The 9.5% Debenture Stock 1995/2000, which was secured by a floating charge on the assets of the Company and certain subsidiary undertakings was redeemed on 2nd April 1993.

Bank and other loans repayable within two to five years include £6.1 million (1992: £6.1 million) of loans secured on assets of subsidiary undertakings.

Included within bank and other loans repayable within five years are short term drawings of £66.0 million (1992: £100.2 million). These are repayable between January 1994 and July 1994 but have been classified as long term loans as they are drawn down under committed facilities which extend to various dates up to July 1999.

The 9.69% US Dollar Senior Notes 1999 are repayable in six yearly instalments from 1st August 1994 to 1st August 1999. The 9.11% US Dollar Senior Notes 2003 are repayable in five yearly instalments from 1st October 1999 to 1st October 2003. The 9.81% US Dollar Senior Notes 2004 are repayable in ten yearly instalments from 1st August 1995 to 1st August 2004. The 7.93% US Dollar Senior Notes 2004 are repayable in five yearly instalments from 16th July 2000 to 16th July 2004. The 8.76% US Dollar Senior Notes 2006 are repayable in ten yearly instalments from 1st December 1997 to 1st December 2006.

The interest on the 9.11% US Dollar Senior Notes 2003 and the 7.93% US Dollar Senior Notes 2004 has been swapped into variable rates over the average life of the Notes.

18 Provisions for liabilities and charges

	Closure and restructuring provisions £m	Pension and similar obligations £m	Other provisions £m	Pre-acquisition provisions £m	Deferred taxation £m	Total £m
The Group						
As at 4th January 1993	2.1	6.4	3.8	24.3	4.7	41.3
Exchange movements	–	(0.4)	0.1	0.2	–	(0.1)
Provision for the year	1.6	2.3	1.6	2.6	1.4	9.5
Utilised in the year	(1.7)	(1.5)	(2.0)	(12.6)	(4.1)	(21.9)
Released in the year	–	–	–	(0.4)	–	(0.4)
As at 4th January 1994	2.0	6.8	3.5	14.1	2.0	28.4
The Company						
As at 4th January 1993	–	–	–	–	0.4	0.4
Provided in year	–	–	–	–	–	–
Utilised in the year	–	–	–	–	(0.1)	(0.1)
As at 4th January 1994	–	–	–	–	0.3	0.3

The expenditure charged to pre-acquisition provisions of £12.6 million was mainly incurred on reorganising the North American and European electrical carbon businesses, the relocation of Anderman to Matroc Rugby and the integration of Frenchtown into Wesgo and Alberox.

19 Deferred taxation

	The Group 1993 £m	The Group 1992 £m	The Company 1993 £m	The Company 1992 £m
Accelerated capital allowances	0.5	–	–	–
Capital gains deferred under rollover provisions	–	0.2	–	–
Other timing differences	4.0	4.6	0.9	1.3
	4.5	4.8	0.9	1.3
Less Advance Corporation Tax	(2.7)	(3.1)	(0.6)	(0.9)
UK deferred taxation	1.8	1.7	0.3	0.4
Overseas deferred taxation	0.2	3.0	–	–
	2.0	4.7	0.3	0.4

The potential amount of UK deferred taxation calculated on the liability method which has not been provided for in the accounts is shown below at 33% (1992: 33%).

	The Group 1993 £m	The Group 1992 £m	The Company 1993 £m	The Company 1992 £m
Accelerated capital allowances	6.5	6.5	–	–
Capital gains deferred under rollover provisions	1.5	0.5	0.1	0.1
Other timing differences	(1.3)	–	–	–
	6.7	7.0	0.1	0.1
Less Advance Corporation Tax	(4.1)	(4.2)	(0.1)	(0.1)
	2.6	2.8	–	–

20 Called up share capital

	Authorised 1993 £m	Authorised 1992 £m	Issued 1993 £m	Issued 1992 £m
Equity share capital				
249,862,912 (1992: 249,857,668) Ordinary Shares of 25p each	62.5	62.5		
Fully paid: 217,692,409 (1992: 215,975,092) Ordinary Shares of 25p each			54.5	54.1
Non-equity share capital				
125,327 authorised and issued 3.85% Cumulative First Preference Shares of £1 each, fully paid	0.1	0.1	0.1	0.1
311,954 authorised and issued 3.5% Cumulative Second Preference Shares of £1 each, fully paid	0.3	0.3	0.3	0.3
29,416,360 (1992: 29,430,819) authorised and issued 7.5p (net) Cumulative Convertible Redeemable Third Preference Shares of £1 each, fully paid	29.4	29.4	29.4	29.4
2,122,524 (1992: 2,069,932) authorised and issued Non Voting Deferred Shares of 25p each	0.5	0.5	0.5	0.5
	92.8	92.8	84.8	84.4

The following options were outstanding in respect of Ordinary Shares:

Number of shares		Exercise price(s)	Normal exercise dates ranging from	to
4,394,599	The Morgan Executive Share Option Scheme (1984)	145.31p-320.90p	10th November 1987	24th October 2003
762,913	The Morgan Overseas Executive Share Option Scheme (1987)	246.74p-320.90p	21st May 1990	24th October 2003
1,354,977	The Morgan Sharesave Scheme	177.69p-260.52p	1st December 1993	1st June 1999
7,632	Holt Lloyd Savings Related Share Option Scheme	230.31p	1st August 1994	31st January 1995
29,453	The Morgan 1988 Executive Share Option Scheme	236.92p	15th July 1991	14th July 1998

The 3.85% Cumulative First Preference Shares of £1 each and the 3.5% Cumulative Second Preference Shares of £1 each confer on the holders thereof the right to receive a cumulative preferential dividend at the rate of 3.85% and 3.5% respectively, calculated up to 30th June and 31st December respectively in every year.

20 Called up share capital (continued)

The First and Second Cumulative Preference Shares shall not entitle the holders thereof to attend or vote at any general meeting unless either;

i) the meeting is convened to consider any resolutions for reducing the capital, or authorising any issue of debentures or debenture stock, or increasing the borrowing powers of the Board under the Articles of Association of the Company, or winding up, or sanctioning a sale of the undertaking, or altering the Articles in any manner affecting their respective interests, or any other resolutions directly altering their respective rights and privileges, or

ii) at the date of the notice convening the general meeting the Preference dividend is upwards of one month in arrears from the payment date of any half yearly instalment.

The 7.5p (net) Cumulative Convertible Redeemable Third Preference Shares of £1 each confer on the holders thereof the right to receive a cumulative preferential dividend at the rate of 7.5 pence per share per annum. The 7.5p (net) Cumulative Convertible Redeemable Third Preference Shares shall not entitle the holders thereof to attend or vote at any general meeting unless either;

i) the meeting is convened to consider any resolution for winding up the Company or any resolution proposed to abrogate, vary or modify the rights or privileges of the holders; or

ii) at the date of the meeting, the dividend is in arrears for six months or more from the date fixed for payment.

The 7.5p (net) Cumulative Convertible Redeemable Third Preference Shares of £1 each may be converted on 6th July in each year up to and including the year 2003 into fully paid Ordinary Shares of 25p each on the basis of 36.3636 Ordinary Shares and 363.636 Non Voting Deferred Shares of 25p each for every £100 in nominal value of the Convertible Preference Shares.

The 7.5p (net) Cumulative Convertible Redeemable Third Preference Shares in issue on 31st July 2003 shall be redeemed for £1 each.

On a return of capital on a winding-up, the assets of the Company available for distribution shall be applied:-

i) First, in payment to the holders of the First Preference Shares of the amounts paid up on such shares, together with interest at the rate of 3.85% per annum (net).

ii) Second, in payment to the holders of the Second Preference Shares of the amounts paid up on such shares, together with interest at the rate of 3.5% per annum (net).

iii) Third, in paying to the holders of the Convertible Preferences Shares of the amounts paid up on such shares plus any unpaid dividends.

iv) Fourth, in repaying the capital paid up or credited as paid up on the Ordinary Shares.

v) Fifth, any surplus shall be distributed rateably amongst the holders of the Ordinary Shares and the holders of the Convertible Preference Shares in proportion to the nominal amount paid up on their respective holdings of shares in the Company. The Convertible Preference Shares being treated as though conversion into fully paid Ordinary Shares occurred immediately prior to the commencement of the winding-up.

The holders of the Non Voting Deferred Shares of 25p each have no rights to dividends, no voting rights and shall not participate on a winding-up of the Company.

21 Reserves

	Share premium £m	Merger reserve £m	Revaluation reserve £m	Other reserves £m	Special reserve £m	Profit and loss £m
The Group						
At 4th January 1993	87.3	–	31.6	0.2	–	29.6
Scrip issue in lieu of 1992 dividends	0.4	–	–	–	–	–
Premium on share issues	3.6	–	–	–	–	–
Cancellation of share premium account	(88.9)	–	–	–	88.9	–
1992 goodwill previously written off against profit and loss	–	–	–	–	(26.6)	26.6
Goodwill written off on acquisitions	–	–	–	–	(5.7)	–
Revaluation adjustment	–	–	(0.3)	–	–	–
Transfer between reserves	–	–	(0.4)	1.3	–	(0.9)
Foreign currency translation	–	–	0.8	–	–	(12.3)
Retained profit for the year	–	–	–	–	–	16.2
	2.4	–	31.7	1.5	56.6	59.2
The Company						
At 4th January 1993	87.3	91.6	0.3	–	2.8	186.3
Scrip issue in lieu of 1992 dividends	0.4	–	–	–	–	–
Premium on share issues	3.6	–	–	–	–	–
Transfer between reserves	(88.9)	–	–	–	84.5	4.4
Foreign currency translation	–	–	–	–	–	1.9
Retained loss for the year	–	–	–	–	–	(2.0)
	2.4	91.6	0.3	–	87.3	190.6

Foreign currency translation includes £0.3 million (1992: £nil million) for the Group and Company in respect of currency loans used to fund overseas investments.

A Special Resolution to cancel the Share Premium Account was passed at the Annual General Meeting of the Company held on 11th June 1993. This cancellation was confirmed by an Order of the High Court of Justice, Chancery Division, on 14th July 1993. The amount of £88.9 million standing to the credit of the Share Premium Account on 14th July 1993 was transferred to the Special Reserve against which goodwill on consolidation can be written off. This reserve, together with the amounts standing to the credit of the Share Premium Account on 12th October 1990 of £71.5 million, on 19th June 1987 of £38.9 million and on 27th July 1989 of £12.3 million which were transferred following previous Orders of the High Court, becomes distributable to the extent of subsequent increases in Issued Share Capital and Share Premium Account.

The amount of reserves of The Morgan Crucible Company plc that may not be distributed under Section 264(3) of the Companies Act 1985 is £185.3 million (1992: £185.7 million).

The cumulative amount of goodwill eliminated against reserves in respect of subsidiary undertakings continuing to trade as members of the Group is £293.0 million (1992: £287.3 million).

22 Acquisitions

Current year acquisitions

Profits and losses of businesses acquired, adjusted as necessary to conform with Group accounting policies, have been dealt with in the consolidated profit and loss account from the dates of acquisition. The consideration paid for the 1993 acquisitions of £12.3 million gave rise to goodwill of £6.2 million. The following table sets out the adjustments made to the book values acquired:

	Book value £m	Revaluation £m	Other provisions £m	Fair value to the Group £m
Fixed Assets				
– Land and buildings	4.0	0.3	–	4.3
– Plant, equipment and fixtures	3.5	–	–	3.5
Net working capital	–	–	–	–
Tax payable	–	–	–	–
Borrowings	4.1	–	–	4.1
Provisions	–	–	(1.5)	(1.5)
Minority interests	(4.4)	–	–	(4.4)
Reclassification from other investments (note 13)	0.1	–	–	0.1
Assets acquired	7.3	0.3	(1.5)	6.1

1. Adjustments have been made to the book values of the net assets acquired to reflect their fair value and to align the accounting policies of the businesses acquired with those of the Group.

2. Provisions have been made for environmental clean up costs in accordance with local regulations and the cost of reorganising and integrating manufacturing operations where necessary.

   In the year to 31st December 1992 the acquired businesses made net operating losses of £0.3 million based on management accounts prepared on their then accounting policies. The 1993 operating profits for these businesses up to the date of acquisition were £0.2 million.

Prior year acquisitions

Additional payments of £0.1 million and adjustments to fair values of £ 0.1 million and to pre-acquisition provisions of £1.1 million have been made for acquisitions completed in earlier years, mainly Frenchtown which was acquired on 31st December 1992. This results in additional goodwill of £1.3 million. This has been reduced by a release of pre-acquisition provisions of £0.4 million and the reversal of accruals for deferred earnout payments of £1.4 million no longer required.

In total, goodwill of £5.7 million has been written off against the Special Reserve (see note 21).

23 Capital commitments

Commitments for tangible fixed asset expenditure for which no provision has been made in these accounts amounts to £4.1 million (1992: £4.4 million) for the Group and £nil (1992: £0.2 million) for the Company. In addition, tangible fixed asset expenditure authorised by the Directors, but not contracted for, amounts to £2.2 million (1992: £2.7 million) for the Group and £nil (1992: £nil) for the Company.

24 Leasing commitments

Operating leasing commitments during the next year, for which no provision has been made in these accounts, are:-

		The Group		The Company	
		Land & buildings £m	Other £m	Land & buildings £m	Other £m
Expiring in	1994	1.4	1.4	-	-
	1995	1.1	1.6	-	-
	1996	1.1	1.3	-	0.1
	1997	0.5	0.3	-	-
	1998	0.6	0.1	-	-
	1999 and thereafter	3.5	0.3	1.9	-
		8.2	5.0	1.9	0.1

25 Pensions and other retirement costs

The Group operates a number of pension schemes throughout the world. The major schemes are of the funded defined benefit type. The assets of the schemes are held in separate trustee administered funds. The trustee of The Morgan Group Senior Staff Pension and Life Assurance Scheme is The Law Debenture Trust Corporation Plc. The trustee of The Morgan Pension Scheme is Morgan Crucible Pension Trustees Limited, a wholly owned subsidiary undertaking of The Law Debenture Trust Corporation Plc. Both have been trustees of the UK schemes since 1986. Neither of the UK schemes holds any shares in the Company or any of its subsidiary undertakings, has loaned or will loan any scheme assets to the Company or its subsidiary undertakings or made or will make any cash loan to the Company or its subsidiary undertakings.

The total pension cost for the Group was £11.3 million (1992: £8.0 million) of which £8.7 million (1992: £6.1 million) relates to the overseas schemes. The pension cost relating to the UK schemes, The Morgan Pension Scheme and The Morgan Group Senior Staff Pension and Life Assurance Scheme, is assessed in accordance with the advice of a qualified actuary using the projected unit credit method. The latest actuarial valuations of The Morgan Pension Scheme and The Morgan Group Senior Staff Pension and Life Assurance Scheme were on 6th April 1992 and 1st April 1993 respectively. At that date the market value of the assets of the two schemes were £55.4 million and £29.2 million respectively and the actuarial values of the assets were sufficient to cover 129% of the benefits that had accrued to members of The Morgan Pension Scheme and 101% of the benefits that had accrued to members of The Senior Staff Scheme after allowing for expected future increases in earnings. The surpluses have been allocated towards the reduction of employer contribution rates over the average remaining service lives of members of the schemes which is approximately 13 years for The Morgan Pension Scheme and 11 years for The Morgan Group Senior Staff Pension and Life Assurance Scheme. The average annual growth assumptions used for calculating the employer expense under SSAP 24 are:

Investment return	10.0%
Pay increases	8.0%
Retail Price Index increases	6.0%
Dividend growth rate	5.5%

The Group operates overseas schemes numbering over 40. A review of the major overseas schemes was carried out in 1992 and no material surpluses or unprovided deficiencies on a current funding level, were identified which required adjustment in the accounts. The charge to profit and loss account in respect of the overseas schemes has been determined in accordance with best local practice.

Some of the US subsidiary undertakings provide post retirement medical care to former employees. These costs are currently accounted for as paid. The cost for the year was £0.2million. The estimated actuarial liability is £8.7million.

No allowance has been made for the effect, if any, of the requirements regarding pension increases in the Social Security Act 1990.

26 Guarantees and contingent liabilities

Guarantees by The Morgan Crucible Company plc have been given for bank facilities of subsidiary undertakings totalling £397.0 million (1992: £312.4 million) of which £269.3 million (1992: £253.0 million) has been utilised, and the Company has also guaranteed the performance by certain subsidiary undertakings of obligations under leases.

There are contingent liabilities on bills discounted by the Group amounting to £1.9 million (1992: £1.8 million).

In an international group a variety of claims arise from time to time; some have little or no foundation in law or in fact and others cannot be quantified. Provision has been made in these accounts against those claims which the Directors consider are likely to result in significant liabilities.

27 Reconciliation of operating profit to net cash inflow from operating activities

	1993 £m	1993 £m	1992 £m	1992 £m
Operating profit of continuing operations	81.1		71.3	
Depreciation of continuing operations	28.1		23.2	
Loss on sale/write off of plant and machinery	0.3		0.1	
Exchange (loss)	(0.7)		(1.7)	
Decrease/(increase) in stocks	4.9		(4.6)	
(Increase) in debtors	(9.2)		(4.2)	
Increase in creditors	19.7		1.5	
Increase/(decrease) in provisions	0.8		(3.5)	
(Decrease) in pre-acquisition provisions	(12.1)		(14.9)	
		112.9		67.2
Net cash outflow in respect of discontinued operations		(0.5)		(3.0)
Net cash inflow from operating activities		112.4		64.2

28 Acquisition of subsidiary undertakings

	1993 £m	1993 £m	1992 £m	1992 £m
Fixed assets				
– Land and buildings	4.4		1.5	
– Plant, equipment and fixtures	3.4		2.7	
Investments	0.1		(0.2)	
Net working capital	0.1		4.2	
Provisions	(2.7)		(10.5)	
Tax payable	–		(0.2)	
Minority interest	(4.4)		(0.5)	
Net cash balances	4.1		(0.5)	
		5.0		(3.5)
Goodwill		7.4		21.6
Total consideration		12.4		18.1
Less deferred payments		1.1		1.2
Satisfied by cash		11.3		16.9
Net cash balances acquired		(4.1)		0.5
		7.2		17.4

Goodwill excludes £1.4 million (1992: £nil) in respect of a release of deferred consideration for prior year acquisitions and £0.4 million (1992: £3.1 million) in respect of pre-acquisition provisions no longer required.

29 Analysis of changes in financing during the year

	Share capital & share premium £m	Loans £m
At 5th January 1992	169.9	202.2
Net cash inflow from financing	1.8	13.8
Exchange	–	42.8
At 3rd January 1993	171.7	258.8
Net cash inflow/(outflow) from financing	4.4	(32.7)
Exchange	–	4.0
Cancellation of Share Premium Account	(88.9)	–
At 4th January 1994	87.2	230.1

30 Analysis of changes in cash and cash equivalents during the year

	Cash and bank overdrafts £m
At 5th January 1992	134.3
Net cash outflow	(40.0)
Exchange	6.3
At 3rd January 1993	100.6
Net cash outflow	(28.1)
Exchange	(4.2)
At 4th January 1994	68.3

The Morgan Crucible Company plc and Subsidiary Undertakings

	1989 £m	1990 £m	1991 £m	1992 £m	1993 £m
Turnover	522.9	580.7	627.8	684.0	793.3
Group profits					
Operating profit	66.3	71.7	71.3	70.7	81.1
Exceptional items	–	–	–	0.5 Dr	1.0
Finance charges less investment income	12.5	12.2	10.3	8.9	16.1
Profit on ordinary activities before taxation	53.8	59.5	61.0	61.3	66.0
Taxation	16.9	18.9	18.2	18.1	18.9
Profit on ordinary activities after taxation	36.9	40.6	42.8	43.2	47.1
Extraordinary items	1.2	3.9	9.8	–	–
Minority interests and preference dividends	2.1	1.5	2.6	2.8	3.4
Profit attributable to the ordinary shareholders	33.6	35.2	30.4	40.4	43.7
Net dividends paid	16.3	19.2	27.2	27.2	27.5
Retained profit	17.3	16.0	3.2	13.2	16.2
Assets employed					
Fixed assets	212.5	230.0	249.7	298.6	307.1
Investments	7.2	8.4	7.0	7.8	8.8
Net current assets	81.6	90.8	176.5	152.5	99.8
	301.3	329.2	433.2	458.9	415.7
Term loans	91.8	95.3	143.6	177.2	138.8
Provisions and other items	24.5	39.3	47.8	45.7	32.1
	185.0	194.6	241.8	236.0	244.8
Financed by					
Shareholders' funds	183.3	193.7	239.2	233.1	236.2
Minority interests	1.7	0.9	2.6	2.9	8.6
	185.0	194.6	241.8	236.0	244.8
Dividends per share	11.32 p	12.04 p	12.60 p	12.60 p	12.60 p
Earnings per share					
– undiluted	25.6 p	24.5 p	20.0 p	18.8 p	20.2 p
– fully diluted	24.6 p	23.8 p	19.9 p	18.7 p	20.0 p
– underlying				19.0 p	19.8 p

The earnings per share and dividend per share figures for 1989 and 1990 have been adjusted for comparative purposes to take account of the 1991 Rights Issue.

The results for 1989-91 are based on accounting standards applicable for 1991 and earlier years. The results for 1992 and 1993 are based on the requirements of Financial Reporting Standard 3 'Reporting Financial Performance' and the goodwill reporting requirements issued by the Urgent Issues Task Force.

Principal Subsidiary and Associated Undertakings

Carbon Division

	Country of incorporation and principal place of business
* Morgan Austria GmbH	Austria
S.A. Morgan	Belgium
Shanghai Morgan Carbon Company Limited (51% interest)	China
Electrical Carbon Limited	England
* H.J. Tinsley & Co. Ltd	England
Morganite Electrical Carbon Limited	England
* Morganite Electronic Instruments Limited	England
Ets Marshall S.A.	France
Morgan GmbH	Germany
* *National Electrical Carbon GmbH*	*Germany*
Morganite Hong Kong Company Limited	Hong Kong
Morgan Materials Hungary Limited	Hungary
* Assam Carbon Products Limited (51% interest)	India
* Carbide & Graphite Technologies Spa	Italy
* Elettrolitica Del Basso Nera Spa	Italy
* Morganite Italiana S.r.l.	Italy
* Morganite Nord S.r.l.	Italy
* National Italia S.r.l.	Italy
Morganite Carbon Kabushiki Kaisha	Japan
* National Electrical Carbon B.V.	Netherlands
Morganite Carbon of Singapore Pte Limited	Singapore
* *Singapore Carbon Pte Limited*	*Singapore*
Chu Karalum Limited (90.83% interest)	South Korea
Morganite Espanola S.A.	Spain
* National Electrical Carbon A.B.	Sweden
Morganite A.G.	Switzerland
* Morganite Taiwan Limited	Taiwan
* Karbon Grafit Sanayi A.S.	Turkey
* American Carbon Industries Inc.	USA
* Carbon Products Operation Inc.	USA
* Fulmer Company Inc.	USA
* Gerald L. Greer Company Inc.	USA
* Graphite & Specialty Products Inc.	USA
* *Morganite Inc.*	USA
* National Electrical Carbon Corporation	USA
Morganite Zambia Limited	Zambia
Morganite Zimbabwe (Private) Limited (51% interest)	Zimbabwe

Technical Ceramics Division

	Country of incorporation and principal place of business
Archer Technicoat Limited (80% interest)	England
Dulmison (UK) Limited	England
Morganite Special Carbons Limited	England
Morgan Matroc Limited	England
Rigby Metal Components Limited	England
* South...n Graphite Services Limited	England
Morgan Matroc S.A.	France
Wesgo Ceramics GmbH	Germany
* Morganite GmbH	Germany
* Morgan Matroc (Niederlassung)	Germany
MCG Morgan Carbon Graphite S.r.l.	Italy
* Morgan Matroc S.r.l.	Italy
* Morganite Luxembourg S.A.	Luxembourg
Morgan Matroc S.A.	Spain
Morgan Matroc (Thailand) Limited (70% interest)	Thailand
Morgan Technical Ceramics (Thailand) Limited (90% interest)	Thailand
* Alberox Corporation	USA
* *Carbon Technology Inc.*	*USA*
* Dulmison Inc.	USA
* Morgan Matroc Inc.	USA
* Wesgo Inc.	USA

Thermal Ceramics Division

	Country of incorporation and principal place of business
Dalian Morgan Refractories Limited (70% interest)	China
Simonsen & Sons ApS (51% interest)	Denmark
Morganite Thermal Ceramics Limited	England
* Thermal Ceramics Limited	England
* Tre... Refractories UK Limited (51% interest)	England
* Morgan Thermic S.A.	France
* Thermal Ceramics de France S.A.	France
* Morgan Thermal Ceramics GmbH	Germany
* *Ceramicas Termicas de Guatemala S.A.*	Guatemala
* Fibertek Spa	Italy
* Refrattari Italia S.r.l.	Italy
Thermal Ceramics Italiana S.r.l.	Italy
* Thermal Ceramics Nederland B.V.	Netherlands
* Trencon Vuurvast B.V. (51% interest)	Netherlands
* Thermal Ceramics Caribbean Inc.	Puerto Rico
Iberica De Crisoles S.A.	Spain
* Thermal Ceramics Espana S.A.	Spain
* Morganite Thermal Ceramics Taiwan Limited (88% interest)	Taiwan
* American Refractories and Crucible Corporation	USA
* DFC Ceramics Inc.	USA
* Thermal Ceramics Inc.	USA
* Thermic Refractories Inc.	USA
* Fibras Ceramicas CA (50% interest)	Venezuela

Specialty Materials Division

	Country of incorporation and principal place of business
* Holt Lloyd Autralasia Pty Limited	Australia
* Kayes Chemical Company (Australia) Pty Limited	Australia
* Rocol Danmark Aps	Denmark
* Centronic Limited	England
Holt Lloyd International Limited	England
MBM Technology Limited	England
* Mini Instruments Limited	England
Ormandy & Stollery Electronic Components Limited	England
Rocol Limited	England
* Holt Lloyd S.A.	France

Specialty Materials Division (continued)

	Country of incorporation and principal place of business
* Rocol Limited Succursale	France
* Holt Lloyd GmbH	Germany
* Rocol GmbH	Germany
* Rocol (Hong Kong) Limited	Hong Kong
* Holt Lloyd Limited	Ireland
* *Holt Lloyd S.r.l.*	*Italy*
* Musashi Holt K.K. (90% interest)	Japan
* Rocol Mexicana S.A. de C.V. (75% interest)	Mexico
* Holt Lloyd B.V.	Netherlands
* Morgan Chemical Products of Europe B.V.	Netherlands
* Holt Lloyd Europa B.V.	Netherlands
* Gamka Environmental Services Limited	New Zealand
* *Holt Lloyd Limited*	New Zealand
Spanoptic Limited	Scotland
* *Rocol Korea Limited*	*South Korea*
* Rocol Sweden A.B.	Sweden
* American Safety Technologies Inc.	USA
* Artisan Electronics Corporation	USA
* Centronic Inc.	USA
* Chemtronics Inc.	USA
* Dosimeter Corporation of America	USA
* *Franklin Oil Corporation (Ohio)*	*USA*
* Hydrotex Inc.	USA
* Laser Diode Inc.	USA
* Laser Diode Products Inc.	USA
* LPS Laboratories Inc.	USA
* TGM Detectors Inc.	USA

Other Subsidiary Undertakings

* Australian Power Pty Limited	Australia
* Carbon Brush Manufacturing Company Pty Limited	Australia
* Carbon Mechanical Products Pty Limited	Australia
* *Dulmison Pty Limited*	Australia
* Epirez Australia Pty Limited	Australia
* Heat Containment Industries Pty *Limited*	*Australia*
* Morganite Australia Pty Limited	Australia
* Morganite Insulating Products Pty Limited (75% interest)	Australia
* Morlynn Ceramics Pty Limited	Australia
* Southern Cross Insulation Pty Limited	Australia
* Carbosil Industrial Limitada	Brazil
* *Morganite Isolantes Termicos Limitada*	Brazil
* Morganite Do Brasil Industrial Limitada	Brazil
* Morganite Canada Corporation	*Canada*
British and Soviet International Carbon Limited (60% interest)	England
Morgan Materials Technology Limited	England
Morgan Trans Limited (51% interest)	England
* Morgan Trans Budapest Kereskedelmi KFT (55.9% interest)	Hungary
Grupo Industrial Morgan S.A. de C.V.	Mexico
* Termoceramica S.A. de C.V.	Mexico
* *Carbon Mechanical Products (NZ)* Limited	New Zealand
* Dulmison (NZ) Limited	New Zealand
* Heat Containment Industries *Limited*	*New Zealand*
* Morganite Carbon NZ Limited	New Zealand
* Morlynn Industries Limited	New Zealand
* Carbon Mechanical Products (Singapore) Pte Limited	Singapore
Morganite South Africa (Pty) Limited	South Africa
* Dulmison (Thailand) Co Limited (67% interest)	Thailand

Associated Undertakings

* NGK Stanger Pty Limited *(Issued share capital Australian Dollars 1.5 million)*	Australia (50% interest)
Carbono-Lorena S.A. (Issued share capital *Cruzados 100 million)*	Brazil *(43% interest)*
* Start Pilot Limited (Issued share capital £100)	England (30% interest)
* Dyko-Morgan Fasertechnik GmbH (Issued share capital Deutschmarks 1.7 million)	Germany (49% interest)
Carmor (Hellas) EPE (Issued share capital Drachmas 5 million)	Greece (30% interest)
* Greaves Morganite Crucible Limited (Issued share capital Rupees 14 million)	India (28% interest)
* Murugappa Morgan Thermal Ceramics Limited (Issued share capital Rupees 10 million)	India (30% interest)
Isolite Ceramic Fibers SDN.BHD *(Issued share capital Malaysian Dollars* 2.8 million)	Malaysia (30% interest)
* V.O.F. Marec *Isolatie* (Issued share capital Dutch Guilders 20.1 million)	*Netherlands* (49% interest)
* Donald Brown & Co Ltd (Issued share capital NZ $30,000)	New Zealand (49% interest)
* Holt Lloyd & Raposo Limitada *(Issued share capital Escudos 3 million)*	Portugal *(35% interest)*
Ural Morgan Carbon Limited (Issued share capital Roubles 17,212,000)	Russia (30% interest)
* Isolite Foster Refractories (Singapore) Pte Limited (Issued share capital Singapore Dollars 200,000)	Singapore (20% interest)
Isolite Eastern Union Refractories Co. Limited (Issued share capital New Taiwan Dollars 60 million)	Taiwan (25% interest)
* Cedar Lubricants Inc. (Issued share capital US$300,000)	USA (50% interest)
* Morganite Lorraine de Venezuela C.A. (Issued share capital Bolivars 0.4 million)	Venezuela (25% interest)

*Indicates companies some or all of whose shares are owned by a subsidiary

Notice is hereby given that the sixtieth Annual General Meeting of the Company will be held at the Hotel Intercontinental, One Hamilton Place, Hyde Park Corner, London W1 on Friday 10th June 1994 at 12.30pm for the following purposes:

1. To receive the Report of the Directors and the Accounts for the year ended 4th January 1994.

2. To declare a final dividend.

3. To re-elect Mr. V.J. Maundrell as a Director.

4. To re-elect Mr. D.P.H. Liao as a Director.

5. To re-elect Mr. G.D. Swetman as a Director.

6. To re-elect Sir James Spooner as a Director.

7. To reappoint Ernst & Young as Auditors for a further year and to authorise the Directors to determine their remuneration.

Morgan House
Madeira Walk,
Windsor,
Berkshire.
SL4 1EP

By Order of the Board
D.J. Coker
Secretary

16th May 1994

Membership of The Morgan Share Participation Scheme or The Morgan Sharesave Scheme does not give any entitlement to attend or vote at the Meeting. Members of The Morgan Share Participation Scheme are entitled to instruct National Westminster Bank plc who are the Trustees, to vote the member's individual interests. A form of instruction is dispatched separately to each such member.

Shareholders entitled to vote at the Meeting may appoint one or more proxies to attend and, on a poll, to vote in their stead. A proxy need not be a shareholder. A form of proxy for the Meeting is enclosed. If you are a shareholder and are unable to attend, you are asked to complete this form and return it as soon as possible. Completion of the form will not preclude a shareholder from attending and voting in person.

If you are a shareholder and propose to attend the Meeting, please sign and bring with you the enclosed attendance card as this will greatly facilitate your admission.

This notice is sent for information only to holders of all classes of Preference Shares such holders not being entitled to attend or vote at the Meeting.

The information below is available for inspection during business hours on any weekday (Saturdays excluded) at the Company's Registered Office, Morgan House, Madeira Walk, Windsor, Berkshire SL4 1EP from the date of this notice until 10th June 1994 and at the place of the Annual General Meeting on that date from 12.15pm until the close of the Meeting.

1. A statement of the holdings of the Directors and their families in the share capital of the Company, including options held by Directors.

2. Copies of all contracts of service under which Directors of the Company are employed by the Company.

Subject to the relevant detailed terms in each instance and approval of the Board of Directors where applicable.

Dividends payable

1st October 1994 and 1st April 1995

3.85 per cent Cumulative First Preference Shares of £1 each and 3.5 per cent Cumulative Second Preference Shares of £1 each.

6th July 1994 and 6th January 1995

Ordinary Shares of 25p each.

7.5p (net) Cumulative Convertible Redeemable Third Preference Shares of £1 each.

Conversion rights

6th July 1994

7.5p (net) Cumulative Convertible Redeemable Third Preference Shares of £1 each. Conversion rights may be exercised by lodging a conversion notice at any time during the 28 days ending on 6th July up to and including 6th July 2003, at the rate 36.3636 Ordinary Shares for every 100 Preference Shares of £1 each so converted.

Capital Gains Tax

The market values of quoted shares and stocks at 31st March 1982 were:

Ordinary Shares of 25p each	122.5p
3.85% Cumulative First Preference Shares of £1 each	30.5p
3.5% Cumulative Second Preference Shares of £1 each	28.5p

For capital gains tax purposes the cost of Ordinary shares is adjusted to take account of rights issues. Any capital gains arising on a disposal will also be adjusted to take account of indexation allowances. Since the adjustments will depend on individual circumstances, shareholders are recommended to consult their professional advisers.

Registrar

Barclays Registrars, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU.