

Directors' Report

The directors submit to shareholders their one hundred and fourteenth annual report, together with the audited accounts of the group for the year ended 31st March 2005. Pages 1 to 49 are an integral part of the report.

Principal Activities

A review of the group's activities and of the development of its businesses and an indication of likely future developments are set out in the Operating and Financial Review on pages 4 to 33.

Dividends

The interim dividend of 8.7 pence per share (2004 8.2 pence) was paid in February 2005. The directors recommend a final dividend of 19.0 pence per share (2004 18.2 pence) making a total for the year of 27.7 pence per share (2004 26.4 pence). Dividends for the year total £59.8 million.

A dividend reinvestment plan is in place which allows shareholders to purchase additional shares in the company with their dividend payment. Further information and a mandate can be obtained from Lloyds TSB Registrars whose details are set out on page 85.

Share Capital

Details of shares allotted during year are set out in note 25 on page 74.

At the Annual General Meeting on 20th July 2004 shareholders approved a resolution for the company to make purchases of its own shares up to a maximum number of 22,061,026 ordinary shares of £1 each. The resolution remains valid until the conclusion of this year's annual general meeting. In its 2004 Interim Report, the company announced its intention to use the cash generated from the proceeds of the programme to improve the returns on underperforming assets to buy back shares. During the period from 28th February 2005 to 16th March 2005 the company purchased 1,604,000 of its ordinary shares of £1 each for an aggregate consideration of £16.3 million. All of the purchased shares were cancelled. The directors consider that these purchases were in the best interests of shareholders generally and have resulted in an increase in earnings per share. The board will seek shareholders' approval to renew the annual authority for the company to make purchases of its own ordinary shares through the market.

Employee Share Schemes

At 31st March 2005 4,020 current and former employees, representing approximately 55% of employees worldwide, were shareholders in Johnson Matthey through the group's employee share schemes, which held 3,471,313 shares (1.58% of issued share capital). A total of 836 current and former executives held options over 7,282,342 shares through the company's executive share option schemes.

Directors

Details of the directors of the company are shown on pages 34 and 35. Mr D W Morgan, Mr A M Thomson and Mr R J W Walvis retire by rotation at the forthcoming AGM and, being eligible, offer themselves for re-election.

Directors' Interests

Details of directors' remuneration, service contracts and interests in the shares of the company are set out in the Remuneration Report on pages 43 to 48.

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

Substantial Shareholders

In accordance with sections 198 to 208 of the Companies Act 1985, the company has been advised of the following interests in its issued share capital as at 27th May 2005:

Scottish Widows Investment Partnership Limited	5.45%
Legal & General Investment Management Limited	3.29%
AXA Investment Managers Limited	3.06%
Morley Fund Management Limited	3.01%

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 2005, the company's aggregate level of 'creditor days' amounted to five 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.

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Donations

During the year the group donated £349,000 (2004 £313,000) to charitable organisations, of which £280,000 (2004 £279,000) was in the UK. There were no political donations made in the year (2004 £ nil).

Directors' Indemnities

The company has granted indemnities to directors under Deed Polls dated 11th May 2004 (in respect of the non-executive directors of the company) and 20th July 2004 (in respect of the executive directors of the company, directors of its subsidiaries and directors of any company to which a group company has nominated or appointed them as directors). These provisions were in force during the year ended 31st March 2005 and remain in force as at the date of this report.

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.

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.

This report was approved by the Board of Directors on 31st May 2005 and is signed on its behalf by:



Simon Farrant
Company Secretary