

Johnson Matthey Ceramics Limited

Directors' Report and Accounts

For the year ended 31 March 2006

Registered number: 2885614

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Johnson Matthey Ceramics Limited

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Directors' report

The directors present their report and audited accounts for the year ended 31 March 2006.

Principal activity, business review and future developments

The company is the parent company of Johnson Matthey Ceramics Overseas Limited which owns 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.

Post balance sheet event

On 14 December 2006 Johnson Matthey announced it had agreed to sell its Ceramics Division, including Johnson Matthey Ceramics Overseas Limited to Pamplona Group with an expected completion date of 28 February 2007.

Results and dividends

The company's profit for the year ended 31 March 2006 is £6.2 million (2005 £7.5 million). The profit and loss account is set out on page 4. The directors do not recommend payment of a dividend (2005 £ nil).

Directors and their interests

The directors who served during the year were as follows:

I B C Huddart
D W Morgan
J N Sheldrick

None of the directors had any interest in the share capital of the company at any time during the year.

The interests of Mr D W Morgan and Mr J N Sheldrick in the share capital of Johnson Matthey Plc, the company's parent company, are disclosed in that company's annual report (note 11).

The interests of the other directors in the £1 ordinary shares of Johnson Matthey Plc were:

	31 March 2006	31 March 2005
I B C Huddart	1,917	2,065

Individual holdings under the Johnson Matthey Plc executive share option scheme were:

	31 March 2005	Granted	31 March 2006
I B C Huddart	6,798	6,869	13,667

No director had any interest in any material contract with the company at any time during the year.

Directors' indemnities

The ultimate parent company, Johnson Matthey Plc, has granted indemnities in favour of the directors under Deed Polls. These provisions were in force during the year ended 31 March 2006 and remain in force at the date of this report.

Disclosure of information to auditors

So far as each person currently serving as a director of the company at the date this report is approved is aware, there is no relevant audit information of which the company's auditors are unaware and each director hereby confirms that he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Directors' report (continued)

Responsibility of the directors for the preparation of the directors' report and the accounts

The directors are responsible for preparing the directors' report and the accounts in accordance with applicable law and regulations.

Company law requires the directors to prepare accounts for each financial year. Under that law the directors have elected to prepare the accounts in accordance with UK accounting standards. The accounts are required to 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



S Farrant

Company Secretary

22 January 2007

Independent Auditors' Report

to the members of Johnson Matthey Ceramics Limited

We have audited the accounts of Johnson Matthey Ceramics Limited for the year ended 31 March 2006 which comprise the profit and loss account, the balance sheet, and the related notes. These accounts have been prepared under the accounting policies set out therein.

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' responsibilities for preparing the accounts in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 2.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Directors' Report is consistent with the accounts.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2006 and of its profit for the year then ended;
- the accounts have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the accounts.

KPMG Audit Plc

22 January 2007

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

Johnson Matthey Ceramics Limited

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Profit and loss account

For the year ended 31 March 2006

	Notes	2006 £ million	2005 £ million
Net interest	1	<u>8.6</u>	<u>10.7</u>
Profit on ordinary activities before taxation	2	8.6	10.7
Taxation	3	<u>(2.4)</u>	<u>(3.2)</u>
Profit for the year	9	<u>6.2</u>	<u>7.5</u>

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

The accompanying notes are an integral part of the accounts.

Johnson Matthey Ceramics Limited

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Balance sheet

As at 31 March 2006

	Notes	2006 £ million	2005 £ million
Fixed assets			
Investments in subsidiaries	4	29.9	29.9
Current assets			
Debtors: amounts owed by ultimate parent company		212.2	206.7
Short term investments	5	0.5	0.5
		212.7	207.2
Creditors: amounts falling due within one year			
Current corporation tax		(8.5)	(9.2)
Net current assets		204.2	198.0
Total assets less current liabilities		234.1	227.9
Creditors: amounts falling due after more than one year	6	(130.0)	(130.0)
Net assets		104.1	97.9
Capital and reserves			
Called up share capital	7	199.0	199.0
Profit and loss account	8	(94.9)	(101.1)
Shareholders' funds	9	104.1	97.9

The accounts were approved by the Board on 22 January 2007 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 2006

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 11). 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.

Investments

Fixed asset investments are stated at cost less provision for impairment.

Short term investments are stated at the lower of cost, option price and net realisable value.

Taxation

Corporation tax payable is provided on taxable profits at the current rate.

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.

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.

Notes to the accounts

For the year ended 31 March 2006

1. Net interest

	2006 £ million	2005 £ million
Interest receivable from group companies	9.3	10.7
External interest payable	(0.7)	-
Net interest	<u>8.6</u>	<u>10.7</u>

2. Profit on ordinary activities before taxation

The directors are remunerated by the ultimate parent company. Two directors exercised share options in the ultimate parent company and none of the directors received shares under the ultimate parent company long term incentive plan. Audit fees are borne by the ultimate parent company.

3. Taxation

	2006 £ million	2005 £ million
Analysis of tax charge in the year		
UK corporation tax on profits for the year	<u>2.4</u>	<u>3.2</u>
Factors affecting tax charge for the year		
Profit / (loss) on ordinary activities before taxation	<u>8.6</u>	<u>10.7</u>
Taxation charge / (credit) at UK corporation tax rate of 30% (2005 30%)	2.6	3.2
Effects of:		
Adjustments for prior years	(0.2)	-
Current tax charge / (credit) for the year	<u>2.4</u>	<u>3.2</u>

No provision for deferred tax is required.

4. Fixed assets — investments in subsidiaries

	£ million
Cost	
At beginning and end of year	<u>29.9</u>

Notes to the accounts

For the year ended 31 March 2006

4. 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 Limited at 31 March 2006 are:

Principal subsidiary undertakings

Held directly by Johnson Matthey Ceramics Overseas Limited

	Country of incorporation
Johnson Matthey Ceramics (South Africa) (Pty) Ltd	South Africa
Johnson Matthey Ceramica (Portugal) Lda (99.7%)	Portugal
Johnson Matthey Ceramics India Private Ltd	India
Le Moulin des Pres S.A. (49.73%)	France
Johnson Matthey Ceramics (Thailand) Ltd (49%)	Thailand
Johnson Matthey Ceramics Holdings (Thailand) Ltd (49.99%)	Thailand
Johnson Matthey Ceramics (Malaysia) Sdn. Bhd.	Malaysia
Pt Johnson Matthey Ceramics Indonesia (85%)	Indonesia
Johnson Matthey Ceramics SpA (formerly 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

	Country of incorporation
Almiberia S.A.	Spain
Johnson Matthey Ceramics Holdings (Thailand) Limited (51%)	Thailand
Johnson Matthey Ceramics (Thailand) Limited (50.01%)	Thailand
Johnson Matthey Ceramica (Portugal) Lda (0.3%)	Portugal
Johnson Matthey Ceramica Ltda	Brazil
Johnson Matthey Ceramics (Shanghai) Co., Limited	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.

5. Short term investments

	2006 £ million	2005 £ million
Employee share ownership trust (ESOT)	0.5	0.5

The ESOT holds 92,104 shares (2005 339,819 shares) in its ultimate parent company and Cookson Group plc which have not yet vested unconditionally in employees. In May 2005 Cookson Group Plc consolidated its share capital such that shareholders received one new ordinary share of 10p each for every ten existing ordinary shares of 1p each.

The shares 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 2006 the market value of the shares was £1.0 million (2005 £0.7 million).

The shares are valued at the lower of cost, option price and net realisable value. Administration costs of the ESOT are expensed as incurred. Computershare Trustees (CI) Limited, as trustee for the ESOT, has waived its dividend entitlement on the shares in the ultimate parent company.

Notes to the accounts

For the year ended 31 March 2006

6. Creditors: amounts falling due after more than one year

	2006 £ million	2005 £ million
Convertible loan stock, due after five years	130.0	130.0

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.

7. Called up share capital

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

8. Profit and loss account

	£ million
At beginning of year	(101.1)
Profit for the year	6.2
At end of year	(94.9)

9. Movement in shareholders' funds

	2006 £ million	2005 £ million
Profit for the year	6.2	7.5
Opening shareholders' funds	97.9	90.4
Closing shareholders' funds	104.1	97.9

10. 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.

11. 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 40-42 Hatton Garden, London EC1N 8EE.

Notes to the accounts

For the year ended 31 March 2006

12. Post balance sheet event

On 14 December 2006 Johnson Matthey announced it had agreed to sell its Ceramics Division, including Johnson Matthey Ceramics Overseas Limited to Pamplona Group with an expected completion date of 28 February 2007.