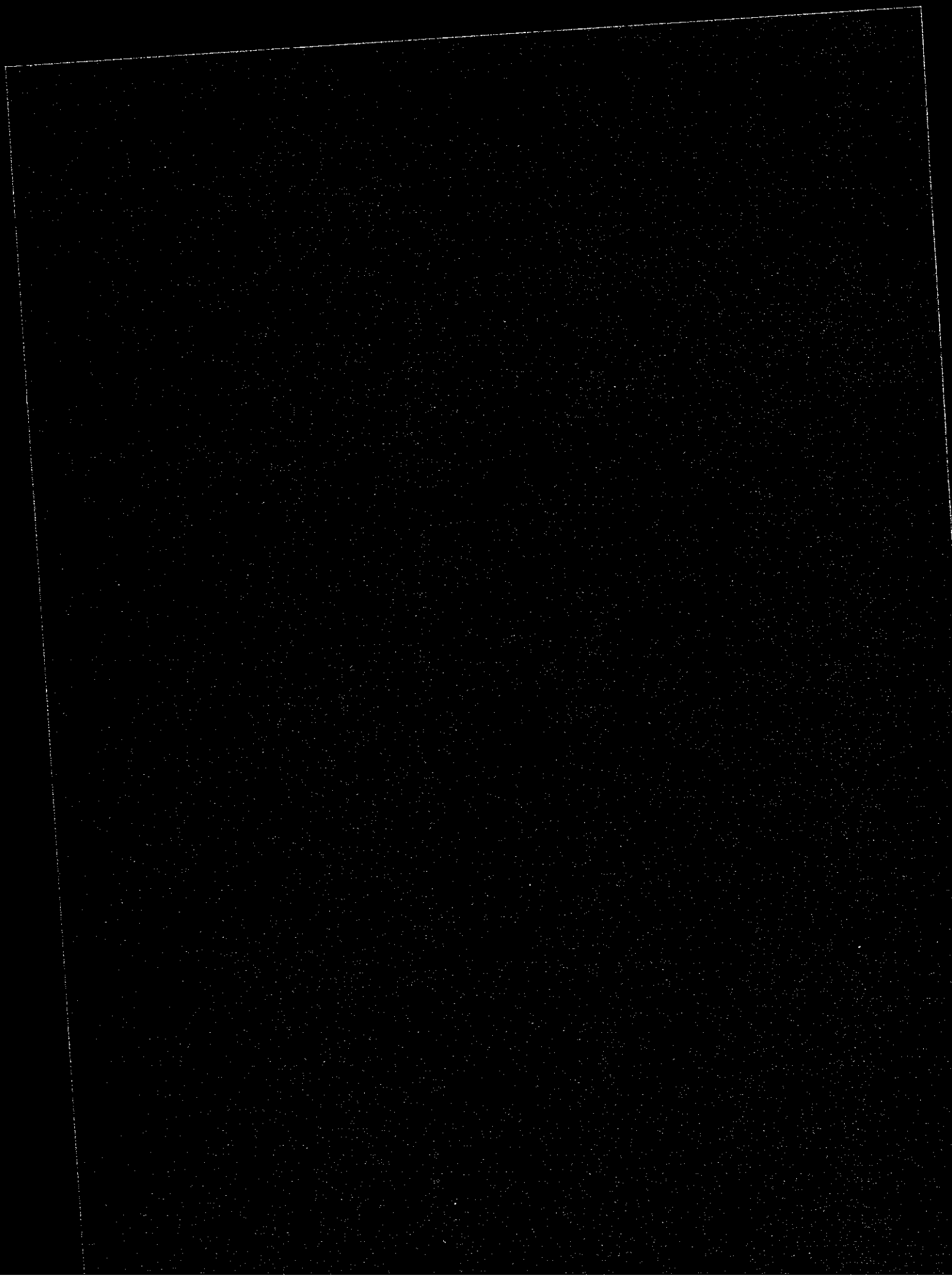




COOKSON MATTHEY CERAMICS plc
Registered number 2885614

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
31st DECEMBER 1994





COOKSON MATTHEY CERAMICS plc

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

For the period ended 31st December 1994

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DIRECTORS' REPORT AND FINANCIAL STATEMENTS

For the period ended 31st December 1994

GENERAL INFORMATION

COOKSON MATTHEY CERAMICS plc

An associated undertaking of
Cookson Group plc and Johnson Matthey PLC

DIRECTORS

M. Oster	(Chairman)
R. N. Clark	(Chief Executive)
S. Barr	
S. L. Howard	
D. W. Morgan	
N. Sheldrick	
J. Davies	(Alternate for D. W. Morgan)
Malpas	(Alternate for S. L. Howard)

SECRETARY

M. Noor

REGISTERED IN ENGLAND

Number 2885614

REGISTERED OFFICE

10 Wood Street
London, EC2V 6EQ

EDITORS

MG
Salisbury Square
London
W1Y 8BB

COOKSON MATTHEY CERAMICS plc

DIRECTORS' REPORT

The directors present their first annual report, together with the audited financial statements of the group, for the period ended 31st December 1994.

Formation of the group

The company was incorporated on 7th January 1994 in the name of Advancerise plc.

On 17th March 1994 Cookson Group plc and Johnson Matthey PLC announced that agreement had been reached to form a joint venture company named Cookson Matthey Ceramics plc, to combine Cookson's Ceramic Supplies and Minerals businesses and Johnson Matthey's Colour and Print Division. A legally binding conditional agreement was signed on 6th June 1994.

On 3rd June 1994 the company changed its name to Cookson Matthey Ceramics plc and, in accordance with the above agreement, acquired on 1st July 1994 the beneficial ownership of all the businesses contributed to the joint venture by Cookson Group plc and Johnson Matthey PLC.

The company acts as a holding company for these investments and is owned 50% by Cookson Group plc and 50% by Johnson Matthey PLC.

Full details of the businesses acquired on 1st July 1994 are set out in note 23 to the financial statements.

The total consideration for the acquisition of the businesses was £157.9 million. Details of the nature of the purchase consideration are set out in note 10 to the financial statements.

The fair value of the net assets acquired was £7.5 million.

Activities

Cookson Matthey Ceramics plc is the parent company of an internationally based group of companies which are engaged in the manufacture and supply of ceramics and associated raw materials.

Business review

The company was dormant for the period up to 1st July 1994. Turnover in the six months ended 31st December 1994 amounted to £122.5 million and the operating profit for the period is £13.2 million.

The loss for the period after taxation and attributable to shareholders is £3.9 million.

The directors do not recommend the payment of a dividend.

Research and development

During the period the group spent £2.8 million on research and development.

Political and charitable contributions

During the period the group donated £3,000 to UK charities. There were no donations for political purposes.

Liability insurance

The company has taken out insurance for the directors and officers of group companies in respect of their duties as directors and officers of the group.

DIRECTORS' REPORT

Directors and directors' interests

The directors who served during the period were:-

Swift Incorporation Limited	Appointed	7th January 1994	Resigned	28th February 1994
Instant Companies Limited	Appointed	7th January 1994	Resigned	28th February 1994
J. Dillon	Appointed	28th February 1994	Resigned	5th April 1994
N. Leon	Appointed	28th February 1994	Resigned	5th April 1994
I. G. Thorburn	Appointed	5th April 1994	Resigned	1st July 1994
M. J. L. Henkel	Appointed	5th April 1994	Resigned	1st July 1994
C. R. N. Clark	Appointed	5th April 1994		
D. W. Morgan	Appointed	5th April 1994		
J. N. Sheldrick	Appointed	5th April 1994		
R. M. Oster	Appointed	1st July 1994		
I. S. Barr	Appointed	1st July 1994		
S. L. Howard	Appointed	1st July 1994		
D. J. Davies (Alternate for D. W. Morgan)	Appointed	22nd July 1994		
R. Malpas (Alternate for S. L. Howard)	Appointed	22nd July 1994		

None of the directors who held office at the end of the financial period had any disclosable interest in shares of the company. According to the register of directors' interests, no rights to subscribe for shares in or debentures of the company or any other group company were granted to any of the directors or their immediate families, or exercised by them, during the financial period.

Auditors

At the first meeting of the directors on 5th April 1994 KPMG Peat Marwick were appointed as the first auditors of the company. On 6th February 1995 our auditors changed the name under which they practise to KPMG and, accordingly, have signed their report in their new name.

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board

M Noor
Secretary

0 Wood Street
ndon, EC2V 6EQ

14th March 1995

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and the group as at the end of the financial period and of the profit and loss for that period. In preparing the financial statements, the directors are required to:

- * select suitable accounting policies and apply them consistently,
- * make judgements 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,
- * prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 financial statements 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.

COOKSON MATTHEY CERAMICS plc

AUDITORS' REPORT

to the members of Cookson Matthey Ceramics plc

We have audited the financial statements on pages 6 to 26.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements 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 financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group'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 affairs of the company and the group as at 31st December 1994 and of the loss of the group for the period from 7th January 1994 (the date of incorporation) to 31st December 1994 and have been properly prepared in accordance with the Companies Act 1985.

PMG

PMG

Chartered Accountants
Registered Auditors

London

15th March 1995

COOKSON MATTHEY CERAMICS plc
CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the period 7th January 1994 to 31st December 1994

	NOTE	Group	
		1994 £ million	1994 £ million
Turnover	1	-	
Continuing operations	1	122.5	
Acquisitions			122.5
			(88.0)
Cost of sales			34.5
Gross profit			
			(12.4)
Distribution costs			(9.3)
Administrative expenses			0.4
Income from interests in associated undertakings			
Operating profit	1	-	
Continuing operations	1	13.2	
Acquisitions			13.2
			(11.3)
Provision for restructuring the acquired businesses	2		
			1.9
Profit on ordinary activities before interest			(4.2)
Net interest payable	3		(2.3)
Loss on ordinary activities before taxation	4		(1.0)
Taxation on loss on ordinary activities	7		(3.3)
Loss on ordinary activities after taxation			(0.6)
Minority interests			(3.9)
Accumulated loss for the period attributable to shareholders	19		

COOKSON MATTHEY CERAMICS plc
CONSOLIDATED AND PARENT COMPANY BALANCE SHEETS

31st December 1994

	NOTE	Group 1994 £ million	Parent Company 1994 £ million
Fixed assets			
Tangible fixed assets	8	81.3	0.2
Investments	9	3.3	158.6
		<u>84.6</u>	<u>158.8</u>
Current assets			
Stocks	11	49.8	-
Debtors : due within one year	12	66.0	62.3
Debtors : due after one year	12	0.7	59.4
Total debtors		66.7	121.7
Short term investments		1.0	-
Cash at bank and in hand		9.7	0.4
		<u>127.2</u>	<u>122.1</u>
Creditors: Amounts falling due within one year	13	(63.9)	(5.9)
Net current assets		<u>63.3</u>	<u>116.2</u>
Total assets less current liabilities		147.9	275.0
Creditors: Amounts falling due after more than one year			
Convertible loan stock	14	(207.0)	(207.0)
Other creditors	14	(2.7)	-
		(209.7)	(207.0)
Provisions for liabilities and charges	16	(16.4)	-
Net (liabilities) / assets		<u>(78.2)</u>	<u>68.0</u>
Capital and reserves			
Called up share capital	18	69.0	69.0
Associated undertakings' reserves	19	0.2	-
Profit and loss account	19	(155.8)	(1.0)
Shareholders' funds		(86.6)	68.0
Minority interests	20	8.4	-
		<u>(78.2)</u>	<u>68.0</u>

The accounts were approved by the Board of Directors on 14th March 1995 and signed on its behalf by:



Richard M. Oster
Chairman



Chris R. N. Clark
Chief Executive

Notes on pages 10 to 26 form an integral part of the financial statements

COOKSON MATTHEY CERAMICS plc
CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the period 7th January 1994 to 31st December 1994

	1994 £ million
Loss for the period	(3.9)
Currency translation differences on foreign currency net investments	(0.6)
Total recognised gains and losses for the period	(4.5)

NOTE OF CONSOLIDATED HISTORICAL COST PROFITS AND LOSSES

for the period 7th January 1994 to 31st December 1994

The historical cost loss is equal to the reported loss.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

for the period 7th January 1994 to 31st December 1994

	1994 £ million
Recognised gains and losses relating to the period (net)	(4.5)
New share capital subscribed	69.0
Goodwill written off	(151.1)
Net addition to shareholders' funds	(86.6)
Opening shareholders' funds	-
Closing shareholders' funds	(86.6)

COOKSON MATTHEY CERAMICS plc
CONSOLIDATED CASH FLOW STATEMENT

for the period 7th January 1994 to 31st December 1994

	NOTE	1994 £ million
Net cash inflow from operating activities	22	14.7
Returns on investments and servicing of finance		
Interest received		0.2
Interest paid		(4.4)
Dividends received from associated undertakings		0.1
Dividends paid - by parent company		-
- to minority shareholders		(0.2)
Net cash outflow from returns on investments and servicing of finance		(4.3)
Taxation		
UK corporation tax paid including advance corporation tax		(0.4)
Overseas tax paid		(1.9)
Tax paid		(2.3)
Investing activities		
Purchase of tangible fixed assets		(7.7)
Purchase of subsidiary undertakings (cash effect)	10	4.2
Net cash outflow from investing activities		(3.5)
Net cash inflow before financing		4.6
Financing	22	
Decrease in current accounts with Cookson Group plc and Johnson Matthey PLC		2.1
Repayment of money borrowings		0.7
Repayment of metal borrowings		0.6
Net cash outflow from financing		3.4
Increase in cash and cash equivalents	22	1.2
		4.6

Notes on pages 10 to 26 form an integral part of the financial statements

COOKSON MATTHEY CERAMICS plc

ACCOUNTING POLICIES

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1. Accounting convention

The financial statements are prepared in accordance with applicable accounting standards under the historical cost convention.

2. Basis of consolidation

The consolidated financial statements comprise the financial statements of the parent company and all its subsidiary undertakings and include the group's interest in associated undertakings.

The results of companies acquired or disposed of in the period are dealt with from or up to the effective date of acquisition or disposal respectively. The net assets of companies acquired are incorporated in the consolidated accounts at their fair values to the group at the date of acquisition. Goodwill arising on acquisitions is taken to reserves.

The parent company has not presented its own profit and loss account as permitted by Section 230 of the Companies Act 1985.

3. Foreign currencies

Profit and loss accounts of overseas subsidiaries and their cash flows included in the cash flow statement are translated into sterling at average exchange rates for the period. Foreign currency assets and liabilities are translated into sterling at the rates of exchange at the balance sheet date. Gains or losses arising on the translation of the net assets of overseas subsidiaries and associated undertakings are taken to reserves. Other exchange differences are taken to the profit and loss account.

4. Stocks

Stocks, other than borrowed metal, are valued at the lower of cost, including attributable overheads, and net realisable value. Borrowed metal is valued at market prices at the balance sheet date.

5. Research and development

Research and development expenditure is charged against profits in the period it is incurred.

6. Tangible fixed assets

(i) Depreciation:

Freehold land is not depreciated.

The cost, less estimated residual value, of other fixed assets is depreciated on a straight line basis at annual rates which vary according to the class of asset, but are typically:

Leasehold property (or at higher rates based on the life of the lease)	2%
Freehold buildings	3.33%
Plant and equipment	4%-33%

(ii) Leases:

Rentals under operating leases are expensed as incurred.

(iii) Grants in respect of capital expenditure:

Grants received in respect of capital expenditure are included in creditors and released to the profit and loss account in equal instalments over the expected useful lives of the related assets.

7. Deferred taxation

Deferred taxation is provided using the liability method on all timing differences to the extent that they are expected to reverse in the foreseeable future.

8. Pensions and other retirement benefits

(i) Pensions:

The group operates a number of contributory and non-contributory schemes, mainly of the defined benefit type, which require contributions to be made to separately administered funds. The cost of these schemes is charged to profit and loss account over the service lives of employees in accordance with the advice of the schemes' independent actuaries. Variations from the regular cost are spread over the average expected remaining service lives of current employees.

(ii) Post-retirement health care benefits:

The cost of post-retirement health care benefits is charged to profit and loss account on a systematic basis over the expected service lives of employees.

COOKSON MATTHEY CERAMICS plc
NOTES TO THE FINANCIAL STATEMENTS

for the period 7th January 1994 to 31st December 1994

Segmental information

All the activities of the group relate to the businesses acquired on 1st July 1994 (see note 10 to these accounts). These activities have been organised into two divisions, Ceramics and Materials. The Ceramics division manufactures raw materials for the ceramics, tile and printing industries including body, frits, zircon, glazes, decorative colours and decorative precious metals. It also manufactures decorative ceramic transfers and provides an in-house design facility with a full technical support service. The Materials division supplies minerals, glass enamels and pigments to the ceramic tile, sanitary ware, glass, refractories, construction and table-ware markets.

Activity analysis

	1994		
	Ceramics £ million	Materials £ million	Total Group £ million
Turnover:			
Total sales			
Inter-segment sales	78.1	66.2	144.3
Sales to third parties	(12.2)	(9.6)	(21.8)
	<u>65.9</u>	<u>56.6</u>	<u>122.5</u>
Loss before taxation			
Operating profit			
Provision for restructuring the acquired businesses	6.1	7.1	13.2
(Loss) / profit before interest	<u>(10.7)</u>	<u>(0.6)</u>	<u>(11.3)</u>
Net interest	(4.6)	6.5	1.9
Loss on ordinary activities before taxation			<u>(4.2)</u>
			<u>(2.3)</u>
Net assets excluding borrowings			
Net financial borrowings	70.1	66.4	136.5
Net liabilities			<u>(214.7)</u>
			<u>(78.2)</u>

Geographical analysis

	1994			
	Europe2 £ million	North America £ million	Far East £ million	Rest of World £ million
Turnover by destination:				
Sales to third parties	85.0	16.9	13.5	7.1
	<u>85.0</u>	<u>16.9</u>	<u>13.5</u>	<u>7.1</u>
Turnover by origin:				
Total sales				
Inter-segment sales	126.9	11.5	5.2	0.7
Sales to third parties	(21.5)	(0.1)	(0.2)	-
	<u>105.4</u>	<u>11.4</u>	<u>5.0</u>	<u>0.7</u>
Loss before taxation				
Operating profit				
Provision for restructuring the acquired businesses	12.2	0.8	0.1	0.1
(Loss) / profit before interest	<u>(11.3)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net interest	0.9	0.8	0.1	0.1
Loss on ordinary activities before taxation				<u>(4.2)</u>
				<u>(2.3)</u>
Net assets excluding borrowings				
Net financial borrowings	126.6	5.6	3.8	0.5
Net liabilities				<u>(214.7)</u>
				<u>(78.2)</u>

Turnover comprises all invoiced sales of goods and services exclusive of sales taxes.

Turnover by market relating to the United Kingdom amounted to £30.3 million.

COOKSON MATTHEY CERAMICS plc
NOTES TO THE FINANCIAL STATEMENTS

for the period 7th January 1994 to 31st December 1994

2. Provision for restructuring the acquired businesses

On acquisition of the Ceramics Supplies and Minerals businesses from Cookson Group plc and the Colour and Print Division from Johnson Matthey PLC, the directors decided to carry out a fundamental reorganisation of the group. The costs of this reorganisation, which are primarily redundancy, relocation and project management costs, are expected to total £11.3 million and have been charged to the profit and loss account for the period.

3. Net interest

	1994 £ million
Interest payable :	
On bank loans, overdrafts and other loans wholly repayable within five years	0.5
On convertible loan stock (note 14) issued to Cookson Group plc and Johnson Matthey PLC	3.9
repayable after more than five years	4.4
	(0.2)
Interest receivable	4.2
Net interest charge for the period	

4. Loss on ordinary activities before taxation

	1994 £ million
Loss on ordinary activities before taxation is arrived at after charging :	
	2.8
Research and development	3.3
Depreciation	0.3
Auditors' remuneration	-
Other fees paid to Auditors - United Kingdom	0.1
- rest of world	0.1
Exchange losses	
Operating lease rentals	0.1
- on plant and machinery	0.9
- on other operating leases	
Directors' remuneration (note 5)	-
- fees (1994 £nil)	0.2
- other emoluments, including pension contributions	0.2
Total directors' remuneration	

COOKSON MATTHEY CERAMICS plc
NOTES TO THE FINANCIAL STATEMENTS

for the period 7th January 1994 to 31st December 1994

Directors' emoluments

No emoluments are paid by the company to any of the directors. The directors are remunerated by either Cookson Group plc or Johnson Matthey PLC. A management fee is charged by Johnson Matthey PLC for the provision of the services of two of the directors. The aggregate amount of the fee payable to Johnson Matthey PLC for the period was £166,000.

Employee information

Employee numbers

1994

The average weekly number of employees during the period was as follows:

Ceramics	1,871
Materials	874
Average number of employees	<u>2,745</u>

Employee costs

1994

£ million

Wages and salaries	
Social security costs	24.4
Other pension and post retirement costs	4.6
Total employee costs	<u>0.6</u> <u>29.6</u>

COOKSON MATTHEY CERAMICS plc

NOTES TO THE FINANCIAL STATEMENTS

for the period 7th January 1994 to 31st December 1994

6(c) Retirement benefits

(i) United Kingdom Pension scheme

The group's UK pension scheme is of the defined benefit type which requires contributions to be made to a separately administered fund. At 1st July 1994, the date of the latest actuarial valuation, the market value of the UK scheme's assets was £41.2 million, the actuarial value of which represented 122.6% of the liability for benefits that had accrued to that date making full allowance for future salary and pension increases. This represents an actuarial surplus of £7.6 million which, following actuarial recommendations, has permitted the group to suspend contributions for the foreseeable future. A surplus cannot be refunded to the group except by dissolution of the scheme in accordance with the rules of the scheme and relevant legislation. The regular pension cost is assessed in accordance with the advice of an independent qualified actuary using the projected unit method. Rates used at the last actuarial valuation at 1st July 1994 were as follows:

	per annum
Long term rate of investment return	9.5%
Dividend increase rate	5.25%
General salary and wage inflation rate	7.5%
Pension increase rate	4.5%

In accordance with the applicable accounting standard, the surplus on the group's UK pension fund has been spread over the average of the expected remaining service lives of current employees (12 years) as a variation from regular cost.

(ii) Foreign schemes

Pension costs relating to foreign schemes are charged in accordance with local best practice using different accounting policies. The cost of obtaining actuarial valuations for purposes of adjusting to the applicable UK accounting standard is considered to be out of proportion to the benefits to be gained.

(iii) Other retirement benefits

In the UK the group expects to provide post-retirement medical benefits to certain employees. It operates an unfunded defined benefit scheme and costs are charged on an accruals basis similar to that used for pensions. The benefit cost and provision are assessed by a qualified actuary using the projected unit credit actuarial cost method.

(iv) Profit and loss account and balance sheet impact of providing retirement benefits

The effect of providing pensions and other retirement benefits on operating profit was as follows:

	1994 £million
United Kingdom	0.7
Regular pension cost	(0.6)
Variation from regular cost	-
Cost of post-retirement medical benefit (In 1994 £29,000)	0.1
Overseas	0.3
Cost of foreign pension schemes	0.4
Total cost of retirement benefits	

The following prepayments and provisions relating to pension schemes and other post-retirement benefits are included in the group and parent company's balance sheets:

	Group 1994 £ million	Parent Company 1994 £ million
Prepaid pension costs in the UK	0.1	
Provision for post-retirement medical benefits (Parent company 1994 £41,000)	0.4	
Provision for foreign pensions	3.7	

COOKSON MATTHEY CERAMICS plc
NOTES TO THE FINANCIAL STATEMENTS

for the period 7th January 1994 to 31st December 1994

Taxation on loss on ordinary activities	£ million	1994 £ million
United Kingdom		
Corporation tax at 33%		2.1
Double taxation relief		(1.2)
Current taxation for period		0.9
Deferred taxation for period		(1.5)
Overseas		(0.6)
Taxation on income for the period		
Withholding tax deductions on overseas income	1.7	
Current taxation for period	0.1	
Deferred taxation for period	1.8	
	(0.3)	
Associated undertakings		1.5
Current taxation for period		0.1
Total taxation		1.0
The above includes :		
Taxation on provision for restructuring the acquired businesses		(2.4)

COOKSON MATTHEY CERAMICS plc
NOTES TO THE FINANCIAL STATEMENTS

for the period 7th January 1994 to 31st December 1994

8. Fixed assets - tangible assets
8(a) Group

	Total £ million	Freehold land and buildings £ million	Plant and machinery £ million	Fixtures and fittings, tools and equipment £ million
Cost/Valuation				
At beginning of period	-	-	-	4.1
Business acquisitions	77.3	37.6	35.6	1.1
Purchases	7.7	1.2	4.9	(0.1)
Disposals	(0.5)	-	(0.3)	(0.1)
Exchange adjustments	(0.6)	(0.2)	(0.3)	5.1
At end of period	83.9	38.6	39.9	
Depreciation				
At beginning of period	-	-	-	0.1
Charge for the period	3.3	0.5	2.1	(0.1)
Disposals	(0.4)	-	(0.2)	0.1
Exchange adjustments	(0.3)	-	(0.3)	
At end of period	2.6	0.5	1.6	4.1
Net book value at end of period	81.3	38.1	38.3	
Net book value at beginning of period	-	-	-	

Freehold land of £16.2 million included above is not depreciated.

8(b) Parent company

	Fixtures and fittings, tools and equipment £ million
Cost/Valuation	
At beginning of period	
Purchases	
Disposals	
At end of period	
Depreciation	
At beginning of period	
Charge for the period	
Disposals	
At end of period	
Net book value at end of period	
Net book value at beginning of period	

COOKSON MATTHEY CERAMICS plc
NOTES TO THE FINANCIAL STATEMENTS

for the period 7th January 1994 to 31st December 1994

Fixed assets - investments

Group	1994 £ million
Share of net assets of associated undertakings	
At beginning of period	-
Business acquisitions	-
Profits retained for the period	3.1
	0.2
At end of period	<u>3.3</u>

The cost of investment in associated undertakings amounted to £3.1 million.

None of the associated undertakings had any issued loan capital.
 No group company had loans with associated undertakings.

The principal associated undertakings are shown in note 23 .

Parent company

Subsidiary undertakings

Cost	Total £ million	Equity loans £ million	Shares £ million
At beginning of period	-	-	-
Movement in the period (see note 10).	158.6	46.1	112.5
At end of period	<u>158.6</u>	<u>46.1</u>	<u>112.5</u>

The principal subsidiary undertakings are shown in note 23 .

COOKSON MATTHEY CERAMICS plc
NOTES TO THE FINANCIAL STATEMENTS

for the period 7th January 1994 to 31st December 1994

10. Acquisitions during the period

On 1 July 1994 the company acquired the entire share capital of:

Cookson Matthey Ceramics & Materials Limited
Cookson Matthey Print Limited
Cookson Matthey Ceramics Overseas Limited

as a result of an agreement signed with Cookson Group plc and Johnson Matthey PLC on 6th June 1994 to form a joint venture to combine Cookson Group plc's Ceramic Supplies and Minerals businesses and Johnson Matthey PLC's Colour and Print Division.

Cookson Matthey Ceramics Overseas Limited has a number of subsidiary and associated undertakings, full details of which are set out in note 23 to these financial statements. Cookson Matthey Ceramics & Materials Limited has a dormant subsidiary, Cookson Ceramics & Minerals (UK) Limited.

The acquisition has been accounted for by the acquisition method of accounting and the results of all the undertakings have been brought into the financial statements from 1st July 1994.

Cookson Group plc's Ceramic Supplies and Minerals businesses achieved sales of £135.5 million, with an operating profit of £11.8 million, in the year to 31st December 1993.

For the year ended 31st March 1994 Johnson Matthey PLC's Colour and Print Division had sales of £109.6 million and an operating profit of £13.0 million.

Comparative information has been provided at operating profit level. Due to the financing and taxation structures of the businesses within Cookson Group plc and Johnson Matthey PLC, the directors consider this information is more meaningful than profit after taxation and minority interests.

The table below shows the book values at the date of acquisition of the assets and liabilities acquired and the adjustments made to reflect their fair values.

	Book values	Fair value adjustments		Fair values
	immediately prior	Revaluations and	Accounting policy	at time of
	to acquisition	other adjustments	adjustments	acquisition
	£ million	£ million	£ million	£ million
Tangible fixed assets	87.5	(10.2)	-	77.3
Investments in associates	3.1	-	-	3.1
Stock	49.3	-	(2.3)	47.0
Debtors and prepayments	69.0	-	(0.8)	68.2
Short term investments	1.0	-	-	1.0
Cash at bank and in hand and bank overdrafts	4.7	-	-	4.7
Creditors	(43.6)	(1.7)	-	(45.3)
Metal borrowings	(5.8)	-	-	(5.8)
Bank loans	(2.4)	-	-	(2.4)
Loans due to Cookson Group plc and Johnson Matthey PLC and their subsidiary undertakings	(122.5)	-	-	(122.5)
Provisions - deferred taxation	(2.6)	3.2	-	0.6
Provisions - other	(5.5)	(4.8)	-	(10.3)
Minority shareholders' interests	(7.4)	(0.8)	0.1	(8.1)
Net assets acquired	24.8	(14.3)	(3.0)	7.5

COOKSON MATTHEY CERAMICS plc
NOTES TO THE FINANCIAL STATEMENTS

for the period 7th January 1994 to 31st December 1994

Acquisitions during the period (continued)

£ million

Purchase consideration

Shares allotted (note 18)	
Loan stock issued (note 14)	69.0
Current account borrowings from Cookson Group plc and Johnson Matthey PLC	207.0
Loans receivable transferred from Cookson Group plc and Johnson Matthey PLC and their subsidiary undertakings	4.4
	(122.5)
Total	157.9

Goodwill on consolidation

Fair value of consideration	
Costs of acquisition	157.9
	0.7
Fair value of net assets acquired	158.6
	(7.5)
Goodwill arising on consolidation charged to reserves (note 19)	151.1

Cash effect of acquisitions

Cash at bank and in hand acquired	
Bank overdrafts acquired	12.4
Acquisition costs settled in cash	(7.7)
	(0.5)
Total	4.2

Revaluation and other adjustments

Tangible fixed assets comprise freehold land and buildings, plant and machinery and fixtures and fittings. The property assets were valued by Dryden Stirzaker Limited, independent professional valuers, as at 1st July 1994 on the basis of open market value for existing use. All other tangible fixed assets were valued by the directors at the lower of depreciated replacement cost and the future economic value of the asset to the business. Creditors, provisions and deferred taxation were adjusted by the directors to reflect current and future commitments and related current and deferred tax credits not previously recognised by the acquired businesses.

Accounting policy adjustments

The trade debtors and stock balances were restated in line with the group's accounting policies.

	Group	Parent company
	1994	1994
	£ million	£ million
Stocks		
Raw materials and consumables	19.5	-
Work in progress	3.0	-
Finished goods and goods for resale	27.3	-
Total stocks	49.8	-

COOKSON MATTHEY CERAMICS plc
NOTES TO THE FINANCIAL STATEMENTS

for the period 7th January 1994 to 31st December 1994

	Group 1994 £ million	Parent company 1994 £ million
12. Debtors		
12(a) Debtors: due within one year		
Trade debtors	60.4	0.4
Amounts owed by subsidiary undertakings	-	61.2
Amounts owed by associated undertakings	0.5	-
Other debtors	2.2	0.7
Prepayments and accrued income	2.9	-
	<u>66.0</u>	<u>62.3</u>
12(b) Debtors: due after one year		
Amounts owed by subsidiary undertakings	-	59.4
Other debtors	0.6	-
Prepaid pensions	0.1	-
	<u>0.7</u>	<u>59.4</u>
	<u>66.7</u>	<u>121.7</u>
Total debtors		
13. Creditors: Amounts falling due within one year		
Bank loans and overdrafts (note 15)	8.3	2.6
Current accounts with Cookson Group plc and Johnson Matthey PLC (note 15)	2.3	2.3
Metal borrowings from Johnson Matthey PLC (note 15)	5.1	-
Trade creditors	32.5	0.3
Amounts owed to Cookson Group plc	0.1	-
Amounts owed to Johnson Matthey PLC	0.7	-
Amounts owed to subsidiary undertakings	-	0.5
Current corporation tax	2.3	-
Other taxes and social security costs	2.1	-
Other creditors	3.8	-
Accruals and deferred income	6.7	0.2
Total creditors falling due within one year	<u>63.9</u>	<u>5.9</u>
14. Creditors: Amounts falling due after more than one year		
14(a) Convertible loan stock		
Convertible loan stock (note 15)	<u>207.0</u>	<u>207.0</u>
<p>On 1st July 1994 the company issued floating rate convertible loan notes with a value of £207 million. Half were issued to Cookson Group plc and half to Johnson Matthey PLC. The notes mature and are repayable at par on 1st July 2043 and the interest rate applicable is sterling three month LIBOR plus 1% per annum.</p> <p>The notes shall, at the option of the holder, be convertible at par into preference shares on any 31st December as from 31st December 1995.</p> <p>The loan notes were issued in partial consideration for the acquisition of subsidiary undertakings.</p>		
14(b) Other creditors		
Bank loans (note 15)	1.7	-
Other creditors	1.0	-
Total other creditors	<u>2.7</u>	<u>-</u>

COOKSON MATTHEY CERAMICS plc
NOTES TO THE FINANCIAL STATEMENTS

for the period 7th January 1994 to 31st December 1994

Borrowings	Group 1994 £ million	Parent company 1994 £ million
Bank overdrafts	8.3	2.6
Current accounts with Cookson Group plc and Johnson Matthey PLC	2.3	2.3
Metal borrowings from Johnson Matthey PLC	5.1	-
Bank loans	1.7	-
Convertible loan stock	<u>207.0</u>	<u>207.0</u>
	<u>224.4</u>	<u>211.9</u>
Due within one year	15.7	4.9
Due between one and two years	0.6	-
Due between two and five years	0.4	-
Due in five years or more	<u>207.7</u>	<u>207.0</u>
	<u>224.4</u>	<u>211.9</u>
Amounts wholly repayable after five years		
Convertible loan stock	207.0	207.0
Amounts repayable by instalments some of which fall due after five years		
Bank loans		
Instalments due after five years	0.7	-
Total amount	1.2	-

Bank overdrafts and loans include £4.3 million secured on the assets of a subsidiary undertaking.
The loans are denominated in various currencies and bear interest at commercial rates.

Provisions for liabilities and charges

Group

	Total £ million	Rationalisation provisions £ million	Retirement benefits £ million	Other provisions £ million	Deferred taxation £ million
At beginning of period	-	-	-	-	-
Other movements - business acquisitions	9.7	0.1	4.2	6.0	(0.6)
Charge for period	9.8	11.3	0.3	-	(1.8)
Utilised	(3.0)	(2.5)	(0.3)	(0.2)	-
Exchange adjustments	(0.1)	-	(0.1)	-	-
Total at end of period	<u>16.4</u>	<u>8.9</u>	<u>4.1</u>	<u>5.8</u>	<u>(2.4)</u>

COOKSON MATTHEY CERAMICS plc
NOTES TO THE FINANCIAL STATEMENTS

for the period 7th January 1994 to 31st December 1994

	Group 1994 £ million	Parent company 1994 £ million
17. Deferred taxation		
Deferred taxation is provided in respect of:		
Timing differences on fixed assets	2.4	-
Other timing differences	2.4	-
Total provision for deferred taxation	<u>2.4</u>	<u>-</u>
Deferred taxation not included in the balance sheet:		
Timing differences on fixed assets	(5.2)	-
Total unprovided deferred tax	<u>(5.2)</u>	<u>-</u>

No account has been taken of taxation which would be payable if the retained profits of overseas subsidiary and associated undertakings were distributed.

	1994	1994
18. Called up share capital		
Authorised	Number of shares	Authorised £ million
'A' ordinary shares of £1.00 each	150 million	150.0
'B' ordinary shares of £1.00 each	150 million	150.0
Preference shares of £1.00 each	300 million	300.0
		<u>600.0</u>
Called up, allotted and fully paid	Number of shares	Allotted, issued fully paid £ million
'A' ordinary shares of £1.00 each	34.5 million	34.5
'B' ordinary shares of £1.00 each	34.5 million	34.5
		<u>69.0</u>

On the date of incorporation, 7th January 1994, 2 ordinary shares of £1.00 were issued at par. On 1st July 1994 the 2 ordinary shares in issue were reclassified as 'A' ordinary shares of £1.00 each and, in partial consideration for the acquisition of subsidiary undertakings, 34,499,998 'A' ordinary shares and 34,500,000 'B' ordinary shares were issued at par. Johnson Matthey PLC hold the issued 'A' ordinary shares and are entitled to appoint up to three 'A' directors. Cookson Group plc hold the issued 'B' ordinary shares and are entitled to appoint up to three 'B' directors. Three directors, including at least one 'A' director and one 'B' director, must approve a resolution for it to be passed.

No voting rights are attached to the preference shares which may be issued as the result of exercising the right to convert loan stock (note 14). The holders of the preference shares would be entitled to a fixed cumulative preferential dividend at the rate of 1% per annum of the nominal value of the preference shares held. On a return of capital on liquidation or otherwise the preference shareholders would be paid, in priority to any distribution to the ordinary shareholders, the total paid up on the preference shares plus a sum equal to any arrears and accruals of the preference dividend, whether or not such a dividend had been declared or earned.

COOKSON MATTHEY CERAMICS plc
NOTES TO THE FINANCIAL STATEMENTS

for the period 7th January 1994 to 31st December 1994

Reserves
Group

	Associated undertakings' reserves £ million	Profit and loss account £ million
At beginning of period	-	-
Exchange adjustments	-	(0.6)
Retained profit / (accumulated loss) for the period	0.2	(4.1)
Goodwill on acquisitions	-	(151.1)
Reserves at end of period	0.2	(155.8)

The cumulative amount of goodwill charged against reserves at 31st December 1994 was £151.1 million.

Parent company

	Profit and loss account £ million
At beginning of period	-
Accumulated loss for the period	(1.0)
Reserves at end of period	(1.0)

Minority interests

	1994 £ million
At beginning of period	-
Acquisition of subsidiary undertakings	8.1
Share of profit for period	0.6
Dividends	(0.4)
Exchange adjustments	0.1
At end of the period	8.4

COOKSON MATTHEY CERAMICS plc
NOTES TO THE FINANCIAL STATEMENTS

for the period 7th January 1994 to 31st December 1994

	Group 1994 £ million	Parent company 1994 £ million
21. Commitments, guarantees and contingent liabilities		
Commitments		
(i) Future capital expenditure	3.6	-
Contracted	2.6	-
Authorised but not contracted		
(ii) Operating leases annual commitments		
Leases of land and buildings terminating	0.1	-
Within one year	0.2	-
In one to five years	0.1	-
Over five years		
Other leases terminating	0.4	-
Within one year	0.7	-
In one to five years	0.1	-
Over five years		

Guarantees

The company guarantees, until 31st December 1995, to provide the subsidiary companies listed below with sufficient funds so as to ensure that they are able to meet their existing and future financial obligations as they fall due:

Cookson Matthey Ceramics & Materials Limited
Cookson Matthey Print Limited
Cookson Matthey Ceramics Overseas Limited
Cookson Ceramics & Minerals (UK) Limited

At 31st December 1994 each of the above companies had net assets, excluding amounts owed to the parent company.

The company accepts joint and several liability as from 1st July 1994 for all debts arising from legal acts of Cookson Matthey BV, a private company with limited liability.

Financial obligations due to third parties by Cookson Matthey (Australia) Pty Ltd amounting to £166,000 have been guaranteed by the parent company.

Cookson Matthey Ceramica S.A. guarantees bank export credits extended to a customer of £121,000.

COOKSON MATTHEY CERAMICS plc
NOTES TO THE FINANCIAL STATEMENTS

for the period 7th January 1994 to 31st December 1994

Notes to the cash flow statement

Reconciliation of operating profit to net cash inflow from operating activities

	1994 £ million
Operating profit	13.2
Depreciation charges	3.3
Share of profits of associated undertakings	(0.4)
Increase in stocks	(3.0)
Decrease in debtors	0.9
Increase in creditors and provisions	3.2
Net cash inflow from continuing operating activities	17.2
Net cash outflow in respect of restructuring costs	(2.5)
Net cash inflow from operating activities	14.7

Analysis of changes in cash and cash equivalents

	Total £ million	Cash at bank and in hand £ million	Bank overdraft £ million
Balance at beginning of period	-	-	-
Net cash inflow before adjustments for the effect of foreign exchange rate changes	1.2	9.7	(8.5)
Effect of foreign exchange rate changes	0.2	-	0.2
Balance at end of period	1.4	9.7	(8.3)

Analysis of changes in financing

	Share capital £ million	Convertible debt £ million	Current accounts parent companies £ million	Money borrowings £ million	Metal borrowings £ million
Balance at beginning of period	-	-	-	-	-
Acquisition of subsidiaries	-	-	-	-	-
Shares / debt issued for non-cash consideration	69.0	207.0	4.4	2.4	5.8
Reduction in borrowings	-	-	(2.1)	(0.7)	(0.6)
Effect of foreign exchange rate changes	-	-	-	-	(0.1)
Balance at end of period	69.0	207.0	2.3	1.7	5.1

COOKSON MATTHEY CERAMICS plc
NOTES TO THE FINANCIAL STATEMENTS

for the period 7th January 1994 to 31st December 1994

23. Principal subsidiary and associated undertakings

	Country of registration or incorporation	Percentage shareholding
Subsidiary undertakings of the company:		
Cookson Matthey Ceramics & Materials Limited	England	100.00
and subsidiary: Cookson Ceramics & Minerals (UK) Limited	England	100.00
Cookson Matthey Print Limited	England	100.00
Cookson Matthey Ceramics Overseas Limited	England	100.00
Subsidiary undertakings of Cookson Matthey Ceramics Overseas Limited:		
Cookson Matthey Ceramics Spain S.A.	Spain	100.00
Cookson Matthey Ceramics (Germany) GmbH	Germany	100.00
Cookson Matthey Ceramics Inc.	U.S.A.	100.00
Matthey Beyrand & Cie S.A.	France	80.00
Cookson Matthey (Australia) Pty Ltd	Australia	100.00
Cookson Matthey Ceramics (Asia) Pte Ltd	Singapore	100.00
Cookson Matthey Ceramics (South Africa) Pty Ltd	South Africa	100.00
Cookson Matthey Ceramica Lda	Portugal	100.00
Cookson Matthey BV	Netherlands	100.00
Cookson Matthey Ceramics S.p.A.	Italy	100.00
Cookson Minerali S.p.A.	Italy	100.00
Cookson Matthey Italia S.p.A. *	Italy	100.00
* (47.5% owned by Cookson Minerali S.p.A.)		
PT Johnson Matthey Indonesia	Indonesia	67.00
Associated undertakings of Cookson Matthey Ceramics Overseas Limited:		
Macina Minerali S.p.A.	Italy	50.00
Le Moulin des Pres S.A.	France	25.00
Musgrave Traders Limited	Hong Kong	50.00
Oximet S.r.L. (held by Cookson Matthey Italia S.p.A.)	Italy	33.33
Subsidiary undertakings of Cookson Matthey Ceramics Spain S.A.:		
Cookson Matthey Ceramica S.A. *	Spain	100.00
* (9.8% is held by Cookson Matthey Italia S.p.A.)		
and subsidiary: Demeter S.A.	Spain	100.00
Almiberia S.A.	Spain	80.00
Seriman S.A.	Spain	100.00
Subsidiary and associated undertakings of Cookson Matthey Ceramics (Germany) GmbH:		
Matthey Beyrand Druck GmbH	Germany	80.00
Otavi Minen AG	Germany	75.10
and subsidiaries:		
Otavi Mineralmuhle Neuss GmbH (100% owned)	Germany	75.10
Otavi Minen Hellas S.A. (100% owned)	Greece	75.10
and associate:		
Perlite Dammstoffe GmbH & Co. (33.33% owned)	Germany	25.03

All companies noted above operate predominantly in the country of incorporation. Their primary activities are the manufacture and supply of ceramics and associated raw materials.