

NOTES ON THE ACCOUNTS

for the year ended 31st March 2009

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

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for the year ended 31st March 2009

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	–	–	–	–	–

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for the year ended 31st March 2009

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).

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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

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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.

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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

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for the year ended 31st March 2009

12 Employee and key management personnel costs

12a Employee numbers

The average monthly number of employees during the year was:

	Group		Parent company	
	2009	2008	2009	2008
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		Parent company	
	2009 £ million	2008 £ million	2009 £ million	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.

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for the year ended 31st March 2009

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.

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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	2009 Weighted average exercise price pence	2008	2008 Weighted average exercise price pence
	Number of options		Number of options	
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	2009 Weighted average remaining life years	2008	2008 Weighted average remaining life years
	Number of options		Number of options	
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).

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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)

NOTES ON THE ACCOUNTS

for the year ended 31st March 2009

14 Post-employment benefits (continued)

14a Group (continued)

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

	UK pensions		US pensions		Other	
	Expected rate of return %	Value £ million	Expected rate of return %	Value £ million	Expected rate of return %	Value £ million
At 31st March 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)

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NOTES ON THE ACCOUNTS

for the year ended 31st March 2009

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

NOTES ON THE ACCOUNTS

for the year ended 31st March 2009

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)	–

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NOTES ON THE ACCOUNTS

for the year ended 31st March 2009

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.

NOTES ON THE ACCOUNTS

for the year ended 31st March 2009

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

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for the year ended 31st March 2009

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.

NOTES ON THE ACCOUNTS

for the year ended 31st March 2009

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	2009	2008	2008
	Pension	Post-retirement	Pension	Post-retirement
	£ million	medical	£ million	medical
		benefits		benefits
		£ million		£ 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	2009	2009	2008	2008	2008
	Post-employment	Employee	Total	Post-employment	Employee	Total
	benefits	benefits	£ million	benefits	benefits	£ million
	net assets	obligations		net assets	obligations	
	£ million	£ million		£ million	£ 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	2009	2008	2008
	Pension	Post-retirement	Pension	Post-retirement
	£ million	medical	£ million	medical
		benefits		benefits
		£ million		£ 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	–

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for the year ended 31st March 2009

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%.

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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%.

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for the year ended 31st March 2009

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	2008 restated £ million	2009	2008
	£ million	£ million	£ million	£ 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.

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for the year ended 31st March 2009

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

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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.

NOTES ON THE ACCOUNTS

for the year ended 31st March 2009

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.

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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

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for the year ended 31st March 2009

23 Trade and other receivables

	Group		Parent company	
	2009	2008 restated	2009	2008
	£ million	£ million	£ million	£ 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		Parent company	
	2009	2008 restated	2009	2008
	£ million	£ million	£ million	£ 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		Parent company	
	2009	2008 restated	2009	2008
	£ million	£ million	£ million	£ 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.

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26 Net debt

	Group		Parent company	
	2009 £ million	2008 £ million	2009 £ million	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		Parent company	
	2009 £ million	2008 £ million	2009 £ million	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

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28 Other financial liabilities

	Group		Parent company	
	2009 £ million	2008 £ million	2009 £ million	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		Parent company	
	2009 £ million	2008 £ million	2009 £ million	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

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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

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for the year ended 31st March 2009

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).

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for the year ended 31st March 2009

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		2008	
	Carrying amount £ million	Fair value £ million	Carrying amount £ million	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		2008	
	Carrying amount £ million	Fair value £ million	Carrying amount £ million	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.

NOTES ON THE ACCOUNTS

for the year ended 31st March 2009

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.

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for the year ended 31st March 2009

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.

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for the year ended 31st March 2009

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.

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for the year ended 31st March 2009

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)

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for the year ended 31st March 2009

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).

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for the year ended 31st March 2009

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

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NOTES ON THE ACCOUNTS

for the year ended 31st March 2009

36 Gross cash flows

36a Purchases of non-current assets and investments

	Group		Parent company	
	2009 £ million	2008 £ million	2009 £ million	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		Parent company	
	2009 £ million	2008 £ million	2009 £ million	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		Parent company	
	2009 £ million	2008 £ million	2009 £ million	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		Parent company	
	2009 £ million	2008 £ million	2009 £ million	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		Parent company	
	2009 £ million	2008 £ million	2009 £ million	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

NOTES ON THE ACCOUNTS

for the year ended 31st March 2009

37 Cash and cash equivalents

	Group		Parent company	
	2009 £ million	2008 £ million	2009 £ million	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		Parent company	
	2009 £ million	2008 £ million	2009 £ million	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.

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for the year ended 31st March 2009

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 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

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for the year ended 31st March 2009

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.

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for the year ended 31st March 2009

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.