

# NOTES ON THE ACCOUNTS

for the year ended 31st March 2008

## 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.

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
<b>At 31st March 2008</b>				
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)
<b>At 31st March 2007</b>				
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)

# NOTES ON THE ACCOUNTS

for the year ended 31st March 2008

## 13 Post-employment benefits (continued)

### 13a Group (continued)

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	<b>(12.5)</b>	<b>12.8</b>
Effect of rate of increase in salaries	<b>3.1</b>	<b>(3.1)</b>

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
<b>At 31st March 2008</b>						
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
	<b>6.91</b>	<b>809.5</b>	<b>7.07</b>	<b>78.5</b>	<b>6.26</b>	<b>27.1</b>
<b>At 31st March 2007</b>						
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
	<b>6.47</b>	<b>846.5</b>	<b>7.19</b>	<b>79.5</b>	<b>5.23</b>	<b>26.3</b>

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.

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)
<b>At 31st March 2008</b>	<b>(744.4)</b>	<b>(10.9)</b>	<b>(86.4)</b>	<b>(15.6)</b>	<b>(38.2)</b>	<b>(895.5)</b>

# NOTES ON THE ACCOUNTS

for the year ended 31st March 2008

## 13 Post-employment benefits (continued)

### 13a Group (continued)

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
<b>At 31st March 2008</b>	<b>809.5</b>	<b>–</b>	<b>78.5</b>	<b>–</b>	<b>27.1</b>	<b>915.1</b>

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).

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)
<b>At 31st March 2008</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2.6</b>	<b>–</b>	<b>2.6</b>

# NOTES ON THE ACCOUNTS

for the year ended 31st March 2008

## 13 Post-employment benefits (continued)

### 13a Group (continued)

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
<b>At 31st March 2008</b>						
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
<b>At 31st March 2007</b>						
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)	–
<b>Total long term employee benefits obligations</b>	–	<b>(51.3)</b>	–	–	<b>(48.3)</b>	–

# 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
<b>Year ended 31st March 2008</b>						
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
<b>Charge to income</b>	<b>(12.8)</b>	<b>(0.8)</b>	<b>(3.6)</b>	<b>(1.1)</b>	<b>(1.8)</b>	<b>(20.1)</b>
<b>Year ended 31st March 2007</b>						
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)
<b>Charge to income</b>	<b>(9.3)</b>	<b>(0.8)</b>	<b>(4.4)</b>	<b>(0.4)</b>	<b>(4.0)</b>	<b>(18.9)</b>

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
<b>At 31st March 2008</b>	<b>(8.1)</b>	<b>0.4</b>	<b>(4.6)</b>	<b>0.6</b>	<b>(0.9)</b>	<b>(12.6)</b>

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
<b>Year ended 31st March 2008</b>						
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)
<b>Year ended 31st March 2007</b>						
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)
<b>Year ended 31st March 2006</b>						
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
<b>Year ended 31st March 2005</b>						
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
	<b>6.91</b>	<b>809.5</b>	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	<b>(744.4)</b>	<b>(10.9)</b>	(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	<b>809.5</b>	<b>–</b>	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		2007	
	Pension £ million	Post- retirement medical benefits £ million	Pension £ million	Post- retirement medical benefits £ 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		2007	
	Pension £ million	Post- retirement medical benefits £ million	Pension £ million	Post- retirement medical benefits £ 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
<b>Year ended 31st March 2008</b>					
Pension	(744.4)	809.5	65.1	(3.0)	(87.7)
Post-retirement medical benefits	(10.9)	–	(10.9)	–	–
<b>Year ended 31st March 2007</b>					
Pension	(801.0)	846.5	45.5	(41.0)	(6.5)
Post-retirement medical benefits	(11.6)	–	(11.6)	0.5	–
<b>Year ended 31st March 2006</b>					
Pension	(703.3)	773.9	70.6	0.8	75.2
Post-retirement medical benefits	(11.9)	–	(11.9)	1.7	–
<b>Year ended 31st March 2005</b>					
Pension	(613.6)	657.4	43.8	0.8	26.0
Post-retirement medical benefits	(10.0)	–	(10.0)	0.4	–