

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

For the fifteen months ended 31st March 2000

q/david/99.00/jmcstat



JOHNSON MATTHEY CERAMICS PLC

DIRECTORS' REPORT

For the fifteen months ended 31st March 2000

The directors submit their report, together with the audited accounts of the company, for the fifteen months ended 31st March 2000. During the period the company changed its accounting reference date from 31st December to 31st March to coincide with the accounting reference date of its parent undertaking, Johnson Matthey PLC.

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 and glass. On 1st September 1999 the company sold its investments in Johnson Matthey Ceramics & Materials Limited and Johnson Matthey Print Limited to a fellow subsidiary undertaking.

Distribution and retention

The company made an operating profit before taxation of £9.1 million principally as a result of a dividend of £5.2 million from a subsidiary undertaking and from net interest income of £3.7 million. Profit after taxation was £9.1 million. The directors declared and paid an interim dividend of £5.2 million on 30th March 1999 but do not recommend payment of a final dividend. The retained profit for the period of £3.9 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 2000.

Research and Development

During the period the company spent £nil (1998 £1.8 million) on research and development.

Donations

During the period the company made no donations to UK charities (1998 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 (1998 30 days).

Directors and their shareholdings

The Directors who served throughout the period were as follows:

C R N Clark
J N Sheldrick
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 2000 were:

	Johnson Matthey Ordinary Shares	
	31 03 2000	31 12 1998
C R N Clark	28,020	27,530
J N Sheldrick	30,299	68,748
D W Morgan	20,268	6,735

DIRECTORS' REPORT

For the fifteen months ended 31st March 2000

Directors and their shareholdings - continued

As at 31st March 2000 individual holdings under the executive share option schemes were:

	31 December 1998	Granted	Options exercised	31 March 2000	Average exercise price
C R N Clark	198,325	-	(20,019)	178,306	£5.65
J N Sheldrick	160,331	-	-	160,331	£5.62
D W Morgan	134,671	17,472	(21,527)	130,616	£5.39

Between 1st January 1999 and 31st March 2000 the following options were exercised:

	Date of grant	Date of exercise	Options exercised	Exercise price	Market price on exercise
C R N Clark	14.07.93	17.12.99	20,019	£4.4795	£6.72
D W Morgan	(11.07.90	03.12.99	10,169	£2.7653	£6.84
	(18.07.91	03.12.99	11,358	£3.1659	£6.84

Gains made on exercise of options by directors during the period totalled £128,000 (1998: Nil).

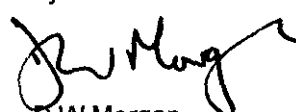
Long Term Incentive Plan Allocations

	31 December 1998	Allocations during period	31 March 2000
C R N Clark	69,686	74,830	144,516
J N Sheldrick	38,676	41,531	80,207
D W Morgan	8,761	26,361	35,122

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


 D W Morgan
 Director
London
30th January 2001**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 Auditors

To the members of Johnson Matthey Ceramics PLC

We have audited the financial statements on pages 4 to 12.

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. 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 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 2000 and of its profit for the period 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

30th January 2001

JOHNSON MATTHEY CERAMICS PLC**PROFIT AND LOSS ACCOUNT**

For the fifteen months ended 31st March 2000

	Note	Fifteen months ended 31 March 2000 £ million	Year ended 31 December 1998 £ million
Research and development - discontinued operations		-	(1.8)
Administration expenses			
- continuing operations		0.2	(1.1)
- discontinued operations		-	(7.0)
		<u>0.2</u>	<u>(8.1)</u>
Operating loss	2		
- continuing operations		0.2	(1.1)
- discontinued operations	2	-	(8.8)
Total operating profit / (loss)		<u>0.2</u>	<u>(9.9)</u>
Exceptional items - continuing operations	3	-	(98.3)
Income from shares in subsidiary undertakings		5.2	-
Profit / (loss) on ordinary activities before interest		<u>5.4</u>	<u>(108.2)</u>
Net interest	4	3.7	(15.3)
Profit / (loss) on ordinary activities before taxation	5	<u>9.1</u>	<u>(123.5)</u>
Taxation on ordinary activities	6	-	(0.7)
Profit / (loss) on ordinary activities after taxation		<u>9.1</u>	<u>(124.2)</u>
Dividend		(5.2)	-
Retained profit / (loss) for the period		<u><u>3.9</u></u>	<u><u>(124.2)</u></u>

The notes on pages 7 to 12 form an integral part of the accounts.

JOHNSON MATTHEY CERAMICS PLC**BALANCE SHEET**

as at 31st March 2000

	Note	31 March 2000 £ million	31 December 1998 £ million
Fixed assets			
Tangible fixed assets	7	-	-
Investment in subsidiary undertakings	8	9.9	14.9
Investment in associated undertaking	9	0.6	-
		<u>10.5</u>	<u>14.9</u>
Current assets			
Debtors: due within one year	10	177.3	175.3
Short term investments	11	1.4	1.4
		<u>178.7</u>	<u>176.7</u>
Creditors: Amounts falling due within one year	12	(0.7)	(3.8)
Net current assets		<u>178.0</u>	<u>172.9</u>
Total assets less current liabilities		188.5	187.8
Creditors: Amounts falling due after more than one year	13		
Convertible loan stock	13	(130.0)	(130.0)
Provision for liabilities and charges	15	-	(3.2)
Net assets		<u>58.5</u>	<u>54.6</u>
Capital and reserves			
Called up share capital	16	199.0	199.0
Profit and loss account	17	(140.5)	(144.4)
		<u>58.5</u>	<u>54.6</u>

These accounts were approved by the Board of Directors on 30th January 2001 and signed on its behalf by:



D W Morgan
Director

The notes on pages 7 to 12 form an integral part of the accounts.

JOHNSON MATTHEY CERAMICS PLC**Statement of total recognised gains and losses**
For the fifteen months ended 31st March 2000

	Fifteen months ended 31 March 2000 £ million	Year ended 31 December 1998 £ million
Profit / (loss) for the financial period	<u>9.1</u>	<u>(124.2)</u>
Total recognised gains and losses for the period	<u>9.1</u>	<u>(124.2)</u>

Note of historical cost profits and losses
For the fifteen months ended 31st March 2000

Reported profit / (loss) on ordinary activities before taxation	<u>9.1</u>	<u>(123.5)</u>
Historical cost profit / (loss) before taxation	<u>9.1</u>	<u>(123.5)</u>
Historical cost retained profit / (loss)	<u>3.9</u>	<u>(124.2)</u>

Movement in shareholders' funds
For the fifteen months ended 31st March 2000

Profit / (loss) for the financial period	9.1	(124.2)
Dividend	<u>(5.2)</u>	<u>-</u>
Retained profit / (loss) for the period	3.9	(124.2)
New ordinary share capital issued on conversion of loan stock	-	130.0
Net addition to shareholders' funds	<u>3.9</u>	<u>5.8</u>
Opening shareholders' funds	<u>54.6</u>	<u>48.8</u>
Closing shareholders' funds	<u>58.5</u>	<u>54.6</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 12 form an integral part of the accounts.

NOTES ON THE ACCOUNTS

For the fifteen months ended 31st March 2000

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.

Depreciation

Freehold land is not depreciated. Other fixed assets are depreciated using the straight line basis at annual rates which vary according to the class of asset, but are typically: leasehold property 2% (or at higher rates based on the life of the lease), freehold buildings 3.33%, plant and equipment 10% - 33%.

Deferred taxation

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

Pensions and other retirement benefits

(i) Pensions

The company 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 the 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 the 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.

NOTES ON THE ACCOUNTS

For the fifteen months ended 31st March 2000

2. **Operating profit / (loss)**

The operating profit of £0.2 million (1998 - loss of £9.9 million) includes the cost of discontinued operations as follows:

	Fifteen months ended 31 March 2000 £ million	Year ended 31 December 1998 £ million
Redundancy and rationalisation costs on closure of former Head Office and Technology Centre	-	2.4
Write down of value of fixed assets at former Head Office and Technology Centre	-	4.6

3. **Exceptional items**

The net exceptional charges in the year ended 31st December 1998 comprise:

	£ million	£ million
Loss on investment in Indonesian subsidiary undertaking	-	2.1
Provision for permanent diminution of investments in Johnson Matthey Ceramics & Materials Limited and Johnson Matthey Print Limited	-	96.2
	-	98.3

4. **Net interest**

Interest payable:

On bank loans and overdrafts wholly repayable within five years	-	(1.4)
On convertible loan stock (note 13) repayable after more than five years,	(2.4)	(12.5)
	(2.4)	(13.9)
Foreign currency losses on refinancing of inter group loans	-	(9.1)
	(2.4)	(23.0)

Interest receivable:

From group undertakings	6.1	7.7
Net interest credit / (charge) for the period	3.7	(15.3)

5. **Loss on ordinary activities before taxation has been arrived at after charging:**

	£ million	£ million
Depreciation	-	0.2
Auditors remuneration	-	-

The audit fee for the period was borne by the ultimate parent undertaking.

NOTES ON THE ACCOUNTS

For the fifteen months ended 31st March 2000

5. Loss on ordinary activities before taxation has been arrived at after charging: continued

Fifteen months ended 31 March 2000	Year ended 31 December 1998
£'000	£'000

Directors' emoluments

- basic salary and benefits
- performance-related bonus
- compensation for loss of office

-	80
-	41
-	248
-	369

Highest paid director

- basic salary and benefits
- performance-related bonus
- compensation for loss of office

-	35
-	26
-	248
-	309

Pension contributions of £nil (1998 £5,000) were paid in respect of the directors of which contributions for the highest paid director were nil (1998 nil).

Fifteen months ended 31 March 2000	Year ended 31 December 1998
---------------------------------------	-----------------------------------

Employee information

(a) Employee numbers

The average weekly number of full-time employees during the period was:

-	28
---	----

(b) Employee costs

- Wages and salaries
- Social security costs
- Other pension and post retirement costs

£ million	£ million
-	0.9
-	0.1
-	0.1
-	1.1

6. Taxation on ordinary activities

- UK Corporation tax at 30% (year ended 31st December 1998 31%)
- Prior year adjustment

£ million	£ million
-	-
-	(0.7)
-	(0.7)

7. Fixed assets - tangible assets**Cost / valuation**

- At beginning of period
- Additions
- Disposals
- At end of period

Plant and
machinery
£ million

0.1
0.1
(0.2)
-

Depreciation

- At beginning of period
- Disposals
- At end of period

0.1
(0.1)
-

Net book value at end of period

-

Net book value at beginning of period

-

JOHNSON MATTHEY CERAMICS PLC

NOTES ON THE ACCOUNTS

For the fifteen months ended 31st March 2000

8. Investments in subsidiary undertakings

	Shares £ million
Cost	
At beginning of period	111.1
Disposals	(101.2)
At end of period	9.9
Provisions	
At beginning of year	(96.2)
Disposal	96.2
At end of period	-
Net book value at end of period	9.9
Net book value at beginning of period	14.9

Principal subsidiary undertaking

Name of undertaking	Country of incorporation	Class of share	Holding
Johnson Matthey Ceramics Overseas Limited	England	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.

9. Investment in associated undertaking

			Shares £ million
Cost			
At beginning of period			-
Additions			0.6
At end of year			0.6
	Country of incorporation	Issued share capital	Holding of ordinary share capital
Name of undertaking			
Metawave Video Systems Limited	England	£200	40%

10. Debtors: due within one year

	31 March 2000 £ million	31 December 1998 £ million
Amounts owed by ultimate parent undertaking	78.6	74.1
Amounts owed by other group companies	98.5	98.9
Other debtors	0.2	2.2
Prepayments and accrued income	-	0.1
	177.3	175.3

JOHNSON MATTHEY CERAMICS PLC

NOTES ON THE ACCOUNTS

For the fifteen months ended 31st March 2000

11. Short term investments

Employee Share Ownership Trust (ESOT)

31 March 2000 £ million	31 December 1998 £ million
<u>1.4</u>	<u>1.4</u>

The ESOT has purchased 383,376 shares in the open market, which are held on 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 2000 the market value of the shares was £1,276,000. 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.

12. Creditors: Amounts falling due within one year

Bank loans and overdrafts (note 14)

Amounts owed to subsidiary undertakings

Other creditors

Total creditors falling due within one year

31 March 2000 £ million	31 December 1998 £ million
0.5	2.5
-	0.8
<u>0.2</u>	<u>0.5</u>
<u>0.7</u>	<u>3.8</u>

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

Convertible loan stock (note 14)

31 March 2000 £ million	31 December 1998 £ million
<u>130.0</u>	<u>130.0</u>

The notes shall, at the option of the holder, be convertible at par into ordinary shares on any 31st December as from 31st December 1995.

14. Borrowings

Bank loans and overdrafts

Convertible loan stock

31 March 2000 £ million	31 December 1998 £ million
0.5	2.5
<u>130.0</u>	<u>130.0</u>
<u>130.5</u>	<u>132.5</u>

Due within one year

Due between two and five years

Due after five years

31 March 2000 £ million	31 December 1998 £ million
0.5	2.5
<u>130.0</u>	<u>-</u>
<u>-</u>	<u>130.0</u>
<u>130.5</u>	<u>132.5</u>

Amounts wholly repayable after five years

Convertible loan stock

31 March 2000 £ million	31 December 1998 £ million
<u>-</u>	<u>130.0</u>

The loans are denominated in either sterling or US dollars and bear interest at commercial rates.

15. Provisions for liabilities and charges

At beginning of period

Released in period

Transfer to ultimate parent undertaking

Utilised

At end of period

Total £ million	Retirement benefits £ million	Rationalisation provision £ million
3.2	2.8	0.4
(0.3)	-	(0.3)
(2.8)	(2.8)	-
<u>(0.1)</u>	<u>-</u>	<u>(0.1)</u>
<u>-</u>	<u>-</u>	<u>-</u>

Following the merger of the Johnson Matthey Ceramic Materials Pension Plan with the Johnson Matthey Employees Pension Scheme on 1st April 1999, the retirement benefits provision of £2.8 million was transferred to Johnson Matthey PLC, the ultimate parent undertaking.

JOHNSON MATTHEY CERAMICS PLC

NOTES ON THE ACCOUNTS

For the fifteen months ended 31st March 2000

	31 March 2000 £ million	31 December 1998 £ million
16. Called up share capital		
Authorised		
Ordinary shares of £1 each	369.0	369.0
Preference shares of £1 each	231.0	231.0
	<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.

17. Profit and loss account	£ million
At beginning of period	(144.4)
Profit retained for the period	<u>3.9</u>
At end of period	<u>(140.5)</u>

18. 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.

Bank loans of certain subsidiary companies due to third parties and amounting to £0.3 million are guaranteed by the company.

20. 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.

21. 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.