

MORGAN HOLDINGS INTERNATIONAL LIMITED

REPORT AND ACCOUNTS

YEAR ENDED 4 JANUARY 2003

COMPANY NO. 1352995



MORGAN HOLDINGS INTERNATIONAL LIMITED

DIRECTORS

Mr. D.J. Coker
Mr. N. R. Young (Appointed 08.04.02)
Mr. N.G. Howard (Appointed 11.10.02)

Mr. D. C. Davies (Resigned 31.03.02)
Mr. I.P. Norris (Resigned 11.10.02)

SECRETARY AND REGISTERED OFFICE

Mrs. E. Marriner
Morgan House
Madeira Walk
Windsor
Berkshire
SL4 1EP

MORGAN HOLDINGS INTERNATIONAL LIMITED

REPORT OF THE DIRECTORS

1. The Directors submit their Report and the Accounts for the year ended 4 January 2003.

2. **Principal Activities and Review**

The Company was an intermediate holding and investment company during the period under review and it is intended that the Company will continue in this role for the foreseeable future. During the period under review the Company acquired an interest in Thermal Ceramics Italiana Srl, from a fellow subsidiary company.

3. **Results For The Year and Dividend**

The Company made a loss of £13,000 during the year (2001: £nil). The Directors recommend that no final dividend be declared and that the loss be transferred to reserves.

4. **Directorate**

- (a) The names of the Directors as at the date of this Report are shown on page 1 of this Report.
- (b) None of the Directors had any interests in the shares of the Company. Directors interests in the Company's ultimate holding company, The Morgan Crucible Company plc, are as follows:

<u>Ordinary Shares of 25p each</u>	<u>04.01.03</u>	<u>04.01.02</u>
D J Coker	15,684	10,666

Since the end of the period under review, Mr Coker has acquired a further 2,000 Ordinary shares.

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

D J Coker	10	10
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Ordinary Shares held under Option

D J Coker	40,698	29,402
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The above Options were held under The Morgan Executive Share Option Scheme (1984) and The Morgan Sharesave Scheme (1995) and may be exercised between 25

October 1996 and 31 May 2006 at prices between 61.84p and 320.9p. During the period under review, under The Morgan Sharesave Scheme (1995), an option held by Mr Coker over 3,985 shares with an option price of 211.68p lapsed and he acquired an option over 15,281 shares with an option price of 61.84p.

Mr Howard and Mr Young are Directors of The Morgan Crucible Company plc and their interests are disclosed in the financial statements of that company.

5. Auditors and Annual General Meeting

The reappointment of KPMG Audit Plc as the auditors of the Company will be proposed at the forthcoming Annual General Meeting.

BY ORDER OF THE BOARD



E Marriner
Secretary

Morgan House
Madeira Walk
Windsor
Berkshire
SL4 1EP

Dated: 8th September 2003

MORGAN HOLDINGS INTERNATIONAL LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES
IN RESPECT OF THE ACCOUNTS

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

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

The Directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the accounts comply with the Companies Act 1985. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

By Order of the Board



Mrs E Marriner
Secretary

Report of the independent auditors to the members of Morgan Holdings International Limited

We have audited the financial statements on pages 6 to 11.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 4 of the financial statements, in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company is not disclosed.

Basis of audit 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 financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, 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 financial statements 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 financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 4 January 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


KPMG Audit Plc
Chartered Accountants
Registered Auditor

8 Salisbury Square
London
EC4Y 8BB

Date: 8 September 2003

MORGAN HOLDINGS INTERNATIONAL LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 4 JANUARY 2003

	Note	2002 £000	2001 £000
Other operating charges		(20)	-
Interest received	2	<u>7</u>	-
Loss on ordinary activities before taxation		(13)	-
Taxation	3	<u>-</u>	-
Retained loss for the year		<u>(13)</u>	-

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2002 £000	2001 £000
Loss on ordinary activities after taxation	(13)	-
Exchange movements	<u>738</u>	-
Total recognised gains and losses for the year	<u>725</u>	-

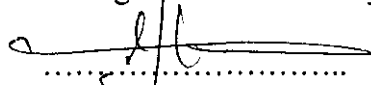
MORGAN HOLDINGS INTERNATIONAL LIMITED

BALANCE SHEET

AS AT 4 JANUARY 2003

	Note	2002 £000	2001 £000
FIXED ASSETS			
Investments	4	<u>256,390</u>	<u>227,309</u>
CURRENT ASSETS			
Debtors	5	122,672	122,664
CREDITORS : Amounts falling due within one year	7	<u>(151,311)</u>	<u>(122,947)</u>
NET CURRENT LIABILITIES		<u>(28,639)</u>	<u>(283)</u>
NET ASSETS		<u>227,751</u>	<u>227,026</u>
CAPITAL AND RESERVES			
Equity Shareholders' Funds			
Called-up Share Capital	8	219,090	219,090
Capital Redemption Reserve		1,000	1,000
Profit and Loss Account	9	<u>7,661</u>	<u>6,936</u>
Equity Shareholders' Funds	10	<u>227,751</u>	<u>227,026</u>
Non-equity Shareholders' Funds			
Called-up Share Capital	8	<u>-</u>	<u>-</u>
		<u>227,751</u>	<u>227,026</u>

These financial statements were approved by the Board on 8th September 2003 and were signed on its behalf by:


.....
D.J. Coker – Director

Dated: 8th September 2003

MORGAN HOLDINGS INTERNATIONAL LIMITED

NOTES RELATING TO THE ACCOUNTS FOR THE
YEAR ENDED 4 JANUARY 2003

1. ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements:

- a. The financial statements have been prepared in accordance with applicable Standards and under the historical cost convention.
- b. Transactions in foreign currencies are recorded at the rates of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. Exchange differences are taken directly to the profit and loss account.
- c. Hedging Policy
Gains or losses arising on the translation of equity investments denominated in foreign currencies in the company's accounts are taken to reserves, net of exchange differences arising on related foreign currency borrowings.
- d. The Company has taken advantage of the exemption under FRS8 from disclosing transactions with related parties that are part of The Morgan Crucible Company plc group of companies.
- e. The balance sheets for the current year and the comparative period have been drawn up as at 4 January 2003 and 4 January 2002 respectively. The profit and loss statements are for the years ended 4 January 2003 and 4 January 2002. For convenience these periods and balance sheet dates are referred to in the body of the accounts as '2002' and '2001' respectively.

2. INTEREST RECEIVED

	<u>2002</u>	<u>2001</u>
	£000	£000
Other interest	<u>7</u>	<u>-</u>

MORGAN HOLDINGS INTERNATIONAL LIMITED

**NOTES RELATING TO THE ACCOUNTS FOR THE
YEAR ENDED 4 JANUARY 2003**

3. TAXATION

Taxable profits for the year ended 4 January 2003 have been covered by Group relief at nil charge.

4. INVESTMENTS

	£000
Balance at 4 January 2002	227,309
Additions	23,300
Disposals	-
Exchange gain	5,781
Balance at 4 January 2003	<u>256,390</u>

The shares are held in the following companies:

<u>Company name</u>	<u>Country of incorporation & principle country Ownership of operation</u>	<u>Nature of business</u>	<u>%</u>
Morgan Holding Netherlands BV	Netherlands	Holding Company	100%
Thermal Ceramics Italiana	Italy	Ceramics	97.7%

The Directors are of the opinion that the value of these investments is not less than the value stated above.

5. DEBTORS

	<u>2002</u>	<u>2001</u>
	£000	£000
Amounts owed by Group Undertakings:		
Loans	<u>122,672</u>	<u>122,664</u>

MORGAN HOLDINGS INTERNATIONAL LIMITED

**NOTES RELATING TO THE ACCOUNTS FOR THE
YEAR ENDED 4 JANUARY 2003**

6. DIRECTORS' EMOLUMENTS AND AUDIT FEES

The Directors' emoluments for the year under review are £nil (2001-£nil).

Audit fees are borne by a fellow Group company.

7. CREDITORS - Amounts falling due within one year

	<u>2002</u>	<u>2001</u>
	£000	£000
Amounts due to Group Undertakings	151,311	122,858
Corporation tax	-	89
	<u>151,311</u>	<u>122,947</u>

8. CALLED-UP SHARE CAPITAL

	<u>2002</u>	<u>2001</u>
	£000	£000
<u>Authorised</u>		
Equity Share Capital		
260,000,000 "A" Ordinary shares of £1 each	260,000	260,000
Non-equity Share Capital		
9,999,998 "B" Redeemable		
Preference shares of £1 each	10,000	10,000
2 "C" Ordinary Preference shares of £1 each	-	-
	<u>270,000</u>	<u>270,000</u>

Allotted, Called-up and Fully Paid

	<u>2002</u>	<u>2001</u>
	£000	£000
Equity Share Capital		
219,090,222		
"A" Ordinary shares of £1 each	219,090	219,090
2 "C" Ordinary Preference shares of £1 each	-	-
	<u>219,090</u>	<u>219,090</u>

MORGAN HOLDINGS INTERNATIONAL LIMITED

NOTES RELATING TO THE ACCOUNTS FOR THE
YEAR ENDED 4 JANUARY 2003

9.	RESERVES	Profit and Loss Account £000
	Balance at 4 January 2002	6,936
	Retained loss for the year	(13)
	Other recognised gains for the year	738
	Balance at 4 January 2003	<u>7,661</u>

10. RECONCILIATION OF SHAREHOLDERS' FUNDS

	<u>2002</u> £000	<u>2001</u> £000
Retained loss for the year	(13)	-
Other recognised gains for the year	738	-
Net addition to Shareholders' Funds	<u>725</u>	-
Opening Shareholders' Funds	227,026	227,026
Closing Shareholders' funds	<u>227,751</u>	<u>227,026</u>

11. ULTIMATE HOLDING COMPANY

The Directors regard The Morgan Crucible Company plc, incorporated in England and Wales, as being the Company's ultimate holding company.

Copies of their accounts can be obtained from Morgan House, Madeira Walk, Windsor, Berkshire, SL4 1EP.

12. CASH FLOW STATEMENT

As the Company is a wholly owned subsidiary undertaking of The Morgan Crucible Company plc, a company registered in England and Wales, which prepares a consolidated cash flow statement, the Company has taken advantage of the exemption provided under paragraph 5 of FRS 1 (Revised) not to prepare a cash flow statement.

13. GROUP ACCOUNTS

Group accounts dealing with subsidiary and associated undertakings have not been prepared as the Company was, at the end of its financial year, the wholly owned subsidiary of another body corporate incorporated in England and Wales.