

JOHNSON MATTHEY CERAMICS PLC

A member of the Johnson Matthey Group of companies

DIRECTORS

C R N Clark
J N Sheldrick
D W Morgan

SECRETARY

S Farrant

REGISTERED IN ENGLAND

Number 2885614

REGISTERED OFFICE

2-4 Cockspur Street
Trafalgar Square
London SW1Y 5BQ

AUDITOR

KPMG Audit Plc
8 Salisbury Square
Blackfriars
London EC4Y 8BB



DIRECTORS' REPORT AND STATEMENT OF ACCOUNTS

Year ended 31st March 2002

JOHNSON MATTHEY CERAMICS PLC

DIRECTORS' REPORT

Year ended 31st March 2002

The directors submit their report, together with the audited accounts of the company, for the year ended 31st March 2002.

Principal activities and review of business 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. There were no changes to the nature of the company's operations during the year.

Distribution and retention

The company made an operating profit before taxation of £11.1 million due to interest received on a loan to Johnson Matthey Plc., its ultimate parent undertaking. The profit on ordinary activities before taxation was £11.1 million and the profit after taxation was £7.8 million. The directors do not recommend payment of a dividend and the retained profit of £7.8 million has been taken to reserves.

Subsequent events and future developments

There has been no change in the nature of the company's operations since 31st March 2002.

On 12th September 2002 the company subscribed for 20,000,000 £1 ordinary shares at par value in its wholly owned subsidiary, Johnson Matthey Ceramics Overseas Limited in order to strengthen the finances of the company following a loss on disposal of a subsidiary undertaking in 2001/02.

Research and Development

During the year the company spent £ nil (2001 £ nil) on research and development.

Donations

During the period the company made no donations to UK charities (2001 £ nil). There were no donations for political purposes.

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. As at the balance sheet date the company's payment period was 30 days (2001 - 30 days).

Directors and their shareholdings

The Directors who served throughout the year were C R N Clark, J N Sheldrick and D W Morgan.

None of the directors had any beneficial interest in shares in the Company at any time during the financial period. The interests of the directors in the shares of Johnson Matthey Public Limited Company, the ultimate parent company, according to the register required to be kept by Section 325(1) of the Companies Act 1985, at 31st March 2002 were:

	Johnson Matthey Ordinary Shares	
	31 03 2002	31 03 2001
C R N Clark	26,362	24,706
J N Sheldrick	35,378	33,673
D W Morgan	18,586	16,930

As at 31st March 2002 individual holdings under the executive share option schemes were:

	31 March 2001	Granted in year	Options exercised	31 March 2002	Average exercise price
C R N Clark	139,539	48,938	(52,077)	136,400	£7.51
J N Sheldrick	98,664	25,854	-	124,518	£6.62
D W Morgan	120,301	18,098	-	138,399	£6.20

JOHNSON MATTHEY CERAMICS PLC

DIRECTORS' REPORT

Year ended 31st March 2002

Directors and their shareholdings - continued

Between 1st April 2001 and 31st March 2002 the following options were exercised:

	Date of grant	Date of exercise	Options exercised	Exercise price	Market price on exercise
C R N Clark	17 08 1995	31 07 2001	52,077	£5.7889	£10.2882

Gains made on exercise of options by directors during the year totalled £234,310 (2001: £473,000).

Long Term Incentive Plan Allocations (LTIP)

	31 March 2001	Allocations during year	Shares released during year	31 March 2002
C R N Clark	200,072	63,886	69,686	194,272
J N Sheldrick	109,884	27,001	38,676	98,209
D W Morgan	55,261	18,901	8,761	65,401

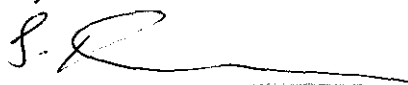
On 31st July 2001 100% of the 1998 LTIP allocation was released to participants in accordance with the rules of the LTIP. This resulted in the following gains:

	Number of shares released	Share price when released pence	Gain £
C R N Clark	69,686	1,028.82	716,944
J N Sheldrick	38,676	1,028.82	397,906
D W Morgan	8,761	1,028.82	90,135

Auditors

A resolution for the re-appointment of KPMG Audit Plc as auditor of the company will be proposed at the next Annual General Meeting of the company.

By order of the Board



S Farrant
Company Secretary

London
18th October 2002

Responsibility of the Directors for the preparation of the accounts

Company law requires the directors to prepare accounts for each financial period 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.

Report of the Independent Auditors
to the members of Johnson Matthey Ceramics PLC

We have audited the financial statements on pages 4 to 10.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 2, 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 judgements 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 31st March 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

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

18th October 2002

JOHNSON MATTHEY CERAMICS PLC**PROFIT AND LOSS ACCOUNT**Year ended 31st March 2002

	Note	2002 £ million	2001 £ million
Administration expenses			
- continuing operations		-	-
- discontinued operations		-	(0.9)
		<u>-</u>	<u>(0.9)</u>
Operating (loss) / profit			
- continuing operations		-	-
- discontinued operations		-	(0.9)
		<u>-</u>	<u>(0.9)</u>
Profit / (loss) on ordinary activities before interest		<u>-</u>	<u>(0.9)</u>
Interest receivable	2	11.1	12.6
		<u>11.1</u>	<u>11.7</u>
Profit on ordinary activities before taxation	3	11.1	11.7
Taxation	4	(3.3)	-
		<u>7.8</u>	<u>11.7</u>
Profit on ordinary activities after taxation		7.8	11.7
Dividend		-	-
		<u>-</u>	<u>-</u>
Retained profit for the period		<u>7.8</u>	<u>11.7</u>

The notes on pages 7 to 10 form an integral part of the accounts.

JOHNSON MATTHEY CERAMICS PLC**BALANCE SHEET**as at 31st March 2002

	Note	2002 £ million	2001 £ million
Fixed assets			
Investment in subsidiary undertakings	5	<u>9.9</u>	<u>9.9</u>
		9.9	9.9
Current assets			
Debtors: due within one year	6	200.4	189.0
Short term investments	7	<u>1.0</u>	<u>1.4</u>
		201.4	190.4
Creditors: Amounts falling due within one year	8	(3.3)	(0.1)
Net current assets		<u>198.1</u>	<u>190.3</u>
Total assets less current liabilities		208.0	200.2
Creditors: Amounts falling due after more than one year	9		
Convertible loan stock	9 & 10	(130.0)	(130.0)
Net assets		<u>78.0</u>	<u>70.2</u>
Capital and reserves			
Called up share capital	11	199.0	199.0
Profit and loss account	12	<u>(121.0)</u>	<u>(128.8)</u>
Shareholders' funds		<u>78.0</u>	<u>70.2</u>

These accounts were approved by the Board of Directors on 18th October 2002 and signed on its behalf by:



J N Sheldrick
Director

The notes on pages 7 to 10 form an integral part of the accounts.

JOHNSON MATTHEY CERAMICS PLC**Statement of total recognised gains and losses**
Year ended 31st March 2002

	2002 £ million	2001 £ million
Profit for the financial period	<u>7.8</u>	<u>11.7</u>
Total recognised gains and losses for the period	<u>7.8</u>	<u>11.7</u>

Note of historical cost profits and losses
Year ended 31st March 2002

Reported profit on ordinary activities before taxation	<u>11.1</u>	<u>11.7</u>
Historical cost profit before taxation	<u>11.1</u>	<u>11.7</u>
Historical cost retained profit	<u>7.8</u>	<u>11.7</u>

Movement in shareholders' funds
Year ended 31st March 2002

Profit for the financial period	7.8	11.7
Dividend	-	-
Net addition to shareholders' funds	<u>7.8</u>	<u>11.7</u>
Opening shareholders' funds	<u>70.2</u>	<u>58.5</u>
Closing shareholders' funds	<u>78.0</u>	<u>70.2</u>

Cash flow statement

Under Financial Reporting Standard 1, as revised, the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking.

The notes on pages 7 to 10 form an integral part of the accounts.

NOTES ON THE ACCOUNTS

Year ended 31st March 2002

1. Accounting policies**Accounting convention**

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

Foreign currency translation

Transactions in foreign currencies during the period 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 and interest received are taken to the profit and loss account and included in the profit before taxation.

Subject to the following paragraph, assets and liabilities denominated in foreign currencies are translated into sterling at period end exchange rates and any exchange differences arising thereon are taken to the profit and loss account.

Where foreign currency borrowings have been used to finance equity loans denominated in foreign currencies, any exchange differences arising on translation of such equity loans and the related foreign currency borrowings are taken to reserves in accordance with SSAP 20.

Investments

Equity investments 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.

Research and development expenditure

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

Deferred taxation

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

	2002 £ million	2001 £ million
2. <u>Interest receivable</u>		
From group undertakings	<u>11.1</u>	<u>12.6</u>

3. Profit on ordinary activities before taxation has been arrived at after charging:

None of the directors received emoluments for their services as a director of the company during the year (2001: £nil). Pension contributions of £nil (2001: £nil) were paid in respect of the directors. Audit fees are borne by the ultimate parent undertaking.

4. Taxation

	2002 £ million	2001 £ million
4a <u>Analysis of tax charge in the year</u>		
UK Corporation tax at 30% (2001 30%)	<u>3.3</u>	<u>-</u>

4b Factors affecting tax charge for the year

The tax assessed for the year is at the standard rate of corporation tax in the UK. The difference in 2001 is as follows:

	2002 £ million	2001 £ million
Profit on ordinary activities before taxation	<u>11.1</u>	<u>11.7</u>
Taxation charge at UK corporation tax rate of 30% (2001 30%)	<u>3.3</u>	<u>3.5</u>
Effect of:		
Utilisation of tax losses	<u>-</u>	<u>(3.5)</u>
	<u>3.3</u>	<u>-</u>

JOHNSON MATTHEY CERAMICS PLC

NOTES ON THE ACCOUNTS

Year ended 31st March 2002

5. Investments in subsidiary undertakings

Cost	Shares £ million
At beginning and end of year	<u>9.9</u>

Principal subsidiary undertaking

Name of undertaking	Country of incorporation	Class of share	Holding
Johnson Matthey Ceramics Overseas Limited	Great Britain	Ordinary	100%

The principal subsidiary undertaking operates mainly in the country of incorporation. The principal activities of the subsidiary undertaking is the holding of investments in overseas operations.

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.

	2002 £ million	2001 £ million
6. <u>Debtors: due within one year</u>		
Amounts owed by ultimate parent undertaking	<u>200.4</u>	<u>189.0</u>
	<u>200.4</u>	<u>189.0</u>

	2002 £ million	2001 £ million
7. <u>Short term investments</u>		
Employee Share Ownership Trust (ESOT)	<u>1.0</u>	<u>1.4</u>

The ESOT currently holds 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 31st March 2002 the market value of the shares was £944,000. It is considered that the fall in value of the shares is temporary and no diminution in value has been recognised.

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

	2002 £ million	2001 £ million
8. <u>Creditors: Amounts falling due within one year</u>		
Current corporation tax	3.3	-
Other creditors	<u>-</u>	<u>0.1</u>
Total creditors falling due within one year	<u>3.3</u>	<u>0.1</u>

JOHNSON MATTHEY CERAMICS PLC

NOTES ON THE ACCOUNTS

Year ended 31st March 2002

	2002 £ million	2001 £ million
9. <u>Creditors: Amounts falling due after more than one year</u>		
Convertible loan stock (note 10)	<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.

	2002 £ million	2001 £ million
10. <u>Borrowings</u>		
Convertible loan stock	<u>130.0</u>	<u>130.0</u>
	<u>130.0</u>	<u>130.0</u>
Due after five years	<u>130.0</u>	<u>130.0</u>
	<u>130.0</u>	<u>130.0</u>

The convertible loan stock is denominated in sterling and is not subject to interest.

	2002 £ million	2001 £ million
11. <u>Called up share capital</u>		
Authorised		
Ordinary shares of £1 each	369.0	369.0
Preference shares of £1 each	<u>231.0</u>	<u>231.0</u>
	<u>600.0</u>	<u>600.0</u>
Allotted, issued and fully paid		
Ordinary shares of £1 each	<u>199.0</u>	<u>199.0</u>

No voting rights are attached to the preference shares. 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.

	£ million
12. <u>Profit and loss account</u>	
At beginning of period	(128.8)
Profit retained for the period	<u>7.8</u>
At end of period	<u>(121.0)</u>

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

- 14. Related party transactions**
Related party transactions with other members of the Johnson Matthey Group controlled by Johnson Matthey PLC are not disclosed in accordance with the exemption allowed under Financial Reporting Standard 8.

JOHNSON MATTHEY CERAMICS PLC

NOTES ON THE ACCOUNTS

Year ended 31st March 2002

15. Ultimate parent undertaking and group accounts

Johnson Matthey Ceramics Plc is a wholly owned subsidiary undertaking of Johnson Matthey Public Limited Company, a company registered in England. Johnson Matthey Public Limited Company, whose accounts are available from 2-4 Cockspur Street, Trafalgar Square, London SW1Y 5BQ, is considered to be the ultimate parent undertaking.

Johnson Matthey Ceramics Plc is exempt (under Section 228 of the Companies Act 1985) from the obligation to prepare and deliver group accounts. The accounts present information about the undertaking as an individual undertaking and not about its group.