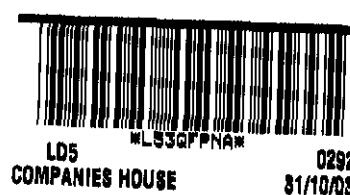


Johnson Matthey Ceramics Plc

Directors' Report and Accounts For the year ended 31 March 2003

Registered number: 2885614



Johnson Matthey Ceramics Plc

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Directors' report

The directors present their report and audited accounts for the 12 months ended 31 March 2003.

Principal activity, business review and future developments

The company is the parent company of certain overseas operations of the Johnson Matthey group which are engaged in the manufacture and supply of decorative products and associated raw materials for ceramics and glass.

Results and dividends

The company's profit for the year ended 31 March 2003 is £6.2 million (2002 £7.8 million). The profit and loss account is set out on page 3. The directors do not recommend payment of a dividend.

Policy on payment of commercial debts

The company's policy in relation to the payment of suppliers (set out in the Johnson Matthey Group Control Manual, which is distributed to all operations) is that payment should be made within the credit terms agreed with the supplier. The company had no commercial creditors throughout the year.

Directors and their interests

The directors who served throughout the year were Mr C R N Clark, Mr J N Sheldrick and Mr D W Morgan. None of the directors had any beneficial interest in shares in the company at any time during the year. The interests of all the directors in the shares of the ultimate parent company, Johnson Matthey Plc are disclosed in that company's annual report (note 12). No directors had during or at the end of the year, any material interest in any contract of significance in relation to the company's business.

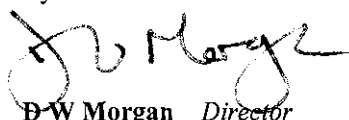
Responsibility of the directors for the preparation of the accounts

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 profit or loss for that period. In preparing those accounts 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 accounts,
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping 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 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



D-W Morgan Director

31 October 2003

Report of the Independent Auditors

to the members of Johnson Matthey Ceramics Plc

We have audited the financial statements on pages 3 to 9.

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 auditors' 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 1, the accounts 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 accounts 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 accounts, 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 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 the company's affairs as at 31 March 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

LCAT76 Audit Plc

31/10/03

KPMG Audit Plc
Chartered Accountants
Registered Auditor
8 Salisbury Square
London EC4Y 8BB

Profit and loss account

For the year ended 31 March 2003

| | Notes | 2003 £ million | 2002 £ million |
|------------------------------------------------------|-------|-------------------|-------------------|
| Interest receivable from group undertakings | | 9.4 | 11.1 |
| Amounts written off investments | | <u>(0.5)</u> | <u>-</u> |
| Profit on ordinary activities before taxation | 1 | 8.9 | 11.1 |
| Taxation | 2 | <u>(2.7)</u> | <u>(3.3)</u> |
| Retained profit for the year | 9 | <u>6.2</u> | <u>7.8</u> |

There were no other recognised gains or losses during the year.

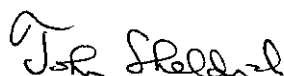
The accompanying notes are an integral part of the accounts.

Balance sheet

As at 31 March 2003

| | Notes | 2003 £ million | 2002 £ million |
|---------------------------------------------------------|-------|-------------------|-------------------|
| Fixed assets | | | |
| Investment in subsidiary undertakings | 3 | <u>29.9</u> | <u>9.9</u> |
| Current assets | | | |
| Debtors: due within one year | 4 | 186.5 | 200.4 |
| Short term investments | 5 | <u>0.5</u> | <u>1.0</u> |
| | | 187.0 | 201.4 |
| Creditors: Amounts falling due within one year | 6 | <u>(2.7)</u> | <u>(3.3)</u> |
| Net current assets | | <u>184.3</u> | <u>198.1</u> |
| Total assets less current liabilities | | 214.2 | 208.0 |
| Creditors: Amounts falling due after more than one year | 7 | <u>(130.0)</u> | <u>(130.0)</u> |
| Net assets | | <u>84.2</u> | <u>78.0</u> |
| Capital and reserves | | | |
| Called up share capital | 8 | 199.0 | 199.0 |
| Profit and loss account | 9 | <u>(114.8)</u> | <u>(121.0)</u> |
| Shareholders' funds | 10 | <u>84.2</u> | <u>78.0</u> |

The accounts were approved by the board on 31 October and signed on its behalf by:



J N Sheldrick *Director*

The accompanying notes are an integral part of the accounts.

Accounting policies

For the year ended 31 March 2003

Accounting convention

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

Basis of preparation

The company has taken advantage of the exemption from preparing consolidated accounts afforded by section 228 of the Companies Act 1985 because it is a wholly owned subsidiary of Johnson Matthey Plc which prepares consolidated accounts that are publicly available (note 12). Accordingly, these accounts present information about the company as an individual undertaking and not about its group.

The company is also, on this basis, exempt from the requirement of Financial Reporting Standard (FRS) 1 (Revised) – “Cash Flow Statements” to present a cash flow statement.

Foreign currencies

Transactions in foreign currencies during the year are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange gains and losses arising on conversion of dividends are taken to the profit and loss account and included in the profit before taxation.

Other assets and liabilities denominated in foreign currencies are translated into sterling at year end exchange rates and any exchange differences arising thereon are taken to the profit and loss account.

Investments

Equity investments in subsidiary undertakings are recorded at cost.

Provision is made to reduce the cost of investment to underlying net asset value where, in the opinion of the directors, a permanent diminution in value of investment has occurred.

Notes to the Accounts

For the year ended 31 March 2003

1. Profit on ordinary activities before taxation

The directors are remunerated by the ultimate parent company. Pension contributions of £nil (2002 £nil) were paid in respect of the directors. Three directors exercised share options in the ultimate parent company and three directors received shares under the ultimate parent company long term incentive scheme. Audit fees are borne by the ultimate parent company.

2. Taxation

| | 2003 £ million | 2002 £ million |
|--------------------------------------------|-------------------|-------------------|
| Analysis of tax charge in the year | | |
| UK corporation tax on profits for the year | <u>2.7</u> | <u>3.3</u> |

Factors affecting tax charge for the year

| | 2003 £ million | 2002 £ million |
|--------------------------------------------------------------|-------------------|-------------------|
| Profit on ordinary activities before taxation | <u>8.9</u> | <u>11.1</u> |
| Taxation charge at UK corporation tax rate of 30% (2002 30%) | <u>2.7</u> | <u>3.3</u> |

3. Fixed assets — Investment in subsidiary undertakings

| | £ million |
|----------------------|-------------|
| <i>Cost</i> | |
| At beginning of year | 9.9 |
| Additions | <u>20.0</u> |
| At end of year | <u>29.9</u> |

On 12 September 2002 the company subscribed at par for 20,000,000 £1 ordinary shares in Johnson Matthey Ceramics Overseas Limited.

Notes to the Accounts

For the year ended 31 March 2003

3. Fixed assets — Investment in subsidiary undertakings (continued)

Principal subsidiary undertaking

The company owns 100% of the ordinary share capital of Johnson Matthey Ceramics Overseas Limited, a company incorporated in England. The principal subsidiary undertakings of Johnson Matthey Ceramics Overseas are:

Principal subsidiary and associated undertakings**Country of incorporation****Held directly by Johnson Matthey Ceramics Overseas Limited**

| | |
|---------------------------------------------------------|--------------|
| Johnson Matthey Ceramics (South Africa) (Pty) Ltd | South Africa |
| Johnson Matthey Pigments & Ceramics (Australia) Pty Ltd | Australia |
| Johnson Matthey Ceramica (Portugal) Lda | Portugal |
| Johnson Matthey Ceramics India Ltd | India |
| Le Moulin des Pres S.A. (50%) | France |
| Johnson Matthey Ceramics (Thailand) Ltd | Thailand |
| Johnson Matthey Ceramics (Malaysia) Sdn. Bhd. | Malaysia |
| Johnson Matthey Italia SpA | Italy |
| Johnson Matthey Ceramics S.A. | Spain |
| Microcina Holdings (Brazil) Ltda | Brazil |

Held by subsidiaries of Johnson Matthey Ceramics Overseas Limited

| | |
|----------------------------------------------|--------|
| Almiberia SA | Spain |
| Johnson Matthey Ceramica Ltda | Brazil |
| Johnson Matthey Ceramics (Shanghai) Co., Ltd | China |

Except where otherwise stated, all companies are wholly owned.

All subsidiary and associated undertakings are involved in the manufacture and supply of decorative products and associated raw materials for ceramics and glass.

In the opinion of the directors the value of the Company's interest in its subsidiary undertaking is not less than the amount at which it is included in the balance sheet.

4. Debtors: due within one year

| | 2003 £ million | 2002 £ million |
|---------------------------------------------|-------------------|-------------------|
| Other debtors | 0.1 | - |
| Amounts owed by ultimate parent undertaking | 186.4 | 200.4 |
| Total debtors | <u>186.5</u> | <u>200.4</u> |

Notes to the Accounts

For the year ended 31 March 2003

5. Short term investments

| | 2003 £ million | 2002 £ million |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|-------------------|
| Employee Share Ownership Trust (ESOT) | <u>0.5</u> | <u>1.0</u> |
| The ESOT currently holds 339,819 shares (2002 339,819 shares) which were purchased in the open market and are held in trust for employees participating in the company's executive share option scheme. The purchase of the shares was financed by loans from the company. At 31 March 2003 the market value of the shares was £524,817. The investments have been written down to reflect the value of the shares. | | |

The shares are valued at the lower of cost, option price and net realisable value. Administration costs of the ESOT are expensed as incurred. The right to receive dividends on the shares has been waived.

6. Creditors: Amounts falling due within one year

| | 2003 £ million | 2002 £ million |
|-------------------------|-------------------|-------------------|
| Current corporation tax | <u>2.7</u> | <u>3.3</u> |

7. Creditors: Amounts falling due after more than one year

| | 2003 £ million | 2002 £ million |
|----------------------------------------------|-------------------|-------------------|
| Convertible loan stock, due after five years | <u>130.0</u> | <u>130.0</u> |

The notes shall, at the option of the holder, be convertible at par into ordinary shares at any time.
The convertible loan stock is denominated in sterling and is not subject to interest.

8. Called up share capital

| | Authorised | | Allotted, called up and fully paid | |
|-------------------------------------|--------------------|--------------|------------------------------------|--------------|
| | Number | £ million | Number | £ million |
| Ordinary shares of £1 each | | | | |
| At the beginning and end of year | <u>369,000,000</u> | <u>369.0</u> | <u>199,000,000</u> | <u>199.0</u> |
| Preference shares of £1 each | | | | |
| At the beginning and end of year | <u>231,000,000</u> | <u>231.0</u> | <u>-</u> | <u>-</u> |

Notes to the Accounts

For the year ended 31 March 2003

9. Profit and loss account

| | £ million |
|------------------------------|----------------|
| At beginning of year | (121.0) |
| Retained profit for the year | 6.2 |
| At end of year | <u>(114.8)</u> |

10. Movement in shareholders' funds

| | 2003 £ million | 2002 £ million |
|------------------------------|-------------------|-------------------|
| Retained profit for the year | 6.2 | 7.8 |
| Opening shareholders' funds | <u>78.0</u> | <u>70.2</u> |
| Closing shareholders' funds | <u>84.2</u> | <u>78.0</u> |

11. Related party transactions

As the company is a wholly owned subsidiary of Johnson Matthey Plc, the company has taken advantage of the exemption contained in Financial Reporting Standard 8 and has therefore not disclosed transactions or balances with entities which form part of the Johnson Matthey group.

There were no other related party transactions during the year.

12. Ultimate parent company

The company's ultimate parent company is Johnson Matthey Plc. The consolidated accounts of Johnson Matthey Plc, are available to the public and may be obtained from 2-4 Cockspur Street, Trafalgar Square, London SW1Y 5BQ.