RESPONSIBILITY OF DIRECTORS

Responsibility of Directors for the Preparation of the Annual Report and the Accounts

The directors are responsible for preparing the Annual Report and the group and parent company accounts in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company accounts for each financial year. Under that law they are required to prepare the group accounts in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and applicable law and have elected to prepare the parent company accounts on the same basis.

The group and parent company accounts are required by law and IFRS as adopted by the EU to present fairly the financial position of the group and the parent company and the performance for that period; the Companies Act 1985 provides in relation to such accounts that references in the relevant part of that Act to accounts giving a true and fair view are references to their achieving a fair presentation.

In preparing each of the group and parent company accounts, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS as adopted by the EU; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the group and parent company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its accounts comply with the Companies Act 1985. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations the directors are also responsible for preparing a directors' report including a Business Review, directors' Remuneration Report and Corporate Governance statement that comply with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of accounts may differ from legislation in other jurisdictions.

Responsibility Statement of the Directors in Respect of the Annual Report and the Accounts

Each of the directors as at the date of the Annual Report and Accounts, whose names and functions are set out on pages 38 and 39, confirms that to the best of their knowledge:

- the group and parent company accounts, prepared in accordance with applicable UK law and in conformity with IFRS, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
- the management report (which comprises the Report of the Directors, including the Business Review) includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

This responsibility statement was approved by the Board of Directors on 3rd June 2009 and is signed on its behalf by:

Sir John Banham
Chairman

INDEPENDENT AUDITORS' REPORT

to the members of Johnson Matthey Public Limited Company

We have audited the group and parent company accounts (the 'accounts') of Johnson Matthey Plc for the year ended 31st March 2009 which comprise the Consolidated Income Statement, the Consolidated and Parent Company Balance Sheets, the Consolidated and Parent Company Cash Flow Statements, the Consolidated and Parent Company Statements of Recognised Income and Expense and the related notes. These accounts have been prepared under the accounting policies set out therein. We have also audited the tabulated information and related footnotes set out in the directors' Remuneration Report on pages 47 to 53 disclosing the directors' emoluments and compensation, share options, long term incentive plan, pensions and other matters specified by Part 3 of Schedule 7A to the Companies Act 1985.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

The directors' responsibilities for preparing the Annual Report, the directors' Remuneration Report, the Corporate Governance statement and the accounts in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the EU are set out in the Responsibility of Directors statement on page 54.

Our responsibility is to audit the accounts and the part of the directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the accounts give a true and fair view and whether the accounts and the part of the directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the group accounts, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the accounts. In addition we report to you, if in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance statement reflects the company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited accounts. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. Our responsibilities do not extend to any other information.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts and the part of the directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts and the part of the directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts and the part of the directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the group accounts give a true and fair view, in accordance with IFRS as adopted by the EU, of the state of the group's affairs as at 31st March 2009 and of its profit for the year then ended;
- the parent company accounts give a true and fair view, in accordance with IFRS as adopted by the EU as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31st March 2009;
- the accounts and the part of the directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the group accounts, Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the accounts.

KPMG Audit Plc
Chartered Accountants
Registered Auditor
London
3rd June 2009

CONSOLIDATED INCOME STATEMENT

for the year ended 31st March 2009

	Notes	2009 £ million	2008 £ million
Revenue	1,2	**7,847.8**	7,498.7
Cost of sales		**(7,324.3)**	(7,006.7)
Gross profit		**523.5**	492.0
Distribution costs		**(101.2)**	(89.2)
Administrative expenses		**(123.8)**	(106.0)
Restructuring charge	3	**(9.4)**	–
Amortisation of acquired intangibles	4	**(9.1)**	(3.1)
Operating profit	1,6	**280.0**	293.7
Finance costs	7	**(43.3)**	(39.9)
Finance income	8	**10.7**	9.6
Share of profit / (loss) of associate	19	**2.0**	(1.1)
Profit before tax		**249.4**	262.3
Income tax expense	9	**(76.7)**	(77.2)
Profit for the year from continuing operations		**172.7**	185.1
Profit for the year from discontinued operations	41	**1.2**	0.3
Profit for the year		**173.9**	185.4
Attributable to:			
Equity holders of the parent company		**174.1**	186.2
Minority interests	35	**(0.2)**	(0.8)
		173.9	185.4

	Notes	pence	pence
Earnings per ordinary share attributable to the equity holders of the parent company			
Continuing operations			
Basic	11	**82.0**	88.3
Diluted	11	**81.5**	86.9
Total			
Basic	11	**82.6**	88.5
Diluted	11	**82.1**	87.1

The notes on pages 65 to 105 form an integral part of the accounts.

CONSOLIDATED AND PARENT COMPANY BALANCE SHEETS

as at 31st March 2009

	Notes	Group 2009 £ million	Group 2008 restated £ million	Parent company 2009 £ million	Parent company 2008 £ million
Assets					
Non-current assets					
Property, plant and equipment	15	**924.7**	717.6	**258.0**	283.3
Goodwill	16	**516.0**	480.4	**132.4**	249.5
Other intangible assets	17	**135.8**	110.3	**6.3**	5.5
Investments in subsidiaries	18	**–**	–	**1,303.8**	388.5
Investment in associate	19	**5.8**	3.7	**–**	–
Deferred income tax assets	31	**27.5**	22.3	**18.2**	15.0
Available-for-sale investments	20	**6.3**	5.2	**–**	–
Swaps related to borrowings	26	**28.8**	12.6	**28.8**	12.6
Other receivables	23	**5.0**	0.4	**315.4**	377.7
Post-employment benefits net assets	14	**2.2**	68.5	**–**	65.1
Total non-current assets		**1,652.1**	1,421.0	**2,062.9**	1,397.2
Current assets					
Inventories	21	**371.7**	380.4	**114.0**	96.3
Current income tax assets		**41.5**	6.2	**27.5**	–
Trade and other receivables	23	**500.2**	647.3	**767.1**	1,419.7
Cash and deposits	26	**115.2**	102.1	**33.6**	25.2
Swaps related to borrowings	26	**1.9**	–	**1.9**	–
Other financial assets	27	**5.7**	6.0	**8.2**	5.7
Assets classified as held for sale	25	**6.0**	30.2	**6.0**	7.1
Total current assets		**1,042.2**	1,172.2	**958.3**	1,554.0
Total assets		**2,694.3**	2,593.2	**3,021.2**	2,951.2
Liabilities					
Current liabilities					
Trade and other payables	24	**(508.1)**	(482.4)	**(1,291.8)**	(1,144.5)
Current income tax liabilities		**(47.4)**	(76.5)	**–**	(24.4)
Borrowings and finance leases	26	**(51.5)**	(122.0)	**(59.8)**	(54.6)
Other financial liabilities	28	**(32.9)**	(19.2)	**(33.7)**	(19.0)
Provisions	30	**(8.8)**	(5.1)	**(2.2)**	(15.0)
Liabilities classified as held for sale	25	**–**	(7.1)	**–**	–
Total current liabilities		**(648.7)**	(712.3)	**(1,387.5)**	(1,257.5)
Non-current liabilities					
Borrowings, finance leases and related swaps	26	**(628.8)**	(603.1)	**(621.4)**	(597.6)
Deferred income tax liabilities	31	**(70.3)**	(49.1)	**–**	–
Employee benefits obligations	14	**(153.8)**	(52.1)	**(57.4)**	(11.0)
Provisions	30	**(14.3)**	(13.3)	**(6.6)**	(7.7)
Other payables	24	**(2.3)**	(3.0)	**(175.5)**	(126.5)
Total non-current liabilities		**(869.5)**	(720.6)	**(860.9)**	(742.8)
Total liabilities		**(1,518.2)**	(1,432.9)	**(2,248.4)**	(2,000.3)
Net assets		**1,176.1**	1,160.3	**772.8**	950.9
Equity					
Share capital	32	**220.7**	220.7	**220.7**	220.7
Share premium account	34	**148.3**	148.3	**148.3**	148.3
Shares held in employee share ownership trusts	34	**(61.8)**	(68.6)	**(61.8)**	(68.4)
Other reserves	33	**18.5**	(20.6)	**(19.5)**	(0.4)
Retained earnings	34	**849.6**	879.1	**485.1**	650.7
Total equity attributable to equity holders of the parent company	34	**1,175.3**	1,158.9	**772.8**	950.9
Minority interests	35	**0.8**	1.4	**–**	–
Total equity		**1,176.1**	1,160.3	**772.8**	950.9

The accounts were approved by the Board of Directors on 3rd June 2009 and signed on its behalf by:

N A P Carson
J N Sheldrick Directors

The notes on pages 65 to 105 form an integral part of the accounts.

CONSOLIDATED AND PARENT COMPANY CASH FLOW STATEMENTS

for the year ended 31st March 2009

	Notes	Group 2009 £ million	Group 2008 restated £ million	Parent company 2009 £ million	Parent company 2008 £ million
Cash flows from operating activities					
Profit / (loss) before tax		**249.4**	262.3	**(7.0)**	48.1
Adjustments for:					
Share of (profit) / loss in associate	*19*	**(2.0)**	1.1	**–**	–
Discontinued operations	*41*	**0.9**	0.3	**–**	–
Depreciation, amortisation and profit on sale of non-current assets and investments		**110.3**	82.0	**69.1**	32.2
Share-based payments		**–**	4.3	**–**	2.5
Decrease / (increase) in inventories		**80.1**	8.3	**(54.2)**	17.0
Decrease / (increase) in receivables		**215.9**	(87.1)	**685.0**	(330.6)
(Decrease) / increase in payables		**(91.8)**	7.2	**198.1**	260.1
Increase / (decrease) in provisions		**6.3**	(3.1)	**(13.9)**	0.3
Employee benefit obligations charge less contributions		**(9.0)**	(6.8)	**(10.1)**	(7.4)
Changes in fair value of financial instruments		**(6.0)**	2.3	**(5.1)**	5.4
Net finance costs		**32.6**	30.3	**14.9**	10.0
Income tax paid		**(85.3)**	(71.5)	**(25.8)**	(3.3)
Net cash inflow from operating activities		**501.4**	229.6	**851.0**	34.3
Cash flows from investing activities					
Dividends received from associate	*19*	**–**	0.4	**–**	–
Dividends received from subsidiaries		**–**	–	**56.0**	–
Purchases of non-current assets and investments	*36*	**(209.3)**	(145.1)	**(1,004.9)**	(105.8)
Proceeds from sale of non-current assets and investments		**0.2**	1.5	**–**	1.0
Purchases of businesses and minority interests	*36*	**(8.2)**	(158.1)	**–**	–
Net proceeds from sale of businesses and minority interests	*36*	**17.6**	(1.8)	**187.6**	(1.2)
Net cash outflow from investing activities		**(199.7)**	(303.1)	**(761.3)**	(106.0)
Cash flows from financing activities					
Net purchase of own shares	*36*	**0.8**	(44.6)	**0.8**	(45.4)
(Repayment of) / proceeds from borrowings and finance leases	*36*	**(48.6)**	208.0	**(7.7)**	211.7
Dividends paid to equity holders of the parent company	*10*	**(78.1)**	(72.3)	**(78.1)**	(72.3)
Settlement of currency swaps for net investment hedging		**(93.9)**	(18.9)	**–**	–
Interest paid		**(42.7)**	(39.4)	**(84.0)**	(87.5)
Interest received		**9.0**	9.7	**69.2**	77.8
Net cash (outflow) / inflow from financing activities		**(253.5)**	42.5	**(99.8)**	84.3
Increase / (decrease) in cash and cash equivalents in the year		**48.2**	(31.0)	**(10.1)**	12.6
Exchange differences on cash and cash equivalents		**13.1**	9.5	**–**	–
Cash and cash equivalents at beginning of year		**38.5**	60.0	**5.1**	(7.5)
Cash and cash equivalents at end of year	*37*	**99.8**	38.5	**(5.0)**	5.1
Reconciliation to net debt					
Increase / (decrease) in cash and cash equivalents in the year		**48.2**	(31.0)	**(10.1)**	12.6
Repayment of / (proceeds from) borrowings and finance leases		**48.6**	(208.0)	**7.7**	(211.7)
Change in net debt resulting from cash flows		**96.8**	(239.0)	**(2.4)**	(199.1)
Borrowings acquired with subsidiaries		**–**	(3.6)	**–**	–
Exchange differences on net debt		**(20.8)**	(3.0)	**(0.1)**	–
Movement in net debt in year		**76.0**	(245.6)	**(2.5)**	(199.1)
Net debt at beginning of year		**(610.4)**	(364.8)	**(614.4)**	(415.3)
Net debt at end of year	*26*	**(534.4)**	(610.4)	**(616.9)**	(614.4)

The notes on pages 65 to 105 form an integral part of the accounts.

CONSOLIDATED AND PARENT COMPANY STATEMENTS OF RECOGNISED INCOME AND EXPENSE

for the year ended 31st March 2009

	Notes	Group 2009 £ million	Group 2008 £ million	Parent company 2009 £ million	Parent company 2008 £ million
Currency translation differences on foreign currency net investments and related loans		**192.4**	30.7	**(6.6)**	0.1
Currency translation differences – transferred to profit on sale of discontinued operations		**(2.4)**	–	**–**	–
Fair value gain on available-for-sale investments transferred to profit on sale		**–**	(0.1)	**–**	–
Cash flow hedges – losses taken to equity		**(45.0)**	(12.2)	**(46.0)**	(11.9)
Cash flow hedges – transferred to income statement in the year		**24.9**	(0.1)	**27.4**	0.1
Fair value losses on net investment hedges		**(146.9)**	(37.5)	**–**	–
Actuarial (loss) / gain on post-employment benefits assets and liabilities	*14*	**(156.7)**	16.2	**(121.5)**	13.0
Tax on above items taken directly to or transferred from equity		**64.3**	6.9	**39.3**	(0.8)
Net (expense) / income recognised directly in equity		**(69.4)**	3.9	**(107.4)**	0.5
Profit for the year		**173.9**	185.4	**12.7**	44.9
Total recognised income and expense relating to the year		**104.5**	189.3	**(94.7)**	45.4
Change in accounting policy – retained earnings		**–**	–	**–**	6.6
		104.5	189.3	**(94.7)**	52.0
Total recognised income and expense attributable to:					
Equity holders of the parent company		**104.1**	190.1	**(94.7)**	45.4
Minority interests		**0.4**	(0.8)	**–**	–
		104.5	189.3	**(94.7)**	45.4

The notes on pages 65 to 105 form an integral part of the accounts.

ACCOUNTS

ACCOUNTING POLICIES

for the year ended 31st March 2009

The group's and parent company's significant accounting policies, together with the judgments made by management in applying those policies which have the most significant effect on the amounts recognised in the accounts, are:

Basis of accounting and preparation

The accounts are prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) or the Standing Interpretations Committee (SIC) as adopted by the European Union. For Johnson Matthey, there are no differences between IFRS as adopted by the European Union and full IFRS as published by the International Accounting Standards Board and so the accounts comply with IFRS.

The accounts are prepared on the historical cost basis, except for certain assets and liabilities which are measured at fair value as explained below.

The consolidated balance sheet for 31st March 2008 has been restated for amendments to the fair values of Argillon (note 40). The consolidated cash flow statement for the year ended 31st March 2008 has been restated to reclassify the settlement of currency swaps designated as hedges of net investments in foreign operations out of cash flows from operating activities to cash flows from financing activities. This resulted in an additional inflow of £18.9 million for payables included in net cash inflow from operating activities and an £18.9 million outflow in cash flows from financing activities presented on a separate line.

The parent company has not presented its own income statement and related notes as permitted by section 230 of the Companies Act 1985.

Basis of consolidation

The consolidated accounts comprise the accounts of the parent company and all its subsidiaries, including employee share ownership trusts, and include the group's interest in associates.

Entities over which the group has the ability to exercise control are accounted for as subsidiaries. Entities that are not subsidiaries or joint ventures but where the group has significant influence (i.e. the power to participate in the financial and operating policy decisions) are accounted for as associates.

The results and assets and liabilities of associates are included in the consolidated accounts using the equity method of accounting.

The results of businesses acquired or disposed of in the year are consolidated from or up to the effective date of acquisition or disposal respectively. The net assets of businesses acquired are incorporated in the consolidated accounts at their fair values at the date of acquisition.

Transactions and balances between group companies are eliminated. No profit is taken on transactions between group companies and the group's share of profits on transactions with associates is also eliminated.

In the parent company balance sheet, businesses acquired by the parent company from other group companies are incorporated at book value at the date of acquisition. Where the consideration given exceeds the book value of the assets acquired this difference is accounted for as goodwill.

Revenue

Revenue comprises all sales of goods and rendering of services at the fair value of consideration received or receivable after the deduction of any trade discounts and excluding sales taxes. Revenue is recognised when it can be measured reliably and the significant risks and rewards of ownership are transferred to the customer. With the sale of goods, this occurs when the goods are despatched or made available to the customer, except for the sale of consignment products located at customers' premises where revenue is recognised on notification that the product has been used. With the rendering of services, revenue is recognised by reference to the stage of completion as measured by the proportion that costs incurred to date bear to the estimated total costs. With royalties, revenue is recognised in accordance with the substance of the relevant agreement.

Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion. This is measured by the proportion that contract costs incurred to date bear to the estimated total contract costs.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that the total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Finance costs and finance income

Finance costs that are directly attributable to the construction of an asset that necessarily takes a substantial period of time to get ready for its intended use and for which construction was commenced after 1st April 2007 are capitalised as part of the cost of that asset. Other finance costs and finance income are recognised in the income statement in the year incurred.

Research and development

Research expenditure is charged to the income statement in the year incurred.

Development expenditure is charged to the income statement in the year incurred unless it meets the IFRS recognition criteria for capitalisation. When the recognition criteria have been met any further development expenditure is capitalised as an intangible asset.

Foreign currencies

Foreign currency transactions are recorded in the functional currency of the relevant subsidiary, associate or branch at the exchange rate at the date of transaction. Foreign currency monetary assets and liabilities are retranslated into the relevant functional currency at the exchange rate at the balance sheet date.

Income statements and cash flows of overseas subsidiaries, associates and branches are translated into sterling at the average rates for the year. Balance sheets of overseas subsidiaries, associates and branches, including any fair value adjustments and including related goodwill, are translated into sterling at the exchange rates at the balance sheet date.

Exchange differences arising on the translation of the net investment in overseas subsidiaries, associates and branches, less exchange differences arising on related foreign currency financial instruments which hedge the group's net investment in these operations, are taken to a separate component of equity. The group has taken advantage of the exemption allowed in IFRS 1 – 'First-time Adoption of International Reporting Standards' to deem the cumulative translation difference for all overseas subsidiaries, associates and branches to be zero at 1st April 2004.

Other exchange differences are taken to operating profit.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any provisions for impairment. Finance costs that relate to an asset that takes a substantial period of time to construct and for which construction was started after 1st April 2007 are capitalised as part of the cost of that asset. Other finance costs are not capitalised.

Depreciation is provided using the straight line method to write off the cost less estimated residual value over the useful life of the asset. The estimated useful lives vary according to the class of the asset, but are typically: leasehold property 30 years (or the life of the lease if shorter); freehold buildings 30 years; and plant and equipment 4 to 10 years. Freehold land is not depreciated.

Goodwill

Goodwill arises on the acquisition of a business when the fair value of the consideration given exceeds the fair value attributed to the net assets acquired (including contingent liabilities). It is subject to annual impairment reviews.

The group and parent company have taken advantage of the exemption allowed under IFRS 1 and so goodwill arising on acquisitions made before 1st April 2004 is included at the carrying amount at that date less any subsequent impairments. Up to 31st March 1998 goodwill was eliminated against reserves.

Intangible assets

Intangible assets are stated at cost less accumulated amortisation and any provisions for impairment. They are amortised in accordance with the relevant income stream or by using the straight line method over their useful lives from the time they are first available for use. The estimated useful lives vary according to the specific asset but are typically: 1 to 8 years for customer contracts and relationships; 3 to 8 years for capitalised software; 3 to 10 years for patents, trademarks and licences; and 3 to 8 years for capitalised development currently being amortised.

Intangible assets which are not yet being amortised are subject to annual impairment reviews.

Investments in subsidiaries

Investments in subsidiaries are stated in the parent company's balance sheet at cost less any provisions for impairment. Any distributions from pre-acquisition profits are recognised as a reduction to the cost of the investment.

Leases

Leases are classified as finance leases whenever they transfer substantially all the risks and rewards of ownership to the group. The assets are included in property, plant and equipment and the capital elements of the leasing commitments are shown as obligations under finance leases. The assets are depreciated on a basis consistent with similar owned assets or the lease term if shorter. The interest element of the lease rental is included in the income statement.

All other leases are classified as operating leases and the lease costs are expensed on a straight line basis over the lease term.

Grants

Grants related to assets are included in deferred income and released to the income statement in equal instalments over the expected useful lives of the related assets.

Grants related to income are deducted in reporting the related expense.

Precious metal inventories

Inventories of gold, silver and platinum group metals are valued according to the source from which the metal is obtained. Metal which has been purchased and committed to future sales to customers or hedged in metal markets is valued at the price at which it is contractually committed or hedged, adjusted for unexpired contango and backwardation. Other precious metal inventories owned by the group, which are unhedged, are valued at the lower of cost and net realisable value using the weighted average cost formula.

Other inventories

Non precious metal inventories are valued at the lower of cost, including attributable overheads, and net realisable value. Except where costs are specifically identified, the first-in, first-out or weighted average cost formulae are used to value inventories.

Cash and cash equivalents

Cash and deposits comprise cash at bank and in hand, including short term deposits with a maturity date of three months or less from the date of acquisition. The group and parent company routinely use short term bank overdraft facilities, which are repayable on demand, as an integral part of their cash management policy. Therefore cash and cash equivalents in the cash flow statements are cash and deposits less bank overdrafts. Offset arrangements across group businesses have been applied to arrive at the net cash and overdraft figures.

Derivative financial instruments

The group and parent company use derivative financial instruments, in particular forward currency contracts and currency swaps, to manage the financial risks associated with their underlying business activities and the financing of those activities. The group and parent company do not undertake any trading activity in derivative financial instruments.

Derivative financial instruments are measured at their fair value. Derivative financial instruments may be designated at inception as fair value hedges, cash flow hedges or net investment hedges if appropriate. Derivative financial instruments which are not designated as hedging instruments are classified under IFRS as held for trading, but are used to manage financial risk.

Changes in the fair value of any derivative financial instruments that are not designated as or are not determined to be effective hedges are recognised immediately in the income statement.

Changes in the fair value of derivative financial instruments designated as fair value hedges are recognised in the income statement, together with the related changes in the fair value of the hedged asset or liability. Fair value hedge accounting is discontinued if the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the designation is revoked.

Changes in the fair value of derivative financial instruments designated as cash flow hedges are recognised in equity, to the extent that the hedges are effective. Ineffective portions are recognised in the income statement immediately. If the hedged item results in the recognition of a non-financial asset or liability, the amount recognised in equity is transferred out of equity and included in the initial carrying amount of the asset or liability. Otherwise, the amount recognised in equity is transferred to the income statement in the same period that the hedged item is recognised in the income statement. If the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the designation is revoked, amounts previously recognised in equity remain in equity until the forecast transaction occurs. If a forecast transaction is no longer expected to occur, the amounts previously recognised in equity are transferred to the income statement.

For hedges of net investments in foreign operations, the effective portion of the gain or loss on the hedging instrument is recognised in equity, while the ineffective portion is recognised in the income statement. Amounts taken to equity are transferred to the income statement when the foreign operations are sold.

Other financial instruments

All other financial instruments are initially recognised at fair value plus transaction costs. Subsequent measurement is as follows:

- Unhedged borrowings are measured at amortised cost.
- Available-for-sale investments are investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be measured reliably and so are measured at cost.
- All other financial assets and liabilities, including short term receivables and payables, are measured at amortised cost less any impairment provision.

Taxation

Current and deferred tax are recognised in the income statement, except when they relate to items recognised directly in equity when the related tax is also recognised in equity.

Current tax is the amount of income tax expected to be paid in respect of the taxable profits using the tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amount in the balance sheet. It is provided using the tax rates that are expected to apply in the period when the asset or liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. No deferred tax asset or liability is recognised in respect of temporary differences associated with investments in subsidiaries, branches and associates where the group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Provisions and contingencies

Provisions are recognised when the group has a present obligation as a result of a past event and a reliable estimate can be made of a probable adverse outcome, for example warranties, environmental claims and restructurings. Otherwise, material contingent liabilities are disclosed unless the transfer of economic benefits is remote. Contingent assets are only disclosed if an inflow of economic benefits is probable.

The group considers financial guarantees of its share of the borrowings and precious metal leases of its associates to be insurance contracts. The parent company considers financial guarantees of its subsidiaries' borrowings and precious metal leases to be insurance contracts. These are treated as contingent liabilities unless it becomes probable that it will be required to make a payment under the guarantee.

Share-based payments and employee share ownership trust (ESOT)

The fair value of outstanding share options granted to employees after 7th November 2002 was calculated using an adjusted Black-Scholes options valuation model and the fair value of outstanding shares allocated to employees under the long term incentive plans after 7th November 2002 is calculated by adjusting the share price on the date of allocation for the present value of the expected dividends that will not be received. The resulting cost is charged to the income statement over the relevant vesting periods, adjusted to reflect actual and expected levels of vesting where appropriate.

The group and parent company provide finance to the ESOT to purchase company shares in the open market. Costs of running the ESOT are charged to the income statement. The cost of shares held by the ESOT are deducted in arriving at equity until they vest unconditionally in employees.

Pensions and other post-employment benefits

The group operates a number of contributory and non-contributory plans, mainly of the defined benefit type, which require contributions to be made to separately administered funds.

The costs of the defined contribution plans are charged to the income statement as they fall due.

For defined benefit plans, the group and parent company recognise the net assets or liabilities of the schemes in their balance sheets. Obligations are measured at present value using the projected unit credit method and a discount rate reflecting yields on high quality corporate bonds. Assets are measured at their fair value at the balance sheet date. The changes in scheme assets and liabilities, based on actuarial advice, are recognised as follows:

- The current service cost is spread over the period during which benefit is expected to be derived from the employees' services based on the most recent actuarial valuation and is deducted in arriving at operating profit.
- The interest cost, based on the discount rate at the beginning of the year and the present value of the defined benefit obligation during the year, is included in operating profit.
- The expected return on plan assets, based on market expectations at the beginning of the year for returns over the entire life of the related obligation and amended for changes in the fair value of plan assets as a result of contributions paid in and benefits paid out, is included in operating profit.
- Actuarial gains and losses, representing differences between the expected return and actual return on plan assets and reimbursement rights, differences between actuarial assumptions underlying the plan liabilities and actual experience during the year, and changes in actuarial assumptions, are recognised in the statement of recognised income and expense in the year they occur.
- Past service costs are spread evenly over the period in which the increases in benefit vest and are deducted in arriving at operating profit. If an increase in benefits vests immediately, the cost is recognised immediately.
- Gains or losses arising from settlements or curtailments are included in operating profit.

Standards and interpretations adopted in the year

The standards and interpretations which were adopted during the year were IFRIC 12 – 'Service Concession Arrangements', IFRIC 14 – 'The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction' and Amendment to IAS 39 – 'Reclassification of Financial Assets'. There were no changes in accounting policy and no effect on current or prior year results or net assets of the group and parent company.

The revision to IAS 23 – 'Borrowing Costs' was also adopted in the year, which is earlier than required by the standard. Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which takes a substantial period of time to get ready for its intended use and for which construction was commenced after 1st April 2007 are capitalised as part of the cost of that asset. Previously all borrowing costs were recognised in the income statement in the year incurred. For the group, this resulted in a reduction to finance costs and an increase in property, plant and equipment of £1.6 million, an increase in the income tax expense of £0.3 million, a decrease in the deferred income tax assets of £0.1 million, an increase in the deferred income tax liabilities of £0.2 million, an increase in equity of £1.3 million and an increase of 0.6 pence in basic and diluted earnings per share in the year ended 31st March 2009. For the parent company, this resulted in an increase in property, plant and equipment of £0.3 million, a decrease in the deferred income tax assets of £0.1 million and an increase in equity of £0.2 million. There was no effect on the results or net assets of the group or parent company for the year ended 31st March 2008.

Standards and interpretations issued but not yet applied

IFRS 8 – 'Operating Segments' was issued in November 2006 and is required to be applied for annual periods beginning on or after 1st January 2009. It replaces IAS 14 – 'Segment Reporting' and requires the identification of operating segments based on internal reporting to the chief operating decision maker and changes the disclosure requirements. This is not expected to change the business segments about which information is given and will not affect the reported results or net assets of the group and parent company.

IFRIC 13 – 'Customer Loyalty Programmes' was issued in June 2007 and is required to be applied for annual periods beginning on or after 1st July 2008. This will not affect the reported results or net assets of the group and parent company.

IAS 1 – 'Presentation of Financial Statements' was revised in September 2007 and is required to be applied for annual periods beginning on or after 1st January 2009. It requires a number of presentational changes but will not affect the reported results or net assets of the group and parent company.

IFRS 3 – 'Business Combinations' was revised and IAS 27 – 'Consolidated and Separate Financial Statements' was amended in January 2008 and are required to be applied for annual periods beginning on or after 1st July 2009. They require changes to the accounting for future business combinations and the accounting in the event of the loss of control over a subsidiary and so will not result in any restatement of reported results or net assets of the group and parent company.

Amendment to IFRS 2 – 'Vesting Conditions and Cancellations' was issued in January 2008 and is required to be applied for annual periods beginning on or after 1st January 2009. The effect on the group and parent company is still being evaluated.

Amendments to IAS 32 and IAS 1 – 'Puttable Financial Instruments and Obligations Arising on Liquidation' was issued in February 2008 and is required to be applied for annual periods beginning on or after 1st January 2009. This is unlikely to have an effect on the reported results or net assets of the group and parent company.

Amendments to IFRS 1 and IAS 27 – 'Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate' was issued in May 2008 and is required to be applied for annual periods beginning on or after 1st January 2009. This will not affect the reported results or net assets of the group and parent company.

'Improvements to IFRSs' was issued in May 2008 making minor amendments to a number of standards and is required to be applied mainly for annual periods beginning on or after 1st January 2009, with some amendments for annual periods beginning on or after 1st July 2009. The effect on the group and parent company is still being evaluated.

Amendment to IAS 39 – 'Eligible Hedged Items' was issued in July 2008 and is required to be applied for annual periods beginning on or after 1st July 2009. This will not affect the reported results or net assets of the group and parent company.

IFRIC 15 – 'Agreements for the Construction of Real Estate' was issued in July 2008 and is required to be applied for annual periods beginning on or after 1st January 2009. This will not affect the reported results or net assets of the group and parent company.

IFRIC 16 – 'Hedges of a Net Investment in a Foreign Operation' was issued in July 2008 and is required to be applied for annual periods beginning on or after 1st October 2008. This will not affect the reported results or net assets of the group and parent company.

IFRS 1 – 'First-time Adoption of International Financial Reporting Standards' was reissued in November 2008 and is required to be applied for annual periods beginning on or after 1st January 2009. This will not be relevant for the group or parent company.

IFRIC 17 – 'Distributions of Non-cash Assets to Owners' was issued in November 2008 and is required to be applied for annual periods beginning on or after 1st July 2009. This will not affect the reported results or net assets of the group and parent company.

Amendments to IFRS 7 – 'Improving Disclosures about Financial Instruments' was issued in March 2009 and is required to be applied for annual periods beginning on or after 1st January 2009. It requires a number of changes to disclosures but will not affect the reported results or net assets of the group and parent company.

Amendments to IFRIC 9 and IAS 39 – 'Embedded Derivatives' was issued in March 2009 and is required to be applied for annual periods ending on or after 30th June 2009. This will not affect the reported results or net assets of the group and parent company.

'Improvements to IFRSs' was issued in April 2009 making minor amendments to a number of standards and is required to be applied mainly for annual periods beginning on or after 1st January 2010, with some amendments for annual periods beginning on or after 1st October 2008, 1st January 2009 or 1st July 2009. The effect on the group and parent company is still being evaluated.

1 Segmental information

By business segment

For management purposes the group is organised into three operating divisions – Environmental Technologies, Precious Metal Products and Fine Chemicals & Catalysts. Their principal activities are described on pages 17 to 23. Sales between segments are made at market prices, taking into account the volumes involved.

Year ended 31st March 2009

	Environmental Technologies £ million	Precious Metal Products £ million	Fine Chemicals & Catalysts £ million	Eliminations £ million	Total £ million
Sales to external customers	2,226.1	5,015.9	605.8	–	7,847.8
Inter-segment sales	7.4	1,008.4	81.1	(1,096.9)	–
Total revenue	2,233.5	6,024.3	686.9	(1,096.9)	7,847.8
External sales excluding the value of precious metals	1,135.2	314.4	347.3	–	1,796.9
Underlying segment result	124.3	119.7	72.8	–	316.8
Restructuring charge (note 3)	–	–	(9.4)	–	(9.4)
Amortisation of acquired intangibles (note 4)	(9.1)	–	–	–	(9.1)
Segment result	115.2	119.7	63.4	–	298.3
Unallocated corporate expenses					(18.3)
Operating profit					280.0
Net finance costs					(32.6)
Share of profit of associate		2.0			2.0
Profit before tax					249.4
Income tax expense					(76.7)
Profit for the year from continuing operations					172.7
Profit for the year from discontinued operations					1.2
Profit for the year					173.9
Segment assets	1,571.8	253.8	615.0	(62.8)	2,377.8
Investment in associate		5.8			5.8
Cash, deposits and swaps related to borrowings					145.9
Current and deferred income tax assets					69.0
Post-employment benefits net assets					2.2
Assets classified as held for sale					6.0
Unallocated corporate assets					87.6
Total assets					2,694.3
Segment liabilities	340.6	130.9	63.3	(62.8)	472.0
Borrowings and finance leases					680.3
Current and deferred income tax liabilities					117.7
Employee benefits obligations					153.8
Unallocated corporate liabilities					94.4
Total liabilities					1,518.2
Segment capital expenditure	160.2	14.7	23.4	–	198.3
Corporate capital expenditure					5.2
Total capital expenditure					203.5
Segment depreciation and amortisation	66.3	16.4	23.5	–	106.2
Corporate depreciation					2.5
Total depreciation and amortisation					108.7
Significant non-cash expenses other than depreciation	–	–	6.6	–	6.6

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

Year ended 31st March 2008 (restated)

	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 4)	(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	1,487.8	281.4	543.9	(78.1)	2,235.0
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					30.2
Unallocated corporate assets					112.6
Total assets					2,593.2
Segment liabilities	347.4	111.5	63.0	(78.1)	443.8
Borrowings, finance leases and related swaps					725.1
Current and deferred income tax liabilities					125.6
Employee benefits obligations					52.1
Liabilities classified as held for sale					7.1
Unallocated corporate liabilities					79.2
Total liabilities					1,432.9
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	–	–	–	–	–

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 2009

	Europe £ million	North America £ million	Asia £ million	Rest of the World £ million	Eliminations £ million	Total £ million
External sales by geographical destination	**3,566.4**	**1,931.5**	**1,833.0**	**516.9**	**–**	**7,847.8**
Carrying value of segment assets by location	**1,492.3**	**625.5**	**259.8**	**125.2**	**(125.0)**	**2,377.8**
Capital expenditure by location of assets	**128.2**	**48.6**	**21.0**	**5.7**	**–**	**203.5**

Year ended 31st March 2008 (restated)

	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	1,525.9	418.6	254.3	171.1	(134.9)	2,235.0
Capital expenditure by location of assets	88.4	32.2	16.5	7.9	–	145.0

2 Revenue

	2009 £ million	2008 £ million
Sale of goods	**7,691.2**	7,361.4
Rendering of services	**133.4**	118.1
Royalties / licence income	**23.2**	19.2
Total revenue – continuing operations	**7,847.8**	7,498.7

3 Restructuring charge

In March 2009 the group announced the closure of its fine chemical manufacturing facility in Ireland to consolidate manufacturing of prostaglandin products at its facility in Massachusetts, USA. The closure of the facility in Ireland gives rise to a restructuring charge of £9.4 million. It is excluded from underlying operating profit.

4 Amortisation of acquired intangibles

The amortisation of intangible assets which arise on the acquisition of businesses is shown separately on the face of the income statement. It is excluded from underlying operating profit.

5 Fees payable to auditors

	£ million	2009 £ million	£ million	2008 £ million
Fees payable to the company's auditor for the audit of the company's annual accounts		**0.5**		0.5
Fees payable to the company's auditor and its associates for other services:				
– the audit of the company's subsidiaries, pursuant to legislation	**0.8**		0.7	
– other services supplied pursuant to legislation	**0.1**		0.1	
– tax services	**0.3**		0.2	
– due diligence	**0.1**		0.1	
Total fees payable to the company's auditor and its associates for other services		**1.3**		1.1
Total fees payable to the company's auditor and its associates		**1.8**		1.6

Audit fees paid to other auditors were £0.1 million (2008 £ nil).

ACCOUNTS

6 Operating profit

	2009 £ million	2008 £ million
Operating profit is arrived at after charging / (crediting):		
Total research and development expenditure	**87.6**	73.0
less development expenditure capitalised	**(13.1)**	(9.0)
Research and development charged	**74.5**	64.0
less external funding received – from government grants	**(1.2)**	(1.9)
– from other organisations	**(3.9)**	(3.0)
Net research and development	**69.4**	59.1
Other government grants	**(0.4)**	–
Inventories recognised as an expense	**6,795.4**	6,551.3
Write-down of inventories recognised as an expense	**9.7**	5.7
Reversal of write-down of inventories arising from increases in net realisable value	**(0.8)**	(0.5)
Net losses / (gains) on foreign exchange	**1.5**	(1.3)
Net gains on foreign currency forwards held for trading	**(1.3)**	–
Gain on ineffective portion of net investment hedges	**(0.1)**	–
Cash flow hedges transferred from equity – revenue	**9.8**	2.2
– cost of sales	**15.1**	(2.2)
– administrative expenses	**–**	0.1
– total	**24.9**	0.1
Depreciation of property, plant and equipment	**88.7**	68.3
Amortisation of internally generated intangible assets included in cost of sales	**7.7**	5.3
Amortisation of other intangible assets included in – cost of sales	**2.0**	2.2
– distribution costs	**0.1**	0.1
– administrative expenses	**1.1**	1.4
– amortisation of acquired intangibles (note 4)	**9.1**	3.1
Operating lease rentals payable – minimum lease payments	**10.5**	8.6
Operating lease rentals payable – sublease payments received	**(0.2)**	(0.1)

The items above are for both continuing operations and total group.

7 Finance costs

	2009 £ million	2008 £ million
Remaining loss on remeasurement of net investment hedging instruments to fair value	**–**	1.7
Net loss on remeasurement of foreign currency swaps held for trading	**0.6**	–
Net losses on financial assets and liabilities classified as held for trading	**0.6**	1.7
Net loss on remeasurement of fair value hedges and related hedged items to fair value	**–**	0.6
Interest payable on financial liabilities measured at amortised cost	**42.5**	37.5
Unwinding of discount on provisions	**0.2**	0.1
Total finance costs – continuing operations	**43.3**	39.9

8 Finance income

	2009 £ million	2008 £ million
Interest receivable on interest rate swaps	**1.2**	3.6
Remaining gain on remeasurement of net investment hedging instruments to fair value	**1.8**	–
Net gain on remeasurement of foreign currency swaps held for trading	**–**	0.5
Net gains on financial assets and liabilities classified as held for trading	**3.0**	4.1
Net gain on remeasurement of fair value hedges and related hedged items to fair value	**0.8**	–
Interest receivable on loans and receivables	**6.9**	5.5
Total finance income – continuing operations	**10.7**	9.6

9 Taxation

	2009 £ million	2008 £ million
Current tax		
Corporation tax on profits for the year	**43.4**	96.9
Adjustment for prior years	**1.3**	0.6
Total current tax	**44.7**	97.5
Deferred tax		
Origination and reversal of temporary differences	**33.4**	(16.3)
Changes in tax rates and laws	**–**	(0.1)
Recognition of previously unrecognised deferred tax assets	**(0.7)**	(0.5)
Adjustment to estimated recoverable amount of deferred tax assets arising in prior years	**(0.7)**	(3.4)
Total deferred tax	**32.0**	(20.3)
Income tax expense – continuing operations	**76.7**	77.2

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

	2009 £ million	2008 £ million
Profit before tax	**249.4**	262.3
Tax expense at UK corporation tax rate of 28% (2008 30%)	**69.8**	78.7
Effects of:		
Overseas tax rates	**6.1**	3.3
Expenses not deductible for tax purposes	**1.1**	1.0
Net utilisation of tax losses and tax holidays	**0.5**	(1.7)
Adjustments for prior years	**0.6**	(2.8)
Research and development credits	**(4.4)**	(3.3)
Other	**3.0**	2.0
Tax expense for the year	**76.7**	77.2

10 Dividends

	2009 £ million	2008 £ million
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
2007/08 final ordinary dividend paid – 26.0 pence per share	**54.7**	–
2008/09 interim ordinary dividend paid – 11.1 pence per share	**23.4**	–
Total dividends	**78.1**	72.3

A final dividend of 26.0 pence per ordinary share has been proposed by the board which will be paid on 4th August 2009 to shareholders on the register at the close of business on 12th June 2009. The estimated amount to be paid is £54.9 million and has not been recognised in these accounts.

11 Earnings per ordinary share

	2009 pence	2008 pence
Total		
Basic	**82.6**	88.5
Diluted	**82.1**	87.1
Continuing		
Basic	**82.0**	88.3
Diluted	**81.5**	86.9
Discontinued		
Basic	**0.6**	0.2
Diluted	**0.6**	0.2

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.

	2009 £ million	2008 £ million
Earnings		
Profit for the year from continuing operations attributable to equity holders of the parent company	**172.9**	185.9
Profit for the year from discontinued operations attributable to equity holders of the parent company	**1.2**	0.3
Profit for the year attributable to equity holders of the parent company	**174.1**	186.2

	2009	2008
Weighted average number of shares in issue		
Basic	**210,807,882**	210,502,894
Dilution for share options and long term incentive plans	**1,217,221**	3,313,868
Diluted	**212,025,103**	213,816,762

Underlying earnings per ordinary share are calculated as follows:

	2009 £ million	2008 £ million
Profit for the year attributable to equity holders of the parent company	**174.1**	186.2
Amortisation of acquired intangibles	**9.1**	3.1
Restructuring charge	**9.4**	–
Profit on disposal of discontinued operations	**(1.2)**	–
Tax thereon	**(2.5)**	(0.9)
Underlying profit for the year	**188.9**	188.4

	2009 pence	2008 pence
Underlying earnings per share		
Basic	**89.6**	89.5
Diluted	**89.1**	88.1

12 Employee and key management personnel costs

12a Employee numbers

	Group 2009	Group 2008	Parent company 2009	Parent company 2008
The average monthly number of employees during the year was:				
Environmental Technologies	**4,754**	4,279	**1,394**	1,349
Precious Metal Products	**1,948**	1,957	**861**	852
Fine Chemicals & Catalysts	**1,715**	1,664	**113**	400
Corporate and Central Research	**325**	315	**291**	281
Average number of employees – continuing operations	**8,742**	8,215	**2,659**	2,882
Discontinued operations	**518**	155	**–**	–
Average number of employees – total	**9,260**	8,370	**2,659**	2,882
Actual number of employees at 31st March – continuing operations	**8,540**	8,722	**2,628**	2,924
Discontinued operations	**–**	927	**–**	–
Actual number of employees at 31st March – total	**8,540**	9,649	**2,628**	2,924

The number of temporary employees included above at 31st March 2009 was 262 (2008 303) for the group and 47 (2008 58) for the parent company.

The actual number of group employees was:

	Actual	Agency staff	Total headcount
At 31st March 2009			
Environmental Technologies	**4,623**	**276**	**4,899**
Precious Metal Products	**1,895**	**28**	**1,923**
Fine Chemicals & Catalysts	**1,689**	**11**	**1,700**
Corporate and Central Research	**333**	**4**	**337**
Total group	**8,540**	**319**	**8,859**
At 31st March 2008			
Environmental Technologies	4,730	674	5,404
Precious Metal Products	1,959	17	1,976
Fine Chemicals & Catalysts	1,713	19	1,732
Corporate and Central Research	320	6	326
Continuing operations	8,722	716	9,438
Discontinued operations	927	33	960
Total group	9,649	749	10,398

12b Employee benefits expense

	Group 2009 £ million	Group 2008 £ million	Parent company 2009 £ million	Parent company 2008 £ million
Wages and salaries – continuing operations	**299.6**	249.6	**108.9**	105.3
Social security costs – continuing operations	**25.8**	24.9	**6.5**	9.8
Pension and other post-employment costs – continuing operations	**22.3**	23.2	**9.4**	13.7
Share-based payments – continuing operations	**5.6**	9.8	**3.4**	6.7
Total employee benefits expense – continuing operations	**353.3**	307.5	**128.2**	135.5
Wages and salaries – discontinued operations	**7.3**	1.8	**–**	–
Social security costs – discontinued operations	**1.0**	0.2	**–**	–
Pension and other post-employment costs – discontinued operations	**0.2**	0.1	**–**	–
Total employee benefits expense – discontinued operations	**8.5**	2.1	**–**	–
Total employee benefits expense	**361.8**	309.6	**128.2**	135.5

Termination benefits of £3.7 million (2008 £1.2 million) for the group and £2.7 million (2008 £1.1 million) for the parent company are not included above.

12 Employee and key management personnel costs (continued)

12c 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). During the year ended 31st March 2009 the CEC had ten members (2008 ten members). Their compensation charged in the year was:

	2009 £ million	2008 £ million
Short term employee benefits	**4.3**	5.9
Pension and other post-employment costs	**0.4**	0.5
Share-based payments	**0.1**	1.4
Non-executive directors' fees and benefits	**0.5**	0.5
Total compensation of key management personnel	**5.3**	8.3

In the year ended 31st March 2009 Mr N A P Carson, Chief Executive, bought his company car from the company for £8,500, which was its current market price at the time of the sale. This transaction was settled during the year. Other than this and 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 47 to 53.

13 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 were 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 years ended 31st March 2008 and 2009.

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. The targets for options granted in 2004 and 2005 have been met and so these options are exercisable. 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 2009, shares allocated in 2007 and 2008 (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 previous 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 2009, shares allocated in 2006 (at 31st March 2008, shares allocated in 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 these percentiles 35% to 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.

13 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 47 to 53.

Activity relating to share options was:

	2009 Number of options	**2009 Weighted average exercise price pence**	2008 Number of options	2008 Weighted average exercise price pence
Outstanding at the start of the year	**4,946,246**	**1,098.81**	9,383,762	1,017.26
Forfeited during the year	**(84,933)**	**1,176.18**	(112,788)	1,086.53
Exercised during the year	**(354,268)**	**968.33**	(4,324,728)	922.20
Outstanding at the end of the year	**4,507,045**	**1,107.60**	4,946,246	1,098.81
Exercisable at the end of the year	**2,857,506**	**1,006.93**	1,387,814	908.05

Options were exercised on a regular basis throughout the year. The average share price during the year was 1,370.99 pence (2008 1,727.49 pence).

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

	2009 Number of options	**2009 Weighted average remaining life years**	2008 Number of options	2008 Weighted average remaining life years
Range of exercise price				
300 pence to 400 pence	**–**	**–**	300	1.0
500 pence to 600 pence	**45,977**	**0.3**	80,388	1.1
800 pence to 900 pence	**817,281**	**3.9**	954,269	5.0
900 pence to 1,000 pence	**61,921**	**1.3**	73,446	2.3
1,000 pence to 1,100 pence	**1,932,327**	**5.8**	2,105,540	6.8
1,200 pence to 1,300 pence	**1,649,539**	**7.3**	1,732,303	8.3
	4,507,045	**5.9**	4,946,246	6.8

The fair value of the shares allocated during the year under the LTIP was 1,625.1 pence per share allocation (2008 1,613.5 pence per share allocation). The fair value was based on the share price at the date of allocation of 1,731.0 pence (2008 1,711.0 pence) adjusted for the present value of the expected dividends that will not be received at an expected dividend rate of 2.11% (2008 1.96%).

Activity relating to the LTIP was:

	2009 Number of allocated shares	2008 Number of allocated shares
Outstanding at the start of the year	**1,310,196**	1,109,258
Allocated during the year	**625,319**	627,429
Forfeited during the year	**(27,757)**	(9,607)
Released during the year	**(377,005)**	(296,096)
Expired during the year	**–**	(120,788)
Outstanding at the end of the year	**1,530,753**	1,310,196

367,674 (2008 223,335) matching shares under the SIP and 97,235 (2008 58,876) 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 £5.6 million (2008 £9.8 million).

14 Post-employment benefits

14a 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 £2.5 million (2008 £3.1 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 2008 for the US pension plans and the valuations of all of the UK and US plans were updated to 31st March 2009 by qualified independent actuaries.

The main assumptions were:

	2009 UK plans %	**2009 US plans %**	**2009 Other plans %**	2008 UK plans %	2008 US plans %	2008 Other plans %
Rate of increase in salaries	**4.00**	**3.75**	**2.88**	5.00	4.25	2.91
Rate of increase in pensions in payment	**3.00**	**–**	**2.04**	3.50	–	2.20
Discount rate	**6.50**	**6.40**	**5.87**	6.50	6.50	5.45
Inflation	**3.00**	**2.75**	**2.02**	3.50	2.75	1.57
Current medical benefits cost trend rate	**7.00**	**9.00**	**4.00**	7.50	8.00	4.00
Ultimate medical benefits cost trend rate	**7.00**	**5.00**	**4.00**	7.50	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 2009 update, except that the age rating of one and a half years has been removed reflecting the recent plan experience, and allowing for the expected improvements over the three intervening years. This increased longevity assumption has added £21.5 million to the liabilities of the UK plan. The expected 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) is respectively:

	Currently age 63	**Age 63 in 23 years**	**Currently age 65**	**Age 65 in 25 years**
Male	**22.3**	**23.7**	**20.4**	**21.9**
Female	**25.4**	**26.7**	**23.5**	**24.8**

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 2009				
Post-retirement medical plan expense	**0.1**	**0.3**	**(0.1)**	**(0.3)**
Post-retirement medical plan defined benefit obligation	**1.8**	**4.5**	**(1.5)**	**(3.8)**
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)

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 2009:

	0.1% increase £ million	**0.1% decrease £ million**
Effect of discount rate	**(12.1)**	**12.3**
Effect of rate of increase in salaries	**3.0**	**(2.9)**

14 Post-employment benefits (continued)

14a Group (continued)

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

	UK pensions Expected rate of return %	UK pensions Value £ million	US pensions Expected rate of return %	US pensions Value £ million	Other Expected rate of return %	Other Value £ million
At 31st March 2009						
Equities	**8.25**	**351.2**	**8.40**	**52.2**	**8.66**	**7.2**
Bonds	**5.50**	**286.7**	**4.80**	**25.7**	**5.26**	**5.8**
Property	**6.75**	**32.5**	**–**	**–**	**–**	**–**
Insurance policies	**–**	**–**	**–**	**–**	**5.49**	**16.4**
	7.00	**670.4**	**7.21**	**77.9**	**6.22**	**29.4**
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

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 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 (restated)	–	–	–	–	(4.9)	(4.9)
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 (restated)	(744.4)	(10.9)	(86.4)	(15.6)	(39.0)	(896.3)
Current service cost – in operating profit	(19.7)	(0.2)	(4.8)	(0.6)	(1.9)	(27.2)
Current service cost – capitalised	(0.1)	–	–	–	–	(0.1)
Past service cost – vested	(0.2)	–	–	–	(0.1)	(0.3)
Interest cost	(47.4)	(0.7)	(6.4)	(1.1)	(2.1)	(57.7)
Employee contributions	(4.7)	–	–	–	(0.3)	(5.0)
Actuarial gain / (loss)	70.4	(0.7)	0.7	(3.0)	2.8	70.2
Curtailment gains	–	–	–	–	0.8	0.8
Transfer of employees from discontinued operations	–	–	–	–	(1.2)	(1.2)
Benefits paid	30.5	0.5	3.4	0.5	2.4	37.3
Exchange adjustments	–	–	(34.8)	(6.9)	(6.7)	(48.4)
At 31st March 2009	**(715.6)**	**(12.0)**	**(128.3)**	**(26.7)**	**(45.3)**	**(927.9)**

14 Post-employment benefits (continued)

14a 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 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
Expected return on plan assets	55.8	–	6.4	–	1.8	64.0
Actuarial loss	(191.2)	–	(32.4)	–	(3.8)	(227.4)
Employee contributions	4.7	–	–	–	0.3	5.0
Company contributions	22.1	0.5	3.6	0.5	2.1	28.8
Benefits paid	(30.5)	(0.5)	(3.4)	(0.5)	(2.4)	(37.3)
Exchange adjustments	–	–	25.2	–	4.3	29.5
At 31st March 2009	**670.4**	**–**	**77.9**	**–**	**29.4**	**777.7**

The actual return on plan assets for UK plans was a £135.3 million reduction (2008 £33.1 million reduction) and for US plans was a £26.0 million reduction (2008 £1.3 million reduction).

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 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
Expected return	–	–	–	0.3	–	0.3
Actuarial gain	–	–	–	0.5	–	0.5
Exchange adjustments	–	–	–	1.1	–	1.1
At 31st March 2009	**–**	**–**	**–**	**4.5**	**–**	**4.5**

14 Post-employment benefits (continued)

14a 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
At 31st March 2009						
Present value of funded obligations	**(715.6)**	**–**	**(128.3)**	**–**	**(34.9)**	**(878.8)**
Present value of unfunded obligations	**–**	**(12.0)**	**–**	**(26.7)**	**(10.4)**	**(49.1)**
Defined benefit obligation	**(715.6)**	**(12.0)**	**(128.3)**	**(26.7)**	**(45.3)**	**(927.9)**
Fair value of plan assets	**670.4**	**–**	**77.9**	**–**	**29.4**	**777.7**
Reimbursement rights	**–**	**–**	**–**	**4.5**	**–**	**4.5**
Unrecognised past service credit – non-vested	**–**	**–**	**–**	**(3.2)**	**–**	**(3.2)**
Net post-employment benefits assets and liabilities	**(45.2)**	**(12.0)**	**(50.4)**	**(25.4)**	**(15.9)**	**(148.9)**
At 31st March 2008 (restated)						
Present value of funded obligations	(744.4)	–	(86.4)	–	(30.4)	(861.2)
Present value of unfunded obligations	–	(10.9)	–	(15.6)	(8.6)	(35.1)
Defined benefit obligation	(744.4)	(10.9)	(86.4)	(15.6)	(39.0)	(896.3)
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)	(11.9)	18.9

These are included in the balance sheet as:

	2009 Post-employment benefits net assets £ million	**2009 Employee benefits obligations £ million**	**2009 Total £ million**	2008 Post-employment benefits net assets £ million	2008 Employee benefits obligations restated £ million	2008 Total restated £ million
UK pension plans	**–**	**(45.2)**	**(45.2)**	65.1	–	65.1
UK post-retirement medical benefits plan	**–**	**(12.0)**	**(12.0)**	–	(10.9)	(10.9)
US pension plans	**–**	**(50.4)**	**(50.4)**	–	(7.9)	(7.9)
US post-retirement medical benefits plan	**–**	**(25.4)**	**(25.4)**	–	(15.5)	(15.5)
Other plans	**2.2**	**(18.1)**	**(15.9)**	3.4	(15.3)	(11.9)
Total post-employment plans	**2.2**	**(151.1)**	**(148.9)**	68.5	(49.6)	18.9
Other long term employee benefits		**(2.7)**			(2.5)	
Total long term employee benefits obligations		**(153.8)**			(52.1)	

14 Post-employment benefits (continued)

14a 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 2009						
Current service cost	**(19.7)**	**(0.2)**	**(4.8)**	**(0.6)**	**(1.9)**	**(27.2)**
Interest on plan liabilities	**(47.4)**	**(0.7)**	**(6.4)**	**(1.1)**	**(2.1)**	**(57.7)**
Expected return on plan assets	**55.8**	**–**	**6.4**	**–**	**1.8**	**64.0**
Expected return on reimbursement rights	**–**	**–**	**–**	**0.3**	**–**	**0.3**
Curtailment gains	**–**	**–**	**–**	**–**	**0.8**	**0.8**
Past service cost – vested	**(0.2)**	**–**	**–**	**–**	**(0.1)**	**(0.3)**
Past service cost – non-vested	**–**	**–**	**–**	**0.3**	**–**	**0.3**
Charge to income	**(11.5)**	**(0.9)**	**(4.8)**	**(1.1)**	**(1.5)**	**(19.8)**
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)

Of the total charge for the year, £14.2 million (2008 £12.2 million) has been included within cost of sales, £2.5 million (2008 £2.3 million) in distribution costs and £3.1 million (2008 £5.6 million) in administrative expenses.

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 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)
Recognised in year	(120.8)	(0.7)	(31.7)	(2.5)	(1.0)	(156.7)
At 31st March 2009	**(128.9)**	**(0.3)**	**(36.3)**	**(1.9)**	**(1.9)**	**(169.3)**

It is estimated that the group will contribute about £54 million to the post-employment defined benefit plans during the year ending 31st March 2010.

14 Post-employment benefits (continued)

14a 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 2009						
Present value of defined benefit obligation	**(715.6)**	**(12.0)**	**(128.3)**	**(26.7)**	**(45.3)**	**(927.9)**
Fair value of plan assets	**670.4**	**–**	**77.9**	**–**	**29.4**	**777.7**
Reimbursement rights	**–**	**–**	**–**	**4.5**	**–**	**4.5**
Deficit in the plan	**(45.2)**	**(12.0)**	**(50.4)**	**(22.2)**	**(15.9)**	**(145.7)**
Experience adjustments arising on plan liabilities	**24.4**	**(0.6)**	**0.9**	**(1.0)**	**0.3**	**24.0**
Experience adjustments arising on plan assets	**(191.2)**	**–**	**(32.4)**	**–**	**(3.8)**	**(227.4)**
Year ended 31st March 2008 (restated)						
Present value of defined benefit obligation	(744.4)	(10.9)	(86.4)	(15.6)	(39.0)	(896.3)
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)	(11.9)	21.4
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

14 Post-employment benefits (continued)

14b 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 14a.

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

	2009 Expected rate of return %	**2009 Value £ million**	2008 Expected rate of return %	2008 Value £ million
Equities	**8.25**	**351.2**	8.00	397.2
Bonds	**5.50**	**286.7**	5.75	364.1
Property	**6.75**	**32.5**	6.75	48.2
	7.00	**670.4**	6.91	809.5

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:

	2009 Pension £ million	**2009 Post-retirement medical benefits £ million**	2008 Pension £ million	2008 Post-retirement medical benefits £ million
At beginning of year	**(744.4)**	**(10.9)**	(801.0)	(11.6)
Current service cost – in operating profit	**(19.7)**	**(0.2)**	(24.2)	(0.2)
Current service cost – capitalised	**(0.1)**	**–**	(0.1)	–
Past service cost – vested	**(0.2)**	**–**	(0.7)	–
Interest cost	**(47.4)**	**(0.7)**	(42.5)	(0.6)
Employee contributions	**(4.7)**	**–**	(4.1)	–
Actuarial gain / (loss)	**70.4**	**(0.7)**	99.5	1.2
Benefits paid	**30.5**	**0.5**	28.7	0.3
At end of year	**(715.6)**	**(12.0)**	(744.4)	(10.9)

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

	2009 Pension £ million	**2009 Post-retirement medical benefits £ million**	2008 Pension £ million	2008 Post-retirement medical benefits £ million
At beginning of year	**809.5**	**–**	846.5	–
Expected return on plan assets	**55.8**	**–**	54.6	–
Actuarial loss	**(191.2)**	**–**	(87.7)	–
Employee contributions	**4.7**	**–**	4.1	–
Company contributions	**22.1**	**0.5**	20.7	0.3
Benefits paid	**(30.5)**	**(0.5)**	(28.7)	(0.3)
At end of year	**670.4**	**–**	809.5	–

The actual return on plan assets was a £135.3 million reduction (2008 £33.1 million reduction). It is estimated that the company will contribute about £20 million to the post-employment defined benefit plans during the year ending 31st March 2010.

14 Post-employment benefits (continued)

14b Parent company (continued)

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

	2009 Pension £ million	2009 Post-retirement medical benefits £ million	2008 Pension £ million	2008 Post-retirement medical benefits £ million
Present value of funded obligations	(715.6)	–	(744.4)	–
Present value of unfunded obligations	–	(12.0)	–	(10.9)
Defined benefit obligation	(715.6)	(12.0)	(744.4)	(10.9)
Fair value of plan assets	670.4	–	809.5	–
Net retirement benefits assets and liabilities	(45.2)	(12.0)	65.1	(10.9)

These are included in the balance sheet as:

	2009 Post-employment benefits net assets £ million	2009 Employee benefits obligations £ million	2009 Total £ million	2008 Post-employment benefits net assets £ million	2008 Employee benefits obligations £ million	2008 Total £ million
UK pension plans	–	(45.2)	(45.2)	65.1	–	65.1
UK post-retirement medical benefits plan	–	(12.0)	(12.0)	–	(10.9)	(10.9)
Total post-employment plans	–	(57.2)	(57.2)	65.1	(10.9)	54.2
Other long term employee benefits		(0.2)			(0.1)	
Total long term employee benefits obligations		(57.4)			(11.0)	

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

	2009 Pension £ million	2009 Post-retirement medical benefits £ million	2008 Pension £ million	2008 Post-retirement medical benefits £ million
At beginning of year	(9.5)	0.4	(21.3)	(0.8)
Recognised in year	(120.8)	(0.7)	11.8	1.2
At end of year	(130.3)	(0.3)	(9.5)	0.4

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 2009					
Pension	(715.6)	670.4	(45.2)	24.4	(191.2)
Post-retirement medical benefits	(12.0)	–	(12.0)	(0.6)	–
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	–

15 Property, plant and equipment

15a 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 2007	237.0	17.3	756.7	38.0	1,049.0
Additions	13.0	0.2	75.0	45.1	133.3
Acquisitions (restated) (note 40)	27.4	–	11.5	3.9	42.8
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 (restated)	286.9	19.2	864.8	57.1	1,228.0
Additions	15.8	0.7	81.4	78.1	176.0
Acquisitions (note 40)	–	–	0.5	–	0.5
Reclassifications	7.2	1.4	51.5	(60.1)	–
Disposals	(0.1)	(0.4)	(14.2)	–	(14.7)
Exchange adjustments	52.5	3.4	147.1	16.6	219.6
At 31st March 2009	362.3	24.3	1,131.1	91.7	1,609.4
Accumulated depreciation and impairment					
At 1st April 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
Charge for the year	10.4	3.5	74.8	–	88.7
Disposals	(0.1)	(0.3)	(12.7)	–	(13.1)
Exchange adjustments	15.7	1.9	81.1	–	98.7
At 31st March 2009	97.5	14.1	573.1	–	684.7
Carrying amount at 31st March 2009	**264.8**	**10.2**	**558.0**	**91.7**	**924.7**
Carrying amount at 31st March 2008 (restated)	215.4	10.2	434.9	57.1	717.6
Carrying amount at 1st April 2007	174.1	9.7	378.9	38.0	600.7

The carrying amount of plant and machinery includes £2.5 million (2008 £2.7 million) in respect of assets held under finance leases.

Compensation received for impaired or lost property, plant and equipment was £ nil (2008 £ nil).

Finance costs capitalised were £1.6 million (2008 £ nil) and the capitalisation rate used to determine the amount of finance costs eligible for capitalisation was 5.5%.

15 Property, plant and equipment (continued)

15b 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 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
Additions	7.5	–	35.2	6.6	49.3
Reclassifications	–	–	12.0	(12.0)	–
Disposal of business to subsidiary	(7.7)	–	(55.4)	(5.8)	(68.9)
Disposals	–	–	(9.3)	–	(9.3)
At 31st March 2009	91.9	1.6	357.7	1.1	452.3
Accumulated depreciation and impairment					
At 1st April 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
Charge for the year	2.7	–	26.6	–	29.3
Disposal of business to subsidiary	(1.2)	–	(23.2)	–	(24.4)
Disposals	–	–	(8.5)	–	(8.5)
At 31st March 2009	29.6	1.5	163.2	–	194.3
Carrying amount at 31st March 2009	**62.3**	**0.1**	**194.5**	**1.1**	**258.0**
Carrying amount at 31st March 2008	64.0	0.1	206.9	12.3	283.3
Carrying amount at 1st April 2007	59.0	0.1	178.1	12.0	249.2

The carrying amount of plant and machinery includes £2.4 million (2008 £2.7 million) in respect of assets held under finance leases.

Finance costs capitalised were £0.3 million (2008 £ nil) and the capitalisation rate used to determine the amount of finance costs eligible for capitalisation was 5.5%.

16 Goodwill

	Group £ million	Parent company £ million
Cost		
At 1st April 2007	399.2	249.5
Additions, fair value adjustments and adjustments to consideration (restated) (note 40)	70.2	–
Exchange adjustments	11.0	–
At 31st March 2008 (restated)	480.4	249.5
Disposal of business to subsidiary	–	(117.1)
Exchange adjustments	35.6	–
At 31st March 2009	516.0	132.4
Impairment		
At 1st April 2007, 31st March 2008 and 31st March 2009	–	–
Carrying amount at 31st March 2009	**516.0**	**132.4**
Carrying amount at 31st March 2008 (restated)	480.4	249.5
Carrying amount at 1st April 2007	399.2	249.5

On 31st October 2008 the parent company sold the business of Macfarlan Smith to its subsidiary, Macfarlan Smith Limited.

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 integration of various businesses the CGUs have been revised and this is explained in more detail below. Goodwill is allocated as follows:

	Group		Parent company	
	2009 £ million	2008 restated £ million	**2009 £ million**	2008 £ million
Environmental Technologies				
Emission Control Technologies – Non-light Duty Catalysts	**90.7**	77.8	**–**	–
Process Technologies	**231.9**	223.0	**132.4**	132.4
Precious Metal Products	**5.3**	4.2	**–**	–
Fine Chemicals & Catalysts				
Macfarlan Smith	**117.1**	117.1	**–**	117.1
Catalysts and Chemicals	**26.9**	19.6	**–**	–
Pharmaceutical Materials and Services	**22.8**	17.4	**–**	–
Research Chemicals	**21.3**	21.3	**–**	–
	516.0	480.4	**132.4**	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 except as discussed below. The budgets and plans are based on a number of key assumptions. Assumptions on the likelihood and timing of new product launches are based on management's best estimate of what may happen. Foreign exchange rates are based on actual rates at the time the budgets were prepared and are held constant over the budget and plan years. Other assumptions such as market share, expected changes to 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. 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 adjusted for the tax rate and risk applicable to each CGU.

Following the acquisition of Argillon Group in February 2008, its business and technologies have been integrated into Emission Control Technologies' existing non-light duty catalyst businesses to form a new Non-light Duty Catalysts CGU. Over the next decade management expects the markets for heavy duty diesel catalysts and stationary emissions catalysts will grow significantly, based on emission control legislation already in place or anticipated, as described on page 18 of the Business Review. For the Non-light Duty Catalysts CGU five year plans have been approved by management. The cash flow projections have been extrapolated using a long term average growth rate of 3% (2008 10%) and then discounted to the present value using a 12.0% discount rate (2008 11.3%). The impairment test results in headroom of more than 30% over the carrying value of the CGU's net assets and so it is unlikely that a reasonably possible change in a key assumption would result in an impairment of goodwill.

16 Goodwill (continued)

For Process Technologies the long term average growth rate used was 3% (2008 8%) and the discount rate was 11.4% (2008 11.3%). The impairment test results in headroom of 50% and so it is unlikely that a reasonably possible change in a key assumption would result in an impairment of goodwill.

For Macfarlan Smith the long term average growth rate used was 2.5% (2008 5%) and the discount rate was 10.3% (2008 11.3%). The impairment test results in headroom of approximately 20% and so it is unlikely that a reasonably possible change in a key assumption would result in an impairment of goodwill.

For Catalysts and Chemicals the long term average growth rate used was 2% (2008 5%) and the discount rate was 11.4% (2008 11.3%). The impairment test results in headroom of more than 100% and so it is unlikely that a reasonably possible change in a key assumption would result in an impairment of goodwill.

Pharmaceutical Materials and Pharma Services have been reorganised. Pharmaceutical Materials and Services is now run as one business and so is one CGU. The fine chemical manufacturing facility in Ireland is in the process of being closed with prostaglandin product manufacturing being consolidated at Pharmaceutical Materials and Services' facility in the USA. The long term average growth rate used was 2.5% (2008 5%) and the discount rate was 11.4% (2008 11.3%). The resulting headroom exceeds the carrying value of the net assets by 40% and so it is unlikely that a reasonably possible change in a key assumption would result in an impairment of goodwill.

For Research Chemicals the long term average growth rate used was 2.5% (2008 5%) and the discount rate was 10.7% (2008 11.3%). The impairment test results in headroom of more than 100% and so it is unlikely that a reasonably possible change in a key assumption would result in an impairment of goodwill.

17 Other intangible assets

17a 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 2007	7.2	30.8	2.6	–	32.4	73.0
Additions	–	2.5	0.2	–	9.0	11.7
Acquisitions (note 40)	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
Additions	–	6.4	8.0	–	13.1	27.5
Acquisitions (note 40)	0.3	–	–	–	–	0.3
Disposal to subsidiaries classified as held for sale	–	(0.1)	–	–	–	(0.1)
Disposals	–	(0.4)	–	–	–	(0.4)
Exchange adjustments	6.3	5.5	1.5	2.8	11.3	27.4
At 31st March 2009	51.2	45.4	20.1	20.6	72.3	209.6
Accumulated amortisation and impairment						
At 1st April 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
Charge for the year	5.5	3.6	3.2	–	7.7	20.0
Disposals	–	(0.1)	–	–	–	(0.1)
Exchange adjustments	1.1	3.9	0.3	–	4.0	9.3
At 31st March 2009	13.3	32.0	4.2	–	24.3	73.8
Carrying amount at 31st March 2009	**37.9**	**13.4**	**15.9**	**20.6**	**48.0**	**135.8**
Carrying amount at 31st March 2008	37.9	9.4	9.9	17.8	35.3	110.3
Carrying amount at 1st April 2007	3.3	9.3	2.3	–	25.2	40.1

The carrying amount of development expenditure includes £34.6 million (2008 £23.9 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.

17 Other intangible assets (continued)

17b Parent company

	Computer software £ million	Development expenditure £ million	Total £ million
Cost			
At 1st April 2007	13.4	4.0	17.4
Additions	0.9	0.8	1.7
At 31st March 2008	14.3	4.8	19.1
Additions	0.9	1.6	2.5
Disposal of business to subsidiary	(0.6)	–	(0.6)
At 31st March 2009	14.6	6.4	21.0
Accumulated amortisation and impairment			
At 1st April 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
Charge for the year	1.2	0.5	1.7
Disposal of business to subsidiary	(0.6)	–	(0.6)
At 31st March 2009	11.3	3.4	14.7
Carrying amount at 31st March 2009	**3.3**	**3.0**	**6.3**
Carrying amount at 31st March 2008	3.6	1.9	5.5
Carrying amount at 1st April 2007	4.0	1.5	5.5

The carrying amount of development expenditure includes £1.6 million (2008 £1.4 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.

18 Investments in subsidiaries

	Cost of investments in subsidiaries £ million	Accumulated impairment £ million	Carrying amount £ million
At 1st April 2007	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
Additional shares issued by subsidiary	951.5	–	951.5
Dividends received out of pre-acquisition profits of subsidiary	(2.2)	–	(2.2)
Impairment loss	–	(34.0)	(34.0)
At 31st March 2009	**1,487.3**	**(183.5)**	**1,303.8**

The principal subsidiaries are shown on page 105.

In the year ended 31st March 2009, one of the parent company's subsidiaries paid a dividend, part of which was out of pre-acquisition profits and part of which resulted in an impairment loss.

19 Investment in associate

	2009 £ million	2008 £ million
At beginning of year	**3.7**	4.8
Group's share of profit / (loss) of associate for the year	**2.0**	(1.1)
Group's share of associate's cash flow hedging movement	**(0.2)**	(0.1)
Dividends paid	**–**	(0.4)
Exchange adjustments	**0.3**	0.5
At end of year	**5.8**	3.7

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:

	2009 £ million	2008 £ million
Total assets	**53.5**	43.0
Total liabilities	**(30.6)**	(30.3)
Net assets	**22.9**	12.7
Total revenue	**34.3**	22.7
Total profit / (loss) for the year	**10.0**	(5.5)

20 Non-current available-for-sale investments

	2009 £ million	2008 £ million
Unquoted investments	**6.3**	5.2

21 Inventories

	Group		Parent company	
	2009 £ million	2008 £ million	2009 £ million	2008 £ million
Raw materials and consumables	**96.6**	75.9	**20.7**	26.3
Work in progress	**85.3**	139.2	**54.6**	34.4
Finished goods and goods for resale	**189.8**	165.3	**38.7**	35.6
	371.7	380.4	**114.0**	96.3

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

22 Construction contracts

	Group	
	2009 £ million	2008 £ million
Contract revenue recognised	**48.5**	45.7
Contracts in progress at the year end:		
Costs incurred plus recognised profits less recognised losses to date	**48.3**	45.4
Amount of advances received	**24.1**	26.7

23 Trade and other receivables

	Group 2009 £ million	Group 2008 restated £ million	Parent company 2009 £ million	Parent company 2008 £ million
Current				
Trade receivables	**408.2**	568.9	**160.4**	234.1
Amounts receivable from construction contract customers	**7.9**	8.8	**–**	–
Amounts receivable from subsidiaries	**–**	–	**591.9**	1,159.5
Amounts receivable from subsidiaries classified as held for sale	**–**	0.6	**–**	–
Prepayments and accrued income	**35.5**	41.9	**11.4**	22.1
Other receivables	**48.6**	27.1	**3.4**	4.0
Current trade and other receivables	**500.2**	647.3	**767.1**	1,419.7
Non-current				
Amounts receivable from subsidiaries	**–**	–	**315.4**	377.7
Prepayments and accrued income	**3.0**	0.3	**–**	–
Other receivables	**2.0**	0.1	**–**	–
Non-current trade and other receivables	**5.0**	0.4	**315.4**	377.7

24 Trade and other payables

	Group 2009 £ million	Group 2008 restated £ million	Parent company 2009 £ million	Parent company 2008 £ million
Current				
Trade payables	**213.3**	224.2	**79.2**	56.2
Amounts payable to construction contract customers	**38.5**	25.9	**–**	–
Amounts payable to subsidiaries	**–**	–	**976.9**	979.0
Accruals and deferred income	**170.7**	167.0	**48.1**	71.3
Other payables	**85.6**	65.3	**187.6**	38.0
Current trade and other payables	**508.1**	482.4	**1,291.8**	1,144.5
Non-current				
Amounts payable to subsidiaries	**–**	–	**175.5**	126.5
Accruals and deferred income	**0.5**	1.9	**–**	–
Other payables	**1.8**	1.1	**–**	–
Non-current trade and other payables	**2.3**	3.0	**175.5**	126.5

25 Assets and liabilities classified as held for sale

	Group 2009 £ million	Group 2008 restated £ million	Parent company 2009 £ million	Parent company 2008 £ million
Insulators and Alumina businesses' assets (note 41)	**–**	23.1	**–**	–
Land at Meir, UK	**6.0**	7.1	**6.0**	7.1
	6.0	30.2	**6.0**	7.1
Insulators and Alumina businesses' liabilities (note 41)	**–**	7.1	**–**	–

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

26 Net debt

	Group 2009 £ million	Group 2008 £ million	Parent company 2009 £ million	Parent company 2008 £ million
Non-current borrowings, finance leases and related swaps				
Bank, other loans and related swaps				
5.67% US Dollar Bonds 2016	**117.0**	81.3	**117.0**	81.3
4.95% US Dollar Bonds 2015	**153.1**	107.0	**153.1**	107.0
4.987% Euro European Investment Bank (EIB) loan 2013	**115.8**	–	**115.8**	–
5.55% US Dollar Bonds 2013	**69.8**	50.3	**69.8**	50.3
5.17% Sterling Bonds 2013	**40.0**	40.0	**40.0**	40.0
4.935% US Dollar EIB loan 2011	**69.8**	50.3	**69.8**	50.3
4.25% US Dollar Bonds 2010	**–**	15.1	**–**	15.1
Cross currency interest rate swaps designated as cash flow hedges	**–**	6.8	**–**	6.8
Other repayable after five years	**–**	25.4	**–**	25.1
Other repayable from four to five years	**35.3**	0.2	**34.9**	–
Other repayable from three to four years	**0.3**	4.5	**–**	–
Other repayable from two to three years	**6.3**	165.2	**–**	164.9
Other repayable from one to two years	**18.8**	54.1	**18.5**	53.9
Finance leases repayable				
After five years	**1.3**	1.7	**1.3**	1.7
From four to five years	**0.3**	0.3	**0.3**	0.3
From three to four years	**0.3**	0.3	**0.3**	0.3
From two to three years	**0.4**	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	**628.8**	603.1	**621.4**	597.6
Current borrowings and finance leases				
Bank overdrafts	**15.4**	63.6	**38.6**	20.1
4.25% US Dollar Bonds 2010	**20.9**	–	**20.9**	–
Other bank and other loans	**14.9**	58.1	**–**	34.3
Finance leases	**0.3**	0.3	**0.3**	0.2
Current borrowings and finance leases	**51.5**	122.0	**59.8**	54.6
Total borrowings, finance leases and related swaps	**680.3**	725.1	**681.2**	652.2
Less interest rate swaps designated as fair value hedges	**26.4**	12.6	**26.4**	12.6
Less cross currency interest rate swaps designated as cash flow hedges	**4.3**	–	**4.3**	–
Less cash and deposits	**115.2**	102.1	**33.6**	25.2
Net debt	**534.4**	610.4	**616.9**	614.4

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 loans 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.

27 Other financial assets

	Group 2009 £ million	Group 2008 £ million	Parent company 2009 £ million	Parent company 2008 £ million
Forward foreign exchange contracts and options designated as cash flow hedges	**0.7**	1.5	**3.1**	0.9
Forward foreign exchange contracts and currency swaps held for trading	**3.1**	2.6	**4.4**	4.2
Foreign exchange swaps designated as hedges of a net investment in foreign operations	**1.2**	1.3	**–**	–
Embedded derivatives	**0.7**	0.6	**0.7**	0.6
	5.7	6.0	**8.2**	5.7

28 Other financial liabilities

	Group 2009 £ million	Group 2008 £ million	Parent company 2009 £ million	Parent company 2008 £ million
Forward foreign exchange contracts and options designated as cash flow hedges	**31.3**	13.3	**31.8**	13.1
Forward foreign exchange contracts and currency swaps held for trading	**1.6**	4.4	**1.9**	5.9
Foreign exchange swaps designated as hedges of a net investment in foreign operations	**–**	1.5	**–**	–
	32.9	19.2	**33.7**	19.0

29 Financial risk management

The group's and parent company's activities expose them to a variety of financial risks including market risk, liquidity risk and credit 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.

29a 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 2009, 63% (2008 30%) of the group's net debt and 55% (2008 30%) of the parent company's net debt were at fixed rates with an average interest rate of 5.13% (2008 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 £2.0 million (2008 £4.3 million) impact on the group's profit before tax. This is within the range the board regards as acceptable.

29b 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 2009 the group and parent company had borrowings under committed bank facilities of £ nil (2008 £230.7 million). The group and parent company also have a number of uncommitted facilities, including metal leases, and overdraft lines at their disposal.

	Group 2009 £ million	Group 2008 £ million	Parent company 2009 £ million	Parent company 2008 £ million
Undrawn committed borrowing facilities				
Expiring within one year	**50.0**	60.7	**50.0**	60.7
Expiring in more than one year but not more than two years	**100.0**	–	**100.0**	–
Expiring in more than two years	**165.0**	18.6	**165.0**	18.6
	315.0	79.3	**315.0**	79.3

29 Financial risk management (continued)

29b 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 2009	**Within 1 year £ million**	**1 to 2 years £ million**	**2 to 5 years £ million**	**After 5 years £ million**	**Total £ million**
Bank overdrafts	**15.4**	**–**	**–**	**–**	**15.4**
Bank and other loans – principal	**35.8**	**88.6**	**267.5**	**244.4**	**636.3**
Bank and other loans – interest payments	**29.8**	**28.3**	**69.5**	**24.7**	**152.3**
Interest rate swaps – payments	**7.6**	**6.7**	**20.1**	**12.4**	**46.8**
Interest rate swaps – receipts	**(13.7)**	**(12.8)**	**(38.5)**	**(24.7)**	**(89.7)**
Finance lease obligations	**0.5**	**0.4**	**1.3**	**1.5**	**3.7**
Financial liabilities in trade and other payables	**337.4**	**–**	**–**	**–**	**337.4**
Foreign exchange forwards, options and swaps – payments	**1,251.8**	**27.8**	**–**	**–**	**1,279.6**
Foreign exchange forwards, options and swaps – receipts	**(1,190.5)**	**(27.8)**	**–**	**–**	**(1,218.3)**
	474.1	**111.2**	**319.9**	**258.3**	**1,163.5**

Group as at 31st March 2008 (restated)	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	315.4	–	–	–	315.4
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)
	665.8	38.7	162.1	287.8	1,154.4

Parent company as at 31st March 2009	**Within 1 year £ million**	**1 to 2 years £ million**	**2 to 5 years £ million**	**After 5 years £ million**	**Total £ million**
Bank overdrafts	**38.6**	**–**	**–**	**–**	**38.6**
Bank and other loans – principal	**20.9**	**88.3**	**260.5**	**244.2**	**613.9**
Bank and other loans – interest payments	**29.7**	**28.3**	**69.5**	**24.7**	**152.2**
Interest rate swaps – payments	**7.6**	**6.7**	**20.1**	**12.4**	**46.8**
Interest rate swaps – receipts	**(13.7)**	**(12.8)**	**(38.5)**	**(24.7)**	**(89.7)**
Finance lease obligations	**0.4**	**0.4**	**1.3**	**1.5**	**3.6**
Financial liabilities in trade and other payables	**1,246.8**	**3.1**	**9.3**	**208.2**	**1,467.4**
Foreign exchange forwards, options and swaps – payments	**1,137.4**	**27.8**	**–**	**–**	**1,165.2**
Foreign exchange forwards, options and swaps – receipts	**(1,077.9)**	**(27.8)**	**–**	**–**	**(1,105.7)**
	1,389.8	**114.0**	**322.2**	**466.3**	**2,292.3**

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

29 Financial risk management (continued)

29c 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 2009 trade receivables for the group amounted to £408.2 million (2008 £568.9 million) (parent company £160.4 million (2008 £234.1 million)). £224.8 million (2008 £382.5 million) of these receivables at group level (£106.1 million (2008 £161.5 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. The group's exposure to Chrysler LLC, which filed under Chapter 11 in the US Bankruptcy Court on 30th April 2009, was less than US $5 million, some of which was covered by insurance and indemnities from other suppliers. The group's exposure to General Motors Corporation in the USA is very small. 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 2009 (and at 31st March 2008) for the group as a whole, no single outstanding balance exceeded 1% of the group's revenue. 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	
	2009 £ million	2008 £ million	**2009 £ million**	2008 £ million
Amounts neither past due nor impaired	**333.3**	494.7	**143.7**	210.8
Amounts past due but not impaired				
less than 30 days	**52.7**	53.0	**14.3**	16.0
30 – 90 days	**12.8**	13.3	**2.9**	5.4
more than 90 days	**8.2**	8.4	**0.1**	2.0
Total past due but not impaired	**73.7**	74.7	**17.3**	23.4
Amounts impaired	**12.2**	5.7	**2.8**	1.2
Specific allowances for bad and doubtful debts	**(9.2)**	(5.5)	**(2.2)**	(1.1)
Carrying amount of impaired receivables	**3.0**	0.2	**0.6**	0.1
General allowances for bad and doubtful debts	**(1.8)**	(0.7)	**(1.2)**	(0.2)
Trade receivables net of allowances	**408.2**	568.9	**160.4**	234.1

Movements in the allowances for impairments were:

	Group		Parent company	
	2009 £ million	2008 £ million	**2009 £ million**	2008 £ million
At beginning of year	**6.2**	4.0	**1.3**	0.9
Charge for year	**5.3**	2.3	**2.7**	0.4
Release	**(0.7)**	–	**(0.1)**	–
Utilised	**(1.3)**	(0.2)	**(0.3)**	–
Disposal of business to subsidiary	**–**	–	**(0.2)**	–
Exchange adjustments	**1.5**	0.1	**–**	–
At end of year	**11.0**	6.2	**3.4**	1.3

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. As at 31st March 2009, the maximum exposure with a single bank for deposits was £18.9 million (2008 £36.3 million) for the group and £9.8 million (2008 £13.0 million) for the parent company, whilst the largest mark to market exposure for derivative financial instruments to a single bank was £16.5 million (2008 £1.8 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 associate and its exposure at 31st March 2009 was £ nil (2008 £1.1 million). 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 2009 was £20.9 million (2008 £62.1 million).

29 Financial risk management (continued)

29d Fair value of financial instruments

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

Group	2009 Carrying amount £ million	2009 Fair value £ million	2008 Carrying amount £ million	2008 Fair value £ million
US Dollar Bonds 2010, 2013, 2015 and 2016	**(360.8)**	**(315.9)**	(253.7)	(244.2)
US Dollar EIB Loan 2011	**(69.8)**	**(69.7)**	(50.3)	(51.7)
Euro EIB Loan 2013	**(115.8)**	**(109.3)**	–	–
Sterling Bonds 2013	**(40.0)**	**(37.8)**	(40.0)	(38.6)

Parent company	2009 Carrying amount £ million	2009 Fair value £ million	2008 Carrying amount £ million	2008 Fair value £ million
Amounts receivable from subsidiaries	**907.3**	**929.4**	1,537.2	1,544.3
US Dollar Bonds 2010, 2013, 2015 and 2016	**(360.8)**	**(315.9)**	(253.7)	(244.2)
US Dollar EIB Loan 2011	**(69.8)**	**(69.7)**	(50.3)	(51.7)
Euro EIB Loan 2013	**(115.8)**	**(109.3)**	–	–
Sterling Bonds 2013	**(40.0)**	**(37.8)**	(40.0)	(38.6)

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 £6.3 million (2008 £5.2 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.

29e 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 and Japan (2008 USA, Europe, Japan and China) by borrowing US dollars, euros and yen (2008 and renminbi) respectively. Although much of this funding is obtained by directly borrowing the relevant currency, a part is achieved through currency swaps which can be more efficient and reduce costs and credit exposure. The group has designated the currency swaps, one euro loan and some of the US dollar bonds (fair value of the loan and bonds was £298.5 million (2008 £18.1 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 2009 £ million	Borrowings 2008 £ million	**Cash 2009 £ million**	Cash 2008 £ million	**Borrowings 2009 £ million**	Borrowings 2008 £ million	**Cash 2009 £ million**	Cash 2008 £ million
Sterling	**120.6**	130.7	**184.5**	177.5	**120.7**	126.8	**183.6**	173.3
US dollar	**288.7**	166.7	**39.2**	13.9	**285.0**	157.5	**22.1**	5.6
Euro	**411.5**	421.6	**–**	–	**442.1**	446.9	**–**	–
Japanese yen	**48.4**	58.3	**–**	–	**50.7**	61.8	**–**	–
South African rand	**–**	48.5	**7.5**	–	**5.9**	5.5	**–**	–
Hong Kong dollar	**–**	–	**56.1**	26.2	**–**	–	**47.9**	11.8
Canadian dollar	**–**	–	**25.4**	7.3	**–**	–	**23.3**	7.1
Chinese renminbi	**0.8**	16.0	**6.3**	2.1	**–**	6.0	**–**	–
Swiss franc	**–**	–	**11.4**	7.3	**–**	–	**9.4**	0.9
Other currencies	**10.4**	17.9	**15.6**	15.0	**1.6**	9.4	**2.8**	0.8
	880.4	859.7	**346.0**	249.3	**906.0**	813.9	**289.1**	199.5

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 2010.

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% (8.6 cent (2008 10.0 cent)) movement in the average exchange rate for the US dollar against sterling would have had a £3.2 million (2008 £3.6 million) impact on operating profit. The group is also exposed to the euro and a 5% (6.0 cent (2008 7.1 cent)) movement in the average exchange rate for the euro against sterling would have had a £1.3 million (2008 £1.7 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.

29 Financial risk management (continued)

29e 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% (7.2 cent (2008 9.9 cent)) movement in the closing exchange rate for the US dollar against sterling would have had a £3.7 million (2008 £1.9 million) impact on operating profit and a £19.1 million (2008 £11.4 million) impact on equity for these instruments. A 5% (5.4 cent (2008 6.3 cent)) movement in the closing exchange rate for the euro against sterling would have had a £6.7 million (2008 £2.4 million) impact on operating profit and a £28.8 million (2008 £28.0 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 £6.6 million (2008 £3.7 million) for the US dollar and £8.1 million (2008 £6.7 million) for the euro relates to cash flow hedging instruments hedging the forecast receipts and payments whose cash flows have yet to occur.

29f 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 14 for more information.

	Group		Parent company	
	2009 £ million	2008 £ million	**2009 £ million**	2008 £ million
Net debt	**534.4**	610.4	**616.9**	614.4
Equity	**1,176.1**	1,160.3	**772.8**	950.9
Capital employed	**1,710.5**	1,770.7	**1,389.7**	1,565.3
Gearing	**45.4%**	52.6%	**79.8%**	64.6%

30 Provisions and contingent liabilities

30a Group

	Restructuring provisions £ million	Warranty & technology provisions £ million	Other provisions £ million	Total £ million
At 1st April 2008	0.9	11.2	6.3	18.4
Charge for year	13.6	5.0	0.8	19.4
Utilised	(8.9)	(1.3)	(2.7)	(12.9)
Released	(0.5)	(4.0)	(0.1)	(4.6)
Unwinding of discount	–	–	0.2	0.2
Exchange adjustments	0.4	1.0	1.2	2.6
At 31st March 2009	**5.5**	**11.9**	**5.7**	**23.1**

	2009 £ million	2008 £ million
Current	**8.8**	5.1
Non-current	**14.3**	13.3
Total provisions	**23.1**	18.4

The restructuring provisions relate to all divisions and are expected to be fully spent in 2009/10.

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, onerous leases and legal 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 29c.

30 Provisions and contingent liabilities (continued)

30b Parent company

	Restructuring provisions £ million	Warranty provisions £ million	Other provisions £ million	Total £ million
At 1st April 2008	0.8	1.0	20.9	22.7
Charge for year	1.8	–	–	1.8
Utilised	(0.3)	–	(14.1)	(14.4)
Released	(0.4)	(0.9)	–	(1.3)
At 31st March 2009	**1.9**	**0.1**	**6.8**	**8.8**

	2009 £ million	2008 £ million
Current	**2.2**	15.0
Non-current	**6.6**	7.7
Total provisions	**8.8**	22.7

The restructuring provisions relate to Environmental Technologies Division, Precious Metal Products Division and Corporate and are expected to be fully spent in 2009/10.

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 onerous leases and legal 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 29c.

31 Deferred taxation

31a 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 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 (restated)	1.5	0.1	–	(1.6)	21.7	21.7
Exchange adjustments	0.1	(0.2)	0.5	(0.2)	1.4	1.6
At 31st March 2008 (restated)	66.8	7.2	(21.8)	(61.3)	35.9	26.8
Charge / (credit) to income	0.6	2.9	(6.5)	32.0	3.0	32.0
Tax on items taken directly to or transferred from equity	–	(47.7)	20.1	–	7.1	(20.5)
Exchange adjustments	11.2	(6.7)	0.6	(1.8)	1.2	4.5
At 31st March 2009	**78.6**	**(44.3)**	**(7.6)**	**(31.1)**	**47.2**	**42.8**

	2009 £ million	2008 £ million
Deferred tax assets	**27.5**	22.3
Deferred tax liabilities	**70.3**	49.1
	42.8	26.8

Deductible temporary differences, unused tax losses and unused tax credits not recognised on the balance sheet are £99.7 million (2008 £64.9 million).

Deferred tax liabilities have not been recognised on temporary differences of £731.2 million (2008 £496.0 million) associated with investments in subsidiaries and associates, other than in the case of the group's Hong Kong trading subsidiary and the group's captive insurance company where cumulative deferred tax of £1.6 million (2008 £1.6 million) has been provided on phased remittances.

31 Deferred taxation (continued)

31b 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 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)
Charge / (credit) to income	0.8	3.0	11.2	32.4	(12.5)	34.9
Disposal of business to subsidiary	(6.1)	–	0.1	–	0.1	(5.9)
Tax on items taken directly to or transferred from equity	–	(33.8)	(5.5)	–	7.1	(32.2)
At 31st March 2009	**26.4**	**(12.7)**	**(5.0)**	**(23.1)**	**(3.8)**	**(18.2)**

Deductible temporary differences, unused tax losses and unused tax credits not recognised on the balance sheet are £4.6 million (2008 £4.6 million).

32 Share capital

	Authorised		Issued and fully paid	
	Number	£ million	Number	£ million
Ordinary shares of £1 each				
At 1st April 2007	291,550,000	291.6	220,477,283	220.5
Share options exercised	–	–	196,330	0.2
At 31st March 2008 and at 31st March 2009	**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 13.

At the last annual general meeting on 22nd July 2008 shareholders approved a resolution for the company to make purchases of its own shares up to a maximum number of 21,467,573 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 trust (ESOT) also buys shares on the open market and holds them in trust for employees participating in the group's executive share option schemes and long term incentive plan. At 31st March 2009 the group's ESOT held 3,689,274 shares (2008 4,265,151 shares) which had not yet vested unconditionally in employees. Computershare Trustees (CI) Limited, as trustee for the ESOT, has waived its dividend entitlement. At 31st March 2009 the parent company's ESOT held 3,689,274 shares (2008 4,241,462 shares) which had not yet vested unconditionally in employees.

33 Other reserves

33a Group

	Capital redemption reserve £ million	Foreign currency translation £ million	Available-for-sale reserve £ million	Hedging reserve £ million	Total other reserves £ million
At 1st April 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
At 31st March 2008	6.5	(18.7)	–	(8.4)	(20.6)
Cash flow hedges:					
Losses taken to equity	–	–	–	(45.0)	(45.0)
Transferred to income statement	–	–	–	24.9	24.9
Fair value losses on net investment hedges	–	(146.9)	–	–	(146.9)
Currency translation differences on foreign currency net investments and related loans	–	191.8	–	–	191.8
Currency translation differences transferred to profit on sale of discontinued operations	–	(2.4)	–	–	(2.4)
Tax on items taken directly to or transferred from equity	–	11.2	–	5.5	16.7
At 31st March 2009	**6.5**	**35.0**	**–**	**(23.0)**	**18.5**

33b Parent company

	Capital redemption reserve £ million	Foreign currency translation £ million	Hedging reserve £ million	Total other reserves £ million
At 1st April 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
At 31st March 2008	6.5	1.1	(8.0)	(0.4)
Cash flow hedges:				
Losses taken to equity	–	–	(46.0)	(46.0)
Transferred to income statement	–	–	27.4	27.4
Disposal of business to subsidiary	–	–	0.6	0.6
Currency translation differences on foreign operations	–	(6.6)	–	(6.6)
Tax on items taken directly to or transferred from equity	–	–	5.5	5.5
At 31st March 2009	**6.5**	**(5.5)**	**(20.5)**	**(19.5)**

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

34a 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 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
Profit for the year	–	–	–	–	174.1	174.1
Actuarial loss on post-employment benefits assets and liabilities	–	–	–	–	(156.7)	(156.7)
Dividends paid	–	–	–	–	(78.1)	(78.1)
Purchase of shares for ESOTs	–	–	(2.6)	–	–	(2.6)
Share-based payments	–	–	–	–	5.6	5.6
Cost of shares transferred to employees	–	–	9.4	–	(11.6)	(2.2)
Cash flow hedges:						
Losses taken to equity	–	–	–	(45.0)	–	(45.0)
Transferred to income statement	–	–	–	24.9	–	24.9
Fair value losses on net investment hedges	–	–	–	(146.9)	–	(146.9)
Currency translation differences on foreign currency net investments and related loans	–	–	–	191.8	–	191.8
Currency translation differences transferred to profit on sale of discontinued operations	–	–	–	(2.4)	–	(2.4)
Purchase of minority interest (note 40)	–	–	–	–	(4.6)	(4.6)
Tax on items taken directly to or transferred from equity	–	–	–	16.7	41.8	58.5
At 31st March 2009	**220.7**	**148.3**	**(61.8)**	**18.5**	**849.6**	**1,175.3**

The total number of treasury shares held was 5,997,877 (2008 5,997,877) at a total cost of £91.7 million (2008 £91.7 million).

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

34b 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 1st April 2008	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
Profit for the year	–	–	–	–	12.7	12.7
Actuarial loss on post-employment benefits assets and liabilities	–	–	–	–	(121.5)	(121.5)
Dividends paid	–	–	–	–	(78.1)	(78.1)
Purchase of shares for ESOTs	–	–	(2.6)	–	–	(2.6)
Share-based payments	–	–	–	–	3.4	3.4
Cost of shares transferred to employees	–	–	9.2	–	(9.2)	–
Cash flow hedges:						
Losses taken to equity	–	–	–	(46.0)	–	(46.0)
Transferred to income statement	–	–	–	27.4	–	27.4
Disposal of business to subsidiary	–	–	–	0.6	(0.6)	–
Currency translation differences on foreign operations	–	–	–	(6.6)	–	(6.6)
Tax on items taken directly to or transferred from equity	–	–	–	5.5	27.7	33.2
At 31st March 2009	**220.7**	**148.3**	**(61.8)**	**(19.5)**	**485.1**	**772.8**

35 Minority interests

	£ million
At 1st April 2007	2.4
Share of loss for the year	(0.8)
Dividends	(0.4)
Acquisition (note 40)	0.2
At 31st March 2008	1.4
Share of loss for the year	(0.2)
Dividends	(0.4)
Currency translation differences	0.6
Purchase of minority interest (note 40)	(0.6)
At 31st March 2009	**0.8**

36 Gross cash flows

36a Purchases of non-current assets and investments

	Group 2009 £ million	Group 2008 £ million	Parent company 2009 £ million	Parent company 2008 £ million
Purchases of property, plant and equipment	**180.7**	132.6	**50.9**	64.7
Purchases of intangible assets	**27.5**	11.8	**2.5**	1.7
Purchase of additional shares issued by subsidiary	**–**	–	**951.5**	39.4
Purchases of available-for-sale investments	**1.1**	0.7	**–**	–
	209.3	145.1	**1,004.9**	105.8

36b Purchases of businesses and minority interests

	Group 2009 £ million	Group 2008 £ million	Parent company 2009 £ million	Parent company 2008 £ million
Purchase of businesses (note 40)	**3.0**	160.7	**–**	–
Cash acquired with businesses	**–**	(2.6)	**–**	–
Purchase of minority interest	**5.2**	–	**–**	–
	8.2	158.1	**–**	–

36c Net proceeds from sale of businesses and minority interests

	Group 2009 £ million	Group 2008 £ million	Parent company 2009 £ million	Parent company 2008 £ million
Disposal of Insulators and Alumina businesses (note 41)	**17.8**	–	**–**	–
Disposal of Ceramics (note 41)	**(0.2)**	(1.8)	**(0.2)**	(1.2)
Disposal of business to subsidiary (note 16)	**–**	–	**193.5**	–
Cash disposed of with business	**–**	–	**(14.9)**	–
Disposal of subsidiary to subsidiary	**–**	–	**9.2**	–
	17.6	(1.8)	**187.6**	(1.2)

36d Net purchase of own shares

	Group 2009 £ million	Group 2008 £ million	Parent company 2009 £ million	Parent company 2008 £ million
Issue of ordinary share capital	**–**	2.2	**–**	2.2
Purchase of own shares	**–**	(39.1)	**–**	(39.1)
Net release / (purchase) of own shares by ESOT	**0.8**	(7.7)	**0.8**	(8.5)
	0.8	(44.6)	**0.8**	(45.4)

36e (Repayment of) / proceeds from borrowings and finance leases

	Group 2009 £ million	Group 2008 £ million	Parent company 2009 £ million	Parent company 2008 £ million
(Decrease) / increase in borrowings falling due within one year	**(43.5)**	33.0	**(15.3)**	31.9
(Decrease) / increase in borrowings falling due after more than one year	**(4.8)**	175.2	**7.9**	180.1
Capital element of finance lease rental payments	**(0.3)**	(0.2)	**(0.3)**	(0.3)
	(48.6)	208.0	**(7.7)**	211.7

37 Cash and cash equivalents

	Group 2009 £ million	Group 2008 £ million	Parent company 2009 £ million	Parent company 2008 £ million
Cash and deposits	**115.2**	102.1	**33.6**	25.2
Bank overdrafts	**(15.4)**	(63.6)	**(38.6)**	(20.1)
Cash and cash equivalents	**99.8**	38.5	**(5.0)**	5.1

38 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 2009 precious metal leases were £68.2 million (2008 £86.1 million).

39 Commitments

	Group 2009 £ million	Group 2008 £ million	Parent company 2009 £ million	Parent company 2008 £ million
Future capital expenditure contracted but not provided	**11.2**	17.3	**4.6**	7.9
Future minimum amounts payable under non-cancellable operating leases				
Within one year	**11.7**	9.6	**1.7**	2.0
From one to five years	**21.3**	12.5	**4.5**	3.5
After five years	**26.8**	16.2	**7.2**	6.2
	59.8	38.3	**13.4**	11.7
Future minimum amounts payable under finance leases				
Within one year	**0.5**	0.5	**0.4**	0.4
From one to five years	**1.7**	1.7	**1.7**	1.7
After five years	**1.5**	1.9	**1.5**	1.9
	3.7	4.1	**3.6**	4.0
Less future finance charges	**(0.8)**	(0.9)	**(0.8)**	(0.9)
Present value of finance lease obligations	**2.9**	3.2	**2.8**	3.1

40 Acquisitions

If all the acquisitions had been completed on 1st April 2008 the revenue for the group would have been £7,848.0 million and its profit for the year for continuing operations £173.9 million.

BASF automotive and silver paste business

On 12th March 2009 the group acquired BASF's automotive enamel and silver paste business for £1.4 million. The fair value of the assets acquired were £0.3 million for customer relationships, £0.5 million for plant and machinery and £0.6 million for inventory. Since it was acquired close to the end of the year, its contribution to the group's profit for the year was £ nil. It is included in Precious Metal Products.

Alfa Aesar China Limited's minority interest

On 2nd March 2009 the group acquired the 49% of Alfa Aesar China Limited it did not already own for £5.2 million. This has been accounted for as an equity transaction.

40 Acquisitions (continued)

Argillon Group acquired in the year ended 31st March 2008

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 was 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 have also been 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 $600 million of sales excluding precious metals in 2008 to US $2.5 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 five 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.

When the accounting records of the Insulators and Alumina businesses were separated from the other Argillon businesses it was found that the carrying amount of the assets and liabilities immediately prior to acquisition had been incorrectly allocated between the businesses. Also, at acquisition it was assumed that the buildings at the German site were to be finance leased to the Insulators and Alumina businesses but this was changed to an operating lease. This changes the fair values at acquisition and the goodwill on acquisition (which was disclosed in last year's accounts as £72.5 million) and as a result the balance sheet at 31st March 2008 has been restated.

The net assets acquired were:

	Original carrying amounts under IFRS immediately prior to acquisition £ million	Original fair value adjustments made in the year ended 31st March 2008 £ million	Correction to fair value and to 31st March 2008 For lease £ million	Other £ million	Total £ million	Revised fair value at time of acquisition £ million
Property, plant and equipment	21.5	9.9	7.6	3.7	11.3	42.7
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 41)	39.6	(0.6)	(7.6)	(6.8)	(14.4)	24.6
Liabilities classified as held for sale (note 41)	(16.0)	(8.1)	7.6	6.8	14.4	(9.7)
Inventories	11.5	–	–	–	–	11.5
Trade and other receivables	22.4	7.7	(7.6)	–	(7.6)	22.5
Cash and cash equivalents	2.3	–	–	–	–	2.3
Current other borrowings	(3.6)	–	–	–	–	(3.6)
Trade and other payables	(26.0)	–	–	(0.8)	(0.8)	(26.8)
Current income tax liabilities	(4.8)	–	–	–	–	(4.8)
Deferred income tax liabilities	(1.1)	(20.9)	–	0.3	0.3	(21.7)
Employee benefit obligations	(5.1)	–	–	(0.8)	(0.8)	(5.9)
Provisions	(2.8)	(1.8)	–	–	–	(4.6)
Total net assets acquired	40.3	49.1	–	2.4	2.4	91.8
Goodwill on acquisition						70.1
						161.9

Satisfied by:

	£ million
Purchase consideration – cash	159.4
Costs incurred	2.5
	161.9

40 Acquisitions (continued)

Argillon Group acquired in the year ended 31st March 2008 (continued)

Net cash outflow arising on acquisition was:

	2009 £ million	2008 £ million
Cash consideration and costs	**1.6**	160.3
Less cash and cash equivalents acquired	**–**	2.3
Net cash outflow	**1.6**	158.0
Borrowings acquired	**–**	3.6
Increase in net debt	**1.6**	161.6

From 6th February 2008 to 31st March 2008 Argillon's results (excluding the held for sale businesses (note 41)) are included in Environmental Technologies and were:

	2008 £ 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

Qingdao Johnson Matthey Hero Catalyst Company Limited acquired in the year ended 31st March 2008

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. From acquisition to 31st March 2008 it contributed £0.1 million to the group's profit for the year and its results are included in Environmental Technologies.

41 Discontinued operations

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

	2009 £ million	2008 £ million
Profit of the Insulators and Alumina businesses	**0.9**	0.3
Costs accrued on disposal of Ceramics Division	**0.3**	–
Profit for the year from discontinued operations	**1.2**	0.3

On the 26th November 2008 the group sold its non-core Insulators and Alumina businesses, that it acquired as part of the Argillon Group in February 2008, to Lapp Insulator GmbH & Co. These businesses had been classified as held for sale since acquisition. The proceeds received were £20.1 million in cash and a £1.7 million loan note. Costs incurred were £2.3 million.

On 28th February 2007 the group sold its Ceramics Division and costs were accrued at that time. £0.2 million of those costs were paid in the year ended 31st March 2009 and a further £0.3 million will not be incurred and so the accrual for these has been released.

42 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 19, is a related party. Guarantees of subsidiaries' and associate's borrowings are disclosed in note 29c.

	Group		Parent company	
	2009 £ million	2008 £ million	**2009 £ million**	2008 £ million
Trading transactions with associate				
Sale of goods	**0.1**	0.2	**0.1**	0.2
Trading transactions with subsidiaries				
Sale of goods	**–**	–	**1,672.1**	1,252.0
Purchases of goods	**–**	–	**290.7**	716.9
Income from service charges	**–**	–	**1.9**	1.8
Amounts receivable from subsidiaries	**–**	–	**105.7**	71.2
Amounts payable to subsidiaries	**–**	–	**24.5**	21.0
Loans to subsidiaries	**–**	–	**801.6**	1,466.0
Loans from subsidiaries	**–**	–	**1,127.9**	1,084.5

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 14a and 14b respectively.

The transactions with key management personnel are described in note 12c.

43 Post balance sheet events

On 7th May 2009 the group acquired Process Vision Services SPRL for £1.1 million, with £0.3 million paid on acquisition and a third of the balance due in one year, a third in two years and a third in three years. The fair value exercise for this acquisition has not yet been completed.

44 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 14.

Goodwill

The group has capitalised goodwill of £516.0 million and the parent company has £132.4 million. Annual impairment reviews are performed which require various assumptions. More details are given in note 16.

Other intangible assets

Other intangible assets which are not yet being amortised (note 17) 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 30 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.

PRINCIPAL SUBSIDIARIES AND ASSOCIATES

	Country of incorporation
Europe	
S.A. Johnson Matthey N.V.	Belgium
+ Avocado Research Chemicals Limited	England
+ Davy Process Technology Limited	England
+ Johnson Matthey Fuel Cells Limited (82.5%)	England
Johnson Matthey SAS	France
Alfa Aesar GmbH & Co KG	Germany
Johnson Matthey Catalysts (Germany) GmbH	Germany
Johnson Matthey GmbH	Germany
Johnson Matthey BV	Netherlands
Macfarlan Smith Limited	Scotland
Johnson Matthey AB	Sweden
Johnson Matthey & Brandenberger AG	Switzerland
North America	
The Argent Insurance Co. Limited	Bermuda
Johnson Matthey Limited	Canada
Johnson Matthey de Mexico, S.A. de C.V.	Mexico
Johnson Matthey Inc.	USA
Johnson Matthey Catalog Company Inc.	USA
Johnson Matthey Fuel Cells, Inc. (82.5%)	USA
Johnson Matthey Pharmaceutical Materials, Inc.	USA

	Country of incorporation
Asia	
Johnson Matthey (Shanghai) Chemicals Limited	China
Johnson Matthey Hong Kong Limited	Hong Kong
Johnson Matthey India Private Limited	India
Johnson Matthey Chemicals India Private Limited	India
Johnson Matthey Japan, Inc.	USA
+ Johnson Matthey Sdn. Bhd. (92%)	Malaysia
Johnson Matthey Catalysts Korea Limited	South Korea
Africa	
Johnson Matthey (Pty) Limited	South Africa
Australasia	
* AGR Matthey (20%)	Australia
South America	
+ Johnson Matthey Argentina S.A.	Argentina

Except where otherwise stated, all companies are wholly owned.
* Associate (see note 19 on page 87).
\+ Investments held directly by parent company.
All the subsidiaries and associates are involved in the principal activities of the group.

ACCOUNTS