

NOTES ON THE ACCOUNTS

for the year ended 31st March 2008

1 Segmental information

By business segment

As described in the Annual Report and Accounts for the year ended 31st March 2007, the group reorganised its divisional structure on 1st April 2007 creating a new Environmental Technologies Division and a new Fine Chemicals & Catalysts Division. Fine Chemicals & Catalysts was created by adding the businesses which serve the speciality chemicals and pharmaceutical markets previously reported in Catalysts to Pharmaceutical Materials. Environmental Technologies is made up of the remaining Catalysts' businesses. Hence, for management purposes the group is now organised into three operating divisions – Environmental Technologies, Precious Metal Products and Fine Chemicals & Catalysts. Their principal activities are described on pages 15 to 21. Sales between segments are made at market prices, taking into account the volumes involved.

Year ended 31st March 2008

	Environmental Technologies £ million	Precious Metal Products £ million	Fine Chemicals & Catalysts £ million	Eliminations £ million	Total £ million
Sales to external customers	2,289.7	4,688.1	520.9	–	7,498.7
Inter-segment sales	6.6	1,170.3	101.3	(1,278.2)	–
Total revenue	2,296.3	5,858.4	622.2	(1,278.2)	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 (note 3)	(3.1)	–	–	–	(3.1)
Segment result	144.2	102.1	67.1	–	313.4
Unallocated corporate expenses					(19.7)
Operating profit					293.7
Net finance costs					(30.3)
Share of loss of associate		(1.1)			(1.1)
Profit before tax					262.3
Income tax expense					(77.2)
Profit for the year from continuing operations					185.1
Profit for the year from discontinued operations					0.3
Profit for the year					185.4
Segment assets	1,486.5	281.4	543.9	(78.1)	2,233.7
Investment in associate	–	3.7	–	–	3.7
Cash, deposits and swaps related to borrowings					114.7
Current and deferred income tax assets					28.5
Post-employment benefits net assets					68.5
Assets classified as held for sale					44.6
Unallocated corporate assets					112.6
Total assets					2,606.3
Segment liabilities	346.6	111.5	63.0	(78.1)	443.0
Borrowings, finance leases and related swaps					725.1
Current and deferred income tax liabilities					125.9
Employee benefits obligations					51.3
Liabilities classified as held for sale					21.5
Unallocated corporate liabilities					79.2
Total liabilities					1,446.0
Segment capital expenditure	105.8	12.0	25.0	–	142.8
Corporate capital expenditure					2.2
Total capital expenditure					145.0
Segment depreciation and amortisation	47.6	13.5	17.3	–	78.4
Corporate depreciation					2.0
Total depreciation and amortisation					80.4
Significant non-cash expenses other than depreciation	–	–	–	–	–

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for the year ended 31st March 2008

1 Segmental information (continued) By business segment (continued)

Year ended 31st March 2007 (restated)

	Environmental Technologies £ million	Precious Metal Products £ million	Fine Chemicals & Catalysts £ million	Eliminations £ million	Total £ million
Sales to external customers	1,864.3	3,824.4	463.0	–	6,151.7
Inter-segment sales	2.4	1,162.6	73.4	(1,238.4)	–
Total revenue	1,866.7	4,987.0	536.4	(1,238.4)	6,151.7
External sales excluding the value of precious metals	896.2	290.0	268.0	–	1,454.2
Underlying segment result	122.9	85.3	64.2	–	272.4
Amortisation of acquired intangibles (note 3)	(2.8)	–	–	–	(2.8)
Segment result	120.1	85.3	64.2	–	269.6
Unallocated corporate expenses					(17.2)
Operating profit					252.4
Net finance costs					(26.8)
Share of profit of associate		0.9			0.9
Profit before tax					226.5
Income tax expense					(64.7)
Profit for the year from continuing operations					161.8
Profit for the year from discontinued operations					43.7
Profit for the year					205.5
Segment assets	1,097.0	298.4	538.1	(54.9)	1,878.6
Investment in associate	–	4.8	–	–	4.8
Cash and deposits					73.2
Current and deferred income tax assets					15.9
Post-employment benefits net assets					49.2
Unallocated corporate assets					67.5
Total assets					2,089.2
Segment liabilities	297.8	92.1	53.2	(54.9)	388.2
Borrowings, finance leases and related swaps					438.0
Current and deferred income tax liabilities					89.2
Employee benefits obligations					48.3
Unallocated corporate liabilities					47.4
Total liabilities					1,011.1
Segment capital expenditure	82.4	11.2	19.8	–	113.4
Capital expenditure on discontinued operations					4.5
Corporate capital expenditure					1.9
Total capital expenditure					119.8
Segment depreciation and amortisation	39.3	13.4	17.2	–	69.9
Depreciation on discontinued operations					5.5
Corporate depreciation					2.1
Total depreciation and amortisation					77.5
Significant non-cash expenses other than depreciation	1.5	1.3	–	–	2.8

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for the year ended 31st March 2008

1 Segmental information (continued)

By geographical segment

All the divisions of the group have a presence in each of the geographical segments.

Year ended 31st March 2008

	Europe £ million	North America £ million	Asia £ million	Rest of the World £ million	Eliminations £ million	Total £ million
External sales by geographical destination	3,070.1	2,325.9	1,408.9	693.8	–	7,498.7
Carrying value of segment assets by location	1,524.6	418.6	254.3	171.1	(134.9)	2,233.7
Capital expenditure by location of assets	88.4	32.2	16.5	7.9	–	145.0

Year ended 31st March 2007

	Europe £ million	North America £ million	Asia £ million	Rest of the World £ million	Eliminations £ million	Total £ million
External sales by geographical destination	2,654.5	1,496.3	1,339.8	661.1	–	6,151.7
Carrying value of segment assets by location	1,154.5	478.6	176.7	141.2	(72.4)	1,878.6
Capital expenditure by location of assets	61.7	29.8	17.5	10.8	–	119.8

2 Revenue

	2008 £ million	2007 £ million
Sale of goods	7,361.4	6,021.5
Rendering of services	118.1	109.8
Royalties / licence income	19.2	20.4
Total revenue – continuing operations	7,498.7	6,151.7

3 Amortisation of acquired intangibles

The amortisation of intangible assets which arise on the acquisition of businesses has been separated from administrative expenses and is now shown separately on the face of the income statement. The income statement for the year ended 31st March 2007 has been restated accordingly. It is excluded from underlying operating profit.

4 Fees payable to auditors

	£ million	2008 £ million	£ million	2007 £ million
Fees payable to the company's auditor for the audit of the company's annual accounts		0.5		0.4
Fees payable to the company's auditor and its associates for other services:				
– the audit of the company's subsidiaries, pursuant to legislation	0.7		0.7	
– other services supplied pursuant to legislation	0.1		0.1	
– tax services	0.2		0.3	
– due diligence	0.1		0.2	
Total fees payable to the company's auditor and its associates for other services		1.1		1.3
Total fees payable to the company's auditor		1.6		1.7

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for the year ended 31st March 2008

5 Operating profit

	2008 £ million	2007 restated £ million
Operating profit is arrived at after charging / (crediting):		
Total research and development expenditure	73.0	66.5
less development expenditure capitalised	(9.0)	(7.8)
Research and development charged	64.0	58.7
less external funding received – from government grants	(1.9)	(1.9)
– from other organisations	(3.0)	(2.6)
Net research and development – continuing operations	59.1	54.2
Net research and development – discontinued operations	–	1.5
Net research and development	59.1	55.7
Inventories recognised as an expense – continuing operations	6,551.3	5,300.0
Inventories recognised as an expense – discontinued operations	–	94.9
Inventories recognised as an expense	6,551.3	5,394.9
Write-down of inventories recognised as an expense	5.7	3.2
Reversal of write-down of inventories arising from increases in net realisable value	(0.5)	(0.5)
Net (gains) / losses on foreign exchange – continuing operations	(1.3)	1.7
Net losses on foreign exchange – discontinued operations	–	0.5
Net (gains) / losses on foreign exchange	(1.3)	2.2
Net gains on foreign currency forwards held for trading	–	(0.2)
Cash flow hedges transferred from equity – revenue	2.2	(2.9)
– cost of sales	(2.2)	1.7
– administrative expenses	0.1	–
– total	0.1	(1.2)
Depreciation of property, plant and equipment – continuing operations	68.3	63.1
Depreciation of property, plant and equipment – discontinued operations	–	5.5
Depreciation of property, plant and equipment	68.3	68.6
Amortisation of internally generated intangible assets included in cost of sales	5.3	2.5
Amortisation of other intangible assets included in – cost of sales	2.2	2.1
– distribution costs	0.1	0.1
– administrative expenses	1.4	1.4
– amortisation of acquired intangibles (note 3)	3.1	2.8
Operating lease rentals payable – minimum lease payments – continuing operations	8.6	8.3
Operating lease rentals payable – minimum lease payments – discontinued operations	–	0.3
Operating lease rentals payable – minimum lease payments	8.6	8.6
Operating lease rentals payable – sublease payments received	(0.1)	–

Unless otherwise specified, the items above are for both continuing operations and total group.

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for the year ended 31st March 2008

6 Finance costs

	2008 £ million	2007 £ million
Remaining loss on remeasurement of net investment hedging instruments to fair value	1.7	0.2
Net loss on remeasurement of fair value hedges and related hedged items to fair value	0.6	–
Net losses on financial assets and liabilities classified as held for trading	2.3	0.2
Interest payable on financial liabilities measured at amortised cost	37.5	35.8
Unwinding of discount on provisions	0.1	–
Total finance costs – continuing operations	39.9	36.0

7 Finance income

	2008 £ million	2007 £ million
Interest receivable on interest rate swaps	3.6	5.0
Net gain on remeasurement of fair value hedges and related hedged items to fair value	–	0.3
Net gain on remeasurement of foreign currency swaps held for trading	0.5	0.1
Net gains on financial assets and liabilities classified as held for trading	4.1	5.4
Interest receivable on loans and receivables	5.5	3.8
Total finance income – continuing operations	9.6	9.2

8 Taxation

	2008 £ million	2007 £ million
Current tax		
Corporation tax on profits for the year	96.9	60.9
Adjustment for prior years	0.6	(0.5)
Total current tax	97.5	60.4
Deferred tax		
Origination and reversal of temporary differences	(16.3)	3.9
Changes in tax rates and laws	(0.1)	0.4
Recognition of previously unrecognised deferred tax assets	(0.5)	–
Adjustment to estimated recoverable amount of deferred tax assets arising in prior years	(3.4)	–
Total deferred tax	(20.3)	4.3
Income tax expense – continuing operations	77.2	64.7

The tax charge for the year can be reconciled to the profit per the income statement as follows:

	2008 £ million	2007 £ million
Profit before tax	262.3	226.5
Tax expense at UK corporation tax rate of 30% (2007 30%)	78.7	68.0
Effects of:		
Overseas tax rates	3.3	–
Expenses not deductible for tax purposes	1.0	3.9
Net utilisation of tax losses and tax holidays	(1.7)	(5.7)
Adjustments for prior years	(2.8)	–
Research and development credits	(3.3)	(2.9)
Other	2.0	1.4
Tax expense for the year	77.2	64.7

In July 2007 the UK government enacted a change in the UK corporation tax rate from 30% to 28% effective from 1st April 2008 and so the UK deferred tax balances at 31st March 2008 have been recalculated at the new rate.

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9 Earnings per ordinary share

	2008 pence	2007 pence
Total		
Basic	88.5	96.9
Diluted	87.1	95.4
Continuing		
Basic	88.3	76.5
Diluted	86.9	75.3
Discontinued		
Basic	0.2	20.4
Diluted	0.2	20.1

Earnings per ordinary share have been calculated by dividing the profit attributable to equity holders of the parent company by the weighted average number of shares in issue during the period.

	2008 £ million	2007 £ million
Earnings		
Profit for the year from continuing operations attributable to equity holders of the parent company	185.9	163.0
Profit for the year from discontinued operations attributable to equity holders of the parent company	0.3	43.5
Profit for the year attributable to equity holders of the parent company	186.2	206.5

Profit for the year from discontinued operations attributable to equity holders of the parent company is after taking account of the minority interests of discontinued operations of £ nil (2007 £0.2 million).

	2008	2007 restated
Weighted average number of shares in issue		
Basic	210,502,894	213,219,273
Dilution for share options and long term incentive plans	3,313,868	3,398,990
Diluted	213,816,762	216,618,263

Underlying earnings per ordinary share are calculated as follows:

	2008 £ million	2007 restated £ million
Profit for the year attributable to equity holders of the parent company	186.2	206.5
Amortisation of acquired intangibles	3.1	2.8
Profit on disposal of discontinued operations	-	(34.4)
Tax thereon	(0.9)	0.3
Underlying profit for the year	188.4	175.2

	2008 pence	2007 restated pence
Underlying earnings per share		
Basic	89.5	82.2
Diluted	88.1	80.9

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10 Dividends

	2008 £ million	2007 £ million
2005/06 final ordinary dividend paid – 21.0 pence per share	–	44.9
2006/07 interim ordinary dividend paid – 9.9 pence per share	–	21.1
2006/07 final ordinary dividend paid – 23.7 pence per share	50.0	–
2007/08 interim ordinary dividend paid – 10.6 pence per share	22.3	–
Total dividends	72.3	66.0

A final dividend of 26.0 pence per ordinary share has been proposed by the board which will be paid on 5th August 2008 to shareholders on the register at the close of business on 13th June 2008. The estimated amount to be paid is £54.7 million and has not been recognised in these accounts.

11 Employee and key management personnel costs

11a Employee numbers

	Group		Parent company	
	2008	2007 restated	2008	2007 restated
The average monthly number of employees during the year was:				
Environmental Technologies	4,279	3,711	1,349	1,212
Precious Metal Products	1,957	1,882	852	720
Fine Chemicals & Catalysts	1,664	1,689	400	500
Corporate and Central Research	315	292	281	260
Average number of employees – continuing operations	8,215	7,574	2,882	2,692
Discontinued operations	155	619	–	53
Average number of employees – total	8,370	8,193	2,882	2,745
Actual number of employees at 31st March – continuing operations	8,722	7,795	2,924	2,791
Discontinued operations	927	–	–	–
Actual number of employees at 31st March – total	9,649	7,795	2,924	2,791

The number of temporary employees included above at 31st March 2008 was 303 (2007 178) for the group and 58 (2007 49) for the parent company.

11b Employee benefits expense

	Group		Parent company	
	2008 £ million	2007 £ million	2008 £ million	2007 £ million
Wages and salaries – continuing operations	249.6	229.2	105.3	97.6
Social security costs – continuing operations	24.9	22.4	9.8	8.6
Pension and other post-employment costs – continuing operations	23.2	22.7	13.7	10.4
Share-based payments – continuing operations	9.8	10.9	6.7	9.9
Total employee benefits expense – continuing operations	307.5	285.2	135.5	126.5
Wages and salaries – discontinued operations	1.8	11.9	–	1.3
Social security costs – discontinued operations	0.2	3.1	–	0.1
Pension and other post-employment costs – discontinued operations	0.1	(0.8)	–	(0.8)
Share-based payments – discontinued operations	–	0.9	–	0.9
Total employee benefits expense – discontinued operations	2.1	15.1	–	1.5
Total employee benefits expense	309.6	300.3	135.5	128.0

Termination benefits of £1.2 million (2007 £1.2 million) for group continuing operations and £1.2 million (2007 £1.3 million) for the group are not included above. Termination benefits of £1.1 million (2007 £0.2 million) for parent company continuing operations and £1.1 million (2007 £0.3 million) for the parent company are not included above.

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for the year ended 31st March 2008

11 Employee and key management personnel costs (continued)

11c Key management personnel

The key management of the group and parent company consist of the board of directors and the members of the Chief Executive's Committee (CEC). The CEC has ten members (2007 eight members). Their compensation charged in the year was:

	2008 £ million	2007 £ million
Short term employee benefits	5.9	4.4
Pension and other post-employment costs	0.5	0.3
Share-based payments	1.4	1.7
Non-executive directors' fees and benefits	0.5	0.5
Total compensation of key management personnel	8.3	6.9

Other than the compensation above there were no transactions with any key management personnel. There were no balances outstanding at the year end.

Information on the directors' remuneration is given in the Remuneration Report on pages 45 to 51.

12 Share-based payments

Share options

Equity settled share options were granted to employees at the average of the market value of the company's shares over the three days prior to the date of grant and are subject to performance targets over a three year period and have a maximum life of ten years. The number of shares over which options were granted was based on a percentage of the employee's salary and from 2001 to 2006 approximately 800 employees have been granted options each year. In 2007 a new long term incentive plan was introduced and allocations of shares under this plan replaced the granting of share options. No share options were granted in the year ended 31st March 2008.

Options granted in 2004 to 2006 are subject to a minimum three year performance target of earnings per share (EPS) growth of UK RPI plus 3% per annum. Other performance targets are EPS growth of UK RPI plus 4% per annum and EPS growth of UK RPI plus 5% per annum. If the performance targets are not met at the end of the three year performance period, the options will lapse. Also, gains are capped at 100% of the grant price.

Options granted in 2001 to 2003 can only be exercised if the normalised EPS has grown by at least UK RPI plus 4% per annum over any three consecutive years during the life of the options. They are subject to annual retesting until they lapse on the tenth anniversary of grant. Since the targets have been met all these options are exercisable.

Some options granted in 2000 and before are still outstanding. These were subject to a performance target of EPS growth of UK RPI plus 2% over the three year performance period. Since that target has been met all these options are exercisable.

Long Term Incentive Plan (LTIP)

The new LTIP also replaced share allocations made under the previous LTIP. Under the new LTIP, shares are allocated to approximately 800 employees based on a percentage of salary and are subject to performance targets over a three year period. At 31st March 2008, shares allocated in 2007 were outstanding in respect of which the performance period has not expired. The minimum release of 15% of the allocation is subject to the achievement of a EPS growth of 6% compound per annum over the three year period. For the maximum release of 100% of the allocation, EPS must have grown by at least 15% compound per annum. The number of allocated shares released will vary on a straight line basis between these points. Allocations will lapse if the EPS growth is less than 6% compound per annum over the three year performance period.

Under the old LTIP, shares were allocated to directors and certain key executives of the group based upon a percentage of salary and are subject to performance conditions over a three year period. At 31st March 2008, shares allocated in 2005 and 2006 (at 31st March 2007, shares allocated in 2004, 2005 and 2006) were outstanding in respect of which the performance period has not expired. The release of shares is subject to a relative total shareholder return (TSR) compared to those companies ranked 51 to 150 in the FTSE index over a three year period. All shares are released if the company ranks in the 76th percentile or above. None of the shares are released if the company ranks in the 50th percentile or below. If the company ranks between the percentiles 35% and 100% of the shares are released on a straight line basis. In addition EPS growth must be at least equal to UK RPI plus 2% per annum over the three year performance period before any release is made.

Share Incentive Plan (SIP) – UK and Overseas

Under the SIP, all employees with at least one year of service with the group and who are employed by a participating group company are entitled to contribute up to 2.5% of basic pay each month, subject to a £125 per month limit. The SIP trustees buy shares (partnership shares) at market value each month with the employees' contributions. For each partnership share purchased, the group purchases two shares (matching shares) which are allocated to the employee. In the UK SIP, if the employee sells or transfers partnership shares within three years from the date of allocation, the linked matching shares are forfeited. In the Overseas SIP, partnership shares and matching shares are subject to a three year holding period and cannot be sold or transferred during that time.

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12 Share-based payments (continued)

401k approved savings investment plans (401k plans)

In the US there are two 401k plans, one for salaried employees and one for hourly employees. Salaried employees may contribute up to 50% of their base pay and hourly employees up to 20% of their base pay, both subject to a statutory limit. Salaried employees choosing Johnson Matthey Plc shares matching are matched 100% of the first 4% contributed and hourly employees are matched 50% of the first 2% contributed. Employees may contribute after one month of service and are eligible for matching after one year of service.

Further details of the directors' remuneration under share-based payment plans are given in the Remuneration Report on pages 45 to 51.

Activity relating to share options was:

	2008	2008 Weighted average exercise price pence	2007	2007 Weighted average exercise price pence
	Number of options		Number of options	
Outstanding at the start of the year	9,383,762	1,017.26	8,189,652	948.23
Granted during the year	–	–	1,991,140	1,277.92
Forfeited during the year	(112,788)	1,086.53	(548,057)	999.14
Exercised during the year	(4,324,728)	922.20	(248,973)	871.05
Outstanding at the end of the year	4,946,246	1,098.81	9,383,762	1,017.26
Exercisable at the end of the year	1,387,814	908.05	364,641	771.71

Options were exercised on a regular basis throughout the year. The average share price during the year was 1,727.49 pence (2007 1,411.78 pence).

Details of share options outstanding at the end of the year are:

	2008	2008 Weighted average remaining life years	2007	2007 Weighted average remaining life years
	Number of options		Number of options	
Range of exercise price				
300 pence to 400 pence	300	1.0	601	2.0
400 pence to 500 pence	–	–	307	2.3
500 pence to 600 pence	80,388	1.1	163,282	1.9
600 pence to 700 pence	–	–	262	3.3
800 pence to 900 pence	954,269	5.0	4,324,370	6.4
900 pence to 1,000 pence	73,446	2.3	200,189	3.3
1,000 pence to 1,100 pence	2,105,540	6.8	2,802,497	7.2
1,200 pence to 1,300 pence	1,732,303	8.3	1,892,254	9.3
	4,946,246	6.8	9,383,762	7.1

The fair value of share options granted during the year ended 31st March 2007 was 234.3 pence per option. An adjusted Black-Scholes option pricing model was used to determine the fair value of the options granted. The inputs to the model were share price 1,299 pence, exercise price 1,282 pence, expected volatility 18.7%, expected option life 5 years, expected dividend rate 2.32% and risk free interest rate 4.77%. Expected volatility was determined by calculating the historical volatility of the company's share price over the previous three years. The expected option life took into account the effects of expected early exercise restrictions and behavioural considerations based on the history of previous option grants. Given the low employee turnover and the consistency of the historical average option life Black-Scholes was considered to be a suitable stochastic model to use for fair valuing Johnson Matthey's share options. The Black-Scholes option pricing model was adjusted to take account of the cap which reduces the benefit and cost appearing in the accounts.

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12 Share-based payments (continued)

The fair value of the shares allocated during the year under the LTIP was 1,613.5 pence per share allocation (2007 504.7 pence per share allocation). The fair value was based on the share price at the date of allocation of 1,711.0 pence (2007 1,283.0 pence) adjusted for the present value of the expected dividends that will not be received at an expected dividend rate of 1.96% (2007 2.35%). The fair value of the shares allocated in the year ended 31st March 2007 was adjusted to take account of the TSR performance condition.

Activity relating to the LTIP was:

	2008 Number of allocated shares	2007 Number of allocated shares
Outstanding at the start of the year	1,109,258	1,221,994
Allocated during the year	627,429	336,483
Forfeited during the year	(9,607)	(14,808)
Released during the year	(296,096)	(198,730)
Expired during the year	(120,788)	(235,681)
Outstanding at the end of the year	1,310,196	1,109,258

223,335 (2007 289,696) matching shares under the SIP and 58,876 (2007 71,879) shares under the 401k plans were allocated to employees during the year. They are nil cost awards on which performance conditions are substantially completed at the date of grant. Consequently the fair value of these awards is based on the market value of the shares at that date.

The total expense recognised during the year in respect of equity settled share-based payments, taking into account expected lapses due to leavers and the probability that EPS performance conditions will not be met, was £9.8 million (2007 £11.8 million).

13 Post-employment benefits

13a Group

The group operates a number of post-employment benefits plans around the world, the forms and benefits of which vary with conditions and practices in the countries concerned. The majority of the plans are defined benefit which require contributions to be made into separately administered funds and retirement benefits are based on factors such as employees' pensionable salary and length of service. Some of the plans are defined contribution, where the retirement benefits are determined by the value of funds arising from contributions paid in respect of each employee. The group also makes payments to employees' personal pension plans. The amount recognised as an expense for defined contribution plans was £3.1 million (2007 £2.8 million).

The major defined benefit plans are pension plans and post-retirement medical plans in the UK and the US. The pension plans are final salary plans except for the new section of the UK plan which is a career average salary plan and the US hourly plan which is a fixed benefit based upon years of service. Full actuarial valuations were carried out at 1st April 2006 for the main UK pension plan and 30th June 2007 for the US pension plans and the valuations of all of the UK and US plans were updated to 31st March 2008 by qualified independent actuaries.

The main assumptions were:

	2008 UK plans %	2008 US plans %	2008 Other plans %	2007 UK plans %	2007 US plans %	2007 Other plans %
Rate of increase in salaries	5.00	4.25	2.91	4.60	4.25	3.52
Rate of increase in pensions in payment	3.50	–	2.20	3.10	–	2.13
Discount rate	6.50	6.50	5.45	5.40	6.00	4.87
Inflation	3.50	2.75	1.57	3.10	2.75	2.34
Current medical benefits cost trend rate	7.50	8.00	4.00	7.10	9.00	4.00
Ultimate medical benefits cost trend rate	7.50	5.00	4.00	7.10	5.00	4.00

The group uses certain mortality assumptions when calculating plan obligations. The current mortality assumptions for all major plans retain prudent allowance for future improvements in longevity and take account of experience.

NOTES ON THE ACCOUNTS

for the year ended 31st March 2008

13 Post-employment benefits (continued)

13a Group (continued)

The mortality tables used for the group's largest plan, which is in the UK, at its last full actuarial valuation were PMA92C2006 with a one and a half years positive age rating for male members retiring in normal health and PFA92C2006 with a one and a half years positive age rating for female members retiring in normal health. Allowance for future mortality improvements was made in line with the medium cohort versions of these tables. Shorter longevity assumptions are used for members who retire on grounds of ill-health. These tables have been carried through into the 31st March 2008 update allowing for the expected improvements over the intervening two years. These tables lead to a future lifetime of average members currently at age 63 (the plan's normal retirement age for the majority of its members) and 65 and average members at age 63 and 65 in 23 and 25 years time (i.e. members who are currently aged 40 years) respectively of:

	Currently age 63	Age 63 in 23 years	Currently age 65	Age 65 in 25 years
Male	20.9	22.4	19.0	20.6
Female	24.0	25.4	22.1	23.6

The mortality tables used for the other larger plans were:

US	RP-2000 projected to 2010 using Scale AA
Netherlands	GXAG0550, set back by one year for males and one year for females
Canada	UP 94 generational (including allowance for future mortality improvements)
South Africa	PA(90), rates down two years

A one percentage point change in the assumed medical cost trend rates would have the following effects on:

	One percentage point increase		One percentage point decrease	
	UK plan £ million	US plan £ million	UK plan £ million	US plan £ million
At 31st March 2008				
Post-retirement medical plan expense	0.1	0.3	(0.1)	(0.2)
Post-retirement medical plan defined benefit obligation	1.7	2.7	(1.4)	(2.2)
At 31st March 2007				
Post-retirement medical plan expense	0.2	0.3	(0.1)	(0.2)
Post-retirement medical plan defined benefit obligation	1.8	3.1	(1.5)	(2.4)

A 0.1% change in the discount rate and rate of increase in salaries would have the following effects on the UK pension plan's defined benefit obligation at 31st March 2008:

	0.1% increase £ million	0.1% decrease £ million
Effect of discount rate	(12.5)	12.8
Effect of rate of increase in salaries	3.1	(3.1)

The fair values and expected rates of return for plan assets were:

	UK pensions		US pensions		Other	
	Expected rate of return %	Value £ million	Expected rate of return %	Value £ million	Expected rate of return %	Value £ million
At 31st March 2008						
Equities	8.00	397.2	8.00	55.7	8.79	8.6
Bonds	5.75	364.1	4.80	22.8	4.99	5.1
Property	6.75	48.2	-	-	-	-
Insurance policies	-	-	-	-	5.11	13.4
	6.91	809.5	7.07	78.5	6.26	27.1
At 31st March 2007						
Equities	7.75	440.6	8.00	57.3	7.51	8.4
Bonds	4.90	349.6	5.10	22.2	3.99	6.2
Property	6.25	56.3	-	-	4.00	0.1
Insurance policies	-	-	-	-	4.25	11.6
	6.47	846.5	7.19	79.5	5.23	26.3

The defined benefit pension plans do not invest directly in Johnson Matthey Plc shares and no property or other assets owned by the pension plans is used by the group. The overall expected rate of return is determined on a country by country basis by reference to market expectations for each class of asset. It is based upon the forecasts of actuaries and market professionals.

NOTES ON THE ACCOUNTS

for the year ended 31st March 2008

13 Post-employment benefits (continued)

13a Group (continued)

Movements in the defined benefit obligation during the year were:

	UK pensions £ million	UK post-retirement medical benefits £ million	US pensions £ million	US post-retirement medical benefits £ million	Other £ million	Total £ million
At 1st April 2006	(736.4)	(11.9)	(90.4)	(20.2)	(30.9)	(889.8)
Current service cost – in operating profit	(24.8)	(0.2)	(4.3)	(0.5)	(2.0)	(31.8)
Current service cost – capitalised	(0.1)	–	–	–	–	(0.1)
Past service cost – vested	(0.3)	–	(0.7)	0.8	(1.0)	(1.2)
Past service cost – non-vested	–	–	–	2.9	–	2.9
Interest cost	(35.5)	(0.6)	(4.6)	(0.8)	(1.4)	(42.9)
Employee contributions	(3.4)	–	–	–	(0.2)	(3.6)
Actuarial (loss) / gain	(25.9)	0.8	(1.0)	(1.4)	(1.6)	(29.1)
Curtailment gains	0.9	–	–	–	–	0.9
Benefits paid	24.5	0.3	2.9	0.4	1.1	29.2
Exchange adjustments	–	–	10.7	2.3	2.5	15.5
At 31st March 2007	(801.0)	(11.6)	(87.4)	(16.5)	(33.5)	(950.0)
Current service cost – in operating profit	(24.2)	(0.2)	(4.1)	(0.6)	(1.7)	(30.8)
Current service cost – capitalised	(0.1)	–	–	–	–	(0.1)
Past service cost – vested	(0.7)	–	–	–	(0.1)	(0.8)
Interest cost	(42.5)	(0.6)	(5.1)	(1.0)	(1.5)	(50.7)
Employee contributions	(4.1)	–	–	–	(0.2)	(4.3)
Actuarial gain	99.5	1.2	6.3	1.8	5.1	113.9
Acquisitions	–	–	–	–	(4.1)	(4.1)
Benefits paid	28.7	0.3	2.8	0.4	2.2	34.4
Exchange adjustments	–	–	1.1	0.3	(4.4)	(3.0)
At 31st March 2008	(744.4)	(10.9)	(86.4)	(15.6)	(38.2)	(895.5)

Movements in the fair value of the plan assets during the year were:

	UK pensions £ million	UK post-retirement medical benefits £ million	US pensions £ million	US post-retirement medical benefits £ million	Other £ million	Total £ million
At 1st April 2006	805.1	–	79.0	–	25.1	909.2
Expected return on plan assets	50.4	–	5.2	–	1.3	56.9
Actuarial (loss) / gain	(8.4)	–	2.3	–	2.5	(3.6)
Employee contributions	3.4	–	–	–	0.2	3.6
Company contributions	20.5	0.3	5.4	0.4	2.1	28.7
Benefits paid	(24.5)	(0.3)	(2.9)	(0.4)	(1.1)	(29.2)
Assets distributed on settlements	–	–	–	–	(0.9)	(0.9)
Exchange adjustments	–	–	(9.5)	–	(2.9)	(12.4)
At 31st March 2007	846.5	–	79.5	–	26.3	952.3
Expected return on plan assets	54.6	–	5.6	–	1.5	61.7
Actuarial loss	(87.7)	–	(6.9)	–	(2.8)	(97.4)
Employee contributions	4.1	–	–	–	0.2	4.3
Company contributions	20.7	0.3	4.1	0.4	1.6	27.1
Benefits paid	(28.7)	(0.3)	(2.8)	(0.4)	(2.2)	(34.4)
Exchange adjustments	–	–	(1.0)	–	2.5	1.5
At 31st March 2008	809.5	–	78.5	–	27.1	915.1

The actual return on plan assets for UK plans was a £33.1 million reduction (2007 £42.1 million increase) and for US plans was a £1.3 million reduction (2007 £7.5 million increase).

NOTES ON THE ACCOUNTS

for the year ended 31st March 2008

13 Post-employment benefits (continued)

13a Group (continued)

Movements in the reimbursement rights during the year were:

	UK pensions £ million	UK post-retirement medical benefits £ million	US pensions £ million	US post- retirement medical benefits £ million	Other £ million	Total £ million
At 1st April 2006	-	-	-	2.6	-	2.6
Expected return	-	-	-	0.1	-	0.1
Actuarial gain	-	-	-	0.4	-	0.4
Exchange adjustments	-	-	-	(0.3)	-	(0.3)
At 31st March 2007	-	-	-	2.8	-	2.8
Expected return	-	-	-	0.2	-	0.2
Actuarial loss	-	-	-	(0.3)	-	(0.3)
Exchange adjustments	-	-	-	(0.1)	-	(0.1)
At 31st March 2008	-	-	-	2.6	-	2.6

The net post-employment benefits assets and liabilities shown in the balance sheet are analysed as:

	UK pensions £ million	UK post- retirement medical benefits £ million	US pensions £ million	US post- retirement medical benefits £ million	Other £ million	Total £ million
At 31st March 2008						
Present value of funded obligations	(744.4)	-	(86.4)	-	(30.4)	(861.2)
Present value of unfunded obligations	-	(10.9)	-	(15.6)	(7.8)	(34.3)
Defined benefit obligation	(744.4)	(10.9)	(86.4)	(15.6)	(38.2)	(895.5)
Fair value of plan assets	809.5	-	78.5	-	27.1	915.1
Reimbursement rights	-	-	-	2.6	-	2.6
Unrecognised past service credit – non-vested	-	-	-	(2.5)	-	(2.5)
Net post-employment benefits assets and liabilities	65.1	(10.9)	(7.9)	(15.5)	(11.1)	19.7
At 31st March 2007						
Present value of funded obligations	(801.0)	-	(87.4)	-	(30.2)	(918.6)
Present value of unfunded obligations	-	(11.6)	-	(16.5)	(3.3)	(31.4)
Defined benefit obligation	(801.0)	(11.6)	(87.4)	(16.5)	(33.5)	(950.0)
Fair value of plan assets	846.5	-	79.5	-	26.3	952.3
Reimbursement rights	-	-	-	2.8	-	2.8
Unrecognised past service credit – non-vested	-	-	-	(2.8)	-	(2.8)
Net post-employment benefits assets and liabilities	45.5	(11.6)	(7.9)	(16.5)	(7.2)	2.3

These are included in the balance sheet as:

	2008 Post- employment benefits net assets £ million	2008 Employee benefits obligations £ million	2008 Total £ million	2007 Post- employment benefits net assets £ million	2007 Employee benefits obligations £ million	2007 Total £ million
UK pension plans	65.1	-	65.1	45.5	-	45.5
UK post-retirement medical benefits plan	-	(10.9)	(10.9)	-	(11.6)	(11.6)
US pension plans	-	(7.9)	(7.9)	-	(7.9)	(7.9)
US post-retirement medical benefits plan	-	(15.5)	(15.5)	-	(16.5)	(16.5)
Other plans	3.4	(14.5)	(11.1)	3.7	(10.9)	(7.2)
Total post-employment plans	68.5	(48.8)	19.7	49.2	(46.9)	2.3
Other long term employee benefits	-	(2.5)	-	-	(1.4)	-
Total long term employee benefits obligations		(51.3)			(48.3)	

NOTES ON THE ACCOUNTS

for the year ended 31st March 2008

13 Post-employment benefits (continued)

13a Group (continued)

Amounts recognised in the income statement in respect of these plans were:

	UK pensions £ million	UK post-retirement medical benefits £ million	US pensions £ million	US post-retirement medical benefits £ million	Other £ million	Total £ million
Year ended 31st March 2008						
Current service cost	(24.2)	(0.2)	(4.1)	(0.6)	(1.7)	(30.8)
Interest on plan liabilities	(42.5)	(0.6)	(5.1)	(1.0)	(1.5)	(50.7)
Expected return on plan assets	54.6	–	5.6	–	1.5	61.7
Expected return on reimbursement rights	–	–	–	0.2	–	0.2
Past service cost – vested	(0.7)	–	–	–	(0.1)	(0.8)
Past service cost – non-vested	–	–	–	0.3	–	0.3
Charge to income	(12.8)	(0.8)	(3.6)	(1.1)	(1.8)	(20.1)
Year ended 31st March 2007						
Current service cost	(24.8)	(0.2)	(4.3)	(0.5)	(2.0)	(31.8)
Interest on plan liabilities	(35.5)	(0.6)	(4.6)	(0.8)	(1.4)	(42.9)
Expected return on plan assets	50.4	–	5.2	–	1.3	56.9
Expected return on reimbursement rights	–	–	–	0.1	–	0.1
Curtailment gains	0.9	–	–	–	–	0.9
Settlement losses	–	–	–	–	(0.9)	(0.9)
Past service cost	(0.3)	–	(0.7)	0.8	(1.0)	(1.2)
Charge to income	(9.3)	(0.8)	(4.4)	(0.4)	(4.0)	(18.9)

Of the total charge for the year, £12.2 million (2007 £12.5 million) has been included within cost of sales, £2.3 million (2007 £2.4 million) in distribution costs, £5.6 million (2007 £4.8 million) in administrative expenses and £ nil (2007 £0.8 million credit) in the profit for the year from discontinued operations.

The cumulative amount of actuarial gains / (losses) recognised in the statement of recognised income and expense were:

	UK pensions £ million	UK post-retirement medical benefits £ million	US pensions £ million	US post-retirement medical benefits £ million	Other £ million	Total £ million
At 1st April 2006	14.4	(1.6)	(5.3)	0.1	(4.1)	3.5
Recognised in year	(34.3)	0.8	1.3	(1.0)	0.9	(32.3)
At 31st March 2007	(19.9)	(0.8)	(4.0)	(0.9)	(3.2)	(28.8)
Recognised in year	11.8	1.2	(0.6)	1.5	2.3	16.2
At 31st March 2008	(8.1)	0.4	(4.6)	0.6	(0.9)	(12.6)

It is estimated that the group will contribute about £28 million to the post-employment defined benefit plans during the year ending 31st March 2009.

NOTES ON THE ACCOUNTS

for the year ended 31st March 2008

13 Post-employment benefits (continued)

13a Group (continued)

History of the plans and experience adjustments are:

	UK pensions £ million	UK post- retirement medical benefits £ million	US pensions £ million	US post- retirement medical benefits £ million	Other £ million	Total £ million
Year ended 31st March 2008						
Present value of defined benefit obligation	(744.4)	(10.9)	(86.4)	(15.6)	(38.2)	(895.5)
Fair value of plan assets	809.5	–	78.5	–	27.1	915.1
Reimbursement rights	–	–	–	2.6	–	2.6
Surplus / (deficit) in the plan	65.1	(10.9)	(7.9)	(13.0)	(11.1)	22.2
Experience adjustments arising on plan liabilities	(3.0)	–	5.9	1.8	(0.4)	4.3
Experience adjustments arising on plan assets	(87.7)	–	(6.9)	–	(2.8)	(97.4)
Year ended 31st March 2007						
Present value of defined benefit obligation	(801.0)	(11.6)	(87.4)	(16.5)	(33.5)	(950.0)
Fair value of plan assets	846.5	–	79.5	–	26.3	952.3
Reimbursement rights	–	–	–	2.8	–	2.8
Surplus / (deficit) in the plan	45.5	(11.6)	(7.9)	(13.7)	(7.2)	5.1
Experience adjustments arising on plan liabilities	(44.4)	0.5	(1.0)	(0.8)	2.8	(42.9)
Experience adjustments arising on plan assets	(8.3)	–	2.3	–	0.3	(5.7)
Year ended 31st March 2006						
Present value of defined benefit obligation	(736.4)	(11.9)	(90.4)	(20.2)	(30.9)	(889.8)
Fair value of plan assets	805.1	–	79.0	–	25.1	909.2
Reimbursement rights	–	–	–	2.6	–	2.6
Surplus / (deficit) in the plan	68.7	(11.9)	(11.4)	(17.6)	(5.8)	22.0
Experience adjustments arising on plan liabilities	0.7	1.7	(1.2)	0.3	(1.0)	0.5
Experience adjustments arising on plan assets	79.7	–	1.0	–	(0.2)	80.5
Year ended 31st March 2005						
Present value of defined benefit obligation	(613.6)	(10.0)	(75.7)	(17.9)	(21.3)	(738.5)
Fair value of plan assets	657.4	–	64.1	–	14.9	736.4
Reimbursement rights	–	–	–	2.0	–	2.0
Surplus / (deficit) in the plan	43.8	(10.0)	(11.6)	(15.9)	(6.4)	(0.1)
Experience adjustments arising on plan liabilities	0.8	0.4	(0.6)	(0.9)	(1.1)	(1.4)
Experience adjustments arising on plan assets	26.0	–	(1.1)	–	0.4	25.3

NOTES ON THE ACCOUNTS

for the year ended 31st March 2008

13 Post-employment benefits (continued)

13b Parent company

The parent company is the sponsoring employer of the group's UK defined benefit pension plan and the UK post-retirement medical benefits plan. There is no contractual agreement or stated policy for charging the net defined benefit cost for the plan to the individual group entities. The main assumptions used for these plans are disclosed in note 13a.

The fair values and expected rates of return for defined benefit pension plan assets were:

	2008 Expected rate of return %	2008 Value £ million	2007 Expected rate of return %	2007 Value £ million
Equities	8.00	397.2	7.75	440.6
Bonds	5.75	364.1	4.90	349.6
Property	6.75	48.2	6.25	56.3
	6.91	809.5	6.47	846.5

The defined benefit pension plan does not invest directly in Johnson Matthey Plc shares and no property or other assets owned by the pension plan is used by the company. The overall expected rate of return is determined by reference to market expectations for each class of asset. It is based upon the forecasts of actuaries and market professionals.

Movements in the defined benefit obligation during the year were:

	2008 Pension £ million	2008 Post- retirement medical benefits £ million	2007 Pension £ million	2007 Post- retirement medical benefits £ million
At beginning of year	(801.0)	(11.6)	(703.3)	(11.9)
Current service cost – in operating profit	(24.2)	(0.2)	(23.9)	(0.2)
Current service cost – capitalised	(0.1)	–	(0.1)	–
Past service cost – vested	(0.7)	–	(0.3)	–
Interest cost	(42.5)	(0.6)	(34.7)	(0.6)
Employee contributions	(4.1)	–	(3.2)	–
Actuarial gain / (loss)	99.5	1.2	(26.5)	0.8
Curtailment gains	–	–	0.9	–
Benefits paid	28.7	0.3	24.4	0.3
Transfer of plan from subsidiary	–	–	(34.3)	–
At end of year	(744.4)	(10.9)	(801.0)	(11.6)

Movements in the fair value of the plan assets during the year were:

	2008 Pension £ million	2008 Post- retirement medical benefits £ million	2007 Pension £ million	2007 Post- retirement medical benefits £ million
At beginning of year	846.5	–	773.9	–
Expected return on plan assets	54.6	–	49.2	–
Actuarial loss	(87.7)	–	(6.5)	–
Employee contributions	4.1	–	3.2	–
Company contributions	20.7	0.3	19.9	0.3
Benefits paid	(28.7)	(0.3)	(24.4)	(0.3)
Transfer of plan from subsidiary	–	–	31.2	–
At end of year	809.5	–	846.5	–

The actual return on plan assets was a £33.1 million reduction (2007 £42.7 million increase).

NOTES ON THE ACCOUNTS

for the year ended 31st March 2008

13 Post-employment benefits (continued)

13b Parent company (continued)

The net post-employment benefits assets and liabilities shown in the balance sheet are analysed as:

	2008	2008 Post- retirement medical benefits £ million	2007	2007 Post- retirement medical benefits £ million
	Pension £ million		Pension £ million	
Present value of funded obligations	(744.4)	–	(801.0)	–
Present value of unfunded obligations	–	(10.9)	–	(11.6)
Defined benefit obligation	(744.4)	(10.9)	(801.0)	(11.6)
Fair value of plan assets	809.5	–	846.5	–
Net retirement benefits assets and liabilities	65.1	(10.9)	45.5	(11.6)
Other long term employee benefits		(0.1)		(0.1)
Total long term employee benefits obligations		(11.0)		(11.7)

The cumulative amount of actuarial gains / (losses) recognised in the statement of recognised income and expense were:

	2008	2008 Post- retirement medical benefits £ million	2007	2007 Post- retirement medical benefits £ million
	Pension £ million		Pension £ million	
At beginning of year	(21.3)	(0.8)	11.7	(1.6)
Recognised in year	11.8	1.2	(33.0)	0.8
At end of year	(9.5)	0.4	(21.3)	(0.8)

It is estimated that the company will contribute about £20 million to the post-employment defined benefit plans during the year ending 31st March 2009.

History of the plans and experience adjustments are:

	Present value of defined benefit obligation £ million	Fair value of plan assets £ million	Surplus / (deficit) in plan £ million	Experience adjustments arising on plan liabilities £ million	Experience adjustments arising on plan assets £ million
Year ended 31st March 2008					
Pension	(744.4)	809.5	65.1	(3.0)	(87.7)
Post-retirement medical benefits	(10.9)	–	(10.9)	–	–
Year ended 31st March 2007					
Pension	(801.0)	846.5	45.5	(41.0)	(6.5)
Post-retirement medical benefits	(11.6)	–	(11.6)	0.5	–
Year ended 31st March 2006					
Pension	(703.3)	773.9	70.6	0.8	75.2
Post-retirement medical benefits	(11.9)	–	(11.9)	1.7	–
Year ended 31st March 2005					
Pension	(613.6)	657.4	43.8	0.8	26.0
Post-retirement medical benefits	(10.0)	–	(10.0)	0.4	–

NOTES ON THE ACCOUNTS

for the year ended 31st March 2008

14 Property, plant and equipment

14a Group

	Freehold land & buildings £ million	Long & short leasehold £ million	Plant & machinery £ million	Assets in the course of construction £ million	Total £ million
Cost					
At 1st April 2006	269.1	17.5	782.1	55.2	1,123.9
Additions	10.0	0.9	63.4	35.8	110.1
Acquisitions	0.1	–	0.6	–	0.7
Reclassifications	3.1	0.2	40.6	(43.9)	–
Transferred to non-current assets classified as held for sale	–	–	(4.5)	–	(4.5)
Disposals	(1.6)	(0.1)	(10.5)	–	(12.2)
Disposal of businesses (note 40)	(27.4)	(0.4)	(64.9)	(5.3)	(98.0)
Exchange adjustments	(16.3)	(0.8)	(50.1)	(3.8)	(71.0)
At 31st March 2007	237.0	17.3	756.7	38.0	1,049.0
Additions	13.0	0.2	75.0	45.1	133.3
Acquisitions (note 39)	19.8	–	7.8	3.9	31.5
Reclassifications	4.9	(0.3)	26.9	(31.5)	–
Disposals	(1.8)	–	(17.5)	–	(19.3)
Exchange adjustments	6.4	2.0	12.2	1.6	22.2
At 31st March 2008	279.3	19.2	861.1	57.1	1,216.7
Accumulated depreciation and impairment					
At 1st April 2006	66.3	7.3	389.2	–	462.8
Charge for the year	7.7	0.8	60.1	–	68.6
Reclassifications	(0.7)	–	0.7	–	–
Impairment losses (note 24)	–	–	0.9	–	0.9
Transferred to non-current assets classified as held for sale	–	–	(4.1)	–	(4.1)
Disposals	(0.7)	(0.1)	(6.8)	–	(7.6)
Disposal of businesses (note 40)	(5.2)	(0.1)	(36.1)	–	(41.4)
Exchange adjustments	(4.5)	(0.3)	(26.1)	–	(30.9)
At 31st March 2007	62.9	7.6	377.8	–	448.3
Charge for the year	8.0	0.8	59.5	–	68.3
Reclassifications	–	(0.3)	0.3	–	–
Disposals	(1.1)	–	(15.6)	–	(16.7)
Exchange adjustments	1.7	0.9	7.9	–	10.5
At 31st March 2008	71.5	9.0	429.9	–	510.4
Carrying amount at 31st March 2008	207.8	10.2	431.2	57.1	706.3
Carrying amount at 31st March 2007	174.1	9.7	378.9	38.0	600.7
Carrying amount at 1st April 2006	202.8	10.2	392.9	55.2	661.1

The carrying amount of plant and machinery includes £2.7 million (2007 £3.2 million) in respect of assets held under finance leases. Compensation received for impaired or lost property, plant and equipment was £ nil (2007 £ nil).

NOTES ON THE ACCOUNTS

for the year ended 31st March 2008

14 Property, plant and equipment (continued)

14b Parent company

	Freehold land & buildings £ million	Long & short leasehold £ million	Plant & machinery £ million	Assets in the course of construction £ million	Total £ million
Cost					
At 1st April 2006	78.9	1.9	291.8	15.0	387.6
Additions	5.6	–	24.8	13.0	43.4
Acquisitions	–	–	0.3	–	0.3
Reclassifications	1.3	–	14.7	(16.0)	–
Disposals	(0.3)	–	(3.4)	–	(3.7)
Disposal of businesses	(1.2)	–	(2.5)	–	(3.7)
At 31st March 2007	84.3	1.9	325.7	12.0	423.9
Additions	8.7	–	46.0	11.1	65.8
Reclassifications	0.2	(0.3)	10.9	(10.8)	–
Disposals	(1.1)	–	(7.4)	–	(8.5)
At 31st March 2008	92.1	1.6	375.2	12.3	481.2
Accumulated depreciation and impairment					
At 1st April 2006	24.0	1.8	126.2	–	152.0
Charge for the year	2.4	–	24.5	–	26.9
Reclassifications	(0.7)	–	0.7	–	–
Disposals	(0.2)	–	(2.9)	–	(3.1)
Disposal of businesses	(0.2)	–	(0.9)	–	(1.1)
At 31st March 2007	25.3	1.8	147.6	–	174.7
Charge for the year	3.4	–	26.0	–	29.4
Reclassifications	–	(0.3)	0.3	–	–
Disposals	(0.6)	–	(5.6)	–	(6.2)
At 31st March 2008	28.1	1.5	168.3	–	197.9
Carrying amount at 31st March 2008	64.0	0.1	206.9	12.3	283.3
Carrying amount at 31st March 2007	59.0	0.1	178.1	12.0	249.2
Carrying amount at 1st April 2006	54.9	0.1	165.6	15.0	235.6

The carrying amount of plant and machinery includes £2.7 million (2007 £3.2 million) in respect of assets held under finance leases.

NOTES ON THE ACCOUNTS

for the year ended 31st March 2008

15 Goodwill

	Group £ million	Parent company £ million
Cost		
At 1st April 2006	403.1	248.2
Additions, fair value adjustments and adjustments to consideration (note 39)	4.3	1.3
Disposals (note 40)	(0.4)	–
Exchange adjustments	(7.8)	–
At 31st March 2007	399.2	249.5
Additions, fair value adjustments and adjustments to consideration (note 39)	72.6	–
Exchange adjustments	11.0	–
At 31st March 2008	482.8	249.5
Impairment		
At 1st April 2006, 31st March 2007 and 31st March 2008	–	–
Carrying amount at 31st March 2008	482.8	249.5
Carrying amount at 31st March 2007	399.2	249.5
Carrying amount at 1st April 2006	403.1	248.2

Goodwill arising on the acquisition of businesses is allocated, at acquisition, to the cash-generating units (CGUs) that are expected to benefit from that business combination. As a result of the change in divisional structure (note 1) the cash-generating units have been reorganised onto the same basis. Goodwill is allocated as follows:

	Group 2008 £ million	2007 restated £ million	Parent company 2008 £ million	2007 restated £ million
Environmental Technologies				
Argillon Group	77.6	–	–	–
Process Technologies	223.0	216.9	132.4	132.4
Other Environmental Technologies	2.6	3.4	–	–
Precious Metal Products	4.2	3.9	–	–
Fine Chemicals & Catalysts				
Macfarlan Smith (including the business of United Pharmaceuticals Limited)	117.1	117.1	117.1	117.1
Catalysts and Chemicals	19.6	19.0	–	–
Pharma Services / Ireland	17.4	17.6	–	–
Research Chemicals	21.3	21.3	–	–
	482.8	399.2	249.5	249.5

The group and parent company test goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. The recoverable amounts of the CGUs are determined using value in use calculations which use cash flow projections based on financial budgets and plans approved by management, generally covering a three year period. The budgets and plans are based on a number of key assumptions including market share, expected changes to selling prices, product profitability, the likelihood and timing of new product launches, foreign exchange rates, precious metal prices and other direct input costs. Market share, changes in selling prices, product profitability, precious metal prices and other direct input costs are based on past experience and management's expectations of future changes in the markets using external sources of information where appropriate. Foreign exchange rates are based on actual rates at the time the budgets were prepared and are held constant over the three years. New product launches are based on management's best estimate of what may happen. Apart from as discussed below, it is not considered that a reasonably possible change in any of these assumptions would generate a different impairment test outcome. These cash flows are then extrapolated using the long term average growth rates for the relevant products, industries and countries in which the CGUs operate. The cash flows are discounted at the group's estimated pre-tax weighted average cost of capital of 11.3% (2007 11.2%), as this is considered to be a discount rate a typical third party purchaser would also use to value the significant CGUs.

For Process Technologies the long term average growth rate is 8% (2007 5%), for Research Chemicals 5% (2007 5%), for Catalysts and Chemicals 5% (2007 4%), for Macfarlan Smith 5% (2007 5%) and for Argillon Group 10%.

For Pharma Services / Ireland, where its cash flows are expected to grow significantly due to new prostaglandin product launches over the next few years, cash flow projections cover a four (2007 five) year period and then a long term average growth rate of 5% (2007 6%) is used to extrapolate these cash flows. If some of these product launches do not happen as expected an impairment loss may arise.

NOTES ON THE ACCOUNTS

for the year ended 31st March 2008

16 Other intangible assets

16a Group

	Customer contracts and relationships £ million	Computer software £ million	Patents, trademarks and licences £ million	Acquired research and technology £ million	Development expenditure £ million	Total £ million
Cost						
At 1st April 2006	6.9	31.1	2.6	–	26.7	67.3
Additions	–	1.9	–	–	7.8	9.7
Acquisitions	0.4	–	–	–	–	0.4
Disposals	–	(0.7)	–	–	–	(0.7)
Disposal of businesses	–	(0.1)	–	–	–	(0.1)
Exchange adjustments	(0.1)	(1.4)	–	–	(2.1)	(3.6)
At 31st March 2007	7.2	30.8	2.6	–	32.4	73.0
Additions	–	2.5	0.2	–	9.0	11.7
Acquisitions (note 39)	35.1	0.4	7.9	16.6	5.4	65.4
Disposals	–	(0.8)	(0.6)	–	–	(1.4)
Exchange adjustments	2.3	1.1	0.5	1.2	1.1	6.2
At 31st March 2008	44.6	34.0	10.6	17.8	47.9	154.9
Accumulated amortisation and impairment						
At 1st April 2006	1.0	20.1	–	–	4.9	26.0
Charge for the year	3.0	3.1	0.3	–	2.5	8.9
Disposals	–	(0.6)	–	–	–	(0.6)
Disposal of businesses	–	(0.1)	–	–	–	(0.1)
Exchange adjustments	(0.1)	(1.0)	–	–	(0.2)	(1.3)
At 31st March 2007	3.9	21.5	0.3	–	7.2	32.9
Charge for the year	2.6	3.2	1.0	–	5.3	12.1
Disposals	–	(0.8)	(0.6)	–	–	(1.4)
Exchange adjustments	0.2	0.7	–	–	0.1	1.0
At 31st March 2008	6.7	24.6	0.7	–	12.6	44.6
Carrying amount at 31st March 2008	37.9	9.4	9.9	17.8	35.3	110.3
Carrying amount at 31st March 2007	3.3	9.3	2.3	–	25.2	40.1
Carrying amount at 1st April 2006	5.9	11.0	2.6	–	21.8	41.3

The carrying amount of development expenditure includes £23.9 million (2007 £11.1 million) which is not yet being amortised as the assets are not yet available for use. The acquired research and technology is not yet being amortised as it is not yet available for use. These assets are tested for impairment annually and no impairment has been found.

NOTES ON THE ACCOUNTS

for the year ended 31st March 2008

16 Other intangible assets (continued)

16b Parent company

	Computer software £ million	Development expenditure £ million	Total £ million
Cost			
At 1st April 2006	12.7	3.7	16.4
Additions	0.9	0.3	1.2
Disposals	(0.2)	–	(0.2)
At 31st March 2007	13.4	4.0	17.4
Additions	0.9	0.8	1.7
At 31st March 2008	14.3	4.8	19.1
Accumulated amortisation and impairment			
At 1st April 2006	8.2	2.1	10.3
Charge for the year	1.4	0.4	1.8
Disposals	(0.2)	–	(0.2)
At 31st March 2007	9.4	2.5	11.9
Charge for the year	1.3	0.4	1.7
At 31st March 2008	10.7	2.9	13.6
Carrying amount at 31st March 2008	3.6	1.9	5.5
Carrying amount at 31st March 2007	4.0	1.5	5.5
Carrying amount at 1st April 2006	4.5	1.6	6.1

The carrying amount of development expenditure includes £1.4 million (2007 £0.6 million) which is not yet being amortised as the assets are not yet available for use. These assets are tested for impairment annually and no impairment has been found.

17 Investments in subsidiaries

	Cost of investments in subsidiaries £ million	Accumulated impairment £ million	Carrying amount £ million
At 1st April 2006 (restated)	497.8	(2.0)	495.8
Additions	0.2	–	0.2
Cost of share-based payments granted to subsidiaries' employees	3.3	–	3.3
Capital reduction of subsidiary	(2.7)	–	(2.7)
Impairment loss	–	(147.5)	(147.5)
At 31st March 2007 (restated)	498.6	(149.5)	349.1
Additional shares issued by subsidiary	39.4	–	39.4
At 31st March 2008	538.0	(149.5)	388.5

The principal subsidiaries are shown on page 103.

In the year ended 31st March 2007, as a result of group restructurings the parent company wrote down its investments in subsidiaries.

NOTES ON THE ACCOUNTS

for the year ended 31st March 2008

18 Investment in associate

	2008 £ million	2007 £ million
At beginning of year	4.8	4.3
Group's share of (loss) / profit of associate for the year	(1.1)	0.9
Group's share of associate's cash flow hedging movement	(0.1)	–
Dividends paid	(0.4)	(0.5)
Exchange adjustments	0.5	0.1
At end of year	<u>3.7</u>	<u>4.8</u>

The group's associate is AGR Matthey, which is a partnership operating in Australia in which the group has a 20% interest.

Summarised financial information in respect of the group's associate is:

	2008 £ million	2007 £ million
Total assets	43.0	47.8
Total liabilities	(30.3)	(30.8)
Net assets	<u>12.7</u>	<u>17.0</u>
Total revenue	22.7	23.7
Total (loss) / profit for the year	(5.5)	4.7

19 Available-for-sale investments

	2008 £ million	2007 £ million
Non-current		
Unquoted investments	5.2	4.8
Non-current available-for-sale investments	<u>5.2</u>	<u>4.8</u>
Current		
Investments quoted on the London Stock Exchange	–	0.2
Current available-for-sale investments	<u>–</u>	<u>0.2</u>

20 Inventories

	Group		Parent company	
	2008 £ million	2007 £ million	2008 £ million	2007 £ million
Raw materials and consumables	75.9	83.2	26.3	26.3
Work in progress – precious metals	70.4	85.2	–	8.4
– other	68.8	52.5	34.4	34.0
Finished goods and goods for resale	165.3	141.8	35.6	30.5
	<u>380.4</u>	<u>362.7</u>	<u>96.3</u>	<u>99.2</u>

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

21 Construction contracts

	Group	
	2008 £ million	2007 £ million
Contract revenue recognised	45.7	48.1
Contracts in progress at the year end:		
Costs incurred plus recognised profits less recognised losses to date	45.4	46.7
Amount of advances received	26.7	15.5

NOTES ON THE ACCOUNTS

for the year ended 31st March 2008

22 Trade and other receivables

	Group		Parent company	
	2008 £ million	2007 £ million	2008 £ million	2007 £ million
Current				
Trade receivables	568.9	469.5	234.1	185.0
Amounts receivable from construction contract customers	8.8	10.3	–	–
Amounts receivable from subsidiaries	–	–	1,159.5	814.0
Amounts receivable from subsidiaries classified as held for sale	8.2	–	–	–
Prepayments and accrued income	41.9	29.6	22.1	10.8
Other receivables	27.1	17.9	4.0	7.0
Current trade and other receivables	654.9	527.3	1,419.7	1,016.8
Non-current				
Amounts receivable from subsidiaries	–	–	377.7	297.4
Prepayments and accrued income	0.3	0.2	–	–
Other receivables	0.1	0.2	–	–
Non-current trade and other receivables	0.4	0.4	377.7	297.4

23 Trade and other payables

	Group		Parent company	
	2008 £ million	2007 £ million	2008 £ million	2007 £ million
Current				
Trade payables	224.0	243.1	56.2	59.1
Amounts payable to construction contract customers	25.9	20.4	–	–
Amounts payable to subsidiaries	–	–	979.0	656.7
Accruals and deferred income	166.6	120.4	71.3	44.7
Other payables	65.1	32.1	38.0	13.2
Current trade and other payables	481.6	416.0	1,144.5	773.7
Non-current				
Amounts payable to subsidiaries	–	–	126.5	83.7
Accruals and deferred income	1.9	–	–	–
Other payables	1.1	1.2	–	–
Non-current trade and other payables	3.0	1.2	126.5	83.7

24 Assets and liabilities classified as held for sale

	Group		Parent company	
	2008 £ million	2007 £ million	2008 £ million	2007 £ million
Insulators and alumina business' assets (note 40)	37.5	–	–	–
Land at Meir, UK	7.1	–	7.1	–
Hong Kong refinery business' plant and machinery	–	0.4	–	–
	44.6	0.4	7.1	–
Insulators and alumina business' liabilities (note 40)	21.5	–	–	–

On 9th January 2008 the parent company agreed to sell some surplus land in Meir, UK subject to the purchaser being granted planning permission.

At the end of March 2007 a contract was signed to sell the Hong Kong refinery business and this was completed on 4th May 2007. At 31st March 2007 the plant and machinery had been written down to fair value less costs to sell and transferred to non-current assets classified as held for sale. The impairment of £0.9 million was charged to other cost of sales in the year ended 31st March 2007.

NOTES ON THE ACCOUNTS

for the year ended 31st March 2008

25 Net debt

	Group		Parent company	
	2008 £ million	2007 £ million	2008 £ million	2007 £ million
Non-current borrowings, finance leases and related swaps				
Bank, other loans and related swaps				
5.67% US Dollar Bonds 2016	81.3	75.4	81.3	75.4
4.95% US Dollar Bonds 2015	107.0	98.9	107.0	98.9
5.55% US Dollar Bonds 2013	50.3	51.0	50.3	51.0
5.17% Sterling Bonds 2013	40.0	40.0	40.0	40.0
4.935% US Dollar European Investment Bank (EIB) Loan 2011	50.3	51.0	50.3	51.0
4.25% US Dollar Bonds 2010	15.1	15.3	15.1	15.3
Interest rate swaps designated as fair value hedges	–	3.3	–	3.3
Cross currency interest rate swaps designated as cash flow hedges	6.8	7.7	6.8	7.7
Other repayable after five years	25.4	25.5	25.1	25.5
Other repayable from four to five years	0.2	4.6	–	–
Other repayable from three to four years	4.5	18.7	–	18.5
Other repayable from two to three years	165.2	15.7	164.9	15.4
Other repayable from one to two years	54.1	0.3	53.9	–
Finance leases repayable				
After five years	1.7	2.0	1.7	2.0
From four to five years	0.3	0.2	0.3	0.2
From three to four years	0.3	0.3	0.3	0.3
From two to three years	0.3	0.3	0.3	0.3
From one to two years	0.3	0.3	0.3	0.3
Non-current borrowings, finance leases and related swaps	603.1	410.5	597.6	405.1
Current borrowings and finance leases				
Bank overdrafts	63.6	13.2	20.1	17.4
Other bank and other loans	58.1	14.0	34.3	2.4
Finance leases	0.3	0.3	0.2	0.3
Current borrowings and finance leases	122.0	27.5	54.6	20.1
Total borrowings, finance leases and related swaps	725.1	438.0	652.2	425.2
Less interest rate swaps designated as fair value hedges	12.6	–	12.6	–
Less cash and deposits	102.1	73.2	25.2	9.9
Net debt	610.4	364.8	614.4	415.3

Of the 4.95% US Dollar Bonds 2015, US \$35.0 million have been swapped into sterling at 5.15% and US \$165.0 million have been swapped into floating rate US dollars. All the 4.25% US Dollar Bonds 2010 have been swapped into sterling at 4.93%. All the 5.67% US Dollar Bonds 2016 have been swapped into floating rate US dollars. The interest rate implicit in the finance leases is 5.9% and the lease term ends in 2017. Apart from the bonds, EIB loan and finance leases shown separately above, all the loans, overdrafts and bank deposits are denominated in various currencies and bear interest at commercial floating rates.

26 Other financial assets

	Group		Parent company	
	2008 £ million	2007 £ million	2008 £ million	2007 £ million
Forward foreign exchange contracts and options designated as cash flow hedges	1.5	1.2	0.9	1.3
Forward foreign exchange contracts and currency swaps held for trading	2.6	1.1	4.2	1.5
Foreign exchange swaps designated as hedges of a net investment in foreign operations	1.3	0.4	–	–
Embedded derivatives	0.6	0.5	0.6	0.5
	6.0	3.2	5.7	3.3

NOTES ON THE ACCOUNTS

for the year ended 31st March 2008

27 Other financial liabilities

	Group		Parent company	
	2008 £ million	2007 £ million	2008 £ million	2007 £ million
Forward foreign exchange contracts and options designated as cash flow hedges	13.3	–	13.1	0.2
Forward foreign exchange contracts and currency swaps held for trading	4.4	1.9	5.9	2.1
Foreign exchange swaps designated as hedges of a net investment in foreign operations	1.5	0.1	–	–
	19.2	2.0	19.0	2.3

28 Financial risk management

The group's and parent company's activities expose them to a variety of financial risks including market risk, credit risk and liquidity risk. Market risk includes currency risk, interest rate risk and price risk. The main financial risks managed by the group and parent company, under policies approved by the board, are foreign currency risk, interest rate risk, liquidity risk and credit risk. The group and parent company use derivative financial instruments, in particular forward currency contracts and currency swaps, to manage their financial risks associated with their underlying business activities and the financing of those activities. Some derivative financial instruments used to manage financial risk are not designated as hedges and so are classified as 'held for trading'. The group and parent company do not undertake any trading activity in financial instruments.

28a Interest rate risk

The group's and parent company's interest rate risk arises from their fixed rate borrowings (fair value risk) and floating rate borrowings (cash flow risk). Their policy is to optimise interest cost and reduce volatility in reported earnings and equity. They manage their risk by reviewing the profile of their debt regularly and by selectively using interest rate and cross currency swaps to maintain borrowings in appropriate currencies and at competitive rates. The group and parent company have designated the US dollar fixed rate to US dollar floating rate swaps as fair value hedges as they hedge the changes in fair value of bonds attributable to changes in interest rates. The group and parent company have designated the US dollar fixed interest rate to sterling fixed interest rate cross currency swaps as cash flow hedges as they hedge the movement in the cash flows of the hedged bonds attributable to changes in the US dollar / sterling exchange rate. The cash flows are expected to occur in 2010 and 2015 when the respective bonds which they hedge mature. The interest element of the cash flow hedges is realised in the income statement each year and the exchange effect is expected to be realised in the income statement in 2010 and 2015. At 31st March 2008, 30% (2007 51%) of the group's net debt and 30% (2007 45%) of the company's net debt was at fixed rates with an average interest rate of 5.20% (2007 5.20%). The remaining debt is funded on a floating rate basis. Based on the group's net debt funded at floating rates, after taking into account the effect of the swaps, a 1% change in all interest rates would have a £4.3 million (2007 £1.8 million) impact on the group's profit before tax. This is within the range the board regards as acceptable.

28b Liquidity risk

The group's and parent company's policy on funding capacity is to ensure that they always have sufficient long term funding and committed bank facilities in place to meet foreseeable peak borrowing requirements. At 31st March 2008, the group and parent company had borrowings under committed bank facilities of £230.7 million (2007 £15.4 million). The group and parent company also have a number of uncommitted facilities, including metal leases, and overdraft lines at their disposal.

	Group		Parent company	
	2008 £ million	2007 £ million	2008 £ million	2007 £ million
Undrawn committed borrowing facilities				
Expiring within one year	60.7	–	60.7	–
Expiring in more than one year but not more than two years	–	50.0	–	50.0
Expiring in more than two years	18.6	244.6	18.6	244.6
	79.3	294.6	79.3	294.6

After the year end the group and parent company have agreed a further £100 million long term loan facility from the EIB which is provided to support the group's investment in research and development.

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for the year ended 31st March 2008

28 Financial risk management (continued)

28b Liquidity risk (continued)

The maturity analyses for financial liabilities showing the remaining contractual undiscounted cash flows, including future interest payments but excluding unamortised transaction costs, were:

Group as at 31st March 2008	Within 1 year £ million	1 to 2 years £ million	2 to 5 years £ million	After 5 years £ million	Total £ million
Bank overdrafts	63.6	–	–	–	63.6
Bank and other loans – principal	258.5	15.3	113.9	251.7	639.4
Bank and other loans – interest payments	21.8	19.9	50.4	31.7	123.8
Interest rate swaps – payments	9.0	28.1	24.3	47.2	108.6
Interest rate swaps – receipts	(9.9)	(25.0)	(27.8)	(44.7)	(107.4)
Finance lease obligations	0.5	0.4	1.3	1.9	4.1
Financial liabilities in trade and other payables	315.0	–	–	–	315.0
Foreign exchange forwards, options and swaps – payments	955.2	112.4	–	–	1,067.6
Foreign exchange forwards, options and swaps – receipts	(948.3)	(112.4)	–	–	(1,060.7)
	665.4	38.7	162.1	287.8	1,154.0

Group as at 31st March 2007	Within 1 year £ million	1 to 2 years £ million	2 to 5 years £ million	After 5 years £ million	Total £ million
Bank overdrafts	13.2	–	–	–	13.2
Bank and other loans – principal	29.4	0.3	89.9	295.0	414.6
Bank and other loans – interest payments	21.1	20.3	56.0	48.1	145.5
Interest rate swaps – payments	11.4	11.4	51.2	62.2	136.2
Interest rate swaps – receipts	(10.0)	(10.0)	(44.1)	(54.7)	(118.8)
Finance lease obligations	0.5	0.5	1.3	2.2	4.5
Financial liabilities in trade and other payables	295.6	–	–	–	295.6
Foreign exchange forwards, options and swaps – payments	726.6	168.0	–	–	894.6
Foreign exchange forwards, options and swaps – receipts	(735.0)	(169.5)	–	–	(904.5)
	352.8	21.0	154.3	352.8	880.9

Parent company as at 31st March 2008	Within 1 year £ million	1 to 2 years £ million	2 to 5 years £ million	After 5 years £ million	Total £ million
Bank overdrafts	20.1	–	–	–	20.1
Bank and other loans – principal	234.7	15.1	108.8	251.5	610.1
Bank and other loans – interest payments	21.8	19.9	50.4	31.7	123.8
Interest rate swaps – payments	9.0	28.1	24.3	47.2	108.6
Interest rate swaps – receipts	(9.9)	(25.0)	(27.8)	(44.7)	(107.4)
Finance lease obligations	0.4	0.4	1.3	1.9	4.0
Financial liabilities in trade and other payables	1,076.5	3.3	10.0	148.2	1,238.0
Foreign exchange forwards, options and swaps – payments	1,109.6	112.4	–	–	1,222.0
Foreign exchange forwards, options and swaps – receipts	(1,103.9)	(112.4)	–	–	(1,216.3)
	1,358.3	41.8	167.0	435.8	2,002.9

Parent company as at 31st March 2007	Within 1 year £ million	1 to 2 years £ million	2 to 5 years £ million	After 5 years £ million	Total £ million
Bank overdrafts	17.4	–	–	–	17.4
Bank and other loans – principal	17.8	–	84.8	295.0	397.6
Bank and other loans – interest payments	20.8	20.1	55.4	48.1	144.4
Interest rate swaps – payments	11.4	11.4	51.2	62.2	136.2
Interest rate swaps – receipts	(10.0)	(10.0)	(44.1)	(54.7)	(118.8)
Finance lease obligations	0.5	0.5	1.3	2.2	4.5
Financial liabilities in trade and other payables	733.0	4.0	12.0	113.7	862.7
Foreign exchange forwards, options and swaps – payments	750.8	168.0	–	–	918.8
Foreign exchange forwards, options and swaps – receipts	(758.8)	(169.5)	–	–	(928.3)
	782.9	24.5	160.6	466.5	1,434.5

NOTES ON THE ACCOUNTS

for the year ended 31st March 2008

28 Financial risk management (continued)

28c Credit risk

Within certain businesses, the group and parent company derive a significant proportion of their revenue from sales to major customers. Sales to individual customers are frequently high if the value of precious metals is included in the price. The failure of any such company to honour its debts could materially impact the group's and parent company's results. The group and parent company derive significant benefit from trading with their large customers and manage the risk at many levels. Each business and division has a credit committee that regularly monitors its exposure. The Audit Committee receives a report every six months that details all significant credit limits, amounts due and amounts overdue within the group and the relevant actions being taken. At 31st March 2008 trade receivables for the group amounted to £568.9 million (2007 £469.5 million) (parent company £234.1 million (2007 £185.0 million)). £382.5 million (2007 £286.7 million) of these receivables at group level (£161.5 million (2007 £124.2 million) at parent company level) arose in Emission Control Technologies (ECT) which is part of Environmental Technologies Division and mainly supplies the automotive industry including car and truck manufacturers and component suppliers. Although ECT has a wide spread of the available customers the concentrated nature of this industry means that amounts owed by individual customers can be large. Other parts of the group tend to sell to a larger number of customers and amounts owed tend to be lower. As at 31st March 2008 (and at 31st March 2007) for the group as a whole, no single outstanding balance exceeded 2% of the company's market capitalisation. No assets have been taken possession of as collateral.

The credit profiles of the group's and parent company's customers are obtained from credit rating agencies and closely monitored. The scope of these reviews includes amounts overdue and credit limits. Generally, payments in the automotive industry and in the other markets in which the group operates are made promptly.

Trade receivables are considered impaired when the amount is in dispute, customers are in financial difficulty or for other reasons which imply there is doubt over the recoverability of the debt. Trade receivables can be analysed as:

	Group		Parent company	
	2008 £ million	2007 £ million	2008 £ million	2007 £ million
Amounts neither past due nor impaired	494.7	403.3	210.8	164.7
Amounts past due but not impaired				
less than 30 days	53.0	51.4	16.0	14.7
30 – 90 days	13.3	11.1	5.4	4.1
more than 90 days	8.4	4.5	2.0	1.5
Total past due but not impaired	74.7	67.0	23.4	20.3
Amounts impaired	5.7	3.2	1.2	0.9
Specific allowances for bad and doubtful debts	(5.5)	(2.9)	(1.1)	(0.6)
Carrying amount of impaired receivables	0.2	0.3	0.1	0.3
General allowances for bad and doubtful debts	(0.7)	(1.1)	(0.2)	(0.3)
Trade receivables net of allowances	568.9	469.5	234.1	185.0

Movements in the allowance for impairments were:

	Group		Parent company	
	2008 £ million	2007 £ million	2008 £ million	2007 £ million
At 1st April 2007	4.0	6.4	0.9	1.2
Charge for year	2.3	0.3	0.4	0.1
Utilised	(0.2)	(0.5)	–	(0.3)
Disposal of businesses	–	(1.9)	–	(0.1)
Exchange adjustments	0.1	(0.3)	–	–
At 31st March 2008	6.2	4.0	1.3	0.9

Financial assets included in sundry receivables are all current and not impaired.

The credit risk on cash and deposits and derivative financial instruments is limited because the counterparties with significant balances are banks with high credit ratings (not less than AA). As at 31st March 2008, the maximum exposure with a single bank for deposits was £36.3 million (2007 £11.3 million) for the group and £13.0 million (2007 £7.0 million) for the parent company, whilst the largest mark to market exposure for forward foreign exchange contracts to a single bank was £1.8 million (2007 £0.8 million) for the group and parent company. The amounts on deposit at the year end represent the group's and parent company's maximum exposure to credit risk on cash and deposits.

The group guarantees its share of the borrowings and precious metal leases of its associates and its exposure at 31st March 2008 was £1.1 million (2007 £0.8 million). At 31st March 2008 the group and parent company guaranteed £ nil (2007 £3.3 million) of the borrowings of subsidiaries of Endeka Ceramics, former subsidiaries of the group (note 40). The parent company also guarantees some of its subsidiaries' borrowings, partly through interest netting arrangements, and precious metal leases and its exposure at 31st March 2008 was £62.1 million (2007 £16.1 million).

NOTES ON THE ACCOUNTS

for the year ended 31st March 2008

28 Financial risk management (continued)

28d Fair value of financial instruments

The fair value of financial instruments is approximately equal to book value except for:

Group	2008		2007	
	Carrying amount £ million	Fair value £ million	Carrying amount £ million	Fair value £ million
US Dollar Bonds 2010, 2013, 2015 and 2016	(253.7)	(244.2)	(240.6)	(242.8)
US Dollar EIB Loan 2011	(50.3)	(51.7)	(51.0)	(50.9)
Sterling Bonds 2013	(40.0)	(38.6)	(40.0)	(38.5)
Parent company				
Amounts receivable from subsidiaries	1,537.2	1,544.3	1,111.4	1,109.7
US Dollar Bonds 2010, 2013, 2015 and 2016	(253.7)	(244.2)	(240.6)	(242.8)
US Dollar EIB Loan 2011	(50.3)	(51.7)	(51.0)	(50.9)
Sterling Bonds 2013	(40.0)	(38.6)	(40.0)	(38.5)

The fair values are calculated by discounting future cash flows to net present values using appropriate market interest rates prevailing at the year end. It is not possible to determine reliably the fair value of the group's unquoted available-for-sale investments which have a book value of £5.2 million (2007 £4.8 million) as there is no active market. These are investments in a company that is in the start up phase and in an investment vehicle that invests in start up companies and so there is a wide range of possible values. Given their size it would be overly onerous to provide additional detail.

28e Foreign currency risk

The group operates globally with the majority of its profits earned outside the UK. In order to protect the group's sterling balance sheet and reduce cash flow risk the group has financed most of its investment in the USA, Europe, Japan and China by borrowing US dollars, euros, yen and renminbi respectively. Although an element of this funding is obtained by directly borrowing the relevant currency, a large part is achieved through currency swaps which can be more efficient and reduce costs and credit exposure. The group has designated the currency swaps and one loan (fair value £18.1 million (2007 £15.4 million)) as hedges of net investments in foreign operations as they hedge the changes in values of the subsidiaries' net assets against movements in exchange rates.

The main currencies of the net debt after taking into account the effect of the currency swaps were:

	Group		Group		Parent company		Parent company	
	Borrowings 2008 £ million	Borrowings 2007 £ million	Cash 2008 £ million	Cash 2007 £ million	Borrowings 2008 £ million	Borrowings 2007 £ million	Cash 2008 £ million	Cash 2007 £ million
Sterling	130.7	105.3	177.5	192.7	126.8	102.1	173.3	186.4
US dollar	166.7	170.5	13.9	12.1	157.5	164.6	5.6	1.1
Euro	421.6	232.2	-	-	446.9	250.2	-	-
Japanese yen	58.3	57.9	-	-	61.8	60.3	-	-
South African rand	48.5	24.8	-	-	5.5	15.4	-	-
Hong Kong dollar	-	-	26.2	17.4	-	2.4	11.8	-
Canadian dollar	-	1.0	7.3	-	-	2.0	7.1	-
Chinese renminbi	16.0	7.2	2.1	4.1	6.0	5.5	-	-
Swiss franc	-	-	7.3	5.9	-	-	0.9	2.2
Indian rupee	5.9	-	1.8	0.6	-	-	-	-
Swedish krona	6.6	0.2	-	-	6.8	0.5	-	-
Other currencies	5.4	6.4	13.2	7.9	2.6	2.4	0.8	0.4
	859.7	605.5	249.3	240.7	813.9	605.4	199.5	190.1

The group and parent company use forward exchange contracts, and occasionally currency options, to hedge foreign exchange exposures arising on forecast receipts and payments in foreign currencies. These are designated and accounted for as cash flow hedges. The majority of the cash flows are expected to occur and the hedge effect realised in the income statement in the year ending 31st March 2009.

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 and a 5% (10.0 cent (2007 9.5 cent)) movement in the average exchange rate for the US dollar against sterling would have had a £3.6 million (2007 £3.7 million) impact on operating profit. The group is also exposed to the euro and a 5% (7.1 cent (2007 7.4 cent)) movement in the average exchange rate for the euro against sterling would have had a £1.7 million (2007 £1.5 million) impact on operating profit. 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.

NOTES ON THE ACCOUNTS

for the year ended 31st March 2008

28 Financial risk management (continued)

28e Foreign currency risk (continued)

For financial instruments the main exposures are to the US dollar and euro and are due to loans, swaps and cash flow hedges on forecast receipts and payments. A 5% (9.9 cent (2007 9.8 cent)) movement in the closing exchange rate for the US dollar against sterling would have had a £1.9 million (2007 £2.4 million) impact on operating profit and an £11.4 million (2007 £9.9 million) impact on equity for these instruments. A 5% (6.3 cent (2007 7.4 cent)) movement in the closing exchange rate for the euro against sterling would have had a £2.4 million (2007 £3.4 million) impact on operating profit and a £28.0 million (2007 £14.1 million) impact on equity for these instruments. However, the impact in operating profit relates primarily to the cash flow hedging instruments hedging the forecast receipts and payments whose cash flows have occurred in the year and so would be offset by similar movements in the hedged items. Similarly, the impact on equity relates primarily to foreign exchange positions used to hedge the subsidiaries' net assets and so would be offset by an equal and opposite movement in the value of the relevant subsidiaries' net assets. The remaining impact on equity of £3.7 million (2007 £1.9 million) for the US dollar and £6.7 million (2007 £2.4 million) for the euro relates to cash flow hedging instruments hedging the forecast receipts and payments whose cash flows have yet to occur.

28f Capital management

The group's policy for managing capital is to maintain a strong balance sheet to ensure that the group always has sufficient resources to be able to invest in future growth. The group has a long term target range for gearing (net debt / equity) of 50% to 60% although in any given year gearing may fall outside this range depending on future plans. See the section on capital structure in the financial review on page 13 for more information.

	Group		Parent company	
	2008	2007	2008	2007 restated
	£ million	£ million	£ million	£ million
Net debt	610.4	364.8	614.4	415.3
Equity	1,160.3	1,078.1	950.9	1,016.5
Capital employed	1,770.7	1,442.9	1,565.3	1,431.8
Gearing	52.6%	33.8%	64.6%	40.9%

29 Provisions and contingent liabilities

29a Group

	Restructuring provisions £ million	Warranty & technology provisions £ million	Other provisions £ million	Total £ million
At 1st April 2007	2.2	7.3	6.9	16.4
Charge for year	0.3	4.0	0.7	5.0
Utilised	(1.6)	(3.2)	(2.2)	(7.0)
Released	–	(0.6)	(0.3)	(0.9)
Acquisitions	–	3.5	1.1	4.6
Unwinding of discount	–	–	0.1	0.1
Exchange adjustments	–	0.2	–	0.2
At 31st March 2008	0.9	11.2	6.3	18.4
			2008 £ million	2007 £ million
Current			5.1	7.7
Non-current			13.3	8.7
Total provisions			18.4	16.4

The restructuring provisions relate to all divisions and are expected to be fully spent in 2009.

The warranty and technology provisions represent management's best estimate of the group's liability under warranties granted and remedial work required under technology licences, based on past experience in Environmental Technologies Division. Warranties generally cover a period up to three years.

The other provisions include environmental, legal and relocation provisions. Amounts provided reflect management's best estimate of the expenditure required to settle the obligations at the balance sheet date. It is possible that these and further contingent environmental and legal liabilities may give rise to expenditure above that provided. Further details of environmental and legal provisions and contingent liabilities are not provided to avoid the potential of seriously prejudicing the group's stance in law.

Details of guarantees given by the group are disclosed in note 28c.

NOTES ON THE ACCOUNTS

for the year ended 31st March 2008

29 Provisions and contingent liabilities (continued)

29b Parent company

	Restructuring provisions £ million	Warranty provisions £ million	Other provisions £ million	Total £ million
At 1st April 2007	1.8	0.8	5.8	8.4
Charge for year	0.2	0.2	15.5	15.9
Utilised	(1.2)	–	(0.2)	(1.4)
Released	–	–	(0.2)	(0.2)
At 31st March 2008	0.8	1.0	20.9	22.7

	2008 £ million	2007 £ million
Current	15.0	2.6
Non-current	7.7	5.8
Total provisions	22.7	8.4

The restructuring provisions relate to Precious Metal Products Division and Fine Chemicals & Catalysts Division and are expected to be fully spent in 2009.

The warranty provisions represent management's best estimate of the parent company's liability under warranties granted, based on past experience in Environmental Technologies Division.

The other provisions include relocation provisions and provisions to buy metal to cover positions created by the parent company selling metal belonging to subsidiaries. Amounts provided reflect management's best estimate of the expenditure required to settle the obligations at the balance sheet date.

Details of guarantees given by the parent company are disclosed in note 28c.

30 Deferred taxation

30a Group

	Property, plant & equipment £ million	Post-employment benefits £ million	Translation differences on foreign currency loans £ million	Inventories £ million	Other £ million	Total £ million
At 1st April 2006	70.2	3.3	(8.0)	(31.4)	11.2	45.3
(Credit) / charge to income	(6.9)	8.8	(2.2)	(3.3)	8.1	4.5
Tax on items taken directly to or transferred from equity	–	(9.5)	(5.7)	–	(3.1)	(18.3)
Disposals	(3.1)	–	–	0.4	–	(2.7)
Exchange adjustments	(0.3)	–	(0.1)	(0.8)	–	(1.2)
At 31st March 2007	59.9	2.6	(16.0)	(35.1)	16.2	27.6
Charge / (credit) to income	5.3	0.4	1.7	(24.4)	(3.3)	(20.3)
Tax on items taken directly to or transferred from equity	–	4.3	(8.0)	–	(0.1)	(3.8)
Acquisitions	1.8	0.1	–	(1.6)	21.7	22.0
Exchange adjustments	0.1	(0.2)	0.5	(0.2)	1.4	1.6
At 31st March 2008	67.1	7.2	(21.8)	(61.3)	35.9	27.1

	2008 £ million	2007 £ million
Deferred tax assets	22.3	8.9
Deferred tax liabilities	49.4	36.5
	27.1	27.6

Deductible temporary differences, unused tax losses and unused tax credits not recognised on the balance sheet are £64.9 million (2007 £33.8 million).

Deferred tax liabilities have not been recognised on temporary differences of £496.0 million (2007 £410.4 million) associated with investments in subsidiaries and associates, other than in the case of the group's captive insurance company where cumulative deferred tax of £1.6 million (2007 £1.2 million) has been provided on an accrued dividend.

NOTES ON THE ACCOUNTS

for the year ended 31st March 2008

30 Deferred taxation (continued)

30b Parent company

	Property, plant & equipment £ million	Post- employment benefits £ million	Translation differences on foreign currency loans £ million	Inventories £ million	Other £ million	Total £ million
At 1st April 2006	36.6	21.2	(1.6)	(26.8)	(3.8)	25.6
(Credit) / charge to income	(5.9)	2.4	(2.0)	(5.3)	9.4	(1.4)
Tax on items taken directly to or transferred from equity	–	(9.9)	2.9	–	(3.1)	(10.1)
At 31st March 2007	30.7	13.7	(0.7)	(32.1)	2.5	14.1
Charge / (credit) to income	1.0	0.9	(10.1)	(23.4)	(0.1)	(31.7)
Tax on items taken directly to or transferred from equity	–	3.5	–	–	(0.9)	2.6
At 31st March 2008	31.7	18.1	(10.8)	(55.5)	1.5	(15.0)

Deductible temporary differences, unused tax losses and unused tax credits not recognised on the balance sheet are £4.6 million (2007 £3.6 million).

31 Share capital

	Authorised		Issued and fully paid	
	Number	£ million	Number	£ million
Ordinary shares of £1 each				
At 1st April 2006	291,550,000	291.6	220,228,310	220.2
Share options exercised	–	–	248,973	0.3
At 31st March 2007	291,550,000	291.6	220,477,283	220.5
Share options exercised	–	–	196,330	0.2
At 31st March 2008	291,550,000	291.6	220,673,613	220.7

Details of outstanding share options and allocations under the company's long term incentive plan which have yet to mature are disclosed in note 12.

At the last annual general meeting on 24th July 2007 shareholders approved a resolution for the company to make purchases of its own shares up to a maximum number of 21,707,361 shares. The resolution remains valid until the conclusion of this year's annual general meeting. The company will purchase its own shares when the board believes it to be in the best interests of the shareholders generally and will result in an increase in earnings per share.

The group's employee share ownership trusts (ESOTs) also buy shares on the open market and hold them in trust for employees participating in the group's executive share option schemes and long term incentive plan. At 31st March 2008 the group's ESOTs held 4,265,151 shares (2007 6,121,013 shares) which had not yet vested unconditionally in employees. Computershare Trustees (CI) Limited, as trustee for the ESOTs, has waived its dividend entitlement. At 31st March 2008 the parent company's ESOT held 4,241,462 shares (2007 6,056,432 shares) which had not yet vested unconditionally in employees.

NOTES ON THE ACCOUNTS

for the year ended 31st March 2008

32 Other reserves

32a Group

	Capital redemption reserve £ million	Foreign currency translation £ million	Available-for-sale reserve £ million	Hedging reserve £ million	Total other reserves £ million
At 1st April 2006	6.5	24.2	0.1	(2.3)	28.5
Cash flow hedges:					
Gains taken to equity	–	–	–	3.1	3.1
Transferred to income statement	–	–	–	1.2	1.2
Fair value gains on net investment hedges	–	23.3	–	–	23.3
Fair value gains on net investment hedges transferred to profit on sale of discontinued operations	–	(2.0)	–	–	(2.0)
Currency translation differences on foreign currency net investments and related loans	–	(67.3)	–	–	(67.3)
Currency translation differences transferred to profit on sale of discontinued operations	–	(3.8)	–	–	(3.8)
Tax on items taken directly to or transferred from equity	–	5.3	–	(1.2)	4.1
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31st March 2007	6.5	(20.3)	0.1	0.8	(12.9)
Cash flow hedges:					
Losses taken to equity	–	–	–	(12.2)	(12.2)
Transferred to income statement	–	–	–	(0.1)	(0.1)
Fair value of available-for-sale assets transferred to profit on sale	–	–	(0.1)	–	(0.1)
Fair value losses on net investment hedges	–	(37.5)	–	–	(37.5)
Currency translation differences on foreign currency net investments and related loans	–	30.7	–	–	30.7
Tax on items taken directly to or transferred from equity	–	8.4	–	3.1	11.5
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31st March 2008	6.5	(18.7)	–	(8.4)	(20.6)

32b Parent company

	Capital redemption reserve £ million	Foreign currency translation £ million	Hedging reserve £ million	Total other reserves £ million
At 1st April 2006	6.5	(0.4)	(1.9)	4.2
Cash flow hedges:				
Gains taken to equity	–	–	2.7	2.7
Transferred to income statement	–	–	1.4	1.4
Currency translation differences on foreign operations	–	1.4	–	1.4
Tax on items taken directly to or transferred from equity	–	–	(1.3)	(1.3)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31st March 2007	6.5	1.0	0.9	8.4
Cash flow hedges:				
Losses taken to equity	–	–	(11.9)	(11.9)
Transferred to income statement	–	–	0.1	0.1
Currency translation differences on foreign operations	–	0.1	–	0.1
Tax on items taken directly to or transferred from equity	–	–	2.9	2.9
	<hr/>	<hr/>	<hr/>	<hr/>
At 31st March 2008	6.5	1.1	(8.0)	(0.4)

NOTES ON THE ACCOUNTS

for the year ended 31st March 2008

33 Changes in equity – attributable to equity holders of the parent company

33a Group

	Share capital £ million	Share premium account £ million	Shares held in ESOTs £ million	Other reserves £ million	Retained earnings £ million	Equity attributable to equity holders of parent company £ million
At 1st April 2006	220.2	144.4	(63.0)	28.5	708.0	1,038.1
Profit for the year	–	–	–	–	206.5	206.5
Actuarial loss on post-employment benefits assets and liabilities	–	–	–	–	(32.3)	(32.3)
Dividends paid	–	–	–	–	(66.0)	(66.0)
New share capital subscribed	0.3	1.9	–	–	–	2.2
Purchase of treasury shares	–	–	–	–	(52.6)	(52.6)
Share-based payments	–	–	–	–	11.8	11.8
Cost of shares transferred to employees	–	–	1.1	–	(5.6)	(4.5)
Cash flow hedges:						
Gains taken to equity	–	–	–	3.1	–	3.1
Transferred to income statement	–	–	–	1.2	–	1.2
Fair value gains on net investment hedges	–	–	–	23.3	–	23.3
Fair value gains on net investment hedges transferred to profit on sale of discontinued operations	–	–	–	(2.0)	–	(2.0)
Currency translation differences on foreign currency net investments and related loans	–	–	–	(67.3)	–	(67.3)
Currency translation differences transferred to profit on sale of discontinued operations	–	–	–	(3.8)	–	(3.8)
Tax on items taken directly to or transferred from equity	–	–	–	4.1	13.9	18.0
At 31st March 2007	220.5	146.3	(61.9)	(12.9)	783.7	1,075.7
Profit for the year	–	–	–	–	186.2	186.2
Actuarial gain on post-employment benefits assets and liabilities	–	–	–	–	16.2	16.2
Dividends paid	–	–	–	–	(72.3)	(72.3)
New share capital subscribed	0.2	2.0	–	–	–	2.2
Purchase of shares for ESOTs	–	–	(45.9)	–	–	(45.9)
Purchase of treasury shares	–	–	–	–	(39.1)	(39.1)
Share-based payments	–	–	–	–	9.8	9.8
Cost of shares transferred to employees	–	–	39.2	–	(6.5)	32.7
Cash flow hedges:						
Losses taken to equity	–	–	–	(12.2)	–	(12.2)
Transferred to income statement	–	–	–	(0.1)	–	(0.1)
Fair value of available-for-sale assets transferred to profit on sale	–	–	–	(0.1)	–	(0.1)
Fair value losses on net investment hedges	–	–	–	(37.5)	–	(37.5)
Currency translation differences on foreign currency net investments and related loans	–	–	–	30.7	–	30.7
Tax on items taken directly to or transferred from equity	–	–	–	11.5	1.1	12.6
At 31st March 2008	220.7	148.3	(68.6)	(20.6)	879.1	1,158.9

During the year the company purchased 2,397,877 shares at a cost of £39.1 million. These shares are being held as treasury shares bringing the total number of treasury shares to 5,997,877 at a total cost of £91.7 million.

NOTES ON THE ACCOUNTS

for the year ended 31st March 2008

33 Changes in equity – attributable to equity holders of the parent company (continued)

33b Parent company

	Share capital £ million	Share premium account £ million	Shares held in ESOTs £ million	Other reserves £ million	Retained earnings £ million	Equity attributable to equity holders of parent company £ million
At 31st March 2006	220.2	144.4	(62.6)	4.2	904.9	1,211.1
Changes in accounting policy	–	–	–	–	3.3	3.3
At 1st April 2006 (restated)	220.2	144.4	(62.6)	4.2	908.2	1,214.4
Loss for the year	–	–	–	–	(75.1)	(75.1)
Actuarial loss on post-employment benefits assets and liabilities	–	–	–	–	(32.2)	(32.2)
Dividends paid	–	–	–	–	(66.0)	(66.0)
New share capital subscribed	0.3	1.9	–	–	–	2.2
Purchase of treasury shares	–	–	–	–	(52.6)	(52.6)
Share-based payments	–	–	–	–	11.8	11.8
Cost of shares transferred to employees	–	–	1.1	–	(5.6)	(4.5)
Cash flow hedges:						
Gains taken to equity	–	–	–	2.7	–	2.7
Transferred to income statement	–	–	–	1.4	–	1.4
Currency translation differences on foreign operations	–	–	–	1.4	–	1.4
Tax on items taken directly to or transferred from equity	–	–	–	(1.3)	14.3	13.0
At 31st March 2007 (restated)	220.5	146.3	(61.5)	8.4	702.8	1,016.5
Profit for the year	–	–	–	–	44.9	44.9
Actuarial gain on post-employment benefits assets and liabilities	–	–	–	–	13.0	13.0
Dividends paid	–	–	–	–	(72.3)	(72.3)
New share capital subscribed	0.2	2.0	–	–	–	2.2
Purchase of shares for ESOTs	–	–	(46.1)	–	–	(46.1)
Purchase of treasury shares	–	–	–	–	(39.1)	(39.1)
Share-based payments	–	–	–	–	9.8	9.8
Cost of shares transferred to employees	–	–	39.2	–	(7.1)	32.1
Cash flow hedges:						
Losses taken to equity	–	–	–	(11.9)	–	(11.9)
Transferred to income statement	–	–	–	0.1	–	0.1
Currency translation differences on foreign operations	–	–	–	0.1	–	0.1
Tax on items taken directly to or transferred from equity	–	–	–	2.9	(1.3)	1.6
At 31st March 2008	220.7	148.3	(68.4)	(0.4)	650.7	950.9

34 Minority interests

	£ million
At 1st April 2006	6.4
Share of loss for the year	(1.0)
Dividends	(0.3)
Disposal (note 40)	(2.7)
Arising on formation of subsidiary	0.3
Share capital reduction of subsidiary	(0.3)
At 31st March 2007	2.4
Share of loss for the year	(0.8)
Dividends	(0.4)
Acquisition (note 39)	0.2
At 31st March 2008	1.4

In July 2006 the group formed a new subsidiary and entered into a joint venture with Dialog Systems Sdn Bhd. Dialog contributed plant and machinery of £0.1 million and cash of £0.2 million in return for a minority interest of £0.3 million.

NOTES ON THE ACCOUNTS

for the year ended 31st March 2008

35 Gross cash flows

35a Purchases of non-current assets and investments

	Group		Parent company	
	2008 £ million	2007 £ million	2008 £ million	2007 £ million
Purchases of property, plant and equipment	132.6	115.1	64.7	42.7
Purchases of intangible assets	11.8	9.7	1.7	1.2
Purchase of additional shares issued by subsidiary	–	–	39.4	–
Purchases of available-for-sale investments	0.7	0.2	–	–
	145.1	125.0	105.8	43.9

35b Purchases of businesses and minority interests

	Group		Parent company	
	2008 £ million	2007 £ million	2008 £ million	2007 £ million
Purchase of businesses	160.7	8.6	–	5.1
Cash acquired with businesses	(2.6)	–	–	–
	158.1	8.6	–	5.1

35c Net proceeds from sale of businesses and minority interests

	Group		Parent company	
	2008 £ million	2007 £ million	2008 £ million	2007 £ million
Disposal of Ceramics (note 40)	(1.8)	141.3	(1.2)	1.4
Cash and cash equivalents disposed of with Ceramics (note 40)	–	(14.4)	–	–
Cash received on capital reduction of subsidiary	–	–	–	2.7
Cash received from minority interest on formation of subsidiary (note 34)	–	0.2	–	–
	(1.8)	127.1	(1.2)	4.1

35d Net purchase of own shares

	Group		Parent company	
	2008 £ million	2007 £ million	2008 £ million	2007 £ million
Issue of ordinary share capital	2.2	2.2	2.2	2.2
Purchase of own shares	(46.8)	(52.6)	(47.6)	(52.6)
	(44.6)	(50.4)	(45.4)	(50.4)

35e Proceeds from / (repayment of) borrowings and finance leases

	Group		Parent company	
	2008 £ million	2007 £ million	2008 £ million	2007 £ million
Increase / (decrease) in borrowings falling due within one year	33.0	(51.6)	31.9	(66.2)
Increase / (decrease) in borrowings falling due after more than one year	175.2	(19.9)	180.1	80.6
Capital element of finance lease rental payments	(0.2)	(0.3)	(0.3)	(0.2)
	208.0	(71.8)	211.7	14.2

36 Cash and cash equivalents

	Group		Parent company	
	2008 £ million	2007 £ million	2008 £ million	2007 £ million
Cash and deposits	102.1	73.2	25.2	9.9
Bank overdrafts	(63.6)	(13.2)	(20.1)	(17.4)
Cash and cash equivalents	38.5	60.0	5.1	(7.5)

NOTES ON THE ACCOUNTS

for the year ended 31st March 2008

37 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 31st March 2008 precious metal leases were £86.1 million (2007 £93.2 million).

38 Commitments

	Group		Parent company	
	2008 £ million	2007 £ million	2008 £ million	2007 £ million
Future capital expenditure contracted but not provided	17.3	9.2	7.9	5.3
Future minimum amounts payable under non-cancellable operating leases				
Within one year	9.6	8.7	2.0	1.9
From one to five years	12.5	14.2	3.5	4.2
After five years	16.2	11.5	6.2	6.7
	38.3	34.4	11.7	12.8
Future minimum amounts payable under finance leases				
Within one year	0.5	0.5	0.4	0.5
From one to five years	1.7	1.8	1.7	1.8
After five years	1.9	2.2	1.9	2.2
	4.1	4.5	4.0	4.5
Less future finance charges	(0.9)	(1.1)	(0.9)	(1.1)
Present value of finance lease obligations	3.2	3.4	3.1	3.4

39 Acquisitions

If all acquisitions had been completed on 1st April 2007 the revenue for the group would have been £7,561.4 million and its profit for the year for continuing operations £194.0 million.

Argillon Group

On 6th February 2008 the group acquired 100% of the issued share capital of Argillon Group (Argillon). Argillon specialises in catalysts and advanced ceramic materials and sells a range of products into a number of different industries.

The goodwill arising is attributable to the synergistic opportunity to take the existing Argillon technology together with Johnson Matthey's capital resources, technological expertise and commercial teams in businesses across the world, to develop new products to service new markets. There will also be synergies in combining the group and Argillon's complementary catalyst operations. The acquisition of Argillon adds valuable technology to Johnson Matthey's existing emission control capabilities for controlling oxides of nitrogen (NOx). As well as products for the heavy duty diesel (HDD) truck market, Argillon manufactures catalysts for power plants, industrial applications and waste incineration plants. These products have application in coal fired power stations to reduce harmful NOx emissions. This could become a major market in a few years' time as coal is increasingly used to produce electricity and people around the world become more concerned about air quality. The acquisition of Argillon also adds to Emission Control Technologies' existing business selling NOx control systems for large stationary engines and in marine applications. Johnson Matthey estimates that the HDD catalyst market for mobile applications will grow from approximately US \$700 million of sales excluding precious metals in 2008 to US \$3 billion by the end of 2014 driven by legislation requiring much reduced levels of emissions which is due to come into force over the next six years. Argillon's products can be used to meet some of these legislative standards but they are more likely to be used in combination with other technology which has been developed by Johnson Matthey. By combining Argillon's and Johnson Matthey's technology, testing facilities and global sales capability sales of Argillon's products are likely to be significantly higher than Argillon could achieve on its own. In addition, in the next decade the board believes there will be significant opportunities for new products for NOx control to meet standards yet to be promulgated given global concerns about air quality and global warming. The combination of Argillon's and Johnson Matthey's technology and research and development capabilities should provide significantly better opportunities for developing successful products for these markets than the sum of the two businesses on a stand alone basis.

NOTES ON THE ACCOUNTS

for the year ended 31st March 2008

39 Acquisitions (continued)

Argillon Group (continued)

The net assets acquired were:

	Carrying amounts under IFRS immediately prior to acquisition £ million	Fair value adjustments £ million	Fair value at time of acquisition £ million
Property, plant and equipment	21.5	9.9	31.4
Intangible assets – capitalised software	0.4	–	0.4
Intangible assets – patents and trademarks	1.6	6.3	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	0.4	5.0	5.4
Assets classified as held for sale (note 40)	39.6	(0.6)	39.0
Liabilities classified as held for sale (note 40)	(16.0)	(8.1)	(24.1)
Inventories	11.5	–	11.5
Trade and other receivables	22.4	7.7	30.1
Cash and cash equivalents	2.3	–	2.3
Current other borrowings	(3.6)	–	(3.6)
Trade and other payables	(26.0)	–	(26.0)
Current income tax liabilities	(4.8)	–	(4.8)
Deferred income tax liabilities	(1.1)	(20.9)	(22.0)
Employee benefits obligations	(5.1)	–	(5.1)
Provisions	(2.8)	(1.8)	(4.6)
Total net assets acquired	40.3	49.1	89.4
Goodwill on acquisition			72.5
			161.9

Satisfied by:

	£ million
Purchase consideration – cash	159.4
Costs incurred – cash	0.9
Costs incurred – accrued	1.6
	161.9

Net cash outflow arising on acquisition was:

	£ million
Cash consideration and costs	160.3
Less cash and cash equivalents acquired	2.3
Net cash outflow	158.0
Borrowings acquired	3.6
Increase in net debt	161.6

From 6th February 2008 Argillon's results (excluding the held for sale business (note 40)) are included in Environmental Technologies and were:

	£ million
Operating profit before amortisation of intangible assets recognised on acquisition by Johnson Matthey	2.9
Amortisation of intangible assets recognised on acquisition by Johnson Matthey	(1.8)
Profit before tax	1.1
Income tax expense	(0.4)
Net profit	0.7

NOTES ON THE ACCOUNTS

for the year ended 31st March 2008

39 Acquisitions (continued)

Qingdao Johnson Matthey Hero Catalyst Company Limited

In September 2007 the group acquired 49% of Qingdao Johnson Matthey Hero Catalyst Company Limited (Hero), a Chinese catalyst company, for £0.2 million and incurred costs of £0.2 million. The group controls Hero and so it is accounted for as a subsidiary. The fair value of the assets acquired were £0.1 million for a customer contract, £0.1 million for plant and equipment and £0.3 million for cash. The minority interest was £0.2 million, giving goodwill of £0.1 million. Since acquisition it has contributed £0.1 million to the group's profit for the year and its results are included in Environmental Technologies.

United Pharmaceuticals Limited acquired in the year ended 31st March 2007

On 13th April 2006 the group purchased most of the business of United Pharmaceuticals Limited for £1.9 million plus costs of £0.1 million. The fair value of the assets acquired were plant and machinery of £0.3 million and inventories of £0.6 million giving goodwill of £1.1 million. The goodwill arising is attributable to future synergies arising from the combination. It has been fully integrated with Macfarlan Smith and so its post acquisition results are not identifiable and are included in Fine Chemicals & Catalysts.

Process diagnostics business acquired in the year ended 31st March 2007

On 21st April 2006 the group purchased the process diagnostics business of Quest TruTec for £3.8 million plus costs of £0.1 million. The fair value of the assets acquired were customer contracts and relationships of £0.4 million, property, plant and equipment of £0.3 million giving goodwill of £3.2 million. The goodwill arising is attributable to future synergies arising from the combination. It has been fully integrated with the group's existing processing services business and so its post acquisition results are not identifiable and are included in Environmental Technologies.

40 Discontinued operations

The results of the discontinued operations included in the consolidated income statement were:

	2008 £ million	2007 £ million
Ceramics Division		
Sales of goods to external customers	–	160.1
Inter-segment sales	–	3.4
Expenses	–	(147.6)
Operating profit	–	15.9
Finance costs	–	(0.5)
Finance income	–	0.9
Profit before tax	–	16.3
Income tax expense	–	(5.7)
Profit on disposal	–	33.3
Profit for the year from Ceramics Division	–	43.9
Additional environmental warranty obligations retained on sale of Pigments & Dispersions	–	(0.2)
Profit of the insulators and alumina business	0.3	–
Profit for the year from discontinued operations	0.3	43.7

Insulators and alumina business

As part of the acquisition of Argillon the group acquired an insulators and alumina business which it is actively marketing and expects to sell during 2008. It has been classified as held for sale.

NOTES ON THE ACCOUNTS

for the year ended 31st March 2008

40 Discontinued operations (continued)

Ceramics Division sold in the year ended 31st March 2007

On 28th February 2007 the group sold its Ceramics Division to the Endeka Ceramics group established by Pamplona Capital Partners I, LP, a private equity investment fund.

Ceramics Division's net assets disposed of were:

	2007 £ million
Property, plant and equipment	56.6
Goodwill	0.4
Inventories	43.4
Trade and other receivables	61.2
Cash and deposits	20.1
Bank overdrafts	(5.7)
Current other borrowings	(6.5)
Group loans	(12.6)
Current trade and other payables	(37.0)
Current income tax liabilities	(2.0)
Non-current trade and other payables	(0.7)
Employee benefits obligations	(1.5)
Deferred income tax liabilities	(2.7)
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	113.0
Minority interests	(2.7)
	<hr/>
	110.3

The profit on disposal of Ceramics Division was:

	2007 £ million
Consideration – cash	143.9
Consideration – refund outstanding (paid during the year ended 31st March 2008)	(0.6)
Costs incurred – cash	(2.6)
Costs incurred – non-cash	(0.4)
Costs incurred – accrued (£1.2 million paid during the year ended 31st March 2008)	(2.3)
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	138.0
Less assets disposed of	(110.3)
Pension curtailment gain	0.9
Cumulative exchange gains deferred in equity	5.8
	<hr/>
Profit on disposal before tax	34.4
Tax	(1.1)
	<hr/>
Profit on disposal	33.3

The net cash flows of Ceramics were:

	2007 £ million
Net cash inflow from operating activities of discontinued operations	0.7
Net cash outflow from investing activities of discontinued operations	(4.5)
Net cash outflow from financing activities of discontinued operations	(1.9)

The Ceramics Division had a presence in each of the geographical segments. Its external sales by geographical destination were:

	Europe £ million	North America £ million	Asia £ million	Rest of the World £ million	Total £ million
Period ended 28th February 2007	86.8	5.1	40.9	27.3	160.1

NOTES ON THE ACCOUNTS

for the year ended 31st March 2008

41 Transactions with related parties

Transactions between the parent company and its subsidiaries, which are related parties, have been eliminated on consolidation and so are only disclosed for the parent company's accounts. The group's associate, as described in note 18, is a related party. Guarantees of subsidiaries' and associate's borrowings are disclosed in note 28c.

	Group		Parent company	
	2008 £ million	2007 £ million	2008 £ million	2007 £ million
Trading transactions with associate				
Sale of goods	0.2	–	0.2	–
Trading transactions with subsidiaries				
Sale of goods	–	–	1,252.0	940.7
Purchases of goods	–	–	716.9	196.8
Income from service charges	–	–	1.8	2.3
Amounts receivable from subsidiaries	–	–	71.2	43.7
Amounts payable to subsidiaries	–	–	21.0	17.1
Loans to subsidiaries	–	–	1,466.0	1,067.7
Loans from subsidiaries	–	–	1,084.5	723.3

The group's post-employment benefits plans are related parties and the group's and parent company's transactions with them are disclosed in notes 13a and 13b respectively.

The transactions with key management personnel are described in note 11c.

42 Key sources of estimation uncertainty

Determining the carrying amounts of some assets and liabilities requires estimation of the effects of uncertain future events on those assets and liabilities at the balance sheet date. The group and parent company have made appropriate estimates when applying the accounting policies, but the actual outcome may differ from those calculated.

The key sources of estimation uncertainty at the balance sheet date which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

Post-employment benefits

The group's and parent company's defined benefit plans are assessed annually by qualified independent actuaries. The details of the plans and assumptions used are described in note 13.

Goodwill

The group has capitalised goodwill of £482.8 million and the parent company has £249.5 million. Annual impairment reviews are performed which require various assumptions. More details are given in note 15.

Other intangible assets

Other intangible assets which are not yet being amortised (note 16) are also subject to annual impairment reviews based on discounted cash flow projections. No impairment has been found.

Provisions and contingent liabilities

As described in note 29 and the accounting policies, the group and parent company measure provisions and contingent liabilities at management's best estimate of the expenditure required to settle the obligations at the balance sheet date.

Taxation

The tax payable on profits is determined based on tax laws and regulations that apply in each of the numerous jurisdictions in which the group operates. Where the precise impact of these laws and regulations is unclear then reasonable estimates may be used to determine the tax charge included in the accounts. If the tax eventually payable or reclaimable differs from the amounts originally estimated then the difference will be charged or credited in the accounts for the year in which it is determined.