

## 1 Segmental information

	Turnover		Operating profit		Net operating assets	
	2002 £ million	2001 restated £ million	2002 £ million	2001 restated £ million	2002 £ million	2001 restated £ million
<b>Activity analysis</b>						
Catalysts & Chemicals	1,302.6	1,467.6	94.7	80.9	446.4	413.4
Precious Metals	3,167.4	4,145.7	55.9	57.4	82.0	38.8
Colours & Coatings	253.4	251.0	25.5	32.1	200.7	193.4
Pharmaceutical Materials	105.5	35.2	31.3	18.0	268.4	39.4
Corporate	–	–	(13.6)	(13.3)	(20.9)	(16.3)
	<b>4,828.9</b>	<b>5,899.5</b>	<b>193.8</b>	<b>175.1</b>	<b>976.6</b>	<b>668.7</b>
Discontinued operations	1.2	4.2	(0.5)	(0.1)	–	2.7
<b>Total turnover</b>	<b>4,830.1</b>	<b>5,903.7</b>				
Goodwill amortisation (note 11)			(6.8)	(0.3)		
Exceptional items included in total operating profit (note 2)			(18.1)	(0.6)		
			<b>168.4</b>	<b>174.1</b>	<b>976.6</b>	<b>671.4</b>
Profit on sale / closure of discontinued operations (note 2)			(5.6)	1.1		
Net interest			(6.1)	5.3		
<b>Profit on ordinary activities before taxation</b>			<b>156.7</b>	<b>180.5</b>		
Net (borrowings and finance leases) / cash					(159.0)	139.9
<b>Net assets</b>					<b>817.6</b>	<b>811.3</b>

	Turnover		Operating profit		Net operating assets	
	2002 £ million	2001 restated £ million	2002 £ million	2001 restated £ million	2002 £ million	2001 restated £ million
<b>Geographical analysis by origin</b>						
Europe	3,304.1	4,111.8	75.3	66.9	625.0	421.0
North America	1,280.1	1,585.2	84.6	81.4	245.1	158.4
Asia	955.5	1,094.4	13.3	13.8	48.7	65.7
Rest of the World	271.3	307.7	20.6	13.0	57.8	23.6
	<b>5,811.0</b>	<b>7,099.1</b>	<b>193.8</b>	<b>175.1</b>	<b>976.6</b>	<b>668.7</b>
Discontinued operations	2.0	5.0	(0.5)	(0.1)	–	2.7
	<b>5,813.0</b>	<b>7,104.1</b>				
Less inter-segment sales	(982.9)	(1,200.4)				
<b>Total turnover</b>	<b>4,830.1</b>	<b>5,903.7</b>				
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<b>Net assets</b>					<b>817.6</b>	<b>811.3</b>

## 1 Segmental information (continued)

	2002 £ million	2001 £ million
<b>External turnover by geographical destination</b>		
Europe	<b>2,070.0</b>	2,459.0
North America	<b>1,356.4</b>	1,858.8
Asia	<b>1,112.8</b>	1,293.2
Rest of the World	<b>290.9</b>	292.7
<b>Total turnover</b>	<b>4,830.1</b>	5,903.7

Turnover by destination relating to the United Kingdom amounted to £1,277.5 million (2001 £1,568.2 million).

The activity analyses have been restated to show Pharmaceutical Materials as a new segment. This was previously included within Catalysts & Chemicals but is now shown separately as a result of its increased size. The group sold its French print business (part of Colours & Coatings) during the year and its results are now reported in discontinued operations (note 3).

## 2 Exceptional items

An exceptional charge of £18.1 million (2001 £0.6 million) has been included in total operating profit. This comprises:

	2002 £ million	2001 £ million
Profit on sale of unhedged palladium	<b>7.2</b>	–
Cost of rationalising Meconic plc	<b>(1.3)</b>	–
Cost of rationalising Colours & Coatings	<b>(24.0)</b>	–
Cost of rationalising Precision Studios	<b>–</b>	(0.6)
	<b>(18.1)</b>	(0.6)

These charges arise in Europe (£17.4 million, 2001 £0.6 million), North America (£0.6 million) and Rest of the World (£0.1 million).

The sale of the group's French print business produced a net loss of £5.5 million (note 30).

Metawave Video Systems Ltd, an associate, went into administration last year and further costs of £0.1 million were incurred this year.

## 3 Discontinued operations

	Turnover		Operating profit	
	2002 £ million	2001 £ million	2002 £ million	2001 £ million
French print business	<b>1.2</b>	4.2	<b>(0.5)</b>	0.1

The group's discontinued associate is Metawave Video Systems Ltd, and the group's share of its loss is £ nil (2001 £0.2 million) (note 2).

## 4 Net interest

	2002 £ million	2001 £ million
Interest payable on bank loans and overdrafts	<b>(10.9)</b>	(6.8)
Interest payable on other loans	<b>(6.1)</b>	(5.6)
	<b>(17.0)</b>	(12.4)
Other interest receivable	<b>10.9</b>	17.7
<b>Net interest</b>	<b>(6.1)</b>	5.3

## 5 Group operating profit after exceptional items and goodwill amortisation

	2002	2002	2002	2002	2002	2001
	Continuing operations £ million	Acquisitions £ million	Total continuing operations £ million	Discontinued operations £ million	Total £ million	Total £ million
Group turnover	4,761.6	67.3	4,828.9	1.2	4,830.1	5,903.7
Cost of materials sold	(4,156.8)	(28.3)	(4,185.1)	(0.6)	(4,185.7)	(5,330.6)
Net revenues	604.8	39.0	643.8	0.6	644.4	573.1
Other cost of sales	(310.1)	(20.0)	(330.1)	(0.5)	(330.6)	(265.6)
Gross profit	294.7	19.0	313.7	0.1	313.8	307.5
Distribution costs	(58.4)	(1.4)	(59.8)	(0.2)	(60.0)	(57.8)
Administrative expenses	(78.7)	(6.2)	(84.9)	(0.4)	(85.3)	(75.6)
<b>Group operating profit</b>	<b>157.6</b>	<b>11.4</b>	<b>169.0</b>	<b>(0.5)</b>	<b>168.5</b>	174.1

For continuing operations, exceptional credits of £4.6 million (2001 £ nil) are included in cost of materials sold, and exceptional charges of £18.4 million (2001 £0.6 million) are included in other cost of sales, £0.5 million (2001 £ nil) in distribution costs and £2.5 million (2001 £ nil) in administrative expenses. For acquisitions, exceptional charges of £1.3 million (2001 £ nil) are included in administrative expenses.

## 6 Profit on ordinary activities before taxation

	2002 £ million	2001 £ million
Profit on ordinary activities before taxation is arrived at after charging / (crediting):		
Research and development	47.6	42.3
less external funding received	(3.0)	(2.4)
Net research and development	44.6	39.9
Depreciation		
– on owned assets	48.0	40.6
– on leased assets	0.3	0.2
Auditors' remuneration		
– parent company	0.4	0.4
– subsidiary undertakings	0.7	0.7
– group	1.1	1.1
Other fees paid to auditors and their associates		
– United Kingdom	0.5	0.3
– Rest of the World	0.3	0.5
Other fees paid to KPMG relate to tax compliance and tax advice mainly for the group's overseas subsidiaries (£0.2 million), acquisition related work including due diligence (£0.1 million), assistance in the implementation of a new ERP computer system (£0.4 million) and statutory and other compliance work (£0.1 million).		
Operating lease rentals		
– on plant and machinery	2.3	2.1
– on other operating leases	6.7	6.4

Directors' fees were £0.3 million (2001 £0.3 million) and other emoluments were £2.0 million (2001 £2.1 million). Details are given in the Remuneration Report on pages 28 to 32.

## 7 Taxation

### 7a Analysis of tax charge in the year

	2002		2001 restated
£ million	£ million	£ million	£ million
<b>Current tax</b>			
UK corporation tax on profits for the year	9.2		32.5
Adjustment for prior years	1.6		–
	<b>10.8</b>		32.5
Double taxation relief	(0.3)		–
	<b>10.5</b>		32.5
Foreign tax on profits for the year	33.1	28.5	
Adjustment for prior years	(4.1)	–	
	<b>29.0</b>		28.5
Total current tax	<b>39.5</b>		61.0
<b>Deferred tax</b>			
Origination and reversal of timing differences	16.5	(5.7)	
Adjustment to estimated recoverable amount of deferred tax assets arising in prior years	(0.1)	(1.3)	
Total deferred tax	<b>16.4</b>		(7.0)
<b>Associates</b>	<b>0.1</b>		0.1
Tax on exceptional items included in total operating profit – current tax	56.0		54.1
Tax on exceptional items included in total operating profit – deferred tax	(2.0)		(0.2)
Tax on profit on sale / closure of discontinued operations – current tax	(3.2)		–
	(0.6)		0.3
<b>Total taxation</b>	<b>50.2</b>		54.2

### 7b Factors affecting tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The differences are as follows:

	2002		2001
	£ million		£ million
Profit on ordinary activities before taxation, exceptional items and goodwill amortisation	<b>187.2</b>		180.3
Taxation charge at UK corporation tax rate of 30% (2001 30%)	<b>56.2</b>		54.1
Effects of:			
Overseas tax rates	5.6		4.3
Pension credits and contributions	(3.5)		(1.6)
Provisions	(2.3)		0.4
Capital allowances for the year less than / (in excess of) depreciation	0.1		(5.7)
Stock adjustments	(10.3)		14.9
Expenses not deductible for tax purposes	1.4		1.5
Non-taxable income	(0.7)		(1.7)
Net utilisation of tax losses	(2.7)		(6.4)
Adjustments for prior years	(2.5)		–
Other	(1.8)		1.2
Current tax charge for the year	<b>39.5</b>		61.0

## 7c Factors that may affect future tax charges

The group expects to benefit in future years from the new UK research and development tax credits regime and estimates that it is likely to reduce the tax rate by about 0.8%. The overall tax rate would be likely to rise if the proportion of profits in overseas territories increases reflecting the higher corporation tax rates in those countries in which the group operates. In addition the tax rate would be impacted by the extent to which losses are available to offset taxable income.

No deferred tax is recognised on the unremitted earnings of the overseas subsidiaries, associates and joint ventures other than in the case of the group's captive insurance company where cumulative deferred tax of £0.9 million (charge for the year £0.1 million) has been provided on an accrued dividend.

## 8 Dividends

	2002 £ million	2001 £ million
Interim ordinary dividend paid – 7.5 pence per share (2001 7.0 pence per share)	16.2	15.4
Final ordinary dividend proposed – 17.1 pence per share (2001 16.3 pence per share)	37.0	35.9
<b>Total dividends</b>	<b>53.2</b>	51.3

## 9 Earnings per ordinary share

Profit for the year attributable to shareholders is £106.8 million (2001 restated £125.7 million). This is divided by the weighted average number of shares in issue calculated as 217,829,287 (2001 219,467,375) to give basic earnings per share of 49.0 pence (2001 restated 57.3 pence).

The calculation of diluted earnings per share is based on the weighted average number of shares in issue adjusted by the dilutive outstanding share options and long term incentive plan. These adjustments give rise to an increase in the weighted average number of shares in issue of 2,357,398 (2001 2,816,102), giving diluted earnings per share of 48.5 pence (2001 restated 56.5 pence).

Before exceptional items, the tax thereon and goodwill amortisation, basic earnings per share were 60.4 pence (2001 restated 57.2 pence) and diluted earnings per share were 59.7 pence (2001 restated 56.5 pence).

	2002 £ million	2001 restated £ million
Attributable profit	106.8	125.7
Goodwill amortisation	6.8	0.3
Exceptional items	23.7	(0.5)
Tax thereon	(5.8)	0.1
Adjusted profit	131.5	125.6
Earnings per share before exceptional items and goodwill amortisation		
Basic	60.4p	57.2p
Diluted	59.7p	56.5p

## 10 Employee information

### 10a Employee numbers

	2002	2001 restated
The average monthly number of employees during the year was as follows:		
Catalysts & Chemicals	<b>3,272</b>	2,834
Precious Metals	<b>1,128</b>	1,152
Colours & Coatings	<b>1,858</b>	1,958
Pharmaceutical Materials	<b>406</b>	103
Research and Corporate	<b>266</b>	225
<b>Average number of employees – continuing</b>	<b>6,930</b>	6,272
Discontinued operations	<b>58</b>	153
<b>Average number of employees – total</b>	<b>6,988</b>	6,425
<b>Actual number of employees at 31st March</b>	<b>6,996</b>	6,637

The number of temporary employees included above at 31st March 2002 was 225 (2001 205).

### 10b Employee costs

	2002 £ million	2001 £ million
Wages and salaries	<b>187.5</b>	161.2
Social security costs	<b>19.0</b>	17.5
Other pension costs / (credits)	<b>3.0</b>	(1.5)
<b>Total employee costs</b>	<b>209.5</b>	177.2

### 10c Retirement benefits

#### (i) United Kingdom pension schemes

The group's principal UK pension scheme is of the defined benefit type which requires contributions to be made to a separately administered fund. At 1st April 2000, the date of the latest actuarial valuation, the market value of the UK scheme's assets was £633.0 million, the actuarial value of which represented 141% of the liability for benefits that had accrued to that date, making full allowance for future salary and pension increases. This represents an actuarial surplus of £164.2 million which, following actuarial recommendations, has permitted the company to suspend contributions for the foreseeable future. A surplus cannot be refunded to the company except by dissolution of the scheme in accordance with the rules of the scheme and relevant legislation. The financial assumptions applicable to the last actuarial valuation at 1st April 2000 were: long term rate of investment return 6.75%, dividend increase rate 4%, general salary and wage inflation rate 5% and pension increase rate 3%.

In accordance with the applicable accounting standard, the surplus on the group's principal UK pension fund has been spread over the average of the expected remaining service lives of current employees (12 years) as a variation from regular cost. The regular pension cost is assessed using the projected unit method.

The group's other UK pension schemes relate to Meconic plc which the group acquired on 9th July 2001. Meconic operates a number of defined contribution schemes and one scheme, closed to new members on 31st December 1998, providing benefits based on final pensionable salary. The assets of these schemes are held in separately administered funds. At 31st December 1999, the date of the latest actuarial valuation, the market value of the defined benefits scheme's assets was £18.6 million, the actuarial value of which represented 104% of the liability for benefits that had accrued to that date, making full allowance for future salary and pension increases. This represents an actuarial surplus of £0.8 million which has been spread over the average of the expected remaining service lives of current employees (10 years) as a variation from regular cost. The regular pension cost is assessed using the attained age method. The financial assumptions applicable to the last actuarial valuation at 31st December 1999 were: long term rate of investment return 7.0% reduced to 5.0% in respect of the period post retirement, general salary and wage inflation rate 4.5% and pension increase rate 3%.

## 10c Retirement benefits (continued)

### (ii) Foreign schemes

Pension costs relating to foreign schemes are charged in accordance with local best practice using different accounting policies. The group's largest foreign scheme is in the US, which is of the defined benefit type and which requires contributions to be made to a separately administered fund. This scheme is accounted for using the applicable US accounting standard. The cost of obtaining actuarial valuations for the purpose of adjusting to the applicable UK accounting standard is considered to be out of proportion to the benefits to be gained.

### (iii) Other retirement benefits

These costs are charged on an accruals basis similar to that used for pensions. The actuarial liability for the cost of these benefits is fully provided for in the balance sheet.

### (iv) Profit and loss account and balance sheet impact of providing retirement benefits

The effect of providing pensions and other retirement benefits on operating profit was as follows:

	2002 £ million	2001 £ million
<b>United Kingdom</b>		
Regular pension cost	(12.5)	(10.7)
Variation from regular cost	8.2	10.1
Interest on prepayment	7.0	6.6
Cost of post-retirement medical benefits	(0.4)	(0.3)
	<b>2.3</b>	5.7
<b>Overseas</b>		
Cost of foreign pension schemes	(4.5)	(3.6)
Cost of post-retirement medical benefits	(0.8)	(0.6)
	<b>(3.0)</b>	1.5

The following prepayments and provisions relating to pension schemes and other post-retirement benefits are included in the group and parent company's balance sheets:

	Group		Parent company	
	2002 £ million	2001 £ million	2002 £ million	2001 £ million
Prepaid pension costs in the UK	107.7	103.9	107.7	103.9
Prepaid pension costs overseas	3.0	–	–	–
Provision for foreign pensions	1.0	9.0	–	–
Provision for post-retirement medical benefits – UK	4.2	3.9	4.1	3.9
Provision for post-retirement medical benefits – overseas	12.7	12.2	–	–
Provision for other post-retirement benefits – overseas	–	0.4	–	–

### (v) FRS 17 – 'Retirement Benefits' disclosures

The group operates defined benefit pension schemes in the UK and the US. Full actuarial valuations were carried out at 1st April 2000 for the principal UK scheme, 31st December 1999 for the Meconic defined benefits scheme and 30th June 2001 for the US schemes and updated to 31st March 2002 by qualified independent actuaries. For the principal UK scheme the company made no contributions in the year and the company has suspended contributions for the foreseeable future. The contribution to the Meconic defined benefits scheme amounted to £0.6 million (at a rate of 17%) and to the US schemes £11.3 million. The Meconic defined benefits scheme closed to new members on 31st December 1998 and under the projected unit method the current service cost would increase as the members of the scheme approach retirement. The group operates a number of other small schemes around the world which are not material and their net liabilities of £0.4 million are included in the balance sheet.

## 10c Retirement benefits (continued)

### (v) FRS 17 – 'Retirement Benefits' disclosures (continued)

The main assumptions at 31st March 2002 were:

	UK schemes %	US schemes %
Rate of increase in salaries	4.75	4.50
Rate of increase in pensions in payment	2.75	–
Discount rate	5.80	7.25
Inflation	2.75	3.50
Current medical benefits cost trend rate	5.50	10.00
Ultimate medical benefits cost trend rate	5.50	5.00

The assets in the schemes and the expected rates of return at 31st March 2002 were:

	UK pension schemes		UK post-retirement medical benefits schemes value £ million	US pension schemes		US post-retirement medical benefits scheme value £ million
	Expected long term rate of return %	Value £ million		Expected long term rate of return %	Value £ million	
Equities	8.0	416.1	–	9.0	33.5	–
Bonds	5.3	144.7	–	5.5	22.4	–
Property	6.8	33.7	–	–	–	–
Total market value of assets		594.5	–		55.9	–
Present value of scheme liabilities		(483.7)	(4.7)		(60.0)	(10.9)
Surplus / (deficit) in scheme		110.8	(4.7)		(4.1)	(10.9)
Related deferred tax (liability) / asset		(33.2)	1.4		1.6	4.1
Net retirement benefits asset / (liability)		77.6	(3.3)		(2.5)	(6.8)

If the above amounts had been recognised in the accounts, the group's net assets and profit and loss reserves at 31st March 2002 would be:

	Group £ million	Parent company £ million
Net assets excluding retirement benefits asset / liability	751.9	480.4
Retirement benefits asset / (liability)		
– UK pensions	77.6	78.9
– US pensions	(2.5)	–
– Medical benefits	(10.1)	(3.2)
– Other schemes	(0.4)	–
Net assets including retirement benefits asset / liability	816.5	556.1
Profit and loss account reserve excluding retirement benefits reserve	396.4	128.6
Retirement benefits reserve		
– UK pensions	77.6	78.9
– US pensions	(2.5)	–
– Medical benefits	(10.1)	(3.2)
– Other schemes	(0.4)	–
Profit and loss account reserve	461.0	204.3

If the profit and loss account for the year ended 31st March 2002 had been restated for FRS 17 the impact would not have been material.

## 11 Fixed assets – goodwill

	Group £ million	Parent company £ million
<b>Cost</b>		
At beginning of year	9.1	14.5
Additions (note 29)	181.0	–
Disposals (note 30)	(0.4)	–
Exchange adjustments	0.1	–
At end of year	<u>189.8</u>	<u>14.5</u>
<b>Amortisation</b>		
At beginning of year	0.5	14.3
Charge for the year	6.8	–
Exchange adjustments	(0.1)	–
At end of year	<u>7.2</u>	<u>14.3</u>
<b>Net book value at 31st March 2002</b>	<b><u>182.6</u></b>	<b><u>0.2</u></b>
Net book value at 31st March 2001	<u>8.6</u>	<u>0.2</u>

Goodwill amortisation of £0.5 million (2001 £0.2 million) arises in Catalysts & Chemicals, £0.1 million (2001 £ nil) in Precious Metals, £0.2 million (2001 £0.1 million) in Colours & Coatings and £6.0 million (2001 £ nil) in Pharmaceutical Materials. Geographically £5.2 million (2001 £ nil) arises in Europe and £1.6 million (2001 £0.3 million) in North America.

## 12 Fixed assets – tangible assets

### 12a Group

	Freehold land & buildings £ million	Long & short leasehold £ million	Plant & machinery £ million	Total £ million
<b>Cost</b>				
At beginning of year	140.2	12.7	519.4	672.3
Purchases	13.4	0.9	119.5	133.8
Acquisitions	19.9	–	23.1	43.0
Disposals	(1.1)	–	(25.9)	(27.0)
Disposal of subsidiary	(1.0)	–	(1.6)	(2.6)
Exchange adjustments	(1.3)	(0.1)	(5.6)	(7.0)
At end of year	<u>170.1</u>	<u>13.5</u>	<u>628.9</u>	<u>812.5</u>
<b>Depreciation</b>				
At beginning of year	41.4	5.1	239.0	285.5
Charge for the year	5.2	0.7	42.4	48.3
Disposals	(0.1)	–	(13.1)	(13.2)
Disposal of subsidiary	(0.2)	–	(0.7)	(0.9)
Exchange adjustments	(0.3)	–	(2.0)	(2.3)
At end of year	<u>46.0</u>	<u>5.8</u>	<u>265.6</u>	<u>317.4</u>
<b>Net book value at 31st March 2002</b>	<b><u>124.1</u></b>	<b><u>7.7</u></b>	<b><u>363.3</u></b>	<b><u>495.1</u></b>
Net book value at 31st March 2001	<u>98.8</u>	<u>7.6</u>	<u>280.4</u>	<u>386.8</u>

The net book value of tangible fixed assets includes £5.8 million (2001 £1.8 million) in respect of assets held under finance leases.

## 12b Parent company

	Freehold land & buildings £ million	Long & short leasehold £ million	Plant & machinery £ million	Total £ million
<b>Cost</b>				
At beginning of year	52.5	2.2	166.7	221.4
Purchases	9.6	–	37.6	47.2
Disposals	(1.0)	–	(17.9)	(18.9)
At end of year	61.1	2.2	186.4	249.7
<b>Depreciation</b>				
At beginning of year	14.8	1.5	68.0	84.3
Charge for the year	2.0	0.1	14.9	17.0
Disposals	(0.1)	–	(6.8)	(6.9)
At end of year	16.7	1.6	76.1	94.4
<b>Net book value at 31st March 2002</b>	<b>44.4</b>	<b>0.6</b>	<b>110.3</b>	<b>155.3</b>
Net book value at 31st March 2001	37.7	0.7	98.7	137.1

The net book value of tangible fixed assets includes £4.3 million (2001 £ nil) in respect of assets held under finance leases.

## 13 Fixed assets – investments

### 13a Group

	Investment in associates £ million	Investments listed on overseas stock exchanges £ million	Unlisted investments £ million	Other loans £ million	Total £ million
At beginning of year	0.7	–	0.2	0.1	1.0
Additions	–	–	–	1.0	1.0
Acquired with subsidiaries	–	1.0	0.3	–	1.3
Transfer on acquisition as subsidiary	–	–	(0.2)	(0.4)	(0.6)
Transferred to creditors	0.2	–	–	–	0.2
Losses retained for the year	(0.2)	–	–	–	(0.2)
<b>At end of year</b>	<b>0.7</b>	<b>1.0</b>	<b>0.3</b>	<b>0.7</b>	<b>2.7</b>

The market value of investments listed on overseas stock exchanges was £1.4 million (2001 £ nil).

### 13b Parent company

	Other loans £ million	Cost of investment in subsidiary undertakings £ million	Total £ million
At beginning of year	–	210.0	210.0
Additions	0.7	179.3	180.0
<b>At end of year</b>	<b>0.7</b>	<b>389.3</b>	<b>390.0</b>

The principal subsidiary undertakings are shown on page 64.

## 13c Associates

	Issued share capital	Percentage holding of ordinary share capital %	Country of incorporation
Arora-Matthey Limited	INR 19,920,000	40	India
Oximet Srl	€312,000	33	Italy
Matthey Pharmaceutical Alkaloids, L.L.C., operating in the US, of which the group has a 50% holding, has members' capital of US\$395,000.			
Universal Pharma Technologies, L.L.C., operating in the US, of which the group has a 50% holding, has members' capital of US\$4,700,000.			

The group's cost of investment in associates amounted to £0.4 million (2001 £0.4 million).

## 14 Transactions with related parties

The group's related parties are its associates described in note 13c.

During the year the group supplied thermocouple products to a value of £20,000 to Arora-Matthey Limited (2001 £ nil).

During the year the group purchased £43,000 (2001 £145,000) of raw materials from Oximet Srl. Total balances payable to Oximet Srl at 31st March 2002 were £4,000 (2001 £13,000).

There were no transactions with Matthey Pharmaceutical Alkaloids, L.L.C. during the year (2001 £ nil).

From 20th April 2001 (when Universal Pharma Technologies, L.L.C. was acquired as part of the acquisition of Pharm-Eco Laboratories, Inc.) to 31st March 2002 the group paid royalties of £55,000 and made service charges of £311,000 to Universal Pharma Technologies, L.L.C. Total balances receivable from Universal Pharma Technologies, L.L.C. at 31st March 2002 were £1.4 million, against which a provision of £1.0 million has been made.

## 15 Stocks

	Group		Parent company	
	2002 £ million	2001 £ million	2002 £ million	2001 £ million
Raw materials and consumables	<b>47.7</b>	49.0	<b>10.3</b>	12.1
Work in progress	<b>240.1</b>	120.3	<b>216.2</b>	83.9
– precious metals				
– other	<b>28.6</b>	17.7	<b>7.7</b>	6.9
Finished goods and goods for resale	<b>97.9</b>	91.8	<b>12.5</b>	14.4
<b>Total stocks</b>	<b>414.3</b>	278.8	<b>246.7</b>	117.3

The group also holds customers' materials in the process of refining and fabrication and for other reasons.

Parent company precious metals includes net metal lent to subsidiary undertakings.

## 16 Debtors

	Group		Parent company	
	2002 £ million	2001 restated £ million	2002 £ million	2001 restated £ million
<b>Debtors: due within one year</b>				
Trade debtors	303.9	357.5	72.3	152.4
Amounts owed by subsidiary undertakings	–	–	553.6	559.7
Amounts owed by associates	0.4	–	–	–
Other debtors	17.7	39.1	2.9	20.0
Payment owed for disposals (note 30)	1.0	1.0	–	–
Current corporation tax	–	–	11.3	–
Deferred tax asset (note 23)	0.6	0.5	–	–
Prepaid pensions	1.9	–	–	–
Prepayments and accrued income	19.7	18.1	6.8	4.7
	<b>345.2</b>	<b>416.2</b>	<b>646.9</b>	<b>736.8</b>
<b>Debtors: due after more than one year</b>				
Prepaid pensions	108.8	103.9	107.7	103.9
Amounts owed by subsidiary undertakings	–	–	156.8	142.6
	<b>108.8</b>	<b>103.9</b>	<b>264.5</b>	<b>246.5</b>

## 17 Short term investments

	Group		Parent company	
	2002 £ million	2001 £ million	2002 £ million	2001 £ million
Interest in own shares	14.9	13.5	13.9	12.2
Investments listed on overseas stock exchanges	1.7	2.4	–	–
	<b>16.6</b>	<b>15.9</b>	<b>13.9</b>	<b>12.2</b>

The interest in own shares represents the cost of the shares held by the group's two Employee Share Ownership Trusts (ESOTs). The ESOTs currently hold 2,634,029 shares which were purchased in the open market, and are held in trust for employees participating in the group's executive share option schemes and long term incentive plan. The purchase of the shares was financed by a contribution of £511,100 and loans of £14,369,817 from the group. At 31st March 2002 the market value of the shares was £24,939,935. Mourant & Co., as trustees for the ESOTs, has waived its dividend entitlement.

The market value of investments listed on overseas stock exchanges was £4.8 million (2001 £25.2 million).

## 18 Borrowings and finance leases

	Group		Parent company	
	2002 £ million	2001 £ million	2002 £ million	2001 £ million
<b>Borrowings and finance leases falling due after more than one year</b>				
Bank and other loans repayable by instalments				
From two to five years	0.8	0.4	–	–
From one to two years	0.1	0.1	–	–
Bank and other loans repayable otherwise than by instalments				
6.36% US Dollar Bonds 2006	70.2	70.3	70.2	70.3
Other after five years	6.0	6.0	–	–
Other from two to five years	104.6	–	104.4	–
Finance leases repayable				
After five years	3.2	–	3.2	–
From two to five years	0.7	0.5	0.7	–
From one to two years	0.2	0.4	0.2	–
<b>Borrowings and finance leases falling due after more than one year</b>	<b>185.8</b>	<b>77.7</b>	<b>178.7</b>	<b>70.3</b>
<b>Borrowings and finance leases falling due within one year</b>				
Bank and other loans	64.5	19.4	45.2	–
Finance leases	1.3	0.4	0.2	–
<b>Borrowings and finance leases falling due within one year</b>	<b>65.8</b>	<b>19.8</b>	<b>45.4</b>	<b>–</b>
<b>Total borrowings and finance leases</b>	<b>251.6</b>	<b>97.5</b>	<b>224.1</b>	<b>70.3</b>
Less cash and deposits	92.6	237.4	3.6	159.1
<b>Net borrowings / (cash) and finance leases</b>	<b>159.0</b>	<b>(139.9)</b>	<b>220.5</b>	<b>(88.8)</b>

The loans are denominated in various currencies and bear interest at commercial rates.

## 19 Financial risk management

The group's approach to managing financial risk is described in the Financial Review on page 10.

### 19a Interest rate risk

	2002 At fixed interest rates £ million	2002 At floating interest rates £ million	2002 Total £ million	2001 At fixed interest rates £ million	2001 At floating interest rates £ million	2001 Total £ million
<b>Financial liabilities</b>						
Sterling	–	72.5	72.5	–	–	–
US dollar	70.2	84.3	154.5	71.0	7.3	78.3
Japanese yen	–	22.3	22.3	–	17.9	17.9
Euro	–	7.7	7.7	–	4.9	4.9
South African rand	–	4.9	4.9	–	–	–
Australian dollar	–	3.1	3.1	–	4.0	4.0
Malaysian ringgit	–	2.9	2.9	–	8.1	8.1
Other currencies	–	6.4	6.4	–	3.2	3.2
	<b>70.2</b>	<b>204.1</b>	<b>274.3</b>	<b>71.0</b>	<b>45.4</b>	<b>116.4</b>
		2002 Weighted average interest rates %	2002 Weighted average period for which rates are fixed Years		2001 Weighted average interest rates %	2001 Weighted average period for which rates are fixed Years
<b>Fixed rate financial liabilities</b>						
US dollar		6.36	4		6.38	5

## 19a Interest rate risk (continued)

The financial liabilities of the group comprised:

	2002 £ million	2001 £ million
Total borrowings and finance leases	<b>251.6</b>	97.5
Borrowings generated by swaps	<b>22.3</b>	17.9
Other creditors falling due after more than one year	<b>0.4</b>	1.0
	<b>274.3</b>	116.4

Floating rate financial liabilities comprise bank borrowings and overdrafts bearing interest at commercial rates.

	2002 At fixed interest rates £ million	2002 At floating interest rates £ million	2002 Interest free £ million	2002 Total £ million	2001 At floating interest rates £ million	2001 Interest free £ million	2001 Total £ million
<b>Financial assets</b>							
Sterling	-	48.1	-	48.1	205.0	-	205.0
US dollar	0.5	14.9	1.0	16.4	8.1	-	8.1
Euro	-	17.2	-	17.2	17.1	-	17.1
Hong Kong dollar	-	14.6	-	14.6	14.5	-	14.5
South African rand	-	9.9	-	9.9	0.3	-	0.3
Other currencies	-	10.4	1.7	12.1	10.3	2.4	12.7
	<b>0.5</b>	<b>115.1</b>	<b>2.7</b>	<b>118.3</b>	255.3	2.4	257.7

	2002 Weighted average interest rates %	2002 Weighted average period for which rates are fixed Years	2001 Weighted average interest rates %	2001 Weighted average period for which rates are fixed Years
<b>Fixed rate financial assets</b>				
US dollar	7.50	8	-	-

The financial assets of the group comprised:

	2002 £ million	2001 £ million
Cash and deposits	<b>92.6</b>	237.4
Deposits generated by swaps	<b>22.3</b>	17.9
Fixed assets investments listed on overseas stock exchanges	<b>1.0</b>	-
Fixed assets investments other loans	<b>0.7</b>	-
Short term investments listed on overseas stock exchanges	<b>1.7</b>	2.4
	<b>118.3</b>	257.7

Floating rate financial assets comprise bank deposits bearing interest at commercial rates. Interest free financial assets are shares held in three publicly quoted companies, Ballard Power Systems, Inc., AnorMED Inc. and Imtech International Inc.

## 19b Currency exposures

After taking into account the effects of forward exchange contracts the group does not have any significant currency exposures on monetary assets and liabilities.

## 19c Maturity of financial liabilities

	2002 £ million	2001 £ million
In one year or less, or on demand	<b>88.1</b>	37.7
In more than one year but not more than two years	<b>0.7</b>	1.5
In more than two years but not more than five years	<b>176.3</b>	0.9
In more than five years	<b>9.2</b>	76.3
	<b>274.3</b>	116.4

## 19d Undrawn committed borrowing facilities

	2002 £ million	2001 £ million
Expiring in one year or less	<b>20.1</b>	25.0
Expiring in more than one year but not more than two years	–	25.0
Expiring in more than two years	<b>127.4</b>	50.0
	<b>147.5</b>	100.0

## 19e Fair value of financial instruments

	2002 Book value £ million	2002 Fair value £ million	2001 Book value £ million	2001 Fair value £ million
Cash and deposits	<b>92.6</b>	<b>92.6</b>	237.4	237.4
Fixed assets investments listed on overseas stock exchanges	<b>1.0</b>	<b>1.4</b>	–	–
Fixed assets investments other loans	<b>0.7</b>	<b>0.7</b>	–	–
Short term investments listed on overseas stock exchanges	<b>1.7</b>	<b>4.8</b>	2.4	25.2
Borrowings and finance leases falling due within one year	<b>(65.8)</b>	<b>(65.8)</b>	(19.8)	(19.8)
US Dollar Bonds	<b>(70.2)</b>	<b>(70.7)</b>	(70.3)	(70.0)
Other borrowings and finance leases falling due after more than one year	<b>(115.6)</b>	<b>(115.6)</b>	(7.4)	(7.4)
Other creditors falling due after more than one year	<b>(0.4)</b>	<b>(0.4)</b>	(1.0)	(1.0)
Forward exchange contracts	–	<b>0.2</b>	–	(0.3)
	<b>(156.0)</b>	<b>(152.8)</b>	141.3	164.1

The fair value of investments listed on overseas stock exchanges is based on market value. The fair value of the US Dollar Bonds is calculated by discounting cash flows based on the four year Treasury Bond rate plus a margin of 1.35%. The fair value of forward exchange contracts represents the unrealised gain or loss on revaluation of the contracts to year end exchange rates. The fair value of all other financial instruments is approximately equal to book value due to their size, short term nature or the fact that they bear interest at floating rates.

## 19f Gains and losses on hedges

Forward exchange contracts are used to hedge foreign exchange exposures arising on forecast receipts and payments in foreign currencies. These forward contracts are revalued to the rates of exchange at the balance sheet date and any aggregate unrealised gains and losses arising on revaluation are included in other debtors / other creditors. At maturity, or when the contract ceases to be a hedge, gains and losses are taken to the profit and loss account.

	Gains £ million	Losses £ million	Total net gains/(losses) £ million
Unrecognised gains and losses at 31st March 2000	0.7	0.1	0.6
Gains/losses recognised in the year	0.7	0.1	0.6
Gains and losses arising before 31st March 2000 not recognised in 2000/01	–	–	–
Gains and losses arising in 2000/01 not recognised in 2000/01	–	0.3	(0.3)
Unrecognised gains and losses at 31st March 2001	–	0.3	(0.3)
Gains/losses recognised in the year	–	0.3	(0.3)
Gains and losses arising before 31st March 2001 not recognised in 2001/02	–	–	–
Gains and losses arising in 2001/02 not recognised in 2001/02	0.3	0.1	0.2
<b>Unrecognised gains and losses at 31st March 2002</b>	<b>0.3</b>	<b>0.1</b>	<b>0.2</b>
Of which gains and losses expected to be recognised in the year to 31st March 2003	0.3	0.1	0.2

## 19g Market price risk

The group monitors its interest rate and currency risks and other market price risks to which it is exposed primarily through a process known as 'sensitivity analysis'. This involves estimating the effect on profit before tax over various periods of possible changes in interest rates and exchange rates.

Most of the group's borrowings and deposits are at floating rates. A 1% change in all interest rates would have a 0.6% impact on group profit before tax. This is well within the range the group regards as acceptable.

The main impact of movements in exchange rates on the group's results arises on translation of overseas subsidiaries' profits into sterling. The group's largest exposure is to the US dollar since Johnson Matthey's largest single overseas investment is in the US. A 5 cent (3.5%) movement in the average exchange rate for the US dollar against sterling has a 2.0% impact on group profit before tax. This exposure is part of the group's economic risk of operating globally which is essential to remain competitive in the markets in which the group operates.

## 20 Precious metal leases

Precious metal leases are rental and consignment stock arrangements under which banks provide the group with precious metals for a specified period and for which the group pays a fee. The group holds sufficient precious metal stocks to meet all the obligations under these lease arrangements as they come due.

## 21 Other creditors

	Group		Parent company	
	2002 £ million	2001 £ million	2002 £ million	2001 £ million
<b>Amounts falling due within one year</b>				
Trade creditors	167.5	145.3	32.7	26.3
Amounts owed to subsidiary undertakings	–	–	644.1	624.8
Current corporation tax	32.9	51.2	–	20.8
Other taxes and social security costs	8.1	7.1	2.2	3.3
Other creditors	39.7	40.2	8.9	4.7
Accruals and deferred income	74.0	88.1	29.5	32.0
Dividends	37.0	35.9	37.0	35.9
<b>Total other creditors falling due within one year</b>	<b>359.2</b>	<b>367.8</b>	<b>754.4</b>	<b>747.8</b>
<b>Amounts falling due after more than one year</b>				
Amounts owed to subsidiary undertakings	–	–	0.2	24.5
Other creditors	0.4	1.0	–	–
<b>Total other creditors falling due after more than one year</b>	<b>0.4</b>	<b>1.0</b>	<b>0.2</b>	<b>24.5</b>

## 22 Provisions for liabilities and charges

### 22a Group

	Rationalisation provisions £ million	Retirement benefits (note 10c) £ million	Other provisions £ million	Deferred taxation (note 23) £ million	Total £ million
At beginning of year (restated)	–	25.5	4.0	49.7	79.2
Charge for year	25.3	3.4	1.2	13.3	43.2
Acquisitions	–	0.1	–	3.5	3.6
Utilised	(16.4)	(12.2)	(1.4)	–	(30.0)
Credit to recognised gains and losses	–	–	–	(0.2)	(0.2)
Transferred between provisions	–	(1.4)	1.4	–	–
Transferred to prepayments	–	2.6	–	–	2.6
Exchange adjustments	–	(0.1)	–	(0.2)	(0.3)
<b>At end of year</b>	<b>8.9</b>	<b>17.9</b>	<b>5.2</b>	<b>66.1</b>	<b>98.1</b>

The rationalisation provisions relate to Colours & Coatings and Meconic plc (note 2) and are expected to be fully spent in 2002/03.

### 22b Parent company

	Retirement benefits (note 10c) £ million	Other provisions £ million	Deferred taxation (note 23) £ million	Total £ million
At beginning of year (restated)	3.9	9.0	27.2	40.1
Charge for year	0.4	0.4	13.1	13.9
Utilised	(0.2)	(3.5)	–	(3.7)
<b>At end of year</b>	<b>4.1</b>	<b>5.9</b>	<b>40.3</b>	<b>50.3</b>

## 23 Deferred taxation

	Group		Parent company	
	2002 £ million	2001 restated £ million	2002 £ million	2001 restated £ million
<b>Timing differences on</b>				
Fixed assets	23.6	21.2	15.2	16.1
Stock	(7.0)	(22.0)	(7.2)	(22.2)
UK pension credit	32.3	31.2	32.3	31.2
Translation differences on foreign currency loans	11.4	11.6	-	-
Other	5.2	7.2	-	2.1
	<b>65.5</b>	49.2	<b>40.3</b>	27.2
Deferred tax assets (note 16)	0.6	0.5	-	-
Deferred tax provisions (note 22)	66.1	49.7	40.3	27.2
	<b>65.5</b>	49.2	<b>40.3</b>	27.2

## 24 Called up share capital

	Authorised		Allotted, called up and fully paid	
	Number	£ million	Number	£ million
<b>Ordinary shares of £1 each</b>				
At beginning of year	291,550,000	291.6	222,511,587	222.5
Purchase of own shares	-	-	(4,931,000)	(4.9)
Executive share option schemes – options exercised	-	-	1,115,076	1.1
<b>At end of year</b>	<b>291,550,000</b>	<b>291.6</b>	<b>218,695,663</b>	<b>218.7</b>

At 30th May 2002 there were 4,919,025 options outstanding under the company's executive share option schemes, exercisable at various times up to the year 2011 at prices from 410.39 pence per share to 1083.00 pence per share.

At 30th May 2002 three allocations had been made under the company's long term incentive plan which had yet to mature. The 1999 allocation of 412,356 shares, the 2000 allocation of 317,600 shares and the 2001 allocation of 385,551 shares will mature at the end of their respective three year performance periods in July 2002, July 2003 and July 2004. Should the performance conditions be satisfied, the number of shares allocated, or a proportion thereof, will be released to the participants.

The company has no non-equity share capital.

## 25 Reserves

### 25a Group

	Share premium account £ million	Capital redemption reserve £ million	Associates' reserves £ million	Profit & loss account £ million
At beginning of year (restated)	123.2	-	-	461.0
Exchange adjustments	-	-	-	(7.5)
Purchase of own shares	-	4.9	-	(45.9)
Premium on shares issued	5.0	-	-	-
Rollover of share options on acquisitions	-	-	-	0.7
Retained profit / (loss) for the year	-	-	(0.2)	53.8
<b>At end of year</b>	<b>128.2</b>	<b>4.9</b>	<b>(0.2)</b>	<b>462.1</b>

At 31st March 2002, the cumulative amount of goodwill, net of goodwill relating to disposals, charged against profit and loss account was £46.0 million (2001 £46.0 million).

In the group accounts, £1.6 million of net exchange gains (2001 £14.7 million losses) on foreign currency borrowings have been offset in reserves against exchange losses (2001 gains) on the translation of the related net investment in overseas subsidiaries.

## 25b Parent company

	Share premium account £ million	Capital redemption reserve £ million	Profit & loss account £ million
At beginning of year (restated)	123.2	–	279.8
Purchase of own shares	–	4.9	(45.9)
Premium on shares issued	5.0	–	–
Rollover of share options on acquisitions	–	–	0.7
Retained loss for the year	–	–	(33.5)
<b>At end of year</b>	<b>128.2</b>	<b>4.9</b>	<b>201.1</b>

The parent company's profit for the financial year was £19.7 million (2001 restated £6.9 million).

## 26 Commitments, guarantees and contingent liabilities

	Group		Parent company	
	2002 £ million	2001 £ million	2002 £ million	2001 £ million
<b>Commitments</b>				
Future capital expenditure contracted but not provided	<b>13.5</b>	8.1	<b>8.9</b>	5.3
Annual commitments under operating leases				
Leases of land and buildings terminating				
Within one year	<b>0.5</b>	0.8	–	–
In one to five years	<b>3.4</b>	3.7	<b>1.7</b>	1.7
Over five years	<b>2.2</b>	2.1	<b>1.2</b>	1.2
Other leases terminating				
Within one year	<b>0.5</b>	0.4	<b>0.3</b>	0.3
In one to five years	<b>1.8</b>	1.4	<b>0.8</b>	0.4
<b>Guarantees</b>				
Guarantees of subsidiary undertakings' borrowings	–	–	<b>17.7</b>	24.4
Other guarantees	<b>6.1</b>	0.5	<b>5.9</b>	0.5

## 27 Gross cash flows

### 27a Returns on investments and servicing of finance

	2002 £ million	2001 £ million
Interest received	<b>11.0</b>	18.0
Interest paid	<b>(15.9)</b>	(12.0)
Dividends paid to minority shareholders	–	(0.2)
<b>Net cash flow for returns on investments and servicing of finance</b>	<b>(4.9)</b>	5.8

## 27b Capital expenditure and financial investment

	£ million	2002 £ million	£ million	2001 £ million
Purchase of tangible fixed assets		(134.1)		(98.8)
Purchase of long term investments		(1.0)		(0.1)
		(135.1)		(98.9)
Sale of tangible fixed assets	0.6		0.9	
Sale of short term investments	3.5		3.3	
		4.1		4.2
<b>Net cash outflow for capital expenditure and financial investment</b>		<b>(131.0)</b>		<b>(94.7)</b>

## 27c Cash flows on acquisitions and disposals

	£ million	2002 £ million	£ million	2001 £ million
Investment in subsidiary undertakings (note 29)		(142.5)		(3.4)
Cash and overdrafts acquired with subsidiary undertakings (note 29)		(1.0)		0.3
Purchase of businesses		-		(3.1)
		(143.5)		(6.2)
Disposal of French print business (note 30)	(1.0)		-	
Cash disposed of with French print business (note 30)	(1.1)		-	
Closure of Metawave Video Systems Ltd (note 2)	(0.1)		-	
Disposal of Electronic Materials	-		2.5	
Disposal of Organic Pigments	-		(1.9)	
		(2.2)		0.6
<b>Net cash flow for acquisitions and disposals</b>		<b>(145.7)</b>		<b>(5.6)</b>

## 27d Management of liquid resources

	2002 £ million	2001 £ million
Cash paid into term deposits of less than one year	(0.2)	(13.9)
Cash withdrawn from term deposits of less than one year	0.4	171.7
<b>Net cash flow from management of liquid resources</b>	<b>0.2</b>	<b>157.8</b>

## 27e Financing

	£ million	2002 £ million	£ million	2001 £ million
Issue of ordinary share capital		6.1		7.9
Purchase of own shares		(50.2)		-
		(44.1)		7.9
Decrease in borrowings falling due within one year	(45.7)		(10.5)	
Increase / (decrease) in borrowings falling due after more than one year	103.4		(1.2)	
Capital element of finance lease rental payments	(0.2)		(0.4)	
		57.5		(12.1)
<b>Net cash flow from financing</b>		<b>13.4</b>		<b>(4.2)</b>

## 28 Analysis of net debt

	Cash at bank and in hand £ million	Borrowings due within one year – overdrafts £ million	Borrowings due within one year – other £ million	Borrowings due after more than one year £ million	Finance leases £ million	Total £ million
At beginning of year	237.4	(1.5)	(17.9)	(76.8)	(1.3)	139.9
Cash flow						
From cash and overdrafts	(142.5)	(9.2)	–	–	–	(151.7)
From borrowings and finance leases	–	–	45.7	(103.4)	0.2	(57.5)
From term deposits	(0.2)	–	–	–	–	(0.2)
Net cash flow	(142.7)	(9.2)	45.7	(103.4)	0.2	(209.4)
Acquired with subsidiaries	–	–	(46.6)	(0.2)	–	(46.8)
Loan notes issued to acquire subsidiaries	–	–	(38.9)	(1.7)	–	(40.6)
Other non cash changes	–	–	(0.1)	0.1	(4.3)	(4.3)
Effect of foreign exchange rate changes	(2.1)	0.7	3.3	0.3	–	2.2
<b>At end of year</b>	<b>92.6</b>	<b>(10.0)</b>	<b>(54.5)</b>	<b>(181.7)</b>	<b>(5.4)</b>	<b>(159.0)</b>

## 29 Acquisitions

### Meconic plc

On 21st June 2001 the group announced that it had agreed terms for a recommended cash offer for Meconic plc, the quoted UK parent company of Macfarlan Smith, a manufacturer of active pharmaceutical ingredients and fine chemicals based in Edinburgh, Scotland. On 9th July 2001 the group announced that it had acquired over 50% of the company and hence the offer became unconditional. The results of Meconic plc since its acquisition on 9th July 2001 have been included in the results of Pharmaceutical Materials, and were turnover of £54.5 million and operating profit of £10.0 million. This has been accounted for by acquisition accounting. Meconic plc's profit after taxation and minority interests in its last financial year to 30th April 2001 was £6.6 million, and in the period from that date to the date of acquisition was £0.4 million.

The assets and liabilities acquired were:

	Book values immediately prior to acquisition £ million	Revaluations £ million	Fair value adjustments Consistency of accounting policies £ million	Other £ million	Fair value at time of acquisition £ million
Goodwill	2.1	–	–	(2.1)	–
Tangible fixed assets	24.5	–	–	–	24.5
Stocks	21.0	(3.0)	–	–	18.0
Debtors and prepayments	14.5	(0.3)	–	–	14.2
Short term investments	0.1	–	–	–	0.1
Borrowings falling due within one year	(20.6)	–	–	–	(20.6)
Creditors falling due within one year	(11.3)	–	–	(0.6)	(11.9)
Provisions for liabilities and charges	(3.4)	–	(0.1)	–	(3.5)
Total net assets acquired	26.9	(3.3)	(0.1)	(2.7)	20.8
Goodwill on acquisition					133.3
					154.1

Satisfied by:

	£ million
Purchase consideration – cash	128.7
Purchase consideration – loan notes	18.9
Purchase consideration – rollover of share options	0.7
Costs incurred – cash	5.7
Costs incurred – accrued	0.1
	154.1

## 29 Acquisitions (continued)

### Meconic plc (continued)

The revaluation fair value adjustments to stocks and debtors and prepayments reflect the write down to estimated realisable value. The fair value adjustment to achieve consistency of accounting policies in provisions for liabilities and charges is to provide for post-retirement medical benefits. The other fair value adjustment to goodwill is to write off goodwill previously capitalised as it is not an identifiable asset. The other fair value adjustment to creditors falling due within one year are to include liabilities not previously fully recognised.

Since acquisition Meconic plc has contributed £10.4 million to net cash inflow from operating activities, paid £0.3 million in respect of returns on investments and servicing of finance, paid £0.3 million of tax and £4.6 million in respect of capital expenditure and financial investment.

### Pharm-Eco Laboratories, Inc.

On 20th April 2001 the group acquired Pharm-Eco Laboratories, Inc. located in Massachusetts in the US. The company provides contract research, process development and small scale synthesis services to the pharmaceutical industry, and its post acquisition results have been included in Pharmaceutical Materials. Its turnover and operating profit since acquisition were £11.7 million and £1.9 million respectively. This has been accounted for by acquisition accounting. Pharm-Eco Laboratories, Inc.'s loss after taxation and minority interests in its last financial year to 31st December 2000 was £3.5 million, and in the period from that date to the date of acquisition was £11.2 million most of which related to financing and other one-off costs.

The assets and liabilities acquired were:

	Book values immediately prior to acquisition £ million	Fair value adjustments Revaluations £ million	Other £ million	Fair value at time of acquisition £ million
Goodwill	0.1	–	(0.1)	–
Tangible fixed assets	16.8	(0.7)	–	16.1
Investment in associate	0.6	(0.6)	–	–
Other long term investments	2.2	(0.9)	–	1.3
Stocks	0.3	(0.1)	–	0.2
Amount due from associate	1.6	(1.6)	–	–
Debtors and prepayments	1.9	(0.3)	–	1.6
Cash at bank and in hand	0.1	–	–	0.1
Borrowings falling due within one year	(26.0)	–	–	(26.0)
Creditors falling due within one year	(8.3)	–	(0.2)	(8.5)
Total net liabilities acquired	(10.7)	(4.2)	(0.3)	(15.2)
Goodwill on acquisition				22.7
				7.5
Satisfied by:				£ million
Purchase consideration – cash				6.0
Costs incurred – cash				1.5
				7.5

The revaluation fair value adjustments reflect the write down to estimated realisable value. The other fair value adjustment to goodwill is to write off goodwill previously capitalised as it is not an identifiable asset. The other fair value adjustment to creditors falling due within one year is to include a liability not previously fully recognised.

Since acquisition Pharm-Eco Laboratories, Inc. has had a net cash outflow from operating activities of £6.5 million, paid £2.9 million in respect of returns on investments and servicing of finance, received £0.4 million of tax and paid £1.4 million in respect of capital expenditure and financial investment.

## 29 Acquisitions (continued)

### Avocado Research Chemicals Limited

On 7th February 2002 the group acquired Avocado Research Chemicals Limited, a manufacturer and supplier of organic compounds for use in research laboratories, located in Lancashire in the UK. Its post acquisition results have been included in Catalysts & Chemicals and were turnover of £1.1 million and operating profit of £0.6 million. This has been accounted for by acquisition accounting. Avocado Research Chemicals Limited's profit after taxation and minority interests in its last financial year to 30th April 2001 was £1.9 million, and in the period from that date to the date of acquisition was £1.7 million.

The assets and liabilities acquired were:

	Book values immediately prior to acquisition £ million	Fair value adjustments - revaluations £ million	Fair value at time of acquisition £ million
Tangible fixed assets	2.3	(0.1)	2.2
Stocks	4.1	(0.7)	3.4
Debtors and prepayments	1.1	(0.1)	1.0
Bank overdrafts	(1.2)	-	(1.2)
Creditors falling due within one year	(1.2)	-	(1.2)
Provisions for liabilities and charges	(0.1)	-	(0.1)
Total net assets acquired	<u>5.0</u>	<u>(0.9)</u>	<u>4.1</u>
Goodwill on acquisition			<u>24.2</u>
			<u>28.3</u>
Satisfied by:			<u>£ million</u>
Purchase consideration – loan notes			21.7
Purchase consideration – deferred and contingent			6.4
Costs incurred – cash			<u>0.2</u>
			<u>28.3</u>

The revaluation fair value adjustments reflect the write down to estimated realisable value.

The deferred consideration is contingent on future operating profits.

Since acquisition Avocado Research Chemicals Limited has had a net cash outflow from operating activities of £0.1 million, paid £0.5 million of tax and £0.2 million in respect of capital expenditure and financial investment.

### Oy Smoptech AB

On 31st January 2002 the group acquired 40.7% of Oy Smoptech AB for £0.3 million, increasing the group's holding to 50.7%. This has been accounted for by acquisition accounting. The company is located in Finland and produces advanced polymer fibres for catalyst related products, and its post acquisition results have been included in Catalysts & Chemicals. The fair value of the net liabilities at acquisition was £0.2 million and the value previously included in fixed assets investments was £0.2 million, resulting in goodwill of £0.7 million. Cash acquired was £0.1 million and other loans were £0.2 million.

### Changzhou Donggao Zirconium Products Company Limited acquired in the year ended 31st March 2001

On 7th November 2000 the group acquired Changzhou Donggao Zirconium Products Company Limited for £0.4 million. A further £0.1 million was paid this year increasing goodwill by £0.1 million.

## 30 Disposals

### Sale of French print business

On 6th September 2001 the group sold its French print business, Matthey Beyrand et Cie S.A.

Net assets disposed of were:

	£ million
Goodwill	0.4
Tangible fixed assets	1.7
Stocks	0.7
Debtors and prepayments	1.4
Cash at bank and in hand	1.1
Creditors falling due within one year	(1.3)
	<hr/>
	4.0
Loss on disposal	(5.5)
	<hr/>
	(1.5)

Satisfied by:

	£ million
Costs incurred – cash	(1.0)
Costs incurred – accrued	(0.1)
Costs incurred – non cash	(0.4)
	<hr/>
	(1.5)

### UK Minerals sold in the year ended 31st March 1999

On 1st June 1998 the group sold its UK Minerals business for net proceeds of £5.0 million. £1.0 million of the sale proceeds remains in escrow pending completion of a land-swap arrangement relating to a road scheme at the business' premises.