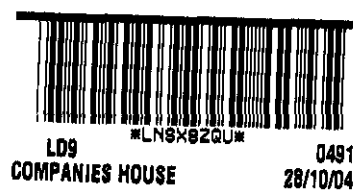


Johnson Matthey Ceramics Plc

Directors' Report and Accounts For the year ended 31 March 2004

Registered number: 2885614



Johnson Matthey Ceramics Plc

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Directors' report

The directors present their report and audited accounts for the year ended 31 March 2004.

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 2004 is £6.2 million (2003 £6.2 million). The profit and loss account is set out on page 3. The directors do not recommend payment of a dividend.

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



S Farrant *Company Secretary*
27 October 2004

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 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

27 October 2004

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

Profit and loss account

For the year ended 31 March 2004

	Notes	2004 £ million	2003 £ million
Interest receivable from group undertakings		8.9	9.4
Amounts written off investments		-	(0.5)
Profit on ordinary activities before taxation	1	8.9	8.9
Taxation	2	(2.7)	(2.7)
Retained profit for the year	9	6.2	6.2

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 2004

	Notes	2004 £ million	2003 £ million
Fixed assets			
Investment in subsidiary undertakings	3	<u>29.9</u>	<u>29.9</u>
Current assets			
Debtors: due within one year	4	198.7	186.5
Short term investments	5	<u>0.5</u>	<u>0.5</u>
		199.2	187.0
Creditors: amounts falling due within one year	6	<u>(8.7)</u>	<u>(2.7)</u>
Net current assets		<u>190.5</u>	<u>184.3</u>
Total assets less current liabilities		220.4	214.2
Creditors: Amounts falling due after more than one year – convertible debt	7	<u>(130.0)</u>	<u>(130.0)</u>
Net assets		<u>90.4</u>	<u>84.2</u>
Capital and reserves			
Called up share capital	8	199.0	199.0
Profit and loss account	9	<u>(108.6)</u>	<u>(114.8)</u>
Shareholders' funds	10	<u>90.4</u>	<u>84.2</u>

The accounts were approved by the board on 27 October 2004 and signed on its behalf by:



D W Morgan *Director*

The accompanying notes are an integral part of the accounts.

Accounting policies

For the year ended 31 March 2004

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 2004

1. 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 three directors received shares under the ultimate parent company long term incentive scheme. Audit fees are borne by the ultimate parent company.

2. Taxation

	2004 £ million	2003 £ million
Analysis of tax charge in the year		
UK corporation tax on profits for the year	<u>2.7</u>	<u>2.7</u>

Factors affecting tax charge for the year

	2004 £ million	2003 £ million
Profit on ordinary activities before taxation	<u>8.9</u>	<u>8.9</u>
Taxation charge at UK corporation tax rate of 30% (2003 30%)	<u>2.7</u>	<u>2.7</u>

No provision for deferred tax is required.

3. Fixed assets — Investment in subsidiary undertakings

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

Notes to the accounts

For the year ended 31 March 2004

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 Limited are:

Principal subsidiary 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.

4. Debtors: due within one year

	2004 £ million	2003 £ million
Other debtors	-	0.1
Amounts owed by ultimate parent undertaking	198.7	186.4
Total debtors	198.7	186.5

Notes to the accounts

For the year ended 31 March 2004

5. Short term investments

	2004 £ million	2003 £ million
Employee share ownership trust (ESOT)	0.5	0.5

The ESOT holds 339,819 shares (2003 339,819 shares) in its ultimate parent company and Cookson Group plc which have not yet vested unconditionally in employees. 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 2004 the market value of the shares was £0.7 million (2003 £0.5 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. Mourant & Co., as trustees for the ESOT, has waived its dividend entitlement on the shares in the ultimate parent company.

6. Creditors: Amounts falling due within one year

	2004 £ million	2003 £ million
Current corporation tax	8.7	2.7

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

	2004 £ million	2003 £ 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.

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	369,000,000	369.0	199,000,000	199.0
Preference shares of £1 each				
At the beginning and end of year	231,000,000	231.0	-	-

Notes to the Accounts

For the year ended 31 March 2004

9. Profit and loss account

	£ million
At beginning of year	(114.8)
Retained profit for the year	6.2
At end of year	<u>(108.6)</u>

10. Movement in shareholders' funds

	2004 £ million	2003 £ million
Retained profit for the year	6.2	6.2
Opening shareholders' funds	<u>84.2</u>	<u>78.0</u>
Closing shareholders' funds	<u>90.4</u>	<u>84.2</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.