

# NOTES ON THE ACCOUNTS

for the six months ended 30th September 2003

## 1 Basis of preparation

The interim accounts were approved by the Board of Directors on 25th November 2003, and are unaudited but have been reviewed by the auditors. They do not constitute statutory accounts, but have been prepared on the basis of the accounting policies set out in the annual report for the year ended 31st March 2003, with the exception of the implementation of Financial Reporting Standard (FRS) 17 – 'Retirement Benefits' as described in note 2. Information in respect of the year ended 31st March 2003 is derived from the company's statutory accounts for that year which have been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified and did not contain any statement under 237(2) and 237(3) of the Companies Act 1985.

## 2 FRS 17 – 'Retirement Benefits'

Under the provisions of FRS 17 – 'Retirement Benefits', which the group adopted on 1st April 2003, the group has restated its accounts to reflect the revised recognition of its retirement benefits schemes and the resultant changes to deferred tax and amounts recognised in the profit and loss account and statement of recognised gains and losses. Consequently, the group has restated its comparatives for the six months to 30th September 2002 and the year to 31st March 2003. The effect is to decrease the profit after taxation by £0.9 million in the six months to 30th September 2002 and by £1.8 million in the year to 31st March 2003. The group's net assets at 30th September 2002 have decreased by £2.1 million and at 31st March 2003 by £95.7 million.

## 3 Group turnover

### Activity analysis

|                          | Six months to<br>30.9.03<br>£ million | 30.9.02<br>£ million | Year to<br>31.3.03<br>£ million |
|--------------------------|---------------------------------------|----------------------|---------------------------------|
| Catalysts                | 593.3                                 | 526.1                | 1,083.4                         |
| Precious Metals          | 1,380.0                               | 1,522.6              | 2,857.1                         |
| Colours & Coatings       | 126.7                                 | 131.6                | 255.7                           |
| Pharmaceutical Materials | 64.7                                  | 66.3                 | 127.7                           |
|                          | <b>2,164.7</b>                        | <b>2,246.6</b>       | <b>4,323.9</b>                  |

### Geographical analysis by origin

|                          | Six months to<br>30.9.03<br>£ million | 30.9.02<br>£ million | Year to<br>31.3.03<br>£ million |
|--------------------------|---------------------------------------|----------------------|---------------------------------|
| Europe                   | 1,533.4                               | 1,491.6              | 2,964.7                         |
| North America            | 499.9                                 | 576.8                | 1,082.2                         |
| Asia                     | 394.3                                 | 488.4                | 844.7                           |
| Rest of the World        | 119.3                                 | 129.6                | 234.2                           |
|                          | <b>2,546.9</b>                        | <b>2,686.4</b>       | <b>5,125.8</b>                  |
| Less inter-segment sales | <b>(382.2)</b>                        | <b>(439.8)</b>       | <b>(801.9)</b>                  |
|                          | <b>2,164.7</b>                        | <b>2,246.6</b>       | <b>4,323.9</b>                  |

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## 4 Total turnover excluding the value of precious metals

| Activity analysis        | Six months to        |                      | Year to              |
|--------------------------|----------------------|----------------------|----------------------|
|                          | 30.9.03<br>£ million | 30.9.02<br>£ million | 31.3.03<br>£ million |
| Catalysts                | 379.9                | 299.3                | 652.5                |
| Precious Metals          | 59.1                 | 69.0                 | 132.0                |
| Colours & Coatings       | 125.1                | 130.2                | 252.5                |
| Pharmaceutical Materials | 61.0                 | 63.6                 | 121.9                |
|                          | <b>625.1</b>         | <b>562.1</b>         | <b>1,158.9</b>       |

## 5 Total operating profit

| Activity analysis                                    | Six months to        |                                  | Year to                          |
|--|----------------------|----------------------------------|----------------------------------|
|  | 30.9.03<br>£ million | 30.9.02<br>restated<br>£ million | 31.3.03<br>restated<br>£ million |
| Catalysts  | 56.5                 | 44.0                             | 95.3                             |
| Precious Metals                                      | 21.9                 | 24.2                             | 48.0                             |
| Colours & Coatings                                   | 11.8                 | 11.6                             | 25.3                             |
| Pharmaceutical Materials                             | 20.7                 | 19.1                             | 36.7                             |
| Corporate  | (7.8)                | (7.9)                            | (16.1)                           |
|  | <b>103.1</b>         | <b>91.0</b>                      | <b>189.2</b>                     |
| Goodwill amortisation                                | (9.9)                | (4.8)                            | (13.7)                           |
| Exceptional items included in total operating profit | –                    | –                                | (7.6)                            |
|  | <b>93.2</b>          | <b>86.2</b>                      | <b>167.9</b>                     |

| Geographical analysis                                | Six months to        |                                  | Year to                          |
|--|----------------------|----------------------------------|----------------------------------|
|  | 30.9.03<br>£ million | 30.9.02<br>restated<br>£ million | 31.3.03<br>restated<br>£ million |
| Europe   | 39.0                 | 25.7                             | 59.3                             |
| North America  | 36.7                 | 44.3                             | 87.3                             |
| Asia   | 12.3                 | 6.1                              | 12.4                             |
| Rest of the World                                    | 15.1                 | 14.9                             | 30.2                             |
|  | <b>103.1</b>         | <b>91.0</b>                      | <b>189.2</b>                     |
| Goodwill amortisation                                | (9.9)                | (4.8)                            | (13.7)                           |
| Exceptional items included in total operating profit | –                    | –                                | (7.6)                            |
|  | <b>93.2</b>          | <b>86.2</b>                      | <b>167.9</b>                     |

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## 6 Retirement benefits assets and liabilities

| Net return                       | Six months to        |                                  | Year to<br>31.3.03<br>restated<br>£ million |
|----------------------------------|----------------------|----------------------------------|---|
|                                  | 30.9.03<br>£ million | 30.9.02<br>restated<br>£ million |   |
| Expected return on scheme assets | 18.8                 | 23.3                             | 46.4  |
| Interest on scheme liabilities   | (15.9)               | (16.3)                           | (32.5)                                      |
|                                  | 2.9                  | 7.0                              | 13.9  |

### Pension fund assets and liabilities

Under FRS 17 the net assets of the group's retirement benefits schemes which are in surplus and the net liabilities of the schemes which are in deficit are shown separately in the balance sheet. At 31st March 2003 the group's UK defined benefit pension schemes held assets with a market value of £478.3 million and had a net surplus, after tax, of £2.6 million. The group's other main pension schemes are in the USA. At 31st March 2003 these schemes held assets with a market value of £54.5 million and had a net deficit of £9.1 million. The group also operates schemes for post-retirement medical benefits (now closed to new members) which are unfunded and had net liabilities of £15.6 million at 31st March 2003.

## 7 Taxation

|   | Six months to        |                                  | Year to<br>31.3.03<br>restated<br>£ million |
|---|----------------------|----------------------------------|---|
|   | 30.9.03<br>£ million | 30.9.02<br>restated<br>£ million |   |
| United Kingdom  | 12.1                 | 10.5                             | 22.6  |
| Overseas  | 17.1                 | 17.3                             | 33.8  |
| Tax on ordinary activities before exceptional items and goodwill amortisation | 29.2                 | 27.8                             | 56.4  |
| Tax on goodwill amortisation  | (1.2)                | –                                | (0.7)                                       |
| Tax on exceptional items included in total operating profit                   | –                    | –                                | (2.0)                                       |
|   | 28.0                 | 27.8                             | 53.7  |

## 8 Dividends

An interim dividend of 8.2 pence per ordinary share will be paid on 4th February 2004 to shareholders on the register at the close of business on 5th December 2003.

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## 9 Earnings per ordinary share

The calculation of earnings per ordinary share is based on a weighted average of 217,587,885 shares in issue (six months to 30th September 2002 – 216,714,951 shares, year to 31st March 2003 – 216,938,883). The calculation of diluted earnings per ordinary share is based on the weighted average number of shares in issue adjusted by the dilutive outstanding share options and long term incentive plan.

Before exceptional items, goodwill amortisation and the tax thereon, basic earnings per ordinary share were 31.8 pence (six months to 30th September 2002 restated – 30.4 pence, year to 31st March 2003 restated – 61.8 pence) and diluted earnings per ordinary share were 31.7 pence (six months to 30th September 2002 restated – 30.1 pence, year to 31st March 2003 restated – 61.4 pence).

## 10 Synetix

The group acquired the Synetix division of ICI in the year to 31st March 2003 and the estimated goodwill disclosed in those accounts was £191.4 million. This has been restated to £195.7 million following the implementation of FRS 17. Goodwill has now been revised to £198.5 million due to a further fair value adjustment to the estimated realisable value of debtors.