1 Basis of preparation

The half-yearly accounts were approved by the Board of Directors on 25th November 2008, and are unaudited but have been reviewed by the auditors. These condensed consolidated accounts do not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985, but have been prepared in accordance with International Accounting Standard (IAS) 34 – 'Interim Financial Reporting' and on the basis of the accounting policies set out in the Annual Report and Accounts for the year ended 31st March 2008. Information in respect of the year ended 31st March 2008 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 statutory accounts was unqualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain any statement under sections 237(2) and 237(3) of the Companies Act 1985.

The balance sheet for 31st March 2008 has been restated for the adjustments to the fair value of the net assets acquired and goodwill on acquisition of Argillon described in note 11. The income statement for the six months ended 30th September 2007 has been restated to show amortisation of acquired intangibles separately (note 4).

2 Segmental information by business segment

	Environmental Technologies £ million	Precious Metal Products £ million	Fine Chemicals & Catalysts £ million	Total £ million
Six months ended 30th September 2008				
Sales to external customers	**1,316.2**	**2,719.0**	**319.8**	**4,355.0**
External sales excluding the value of precious metals	**595.8**	**168.3**	**160.2**	**924.3**
Underlying segment result	**77.8**	**64.2**	**32.4**	**174.4**
Amortisation of acquired intangibles	**(4.6)**	**–**	**–**	**(4.6)**
Segment result	**73.2**	**64.2**	**32.4**	**169.8**
Unallocated corporate expenses				**(10.1)**
Operating profit				**159.7**
Six months ended 30th September 2007 (restated)				
Sales to external customers	1,055.3	2,201.1	255.6	3,512.0
External sales excluding the value of precious metals	541.3	150.7	147.5	839.5
Underlying segment result	65.9	47.2	31.0	144.1
Amortisation of acquired intangibles	(0.7)	–	–	(0.7)
Segment result	65.2	47.2	31.0	143.4
Unallocated corporate expenses				(11.0)
Operating profit				132.4
Year ended 31st March 2008				
Sales to external customers	2,289.7	4,688.1	520.9	7,498.7
External sales excluding the value of precious metals	1,139.6	307.4	303.2	1,750.2
Underlying segment result	147.3	102.1	67.1	316.5
Amortisation of acquired intangibles	(3.1)	–	–	(3.1)
Segment result	144.2	102.1	67.1	313.4
Unallocated corporate expenses				(19.7)
Operating profit				293.7

3 Effect of exchange rate changes on translation of foreign subsidiaries' external sales excluding the value of precious metals and operating profits

	Six months ended 30.9.08	Six months ended 30.9.07	Year ended 31.3.08
Average exchange rates used for translation of results of foreign operations			
US dollar / £	1.934	2.005	2.007
Euro / £	1.262	1.471	1.417
South African rand / £	15.01	14.22	14.30

The main impact of exchange rate movements on the group's sales and operating profit comes from the translation of foreign subsidiaries' profits into sterling. The one significant exception is the South African rand where the translational impact is more than offset by the impact of movements in the rand on operating margins. Consequently the analysis below excludes the translational impact of the rand.

	Six months ended 30.9.08 £ million	Six months ended 30.9.07 At last year's rates restated £ million	Six months ended 30.9.07 At this year's rates £ million	Change at this year's rates %
External sales excluding the value of precious metals				
Environmental Technologies	**595.8**	541.3	553.5	+8
Precious Metal Products	**168.3**	150.7	159.9	+5
Fine Chemicals & Catalysts	**160.2**	147.5	155.7	+3
External sales excluding the value of precious metals	**924.3**	839.5	869.1	+6
Underlying operating profit				
Environmental Technologies	**77.8**	65.9	67.7	+15
Precious Metal Products	**64.2**	47.2	49.4	+30
Fine Chemicals & Catalysts	**32.4**	31.0	32.4	–
Unallocated corporate expenses	**(10.1)**	(11.0)	(11.1)	
Underlying operating profit	**164.3**	133.1	138.4	+19

4 Amortisation of acquired intangibles

The amortisation of acquired intangible assets which arise on the acquisition of businesses is separated from operating expenses and is shown separately on the face of the income statement. The income statement for the six months ended 30th September 2007 has been restated accordingly. It is excluded from underlying operating profit.

5 Earnings per ordinary share

The calculation of earnings per ordinary share is based on a weighted average of 210,657,089 shares in issue (six months ended 30th September 2007 – 210,736,061 shares, year ended 31st March 2008 – 210,502,894 shares). 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 plans. These adjustments give rise to an increase in the weighted average number of shares in issue of 2,983,515 (six months ended 30th September 2007 restated – 2,907,741 shares, year ended 31st March 2008 – 3,313,868 shares).

Underlying earnings per ordinary share are calculated as follows:

	Six months ended 30.9.08 £ million	Six months ended 30.9.07 restated £ million	Year ended 31.3.08 £ million
Profit for the period attributable to equity holders of the parent company	**98.6**	88.1	186.2
Amortisation of acquired intangibles	**4.6**	0.7	3.1
Tax effect of UK corporation tax rate change	**–**	(1.8)	–
Tax thereon	**(1.3)**	(0.2)	(0.9)
Underlying profit	**101.9**	86.8	188.4

	pence	restated pence	pence
Basic underlying earnings per share	**48.4**	41.2	89.5

6 Dividends

An interim dividend of 11.1 pence per ordinary share will be paid on 3rd February 2009 to shareholders on the register at the close of business on 5th December 2008. The estimated amount to be paid is £23.4 million and has not been recognised in these accounts.

	Six months ended		Year ended
	30.9.08 £ million	30.9.07 £ million	31.3.08 £ million
2006/07 final ordinary dividend paid – 23.7 pence per share	**–**	50.0	50.0
2007/08 interim ordinary dividend paid – 10.6 pence per share	**–**	–	22.3
2007/08 final ordinary dividend paid – 26.0 pence per share	**54.7**	–	–
	54.7	50.0	72.3

7 Discontinued operations

As part of the acquisition of Argillon (note 11) the group acquired an insulators and alumina business which it is actively marketing. At 30th September 2008 and 31st March 2008 it has been classified as held for sale.

8 Changes in equity

	Six months ended		Year ended
	30.9.08 £ million	30.9.07 £ million	31.3.08 £ million
Equity at beginning of period	**1,160.3**	1,078.1	1,078.1
Total recognised income and expense relating to the period	**109.1**	88.5	189.3
Dividends paid to equity holders of the parent company	**(54.7)**	(50.0)	(72.3)
Dividends payable to minority interests	**(0.2)**	(0.2)	(0.4)
Minority interest arising on acquisition of subsidiary	**–**	0.2	0.2
New share capital subscribed	**–**	2.2	2.2
Purchase of own shares	**–**	(39.1)	(39.1)
Net purchase of shares for employee share ownership trusts	**0.6**	(10.8)	(7.7)
Share-based payments (net of shares transferred to employees)	**2.4**	2.0	4.3
Tax on items taken directly to or transferred from equity	**(6.4)**	(6.0)	5.7
Equity at end of period	**1,211.1**	1,064.9	1,160.3

9 Net debt

	30.9.08 £ million	30.9.07 £ million	31.3.08 £ million
Cash and deposits	**82.3**	90.0	102.1
Bank overdrafts	**(1.6)**	(18.3)	(63.6)
Cash and cash equivalents	**80.7**	71.7	38.5
Current other borrowings and finance leases	**(56.8)**	(13.2)	(58.4)
Non-current swaps related to borrowings	**6.5**	–	12.6
Non-current borrowings, finance leases and related swaps	**(650.2)**	(477.4)	(603.1)
Net debt	**(619.8)**	(418.9)	(610.4)

10 Precious metal operating leases

The group leases precious metals from banks for specified periods (typically a few months) and for which the group pays a fee. These arrangements are classified as operating leases. The group holds sufficient precious metal inventories to meet all the obligations under these lease arrangements as they fall due. At 30th September 2008 precious metal leases were £127.2 million (30th September 2007 £54.9 million, 31st March 2008 £86.1 million).

NOTES ON THE ACCOUNTS

for the six months ended 30th September 2008

11 Acquisitions

On 6th February 2008 the group acquired 100% of the issued share capital of Argillon Group (Argillon). When the accounting records of the insulators and alumina businesses were separated from the other Argillon businesses it was found that the carrying amount of the assets and liabilities immediately prior to acquisition had been incorrectly allocated between the businesses. This changes the fair values at acquisition and the goodwill on acquisition and as a result the balance sheet at 31st March 2008 has been restated.

	Original fair value at time of acquisition £ million	Revised fair value at time of acquisition £ million	Correction to fair value and to 31.3.08 £ million
Property, plant and equipment	31.4	42.7	11.3
Intangible assets – capitalised software	0.4	0.4	–
Intangible assets – patents and trademarks	7.9	7.9	–
Intangible assets – customer contracts and relationships	35.0	35.0	–
Intangible assets – research and technology	16.6	16.6	–
Intangible assets – capitalised development	5.4	5.4	–
Assets classified as held for sale	39.0	24.6	(14.4)
Liabilities classified as held for sale	(24.1)	(9.7)	14.4
Inventories	11.5	11.5	–
Trade and other receivables	30.1	22.5	(7.6)
Cash and cash equivalents	2.3	2.3	–
Current other borrowings	(3.6)	(3.6)	–
Trade and other payables	(26.0)	(26.8)	(0.8)
Current income tax liabilities	(4.8)	(4.8)	–
Deferred income tax liabilities	(22.0)	(21.7)	0.3
Employee benefits obligations	(5.1)	(5.9)	(0.8)
Provisions	(4.6)	(4.6)	–
Total net assets acquired	89.4	91.8	2.4
Goodwill on acquisition	72.5	70.1	(2.4)
Total consideration and costs incurred	161.9	161.9	–

12 Transactions with related parties

The group's associate, AGR Matthey, is a related party. Details of related party transactions for the year ended 31st March 2008 can be found in note 41 on page 102 of the Annual Report and Accounts 2008. There have been no material changes in these relationships in the six months ended 30th September 2008 and no related party transactions have taken place which have materially affected the financial position or the performance of the group during that period.

FINANCIAL CALENDAR

2008

3rd December
Ex dividend date

5th December
Interim dividend record date

2009

3rd February
Payment of interim dividend

4th June
Announcement of results for the year ending 31st March 2009

10th June
Ex dividend date

12th June
Final dividend record date

21st July
118th Annual General Meeting (AGM)

4th August
Payment of final dividend subject to declaration at the AGM