

Statement of Compliance with the Combined Code

The company has applied all of the principles set out in section 1 of the Combined Code on Corporate Governance (the Code) relating to the structure and composition of the board, the remuneration of the directors, relations with shareholders and procedures for financial reporting, internal control and audit. This statement describes how the principles of the Code have been applied.

Throughout the year, the group has been in compliance with the provisions of the Code with the exception of the matter noted on page 26.

Directors and the Board

The board is responsible to the company's shareholders for the group's system of corporate governance, its strategic objectives and the stewardship of the company's resources. The board meets at least seven times per year and delegates specific responsibilities to board committees, as described below. The board reviews the key activities of the business, and receives papers and presentations to enable it to do so effectively. The Company Secretary is responsible to the board, and is available to individual directors in respect of board procedures.

The board comprises the Chairman, the Chief Executive, four other executive directors and five other independent non-executive directors. Mr H R Jenkins has been appointed senior non-executive director. The role of non-executive directors is to enhance independence and objectivity of the board's deliberations and decisions. The executive directors have specific responsibilities, which are detailed on pages 22 and 23, and have direct responsibility for all operations and activities.

All directors submit themselves for re-election every three years.

Committees of the Board

The Chief Executive's Committee is responsible for the recommendation to the board of strategic and operating plans and on decisions reserved to the board where appropriate. It is also responsible for the executive management of the group's business. The Committee is chaired by the Chief Executive and meets monthly. It comprises the executive directors and six senior executives of the group.

The Audit Committee is a sub-committee of the board whose purpose is to assist the board in the effective discharge of its responsibilities for financial reporting and corporate control. The Committee is chaired by Mr H R Jenkins and meets twice a year. It comprises all the non-executive directors with the Chief Executive, the Group Finance Director and the external and internal auditors in attendance.

The Nomination Committee is a sub-committee of the board responsible for advising the board and making recommendations on the appointment of new directors. The Committee is chaired by Mr H M P Miles and comprises all the non-executive directors.

The Management Development and Remuneration Committee (MDRC) is a sub-committee of the board which determines on behalf of the board the remuneration of the executive directors. The Committee is chaired by Mr H M P Miles and comprises all the non-executive directors. The Chief Executive and Director of Human Resources attend by invitation except when their own performance and remuneration are discussed.

Directors' Remuneration

The Remuneration Report on pages 28 to 32, includes details of remuneration policies and of the remuneration of the directors.

Relations with Shareholders

The company reports formally to shareholders twice a year, when its half year and full year results are announced and an interim report and a full report are issued to shareholders. These reports are posted on Johnson Matthey's website (www.matthey.com). At the same time, executive directors give presentations on the results to institutional investors, analysts and the media in London and other international centres. Copies of major presentations are also posted on the company's website.

The Annual General Meeting (AGM) of the company takes place in London and formal notification is sent to shareholders with the annual report at least 20 working days in advance of the meeting. The directors are available, formally during the AGM and informally afterwards, for questions. Details of the 2002 AGM are set out in the notice of the meeting enclosed with this annual report.

The Chief Executive, Group Finance Director and other executive directors maintain a dialogue with institutional shareholders on the company's progress through a programme of meetings. All executive directors speak regularly at external conferences and presentations.

Accountability, Audit and Control

The statement of directors' responsibilities in relation to the accounts is set out on page 33.

In its reporting to shareholders, the board aims to present a balanced and understandable assessment of the group's financial position and prospects.

The group's organisational structure is focused on its four wholly owned divisions. These entities are all separately managed, but report to the board through a board director. The executive management team receive monthly summaries of financial results from each division through a standardised reporting process.

The group has in place a comprehensive annual budgeting process including forecasts for the next two years. Variances from budget are closely monitored.

The board has overall responsibility for the group's system of internal controls and for reviewing its effectiveness. The internal control systems are designed to meet the group's needs and address the risks to which it is exposed. Such a system can provide reasonable but not absolute assurance against material misstatement or loss.

There is a continuous process for identifying, evaluating and managing the significant risks faced by the company which has been in place during the year under review and up to the date of approval of the annual report and accounts. The board regularly reviews this process.

The assessment of group and strategic risks is reviewed by the board and updated on an annual basis. At the business level, the processes to identify and manage the key risks are an integral part of the control environment. Key risks and internal controls are the subject of regular reporting to the Chief Executive's Committee.

The Group Control Manual, which is distributed to all group operations, clearly sets out the composition, responsibilities and authority limits of the various board and executive committees and also specifies what may be decided without central approval. It is supplemented by other specialist policy and procedures manuals issued by the group, divisions and individual business units or departments. The high intrinsic value of many of the metals with which the group is associated necessitates stringent physical controls over precious metals held at the group's sites.

The internal audit function is responsible for monitoring the group's systems of internal financial controls and the control of the integrity of the financial information reported to the board. The Audit Committee approves the plans for internal audit reviews and receives the reports produced by the internal audit function on a regular basis. Actions are agreed with management in response to the internal audit reports produced.

In addition, significant business units provide assurance on the maintenance of financial and non-financial controls and compliance with group policies through a programme of self-assessment. These assessments are summarised by the internal audit function and a report is made annually to the Audit Committee.

The directors confirm that the system of internal control for the year ended 31st March 2002 and the period up to 30th May 2002 has been established in accordance with the guidance 'Internal Control: Guidance for Directors on the Combined Code' issued in September 1999 and that they have reviewed the effectiveness of the system of internal control.

Auditors

The performance of the auditors is reviewed by the Audit Committee on a regular basis, including a formal review of the external auditors every three years. The next such formal review is due in 2003.

Both the board and the external auditors (KPMG Audit Plc) have for many years had safeguards to avoid the possibility that the auditors' objectivity and independence could be compromised. Our policy in respect of services provided by the external auditors is as follows:

- Audit related services – The external auditors are invited to provide services which, in their position as auditors, they must or are best placed to undertake. It includes formalities relating to borrowings, shareholder and other circulars, various other regulatory reports and work in respect of acquisitions and disposals.
- Tax consulting – In cases where they are best suited, we use the external auditors. All other significant tax consulting work is put out to tender.
- General consulting – In recognition of increasing public concern over the effect of consulting services on auditors' independence, our policy henceforth is that the external auditors will not be invited to tender for any further general consulting work.

Non-Compliance with the Combined Code

The item in the Code with which the group did not comply in full throughout the period together with the appropriate Code reference is stated below:

Three of the executive directors are employed on contracts subject to two years' notice at any time, which the MDRC considers appropriate in the overall context of the executive directors' terms of employment. It is not currently proposed that this should be reduced further for existing service contracts. In the event of early termination of service contracts, the MDRC strongly endorses the principle of requiring the directors to mitigate their loss (B.1.7).

Going Concern

The directors have a reasonable expectation that the group has sufficient resources to continue in operational existence for the foreseeable future and have, therefore, adopted the going concern basis in preparing the accounts.

The directors submit to shareholders their one hundred and eleventh annual report, together with the audited accounts of the group for the year ended 31st March 2002. Pages 1 to 33 are an integral part of the report.

Principal Activities

The group's principal activities are summarised on page 11.

Dividends

The interim dividend of 7.5 pence per share, up 0.5 pence, was paid in February 2002. A final dividend, which will be paid as an ordinary dividend, of 17.1 pence per share, up 0.8 pence, is being proposed to shareholders as Resolution 2 at the Annual General Meeting (AGM), making a total for the year of 24.6 pence, an increase of 6% over last year. Dividends for the year total £53.2 million.

A low cost Dividend Reinvestment Plan is in place for the benefit of shareholders. This allows them to purchase additional shares in Johnson Matthey with their dividend payment. Further information and a mandate can be obtained from the Company Secretary at the company's registered office.

Share Capital

Allotments of ordinary shares of £1 each of the company were made during the year as set out in note 24 on page 57.

The board will again seek shareholders' approval to renew the annual authority for the company to make purchases of its own ordinary shares through the market. Pursuant to the directors' authority renewed at the 2001 AGM, Johnson Matthey has in the financial year ended 31st March 2002 purchased an aggregate of 4,931,000 ordinary £1 shares (representing 2.25% of the called-up share capital as at 31st March 2002) for an aggregate consideration of £45.9 million. The purchases were made between 9th August 2001 and 30th January 2002. The shares were cancelled and the company's issued share capital reduced accordingly. The directors consider that these purchases were in the best interests of the shareholders generally and have resulted in an increase in earnings per share.

Employee Share Schemes

2,730 current and former employees, representing approximately 40% of employees worldwide as at 31st March 2002, are shareholders in Johnson Matthey through the group's employee share schemes, which held 1,898,888 shares (0.87% of ordinary share capital) at 30th May 2002. A total of 825 current and former executives hold options over 4,919,025 shares through the company's executive share option schemes.

Directors

Details of the directors of the company are shown on pages 22 and 23. Mr I C Strachan, appointed to the board on 23rd January 2002, offers himself for election at the forthcoming AGM. In accordance with the company's Articles of Association, Mr J N Sheldrick and Mr C D Mackay retire by rotation and, being eligible, offer themselves for re-election at the AGM.

Directors' Material Interests in Contracts

Other than service contracts, no director had any interest in any material contract with any group company at any time during the year.

Substantial Shareholdings

The company has been advised of the following notifiable interests in its ordinary share capital as at 30th May 2002:

Schroder Investment Management Ltd	9.60%
Deutsche Asset Management	5.74%
Scottish Widows Investment Partnership Ltd	3.99%
Legal & General Assurance Society Ltd	3.59%

Auditors

In accordance with section 384 of the Companies Act 1985, a resolution is to be proposed at the forthcoming AGM for the reappointment of KPMG Audit Plc as auditors of the company.

Policy on Payment of Commercial Debts

The group's policy in relation to the payment of all suppliers (set out in its Group Control Manual, which is distributed to all group operations) is that payment should be made within the credit terms agreed with the supplier. At 31st March 2002, the company's aggregate level of 'creditor days' amounted to 4 days. Creditor days are calculated by dividing the aggregate of the amounts which were owed to trade creditors at the end of the year by the aggregate of the amounts the company was invoiced by suppliers during the year and multiplying by 365 to express the ratio as a number of days.

Donations

During the year the group donated £298,000 (2001 £301,000) to charitable organisations, of which £274,000 (2001 £242,000) was in the UK. There were no political donations made in the year (2001 £ nil).

This report was approved by the directors on 30th May 2002 and is signed on their behalf by:



Simon Farrant

Company Secretary

Remuneration Report to Shareholders

Management Development and Remuneration Committee and its Terms of Reference

The Management Development and Remuneration Committee (the Committee) of the board comprises all the non-executive directors of the company as set out on pages 22 and 23. Mr Retief retired from the Committee on 30th September 2001 and Mr Strachan joined the Committee on 23rd January 2002.

The Committee's terms of reference are to determine on behalf of the board fair remuneration for the executive directors, which, while set in the context of what the company can reasonably afford, recognises their individual contributions to the company's overall performance. The Committee also believes strongly that remuneration policy should be completely aligned with shareholder interests. In addition the Committee assists the board in ensuring that the current and future management of the group are recruited, developed and remunerated in appropriate fashion.

The Committee also reviews the amount of profit to be appropriated to the company's employee share participation schemes.

The remuneration of the non-executive directors is determined by the board, within the limits prescribed by the company's Articles of Association.

Executive Remuneration Policy

The Committee recognises that, in order to maximise shareholder value, it is necessary to have a competitive pay and benefits structure. The Committee also recognises that there is a highly competitive market for successful executives and that the provision of appropriate rewards for superior performance is vital to the continued growth of the business. To assist with this the company, on behalf of the Committee, receives advice from independent remuneration consultants on the pay and incentive arrangements prevailing in comparably sized industrial companies in each country in which Johnson Matthey has operations. Total potential rewards are earned through the achievement of demanding performance targets based on measures which represent the best interests of shareholders.

The remuneration policy was reviewed by the Committee in 2001 and consists of basic salary, annual bonus, a long term incentive plan, share options and other benefits as detailed below. Following a comprehensive review in 2000/01 shareholder approval was obtained for the introduction of a new employee share option scheme and for certain changes to the company's existing Long Term Incentive Plan.

Executive directors' remuneration consists of the following:

Basic Salary – which is in line with the median market salary for each director's responsibilities as determined by independent surveys. Basic salary is normally reviewed on 1st August each year and the Committee takes into account individual performance during the year.

Annual Bonus – which is paid as a percentage of basic salary under the terms of the company's Executive Compensation Plan (which also applies to the company's 150 or so most senior executives). The executive directors' bonus award is based on consolidated profit before tax (PBT) compared with the annual budget. An annual bonus payment of 30% of basic salary (prevailing at 31st March) is paid if the group meets the annual budget. This bonus may rise to 50% of basic salary if the group achieves PBT of 107.5% of budget. There is a provision that a maximum 105% of basic salary may be paid to the Chief Executive and 85% to other executive directors if 125% of budgeted PBT is achieved. PBT must reach 95% of budget for a minimum bonus to be payable. The Committee has discretion to vary the awards made. The bonus awarded to executive directors in 2001/02 was 25.2% of salary at 31st March 2002.

Long Term Incentive Plan (LTIP) – The LTIP, introduced in August 1998, is designed to achieve above average performance and growth. Shares are allocated to directors and key executives subject to performance conditions being met. For shares allocated in the years 1998, 1999 and 2000 the number of shares released to the individual is dependent upon growth in Johnson Matthey's relative total shareholder return (TSR) compared with the FTSE 250 over a three year performance period. Earnings per share (EPS) is used as a second performance measure and requires an increase in EPS to be at least equal to the increase in UK RPI plus 2% p.a. over the performance period. 100% of the allocated shares will be released to the individual if the company's relative TSR is in the 75th percentile or above; 35% will be released at the 51st percentile. Pro-rata allocations will be made for performance between these percentiles. No shares will be released at or below 50th percentile performance.

In 2001 shareholder approval was obtained for certain changes to the LTIP. The LTIP will continue to provide for the release of shares based on the company's ranking in terms of TSR relative to the TSR of the FTSE 250 companies and EPS measure, as described above, but such performance targets will only apply to one half of the shares awarded. The other half of the shares placed under an award will be released dependent upon the achievement of an absolute TSR. The absolute TSR test is that no shares will be released should TSR performance achieved over a three year period be less than 30%. This rises to 100% being released should TSR performance over a three year period be 45% or more.

In determining the precise number of shares to be released at the conclusion of the performance period, the LTIP trustee will also take into account the underlying financial performance of the company.

Executive Remuneration Policy (continued)

Share Options – Option grants were not made to executive directors in the years 1998, 1999 and 2000. Previously, options were granted to executive directors under the 1985 scheme (under which the final grant was made in November 1994) and the 1995 schemes with the latter having a performance threshold target of EPS growth of UK RPI plus 2% over a three year period. Options under all the schemes were granted in annual tranches, up to the maximum permitted of four times earnings.

Following the review by independent remuneration consultants, the Committee obtained shareholder approval in 2001 for the introduction of a new employee share option scheme, known as the Johnson Matthey 2001 Share Option Scheme. The executive directors and approximately 700 employees are awarded an annual grant of share options under the terms of this scheme. For executive directors the Committee will award options annually up to a normal maximum of basic salary. The options will only be exercisable upon the achievement of appropriate performance targets. For the first grant the performance target will be based on a growth in EPS which is at least 4% p.a. over the rate of increase in the UK RPI over any three year period. The Committee has the discretion to alter the performance targets for future options after consultation with institutional investors, but not so as to make the targets less challenging.

Pensions – All the executive directors are members of the Johnson Matthey Employees Pension Scheme. Under the scheme, members are entitled to a pension based on their service and final pensionable salary subject to Inland Revenue limits. The scheme also provides life assurance cover of four times annual salary. The normal pension age for directors is 60. None of the non-executive directors are members of the scheme. Details of the individual arrangements for executive directors are given on page 30.

Other Benefits – Available to the executive directors are private medical insurance, a company car and membership of the company's employee share participation schemes which are open to all employees in the countries in which the company operates such schemes.

Service Contracts – Messrs Clark, Sheldrick and Titcombe are employed on contracts subject to two years' notice at any time, which the Committee considers appropriate in the overall context of their terms of employment. As Mr Titcombe will retire from the board on 24th September 2002, when he reaches his normal retirement age, only three months of his contract remain. Messrs Carson and Morgan, who were appointed to the board on 1st August 1999, are employed on contracts subject to one year's notice at any time. In the event of early termination, the Committee strongly endorses the principle of requiring those directors on two years' notice to mitigate their loss.

Remuneration

Directors' Emoluments 2001/2

	Fees £'000	Salary £'000	Annual bonus £'000	Benefits £'000	Total excluding pension £'000	Total prior year excluding pension £'000
Executive						
C R N Clark	–	513	134	24	671	735
N A P Carson	–	201	53	26	280	287
D W Morgan	–	189	49	19	257	277
J N Sheldrick	–	272	71	19	362	400
D G Titcombe	–	288	75	26	389	427
Non-Executive⁽¹⁾						
H M P Miles (Chairman)	165			16	181	150
M B Dearden	33				33	28
H E Fitzgibbons	33				33	28
H R Jenkins	37				37	28
C D Mackay	33				33	28
P F Retief	17 ⁽²⁾				17	28
I C Strachan	6 ⁽³⁾				6	–

Notes:

⁽¹⁾ Non-executive directors' fees are reviewed every three years and were last reviewed on 1st April 2001 for all non-executives and on 1st October 2001 for the Chairman.

⁽²⁾ Retired September 2001.

⁽³⁾ From date of appointment.

The annual bonus above is stated on an earned basis, i.e. in relation to performance in the year in question.

Benefits are shown as the assessment to tax for each director arising from the provision of a company car and for the executive directors, private medical insurance, plus the cost of company contributions to the Johnson Matthey Share Participation Scheme.

Executive directors may, with the consent of the board, normally accept one and a maximum of two external directorships and retain any related remuneration.

Pensions

Pensions and life assurance benefits for executive directors are provided through the company's final salary occupational pension scheme for UK employees – The Johnson Matthey Employees Pension Scheme (JMEPS) – which is constituted under a separate Trust Deed. JMEPS is an exempt approved scheme under Chapter I of Part XIV of the Income & Corporation Taxes Act 1988 and its members are contracted-out of the State Earnings Related Pension Scheme.

The pensions benefits earned by the executive directors are as follows:

	Age as at 31st March 2002	Years of service at 31st March 2002	Director's contribution to JMEPS in the year ⁽⁴⁾ £'000	Increase in accrued pension in the year ⁽²⁾ £'000	Total accrued pension at 31st March 2002 ⁽¹⁾ £'000	Increase in the transfer value as at 31st March 2002 ⁽³⁾ £'000	FURBS contribution in the year ⁽⁶⁾ £'000	FURBS related tax payments ⁽⁶⁾ £'000
C R N Clark	60	39	17	42	371	705	N/A	N/A
N A P Carson	44	21	8	13	82	104	N/A	N/A
D W Morgan	44	13	4	3	26	21	40	27
J N Sheldrick	52	11	4	3	31	36	66	44
D G Titcombe	59	41	12	21	203	333	N/A	N/A

Notes:

- ⁽¹⁾ The entitlement shown under 'Total accrued pension at 31st March 2002' is the pension which would be paid annually on retirement, based on pensionable service to 31st March 2002. The pension would however be subject to an actuarial reduction of 0.3% per month for each month that retirement precedes age 60.
- ⁽²⁾ The increase in accrued pension during the year excludes any increase for inflation.
- ⁽³⁾ The transfer values have been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note 11 less directors' contributions. No allowance has been made in the transfer values for any discretionary benefits that have been or may be awarded under JMEPS.
- ⁽⁴⁾ Members' contributions are at the general scheme rate of 4% of pensionable pay, i.e. basic salary excluding bonuses.
- ⁽⁵⁾ On the recommendation of the actuary, the company has suspended contributions to JMEPS until the next actuarial valuation.
- ⁽⁶⁾ The JMEPS' benefits and contributions for Messrs Morgan and Sheldrick are restricted by reference to the 'earnings cap' imposed by the Finance Act No. 2, 1989. Contributions have therefore been paid to a Funded Unapproved Retirement Benefits Scheme (FURBS) established by the company, independently of JMEPS, with effect from 1st April 2000. The purpose of the FURBS is to provide retirement and death benefits in relation to basic salary in excess of the earnings cap on the same basis as the JMEPS. Because the FURBS is not exempt approved under Chapter I of Part XIV of the Income & Corporation Taxes Act 1988, payments have been made to meet the tax liabilities in respect of these contributions.

Directors' Interests

The interests of the directors in the shares of the company as at 31st March 2002, according to the register required to be kept by section 325(1) of the Companies Act 1985, were:

1 Ordinary Shares

	31st March 2002	31st March 2001
C R N Clark	26,362	24,706
N A P Carson	19,899	18,239
M B Dearden	2,000	2,000
H E Fitzgibbons	1,125	1,125
H R Jenkins	1,500	1,500
C D Mackay	12,500	12,500
H M P Miles	562	562
D W Morgan	18,586	16,930
J N Sheldrick	35,378	33,673
I C Strachan	1,000	—*
D G Titcombe	33,167	37,725

* at date of appointment.

The directors are also deemed to be interested in the shares held by two employee benefit trusts (see note 17 on page 51).

Directors' Interests (continued)

2 Share Options

As at 31st March 2002, individual holdings under the company's executive share option schemes were as set out below. Options are not granted to the non-executive directors.

	Date of grant	Ordinary shares under option	Exercise price (pence)	Date from which exercisable	Expiry date	Total number of ordinary shares under option
C R N Clark	17.7.96	41,379	574.50	17.7.99	17.7.06	136,400 (2001: 139,539)
	17.7.97	46,083	556.00	17.7.00	17.7.07	
	18.7.01	48,938	1083.00	18.7.04	18.7.11	
N A P Carson	14.7.98	15,964	524.00	14.7.01	14.7.08	53,390 (2001: 71,831)
	22.7.99	18,035	585.50	22.7.02	22.7.09	
	18.7.01	19,391	1083.00	18.7.04	18.7.11	
D W Morgan	14.7.93	12,086	447.95	14.7.96	14.7.03	138,399 (2001: 120,301)
	13.7.94	10,157	526.71	13.7.97	13.7.04	
	17.8.95	33,518	578.89	17.8.98	17.8.05	
	17.7.96	12,233	574.50	17.7.99	17.7.06	
	6.1.97	19,000	553.00	6.1.00	6.1.07	
	14.7.98	15,835	524.00	14.7.01	14.7.08	
	22.7.99	17,472	585.50	22.7.02	22.7.09	
18.7.01	18,098	1083.00	18.7.04	18.7.11		
J N Sheldrick	13.7.94	32,400	526.71	13.7.97	13.7.04	124,518 (2001: 98,664)
	17.7.96	30,776	574.50	17.7.99	17.7.06	
	27.11.97	35,488	553.00	27.11.00	27.11.07	
	18.7.01	25,854	1083.00	18.7.04	18.7.11	
D G Titcombe	17.8.95	38,098	578.89	17.8.98	17.8.05	110,548 (2001: 83,124)
	17.7.96	30,776	574.50	17.7.99	17.7.06	
	17.7.97	14,250	556.00	17.7.00	17.7.07	
	18.7.01	27,424	1083.00	18.7.04	18.7.11	

Notes:

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

	Date of grant	Date of exercise	Options exercised	Exercise price (pence)	Market price on exercise (pence)
C R N Clark	17.8.95	31.7.01	52,077	578.89	1028.82
N A P Carson	17.7.96	31.7.01	8,758	574.50	1028.82
	6.1.97	31.7.01	17,500	553.00	1028.82
	17.7.97	31.7.01	11,574	556.00	1028.82

b Gains made on exercise of options by directors during the year totalled £412,092 (2001: £1,039,584).

c The closing market price of the company's shares at 31st March 2002 was 1046 pence and the range during 2001/02 was 768 pence to 1110 pence.

Directors' Interests (continued)

3 LTIP Allocations

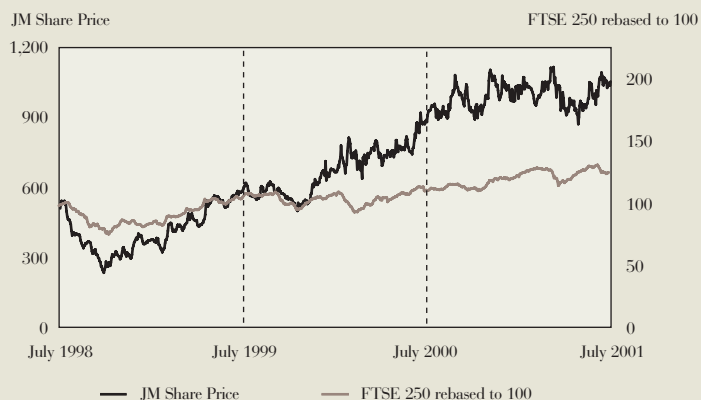
Number of allocated shares:

	As at 31st March 2001	Allocations during the year	Shares released during the year	As at 31st March 2002
C R N Clark	200,072	63,886	69,686	194,272
N A P Carson	57,340	20,251	8,833	68,758
D W Morgan	55,261	18,901	8,761	65,401
J N Sheldrick	109,884	27,001	38,676	98,209
D G Titcombe	113,460	28,640	38,676	103,424

The LTIP was introduced in 1998 and replaced the Term Plan. Final payments under the Term Plan were made in July 2000 and included payments to the executive directors totaling £318,643 as reported last year. On 31st July 2001 the 1998 LTIP allocation was released to participants. As the company's TSR performance relative to the FTSE 250 was in the 90th percentile during the periods under measurement, 100% of the shares were released in accordance with the rules as approved by shareholders. EPS performance targets as described on page 28 were also achieved. The outcome was that EPS increased by 31% over the performance period compared to the minimum target of 12.7%. This resulted in the following gains:

	Number of shares released	Share price when released pence	Gain £
C R N Clark	69,686	1028.82	716,944
N A P Carson	8,833	1028.82	90,876
D W Morgan	8,761	1028.82	90,135
J N Sheldrick	38,676	1028.82	397,906
D G Titcombe	38,676	1028.82	397,906

Johnson Matthey Share Price and FTSE 250 rebased to 100
(23rd July 1998 to 19th July 2001)



At the end of the three year period, Johnson Matthey was ranked 24th in the FTSE 250 in terms of percentage increase in average TSR. The company's TSR growth for the period was 104.7% compared with the average for the FTSE 250 of 38.9%.

Directors' interests at 30th May 2002 were unchanged from those listed above with the following exceptions:

The Trustees of the Johnson Matthey Share Incentive Plan, which replaced the Share Participation Scheme on 1st April 2002, have purchased on behalf of Messrs Clark, Carson, Morgan, Sheldrick and Titcombe a further 69 ordinary shares each.

Michael Miles

Michael Miles OBE

Chairman

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 group 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 judgments 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 group 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 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 group and to prevent and detect fraud and other irregularities.

Report of the Independent Auditors

to the members of Johnson Matthey Public Limited Company

We have audited the accounts on pages 34 to 64.

Respective Responsibilities of Directors and Auditors

The directors are responsible for preparing the annual report. As described above this includes responsibility for preparing 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, the Listing Rules of the Financial Services Authority, 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 or the Listing Rules regarding directors' remuneration and transactions with the group is not disclosed.

We review whether the statement on pages 25 and 26 reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the annual report, including the corporate governance statement, and consider whether it is consistent with the audited accounts. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts.

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 judgments made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the group'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 affairs of the company and the group as at 31st March 2002 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

Chartered Accountants

Registered Auditor

London

30th May 2002

Consolidated Profit and Loss Account

for the year ended 31st March 2002

Annual Report and Accounts 2002

		2002	2002	2002	2001	2001
	Notes	Before exceptional items and goodwill amortisation £ million	Exceptional items and goodwill amortisation £ million	Total £ million	Before exceptional items and goodwill amortisation restated £ million	Total restated £ million
Turnover						
Continuing operations	1	4,761.6	–	4,761.6	5,899.5	5,899.5
Acquisitions		67.3	–	67.3	–	–
Total continuing operations		4,828.9	–	4,828.9	5,899.5	5,899.5
Discontinued operations	3	1.2	–	1.2	4.2	4.2
Group turnover		4,830.1	–	4,830.1	5,903.7	5,903.7
Operating profit						
Continuing operations	1	181.2	–	181.2	174.9	174.9
Acquisitions		12.7	–	12.7	–	–
Total continuing operations before goodwill amortisation		193.9	–	193.9	174.9	174.9
Goodwill amortisation		–	(6.8)	(6.8)	–	(0.3)
Continuing operations before exceptional items		193.9	(6.8)	187.1	174.9	174.6
Exceptional items	2	–	(18.1)	(18.1)	–	(0.6)
Total continuing operations		193.9	(24.9)	169.0	174.9	174.0
Discontinued operations	3	(0.5)	–	(0.5)	0.1	0.1
Group operating profit	5	193.4	(24.9)	168.5	175.0	174.1
Share of profit in associates – continuing		(0.1)	–	(0.1)	0.2	0.2
Share of profit in associates – discontinued	3	–	–	–	(0.2)	(0.2)
Total operating profit		193.3	(24.9)	168.4	175.0	174.1
Profit on sale / closure of discontinued operations						
Sale of French print business	2	–	(5.5)	(5.5)	–	–
Closure of Metawave Video Systems Ltd	2	–	(0.1)	(0.1)	–	(1.1)
Sale of Electronic Materials		–	–	–	–	3.4
Sale of Organic Pigments		–	–	–	–	(1.2)
Profit on ordinary activities before interest		193.3	(30.5)	162.8	175.0	175.2
Net interest	4	(6.1)	–	(6.1)	5.3	5.3
Profit on ordinary activities before taxation		187.2	(30.5)	156.7	180.3	180.5
Taxation	7	(56.0)	5.8	(50.2)	(54.1)	(54.2)
Profit after taxation		131.2	(24.7)	106.5	126.2	126.3
Equity minority interests		0.3	–	0.3	(0.6)	(0.6)
Profit attributable to shareholders		131.5	(24.7)	106.8	125.6	125.7
Dividends	8	(53.2)	–	(53.2)	(51.3)	(51.3)
Retained profit for the year	25	78.3	(24.7)	53.6	74.3	74.4
		pence		pence	restated pence	restated pence
Earnings per ordinary share						
Basic	9	60.4		49.0	57.2	57.3
Diluted	9	59.7		48.5	56.5	56.5
Dividend per ordinary share	8	24.6		24.6	23.3	23.3

The notes on pages 40 to 64 form an integral part of the accounts.

Consolidated and Parent Company Balance Sheets

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as at 31st March 2002

	Notes	Group		Parent company	
		2002 £ million	2001 restated £ million	2002 £ million	2001 restated £ million
Fixed assets					
Goodwill	11	182.6	8.6	0.2	0.2
Tangible fixed assets	12	495.1	386.8	155.3	137.1
Investments	13	2.7	1.0	390.0	210.0
		680.4	396.4	545.5	347.3
Current assets					
Stocks	15	414.3	278.8	246.7	117.3
Debtors: due within one year	16	345.2	416.2	646.9	736.8
Debtors: due after more than one year	16	108.8	103.9	264.5	246.5
Short term investments	17	16.6	15.9	13.9	12.2
Cash at bank and in hand	18	92.6	237.4	3.6	159.1
		977.5	1,052.2	1,175.6	1,271.9
Creditors: Amounts falling due within one year					
Borrowings and finance leases	18	(65.8)	(19.8)	(45.4)	–
Precious metal leases	20	(131.0)	(91.8)	(139.2)	(111.0)
Other creditors	21	(359.2)	(367.8)	(754.4)	(747.8)
		421.5	572.8	236.6	413.1
Net current assets					
		1,101.9	969.2	782.1	760.4
Total assets less current liabilities					
Creditors: Amounts falling due after more than one year					
Borrowings and finance leases	18	(185.8)	(77.7)	(178.7)	(70.3)
Other creditors	21	(0.4)	(1.0)	(0.2)	(24.5)
Provisions for liabilities and charges					
	22	(98.1)	(79.2)	(50.3)	(40.1)
Net assets					
		817.6	811.3	552.9	625.5
Capital and reserves					
Called up share capital	24	218.7	222.5	218.7	222.5
Share premium account	25	128.2	123.2	128.2	123.2
Capital redemption reserve	25	4.9	–	4.9	–
Associates' reserves	25	(0.2)	–	–	–
Profit and loss account	25	462.1	461.0	201.1	279.8
Shareholders' funds					
		813.7	806.7	552.9	625.5
Equity minority interests					
		3.9	4.6	–	–
		817.6	811.3	552.9	625.5

The accounts were approved by the Board of Directors on 30th May 2002 and signed on its behalf by:

C R N Clark
J N Sheldrick

Directors

The notes on pages 40 to 64 form an integral part of the accounts.

Consolidated Cash Flow Statement

for the year ended 31st March 2002

Annual Report and Accounts 2002

	Notes	2002 £ million	2001 £ million
Reconciliation of operating profit to net cash inflow from operating activities			
Operating profit		168.5	174.1
Depreciation and amortisation charges		55.1	41.1
Profit on disposal of tangible fixed assets and investments		(1.4)	(0.7)
(Increase) / decrease in owned stocks		(83.6)	15.0
Decrease / (increase) in debtors		73.9	(82.0)
Increase in creditors and provisions		11.6	9.0
Net cash inflow from operating activities		224.1	156.5

Cash Flow Statement

Net cash inflow from operating activities		224.1	156.5
Dividends received from associates		0.1	0.1
Returns on investments and servicing of finance	27	(4.9)	5.8
Taxation		(55.8)	(38.2)
Capital expenditure and financial investment	27	(131.0)	(94.7)
Acquisitions and disposals			
Acquisitions	27	(143.5)	(6.2)
Disposals	27	(2.2)	0.6
Net cash outflow for acquisitions and disposals		(145.7)	(5.6)
Equity dividends paid		(52.1)	(46.5)
Net cash outflow before use of liquid resources and financing		(165.3)	(22.6)
Management of liquid resources	27	0.2	157.8
Financing			
Issue and purchase of share capital	27	(44.1)	7.9
Increase / (decrease) in borrowings and finance leases	27	57.5	(12.1)
Net cash inflow / (outflow) from financing		13.4	(4.2)
(Decrease) / increase in cash in the period		(151.7)	131.0

Reconciliation of net cash flow to movement in net debt

(Decrease) / increase in cash in the period		(151.7)	131.0
Cash (inflow) / outflow from movement in borrowings and finance leases	28	(57.5)	12.1
Cash inflow from term deposits included in liquid resources		(0.2)	(157.8)
Change in net funds / debt resulting from cash flows		(209.4)	(14.7)
Borrowings acquired with subsidiaries		(46.8)	(1.3)
Loan notes issued to acquire subsidiaries		(40.6)	–
New finance leases		(4.3)	–
Translation difference	28	2.2	(9.9)
Movement in net funds / debt in year		(298.9)	(25.9)
Net funds at beginning of year	28	139.9	165.8
Net (debt) / funds at end of year	28	(159.0)	139.9

The notes on pages 40 to 64 form an integral part of the accounts.

Total Recognised Gains and Losses

for the year ended 31st March 2002

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	2002 £ million	2001 restated £ million
Profit attributable to shareholders	106.8	125.7
Currency translation differences on foreign currency net investments and related loans	(8.0)	9.5
Taxation on translation differences on foreign currency loans	0.5	(9.7)
Total recognised gains and losses relating to the year	99.3	125.5
Prior year adjustment	(44.3)	
Total recognised gains and losses recognised since last annual report	55.0	

There were no material differences between reported profits and losses and historical cost profits and losses on ordinary activities before tax for 2002 and 2001.

Movement in Shareholders' Funds

for the year ended 31st March 2002

	2002 £ million	2001 restated £ million
Profit attributable to shareholders	106.8	125.7
Dividends	(53.2)	(51.3)
Retained profit for the year	53.6	74.4
Other recognised gains and losses relating to the year	(7.5)	(0.2)
New share capital subscribed	6.1	7.9
Rollover of share options on acquisitions	0.7	–
Purchase of own shares	(45.9)	–
Net movement in shareholders' funds	7.0	82.1
Opening shareholders' funds (originally £851.0 million before prior year adjustment of £44.3 million)	806.7	724.6
Closing shareholders' funds	813.7	806.7

The notes on pages 40 to 64 form an integral part of the accounts.

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

Basis of consolidation: The consolidated accounts comprise the accounts of the parent company and all its subsidiary undertakings and include the group's interest in associates and joint ventures.

The results of companies acquired or disposed of in the year are dealt with from or up to the effective date of acquisition or disposal respectively. The net assets of companies acquired are incorporated in the consolidated accounts at their fair values to the group at the date of acquisition.

The parent company has not presented its own profit and loss account as permitted by section 230 of the Companies Act 1985.

Turnover: Comprises all invoiced sales of goods and services exclusive of sales taxes.

Financial Instruments: The group uses financial instruments, in particular forward currency contracts and currency swaps, to manage the financial risks associated with the group's underlying business activities and the financing of those activities. The group does not undertake any trading activity in financial instruments.

A discussion of how the group manages its financial risks is included in the Financial Review on page 10. Financial instruments are accounted for as follows:

- 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.
- Currency options are occasionally used to hedge foreign exchange exposures, usually when the forecast receipt or payment amounts are uncertain. Option premia are recognised at their historic cost in the group balance sheet as prepayments. At maturity, or upon exercise, the option premia net of any realised gains on exercise are taken to the profit and loss account.
- Interest rate swaps are occasionally used to hedge the group's exposure to movements on interest rates. The interest payable or receivable on such swaps is accrued in the same way as interest arising on deposits or borrowings. Interest rate swaps are not revalued to fair value prior to maturity.
- Currency swaps are used as balance sheet hedging instruments to hedge foreign currency assets and borrowings. Currency swaps are used to reduce costs and credit exposure where the group would otherwise have cash deposits and borrowings in different currencies. The difference between spot and forward rate for these contracts is recognised as part of the net interest payable over the period of the contract. These swaps are revalued to the rates of exchange at the balance sheet date and any aggregate unrealised gains or losses arising on revaluation are included in other debtors / other creditors. Realised gains and losses on these currency swaps are taken to reserves in the same way as for the foreign investments and borrowings to which the swaps relate.

The aggregate fair values at the balance sheet date of the hedging instruments described above are disclosed as a note on the accounts.

The group has taken advantage of the exemption available for short term debtors and creditors.

Foreign currencies: Profit and loss accounts in foreign currencies and cash flows included in the cash flow statement are translated into sterling at average exchange rates for the year. Foreign currency assets and liabilities are translated into sterling at the rates of exchange at the balance sheet date. Gains or losses arising on the translation of the net assets of overseas subsidiaries and associated undertakings are taken to reserves, less exchange differences arising on related foreign currency borrowings. Other exchange differences are taken to the profit and loss account.

Research and development expenditure: Charged against profits in the year incurred.

Goodwill: Goodwill arising on acquisitions made after 1st April 1998 is capitalised and amortised on a straight line basis over the estimated useful economic life, which is 20 years or less if it is considered appropriate. Goodwill previously eliminated against reserves has not been reinstated, but will be charged to the profit and loss account on subsequent disposal of the businesses to which it relates.

Depreciation: Freehold land and certain office buildings are not depreciated. The depreciation charge and accumulated depreciation of these properties would be immaterial and they are reviewed for impairment annually. Other fixed assets are depreciated on a straight line basis at annual rates which vary according to the class of asset, but are typically; leasehold property 3.33% (or at higher rates based on the life of the lease), freehold buildings 3.33%, plant and equipment 10% – 33%.

Leases: The cost of assets held under finance leases is included under tangible fixed assets and the capital element of future lease payments is included in borrowings. Depreciation is provided in accordance with the group's accounting policy for the class of asset concerned. Lease payments are treated as consisting of capital and interest elements and the interest is charged to the profit and loss account using the annuity method. Rentals under operating leases are expensed as incurred.

Grants in respect of capital expenditure: Grants received in respect of capital expenditure are included in creditors and released to the profit and loss account in equal instalments over the expected useful lives of the related assets.

Precious metal stocks: Stocks of gold, silver and platinum group metals are valued according to the source from which the metal is obtained. Metal which has been purchased and committed to future sales to customers or hedged in metal markets is valued at the price at which it is contractually committed or hedged, adjusted for unexpired contango. Leased metal is valued at market prices at the balance sheet date. Other precious metal stocks owned by the group, which are unhedged, are valued at the lower of cost and net realisable value.

Other stocks: These are valued at the lower of cost, including attributable overheads, and net realisable value.

Deferred taxation: Provided on all timing differences that have originated but not reversed by the balance sheet date and which could give rise to an obligation to pay more or less tax in the future.

Pensions and other retirement benefits: The group 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 current employees. The cost of the defined contribution schemes is charged to the profit and loss account as incurred.

The cost of post-retirement health care benefits is charged to the profit and loss account on a systematic basis over the expected service lives of employees. The actuarial liability for the cost of these benefits is fully provided for in the balance sheet.

Change of accounting policy: Under the provisions of Financial Reporting Standard (FRS) 19 – 'Deferred Tax', which the group adopted on 1st April 2001, the group has restated its deferred tax balances to recognise deferred tax on all timing differences that have originated but not reversed by the balance sheet date as a change in accounting policy. Consequently the group has restated its comparatives for the year to 31st March 2001. The effect is to increase the taxation charge for the year included in the profit and loss account by £1.9 million. The taxation charge on translation differences on foreign currency loans in the statement of recognised gains and losses has increased by £11.1 million. The deferred tax balance included in provisions for liabilities and charges has increased by £44.8 million and debtors now include a deferred tax asset of £0.5 million. The effect on the year to 31st March 2002 is to increase the taxation charge in the profit and loss account by £0.8 million and the taxation credit on translation differences on foreign currency loans in the statement of recognised gains and losses by £0.2 million.

Change in disclosure: Under the transitional arrangements of FRS 17 – 'Retirement Benefits' additional disclosures are required for pensions and other retirement benefits for the year ended 31st March 2002.

1 Segmental information

	Turnover		Operating profit		Net operating assets	
	2002 £ million	2001 restated £ million	2002 £ million	2001 restated £ million	2002 £ million	2001 restated £ million
Activity analysis						
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)
	4,828.9	5,899.5	193.8	175.1	976.6	668.7
Discontinued operations	1.2	4.2	(0.5)	(0.1)	–	2.7
Total turnover	4,830.1	5,903.7				
Goodwill amortisation (note 11)			(6.8)	(0.3)		
Exceptional items included in total operating profit (note 2)			(18.1)	(0.6)		
			168.4	174.1	976.6	671.4
Profit on sale / closure of discontinued operations (note 2)			(5.6)	1.1		
Net interest			(6.1)	5.3		
Profit on ordinary activities before taxation			156.7	180.5		
Net (borrowings and finance leases) / cash					(159.0)	139.9
Net assets					817.6	811.3

	Turnover		Operating profit		Net operating assets	
	2002 £ million	2001 restated £ million	2002 £ million	2001 restated £ million	2002 £ million	2001 restated £ million
Geographical analysis by origin						
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
	5,811.0	7,099.1	193.8	175.1	976.6	668.7
Discontinued operations	2.0	5.0	(0.5)	(0.1)	–	2.7
	5,813.0	7,104.1				
Less inter-segment sales	(982.9)	(1,200.4)				
Total turnover	4,830.1	5,903.7				
Goodwill amortisation (note 11)			(6.8)	(0.3)		
Exceptional items included in total operating profit (note 2)			(18.1)	(0.6)		
			168.4	174.1	976.6	671.4
Profit on sale / closure of discontinued operations (note 2)			(5.6)	1.1		
Net interest			(6.1)	5.3		
Profit on ordinary activities before taxation			156.7	180.5		
Net (borrowings and finance leases) / cash					(159.0)	139.9
Net assets					817.6	811.3

1 Segmental information (continued)

	2002 £ million	2001 £ million
External turnover by geographical destination		
Europe	2,070.0	2,459.0
North America	1,356.4	1,858.8
Asia	1,112.8	1,293.2
Rest of the World	290.9	292.7
Total turnover	4,830.1	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	7.2	–
Cost of rationalising Meconic plc	(1.3)	–
Cost of rationalising Colours & Coatings	(24.0)	–
Cost of rationalising Precision Studios	–	(0.6)
	(18.1)	(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	1.2	4.2	(0.5)	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	(10.9)	(6.8)
Interest payable on other loans	(6.1)	(5.6)
	(17.0)	(12.4)
Other interest receivable	10.9	17.7
Net interest	(6.1)	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)
Group operating profit	157.6	11.4	169.0	(0.5)	168.5	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
Current tax			
UK corporation tax on profits for the year	9.2		32.5
Adjustment for prior years	1.6		–
	10.8		32.5
Double taxation relief	(0.3)		–
	10.5		32.5
Foreign tax on profits for the year	33.1	28.5	
Adjustment for prior years	(4.1)	–	
	29.0		28.5
Total current tax	39.5		61.0
Deferred tax			
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	16.4		(7.0)
Associates	0.1		0.1
	56.0		54.1
Tax on exceptional items included in total operating profit – current tax	(2.0)		(0.2)
Tax on exceptional items included in total operating profit – deferred tax	(3.2)		–
Tax on profit on sale / closure of discontinued operations – current tax	(0.6)		0.3
Total taxation	50.2		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	187.2		180.3
Taxation charge at UK corporation tax rate of 30% (2001 30%)	56.2		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	39.5		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
Total dividends	53.2	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	3,272	2,834
Precious Metals	1,128	1,152
Colours & Coatings	1,858	1,958
Pharmaceutical Materials	406	103
Research and Corporate	266	225
Average number of employees – continuing	6,930	6,272
Discontinued operations	58	153
Average number of employees – total	6,988	6,425
Actual number of employees at 31st March	6,996	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	187.5	161.2
Social security costs	19.0	17.5
Other pension costs / (credits)	3.0	(1.5)
Total employee costs	209.5	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
United Kingdom		
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)
	2.3	5.7
Overseas		
Cost of foreign pension schemes	(4.5)	(3.6)
Cost of post-retirement medical benefits	(0.8)	(0.6)
	(3.0)	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
Cost		
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>
Amortisation		
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>
Net book value at 31st March 2002	<u>182.6</u>	<u>0.2</u>
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
Cost				
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>
Depreciation				
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>
Net book value at 31st March 2002	<u>124.1</u>	<u>7.7</u>	<u>363.3</u>	<u>495.1</u>
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
Cost				
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
Depreciation				
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
Net book value at 31st March 2002	44.4	0.6	110.3	155.3
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)
At end of year	0.7	1.0	0.3	0.7	2.7

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
At end of year	0.7	389.3	390.0

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	47.7	49.0	10.3	12.1
Work in progress	240.1	120.3	216.2	83.9
– precious metals	28.6	17.7	7.7	6.9
– other	97.9	91.8	12.5	14.4
Finished goods and goods for resale	97.9	91.8	12.5	14.4
Total stocks	414.3	278.8	246.7	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

	2002	Group 2001 restated £ million	2002	Parent company 2001 restated £ million
	£ million		£ million	
Debtors: due within one year				
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
	345.2	416.2	646.9	736.8
Debtors: due after more than one year				
Prepaid pensions	108.8	103.9	107.7	103.9
Amounts owed by subsidiary undertakings	–	–	156.8	142.6
	108.8	103.9	264.5	246.5

17 Short term investments

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

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
Borrowings and finance leases falling due after more than one year				
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	–
Borrowings and finance leases falling due after more than one year	185.8	77.7	178.7	70.3
Borrowings and finance leases falling due within one year				
Bank and other loans	64.5	19.4	45.2	–
Finance leases	1.3	0.4	0.2	–
Borrowings and finance leases falling due within one year	65.8	19.8	45.4	–
Total borrowings and finance leases	251.6	97.5	224.1	70.3
Less cash and deposits	92.6	237.4	3.6	159.1
Net borrowings / (cash) and finance leases	159.0	(139.9)	220.5	(88.8)

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
Financial liabilities						
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
	70.2	204.1	274.3	71.0	45.4	116.4
		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
Fixed rate financial liabilities						
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	251.6	97.5
Borrowings generated by swaps	22.3	17.9
Other creditors falling due after more than one year	0.4	1.0
	274.3	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
Financial assets							
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
	0.5	115.1	2.7	118.3	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
Fixed rate financial assets				
US dollar	7.50	8	-	-

The financial assets of the group comprised:

	2002 £ million	2001 £ million
Cash and deposits	92.6	237.4
Deposits generated by swaps	22.3	17.9
Fixed assets investments listed on overseas stock exchanges	1.0	-
Fixed assets investments other loans	0.7	-
Short term investments listed on overseas stock exchanges	1.7	2.4
	118.3	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	88.1	37.7
In more than one year but not more than two years	0.7	1.5
In more than two years but not more than five years	176.3	0.9
In more than five years	9.2	76.3
	274.3	116.4

19d Undrawn committed borrowing facilities

	2002 £ million	2001 £ million
Expiring in one year or less	20.1	25.0
Expiring in more than one year but not more than two years	–	25.0
Expiring in more than two years	127.4	50.0
	147.5	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	92.6	92.6	237.4	237.4
Fixed assets investments listed on overseas stock exchanges	1.0	1.4	–	–
Fixed assets investments other loans	0.7	0.7	–	–
Short term investments listed on overseas stock exchanges	1.7	4.8	2.4	25.2
Borrowings and finance leases falling due within one year	(65.8)	(65.8)	(19.8)	(19.8)
US Dollar Bonds	(70.2)	(70.7)	(70.3)	(70.0)
Other borrowings and finance leases falling due after more than one year	(115.6)	(115.6)	(7.4)	(7.4)
Other creditors falling due after more than one year	(0.4)	(0.4)	(1.0)	(1.0)
Forward exchange contracts	–	0.2	–	(0.3)
	(156.0)	(152.8)	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
Unrecognised gains and losses at 31st March 2002	0.3	0.1	0.2
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
Amounts falling due within one year				
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
Total other creditors falling due within one year	359.2	367.8	754.4	747.8
Amounts falling due after more than one year				
Amounts owed to subsidiary undertakings	–	–	0.2	24.5
Other creditors	0.4	1.0	–	–
Total other creditors falling due after more than one year	0.4	1.0	0.2	24.5

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)
At end of year	8.9	17.9	5.2	66.1	98.1

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)
At end of year	4.1	5.9	40.3	50.3

23 Deferred taxation

	Group		Parent company	
	2002	2001	2002	2001
	£ million	restated £ million	£ million	restated £ million
Timing differences on				
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
	65.5	49.2	40.3	27.2
Deferred tax assets (note 16)	0.6	0.5	–	–
Deferred tax provisions (note 22)	66.1	49.7	40.3	27.2
	65.5	49.2	40.3	27.2

24 Called up share capital

	Authorised		Allotted, called up and fully paid	
	Number	£ million	Number	£ million
Ordinary shares of £1 each				
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
At end of year	291,550,000	291.6	218,695,663	218.7

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
At end of year	128.2	4.9	(0.2)	462.1

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)
At end of year	128.2	4.9	201.1

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

27 Gross cash flows

27a Returns on investments and servicing of finance

	2002 £ million	2001 £ million
Interest received	11.0	18.0
Interest paid	(15.9)	(12.0)
Dividends paid to minority shareholders	–	(0.2)
Net cash flow for returns on investments and servicing of finance	(4.9)	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
Net cash outflow for capital expenditure and financial investment		(131.0)		(94.7)

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
Net cash flow for acquisitions and disposals		(145.7)		(5.6)

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
Net cash flow from management of liquid resources	0.2	157.8

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)
Net cash flow from financing		13.4		(4.2)

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
At end of year	92.6	(10.0)	(54.5)	(181.7)	(5.4)	(159.0)

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:			£ million
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)
	4.0
Loss on disposal	(5.5)
	(1.5)

Satisfied by:

	£ million
Costs incurred – cash	(1.0)
Costs incurred – accrued	(0.1)
Costs incurred – non cash	(0.4)
	(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.

Shareholder analysis

Analysis of ordinary shareholders as at 30th May 2002

By category	Number of shares	Percentage
Pension funds	99,314,358	45.40
Insurance Companies	47,929,022	21.91
Investment and Unit Trusts	40,447,632	18.49
Individuals	8,956,935	4.09
Other	22,116,039	10.11
	218,763,986	100.00

By size of holding	Number of holdings	Percentage	Number of shares	Percentage
1 – 1,000	7,101	64.88	3,104,998	1.42
1,001 – 10,000	3,099	28.31	8,100,278	3.70
10,001 – 100,000	497	4.54	17,431,442	7.97
100,001 – 1,000,000	202	1.85	63,174,139	28.88
1,000,001 – 5,000,000	39	0.36	81,212,012	37.12
5,000,001 and over	7	0.06	45,741,117	20.91
	10,495	100.00	218,763,986	100.00

Low Cost Share Dealing Service

A low cost share dealing service is provided by The Share Centre. This service allows shareholders to buy and sell Johnson Matthey shares in a simple and low cost manner. For further details contact The Share Centre, P.O. Box 2000, Aylesbury, Bucks HP21 8ZB telephone: 01296 414141 (e-mail info@share.co.uk).

Dividends

Dividends can be paid directly into shareholders' bank or building society accounts. Shareholders wishing to take advantage of this facility should contact Lloyds TSB Registrars or complete the dividend mandate form attached to their dividend cheque. A Dividend Reinvestment Plan (DRIP) is also available for the benefit of shareholders. Further information can be obtained from the Company Secretary at the company's registered office.

American Depositary Receipts

The company has an unlisted American Depositary Receipt programme administered by The Bank of New York. For further information, please telephone Mr Paul Meskiewicz at The Bank of New York on 001 (212) 815 2175 (e-mail pmeskiewicz@bankofny.com) or visit The Bank of New York's website at www.adrbny.com.

Share price and group information

Information on the company's current share price together with copies of the group's annual and interim reports and major presentations to analysts and institutional shareholders are available on the Johnson Matthey website: www.matthey.com. For capital gains tax purposes the mid-market price of the company's ordinary shares on 31st March 1982 was 253 pence.

Financial calendar 2002

14th June

Final ordinary dividend record date

16th July

111th Annual General Meeting (AGM)

6th August

Payment of final dividend subject to declaration at the AGM

28th November

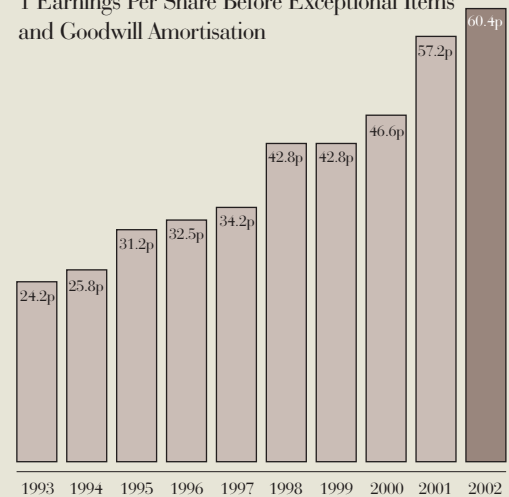
Announcement of results for six months ending 30th September 2002

	1993 £ million	1994 £ million	1995 £ million	1996 £ million	1997 £ million
Turnover					
Parent and subsidiaries	1,853.7	1,955.0	2,177.8	2,528.9	2,423.2
Share of joint ventures	–	–	97.1	156.7	156.9
Total	1,853.7	1,955.0	2,274.9	2,685.6	2,580.1
Operating profit before exceptional items and goodwill amortisation	71.6	81.6	100.4	111.0	116.3
Goodwill amortisation	–	–	–	–	–
Exceptional items	–	–	–	–	–
Total operating profit	71.6	81.6	100.4	111.0	116.3
Other exceptional items	3.7	(11.7)	(0.7)	–	–
Profit before interest	75.3	69.9	99.7	111.0	116.3
Net interest	(1.5)	(4.6)	(4.3)	(8.8)	(8.0)
Profit before taxation	73.8	65.3	95.4	102.2	108.3
Taxation	(25.6)	(23.1)	(34.3)	(34.3)	(33.0)
Profit after taxation	48.2	42.2	61.1	67.9	75.3
Equity minority interests	(0.3)	(0.2)	(1.0)	(1.7)	(1.2)
Profit attributable to shareholders	47.9	42.0	60.1	66.2	74.1
Dividends	(19.1)	(21.8)	(25.9)	(31.4)	(33.6)
Profit retained	28.8	20.2	34.2	34.8	40.5
Earnings per ordinary share (graph 2)	25.5p	22.0p	30.9p	32.5p	34.2p
Earnings per ordinary share before exceptional items and goodwill amortisation (graph 1)	24.2p	25.8p	31.2p	32.5p	34.2p
Dividend per ordinary share (graph 3)	10.3p	11.4p	13.5p	14.5p	15.5p
Summary Balance Sheet					
Assets employed:					
Goodwill	–	–	–	–	–
Tangible fixed assets	263.1	281.1	256.1	321.7	337.7
Fixed assets investments / joint ventures / associates	1.1	1.1	70.9	100.4	84.2
Stocks	155.0	153.6	153.2	196.6	184.7
Debtors and short term investments	185.7	207.2	190.9	232.2	252.6
Other creditors and provisions	(242.3)	(254.2)	(223.4)	(304.0)	(291.1)
	362.6	388.8	447.7	546.9	568.1
Financed by:					
Net borrowings and finance leases / (cash)	90.6	76.1	102.4	134.2	143.7
Retained earnings	80.8	116.9	151.6	99.8	107.4
Share capital, share premium and capital redemption	190.3	194.4	195.7	313.6	316.8
Equity minority interests	0.9	1.4	(2.0)	(0.7)	0.2
Capital employed	362.6	388.8	447.7	546.9	568.1
Cumulative goodwill taken directly to reserves	49.6	50.5	57.5	150.3	156.3
Return on assets	20.2%	19.2%	21.3%	18.5%	16.4%
(Operating profit before exceptional items and goodwill amortisation / average capital employed and cumulative goodwill taken directly to reserves)					

2001 and prior years have been restated to reflect the changes in accounting policies. The earnings per ordinary share for 1995 and prior years have been adjusted for the bonus element in the 1 for 8 rights issue made on 19th September 1995.

1998 £ million	1999 £ million	2000 £ million	2001 £ million	2002 £ million
3,138.8	3,385.4	3,866.0	5,903.7	4,830.1
128.8	-	-	-	-
3,267.6	3,385.4	3,866.0	5,903.7	4,830.1
139.2	147.1	146.2	175.0	193.3
-	-	(0.2)	(0.3)	(6.8)
(4.5)	(1.9)	(9.8)	(0.6)	(18.1)
134.7	145.2	136.2	174.1	168.4
4.4	8.8	23.4	1.1	(5.6)
139.1	154.0	159.6	175.2	162.8
(9.0)	(15.9)	(2.4)	5.3	(6.1)
130.1	138.1	157.2	180.5	156.7
(28.5)	(35.1)	(47.3)	(54.2)	(50.2)
101.6	103.0	109.9	126.3	106.5
(0.3)	0.7	(0.2)	(0.6)	0.3
101.3	103.7	109.7	125.7	106.8
(38.7)	(41.3)	(44.3)	(51.3)	(53.2)
62.6	62.4	65.4	74.4	53.6
46.7p	47.8p	50.5p	57.3p	49.0p
42.8p	42.8p	46.6p	57.2p	60.4p
17.8p	19.0p	20.3p	23.3p	24.6p
-	4.2	5.1	8.6	182.6
461.5	480.2	311.3	386.8	495.1
4.2	1.8	1.0	1.0	2.7
244.8	243.7	253.2	278.8	414.3
381.1	439.6	447.7	536.0	470.6
(409.9)	(419.6)	(455.0)	(539.8)	(588.7)
681.7	749.9	563.3	671.4	976.6
225.1	221.6	(165.8)	(139.9)	159.0
130.9	200.1	386.8	461.0	461.9
319.6	322.4	337.8	345.7	351.8
6.1	5.8	4.5	4.6	3.9
681.7	749.9	563.3	671.4	976.6
171.4	171.4	46.0	46.0	46.0
17.6%	16.6%	19.1%	26.4%	22.2%

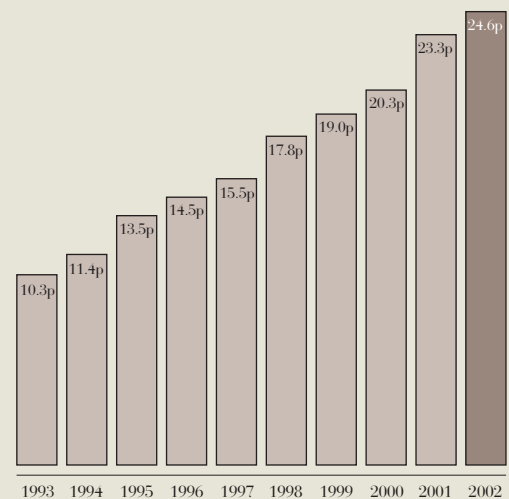
1 Earnings Per Share Before Exceptional Items and Goodwill Amortisation



2 Earnings Per Share



3 Dividends Per Share



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