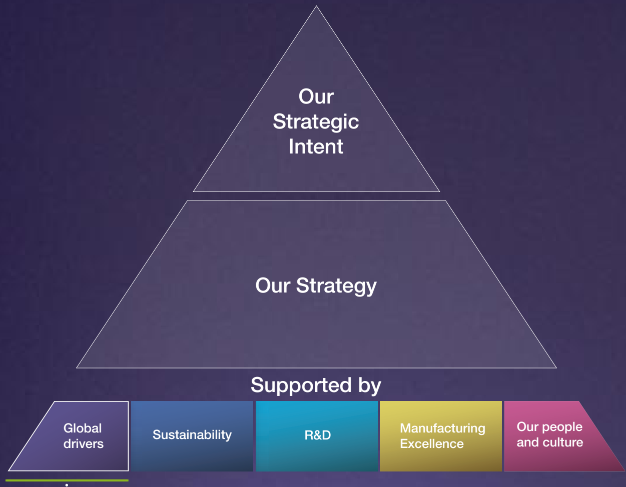


Our high precision fabricated products are used in components for medical devices such as cardiac pacemakers.

# Global Drivers


## Driving Demand for Pain Management and Medical Device Components

"The global population is increasing and ageing. The average age looks set to continue to rise and people around the world are living longer and leading unhealthier lifestyles. Unfortunately, as a result, they are likely to suffer from more chronic diseases and illnesses. As economies, particularly in Asia, continue to develop, governments there are increasingly able to provide improved healthcare. In the west, budget deficits are forcing governments to control their spend in all areas, including healthcare, and as a consequence there is a shift away from branded drugs, in favour of lower cost generic medicines.

These global trends will positively impact the need for pharmaceutical products, especially those to manage pain, and minimally invasive surgical procedures which are used to treat conditions such as heart disease, chronic pain, hypertension, hearing impairments and neurological disorders. These, in turn, will drive demand for a number of Johnson Matthey's products.

We have leading positions in narcotic based pain therapy and are well placed to benefit from global industry drivers over the coming years. The majority of our sales today are to customers in the US and Europe, but there are opportunities for future growth in emerging markets.

Our high precision products, which are used in components for medical devices such as cardiac pacemakers, play an important part in enabling more efficient surgical procedures that are also more comfortable for both patient and practitioner.

As the ageing population continues to grow, Johnson Matthey is well positioned to respond to increased demand for the pain management products and medical device components which help deliver quality of life benefits for many people around the world."

→ SUPPORTING
# OUR STRATEGY
– GLOBAL DRIVERS

This section includes the consolidated and parent company accounts and related notes, as well as the independent auditor's report on the financial accounts.

# ACCOUNTS

.07

## Contents

# Consolidated Income Statement

for the year ended 31st March 2013

| | Notes | 2013 £ million | 2012 £ million |
|---|---|---|---|
| **Revenue** | 1,2 | 10,728.8 | 12,023.2 |
| Cost of sales | | (10,024.9) | (11,270.2) |
| Gross profit | | 703.9 | 753.0 |
| Distribution costs | | (125.1) | (119.8) |
| Administrative expenses | | (164.0) | (183.1) |
| Major impairment and restructuring charges | 3 | (17.4) | – |
| Amortisation of acquired intangibles | 4 | (16.9) | (16.7) |
| **Operating profit** | 1,6 | 380.5 | 433.4 |
| Finance costs | 7 | (33.8) | (35.4) |
| Finance income | 8 | 8.2 | 11.3 |
| **Profit before tax** | | 354.9 | 409.3 |
| Income tax expense | 9 | (79.1) | (93.9) |
| **Profit for the year** | | 275.8 | 315.4 |
| **Attributable to:** | | | |
| **Owners of the parent company** | | 276.5 | 315.9 |
| Non-controlling interests | | (0.7) | (0.5) |
| | | 275.8 | 315.4 |
| | | pence | pence |
| **Earnings per ordinary share attributable to the equity holders of the parent company** | | | |
| Basic | 11 | 134.6 | 148.7 |
| Diluted | 11 | 133.5 | 146.9 |

# Consolidated Statement of Total Comprehensive Income

for the year ended 31st March 2013

| | Notes | 2013 £ million | 2012 £ million |
|---|---|---|---|
| **Profit for the year** | | 275.8 | 315.4 |
| **Other comprehensive income:** | | | |
| Currency translation differences | 31 | 22.2 | (53.7) |
| Cash flow hedges | 31 | (15.6) | 6.1 |
| Fair value (losses) / gains on net investment hedges | 31 | (4.3) | 23.7 |
| Fair value loss on available-for-sale investments | | (0.3) | – |
| Actuarial loss on post-employment benefits assets and liabilities | 14 | (97.9) | (70.6) |
| Tax on above items taken directly to or transferred from equity | 32 | 25.8 | 18.7 |
| **Other comprehensive (expense) / income for the year** | | (70.1) | (75.8) |
| **Total comprehensive income for the year** | | 205.7 | 239.6 |
| **Attributable to:** | | | |
| **Owners of the parent company** | | 206.1 | 240.1 |
| Non-controlling interests | | (0.4) | (0.5) |
| | | 205.7 | 239.6 |

The notes on pages 149 to 186 form an integral part of the accounts.

# Consolidated and Parent Company Balance Sheets

as at 31st March 2013

| | Notes | Group 2013 £ million | Group 2012 £ million | Parent company 2013 £ million | Parent company 2012 £ million |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 15 | **993.5** | 909.5 | **247.3** | 235.7 |
| Goodwill | 16 | **585.3** | 519.5 | **110.5** | 110.5 |
| Other intangible assets | 17 | **212.8** | 127.8 | **5.9** | 5.4 |
| Investments in subsidiaries | 18 | **–** | – | **1,611.3** | 1,546.2 |
| Deferred income tax assets | 29 | **20.3** | 25.4 | **11.9** | 14.2 |
| Available-for-sale investments | 19 | **57.9** | 8.0 | **–** | – |
| Interest rate swaps | 24 | **27.1** | 29.3 | **27.1** | 29.3 |
| Other receivables | 21 | **4.7** | 3.0 | **573.6** | 387.7 |
| Post-employment benefit net assets | 14 | **1.9** | 2.0 | **–** | – |
| **Total non-current assets** | | **1,903.5** | 1,624.5 | **2,587.6** | 2,329.0 |
| **Current assets** | | | | | |
| Inventories | 20 | **665.9** | 630.8 | **109.4** | 164.4 |
| Current income tax assets | | **15.1** | 11.5 | **–** | – |
| Trade and other receivables | 21 | **873.1** | 847.1 | **1,023.5** | 1,009.6 |
| Cash and cash equivalents – cash and deposits | 24 | **70.0** | 139.1 | **6.0** | 78.0 |
| Other financial assets | 25 | **5.7** | 11.6 | **8.1** | 11.2 |
| **Total current assets** | | **1,629.8** | 1,640.1 | **1,147.0** | 1,263.2 |
| **Total assets** | | **3,533.3** | 3,264.6 | **3,734.6** | 3,592.2 |
| **Liabilities** | | | | | |
| **Current liabilities** | | | | | |
| Trade and other payables | 22 | **(733.5)** | (710.7) | **(1,595.1)** | (1,554.4) |
| Current income tax liabilities | | **(106.7)** | (103.1) | **(9.4)** | (5.5) |
| Cash and cash equivalents – bank overdrafts | 24 | **(48.2)** | (35.8) | **(59.7)** | (65.9) |
| Other borrowings and finance leases | 24 | **(273.8)** | (56.4) | **(254.9)** | (40.3) |
| Other financial liabilities | 26 | **(11.3)** | (4.5) | **(10.7)** | (4.8) |
| Provisions | 28 | **(19.8)** | (34.0) | **(6.2)** | (17.1) |
| **Total current liabilities** | | **(1,193.3)** | (944.5) | **(1,936.0)** | (1,688.0) |
| **Non-current liabilities** | | | | | |
| Borrowings, finance leases and related swaps | 24 | **(610.3)** | (530.4) | **(610.2)** | (530.1) |
| Deferred income tax liabilities | 29 | **(56.5)** | (53.4) | **–** | – |
| Employee benefit obligations | 14 | **(247.9)** | (171.4) | **(125.8)** | (96.6) |
| Provisions | 28 | **(29.2)** | (28.8) | **(14.0)** | (12.6) |
| Other payables | 22 | **(3.6)** | (4.3) | **(8.5)** | (23.3) |
| **Total non-current liabilities** | | **(947.5)** | (788.3) | **(758.5)** | (662.6) |
| **Total liabilities** | | **(2,140.8)** | (1,732.8) | **(2,694.5)** | (2,350.6) |
| **Net assets** | | **1,392.5** | 1,531.8 | **1,040.1** | 1,241.6 |
| **Equity** | | | | | |
| Share capital | 30 | **220.7** | 220.7 | **220.7** | 220.7 |
| Share premium account | | **148.3** | 148.3 | **148.3** | 148.3 |
| Shares held in employee share ownership trust (ESOT) | | **(51.7)** | (50.2) | **(51.7)** | (50.2) |
| Other reserves | 33 | **48.1** | 43.0 | **(3.6)** | 6.8 |
| Retained earnings | | **1,028.5** | 1,169.6 | **726.4** | 916.0 |
| **Total equity attributable to owners of the parent company** | | **1,393.9** | 1,531.4 | **1,040.1** | 1,241.6 |
| Non-controlling interests | | **(1.4)** | 0.4 | **–** | – |
| **Total equity** | | **1,392.5** | 1,531.8 | **1,040.1** | 1,241.6 |

The accounts were approved by the Board of Directors on 5th June 2013 and signed on its behalf by:

N A P Carson
R J MacLeod
Directors

The notes on pages 149 to 186 form an integral part of the accounts.

# Consolidated and Parent Company Cash Flow Statements

for the year ended 31st March 2013

| | Notes | Group 2013 £ million | Group 2012 £ million | Parent company 2013 £ million | Parent company 2012 £ million |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Profit before tax | | **354.9** | 409.3 | **226.3** | 199.2 |
| Adjustments for: | | | | | |
| Depreciation, amortisation, impairment losses and profit on sale of non-current assets and investments | | **149.6** | 146.8 | **32.8** | 30.9 |
| Share-based payments | | **7.9** | 12.8 | **6.0** | 7.7 |
| (Increase) / decrease in inventories | | **(11.6)** | (88.9) | **55.1** | (9.7) |
| (Increase) / decrease in receivables | | **(2.1)** | 24.5 | **(199.9)** | (80.0) |
| (Decrease) / increase in payables | | **(22.1)** | 55.4 | **43.5** | 237.1 |
| (Decrease) / increase in provisions | | **(16.2)** | (19.2) | **(9.6)** | 14.0 |
| Contributions in excess of employee benefit obligations charge | | **(26.2)** | (30.9) | **(20.5)** | (30.0) |
| Changes in fair value of financial instruments | | **(3.0)** | (0.7) | **(3.6)** | (0.3) |
| Dividends received from subsidiaries | | **–** | – | **(75.4)** | (80.8) |
| Net finance costs | | **25.6** | 24.1 | **(14.4)** | (20.3) |
| Income tax paid | | **(60.7)** | (68.8) | **(15.2)** | (4.2) |
| **Net cash inflow from operating activities** | | **396.1** | 464.4 | **25.1** | 263.6 |
| **Cash flows from investing activities** | | | | | |
| Dividends received from subsidiaries | | **–** | – | **75.4** | 80.8 |
| Purchases of non-current assets and investments | 34 | **(234.2)** | (150.7) | **(109.9)** | (34.5) |
| Proceeds from sale of non-current assets and investments | | **1.4** | 8.3 | **0.7** | – |
| Purchases of businesses | 34 | **(149.6)** | 0.6 | **–** | – |
| **Net cash (outflow) / inflow from investing activities** | | **(382.4)** | (141.8) | **(33.8)** | 46.3 |
| **Cash flows from financing activities** | | | | | |
| Net cost of ESOT transactions in own shares | 34 | **(23.9)** | (25.7) | **(23.9)** | (25.7) |
| Proceeds from / (repayment of) borrowings and finance leases | 34 | **280.2** | (166.4) | **278.3** | (147.0) |
| Dividends paid to equity holders of the parent company | 10 | **(328.4)** | (103.1) | **(328.4)** | (103.1) |
| Settlement of currency swaps for net investment hedging | | **2.7** | 8.8 | **2.7** | 8.8 |
| Interest paid | | **(35.2)** | (34.0) | **(43.1)** | (47.6) |
| Interest received | | **7.5** | 11.4 | **57.3** | 67.8 |
| **Net cash outflow from financing activities** | | **(97.1)** | (309.0) | **(57.1)** | (246.8) |
| **(Decrease) / increase in cash and cash equivalents in the year** | | **(83.4)** | 13.6 | **(65.8)** | 63.1 |
| Exchange differences on cash and cash equivalents | | **1.9** | (4.7) | **–** | – |
| Cash and cash equivalents at beginning of year | | **103.3** | 94.4 | **12.1** | (51.0) |
| **Cash and cash equivalents at end of year** | 35 | **21.8** | 103.3 | **(53.7)** | 12.1 |
| **Reconciliation to net debt** | | | | | |
| (Decrease) / increase in cash and cash equivalents in the year | | **(83.4)** | 13.6 | **(65.8)** | 63.1 |
| (Proceeds from) / repayment of borrowings and finance leases | | **(280.2)** | 166.4 | **(278.3)** | 147.0 |
| Change in net debt resulting from cash flows | | **(363.6)** | 180.0 | **(344.1)** | 210.1 |
| Borrowings acquired with subsidiaries | | **(0.5)** | – | **–** | – |
| Exchange differences on net debt | | **(16.9)** | 5.2 | **(18.6)** | 10.0 |
| Movement in net debt in year | | **(381.0)** | 185.2 | **(362.7)** | 220.1 |
| Net debt at beginning of year | | **(454.2)** | (639.4) | **(529.0)** | (749.1) |
| **Net debt at end of year** | 24 | **(835.2)** | (454.2) | **(891.7)** | (529.0) |

The notes on pages 149 to 186 form an integral part of the accounts.

# Consolidated Statement of Changes in Equity

for the year ended 31st March 2013

| | Share capital £ million | Share premium account £ million | Shares held in ESOT £ million | Other reserves (note 33) £ million | Retained earnings £ million | Total attributable to equity holders £ million | Non-controlling interests £ million | Total equity £ million |
|---|---|---|---|---|---|---|---|---|
| At 1st April 2011 | 220.7 | 148.3 | (35.8) | 68.3 | 1,001.2 | 1,402.7 | 1.1 | 1,403.8 |
| Profit for the year | – | – | – | – | 315.9 | 315.9 | (0.5) | 315.4 |
| Actuarial loss on post-employment benefits | – | – | – | – | (70.6) | (70.6) | – | (70.6) |
| Cash flow hedges | – | – | – | 6.1 | – | 6.1 | – | 6.1 |
| Net investment hedges | – | – | – | 23.7 | – | 23.7 | – | 23.7 |
| Currency translation differences | – | – | – | (53.7) | – | (53.7) | – | (53.7) |
| Tax on other comprehensive income | – | – | – | (1.4) | 20.1 | 18.7 | – | 18.7 |
| Total comprehensive income | – | – | – | (25.3) | 265.4 | 240.1 | (0.5) | 239.6 |
| Dividends paid (note 10) | – | – | – | – | (103.1) | (103.1) | (0.2) | (103.3) |
| Purchase of shares by ESOT | – | – | (37.0) | – | – | (37.0) | – | (37.0) |
| Share-based payments | – | – | – | – | 18.8 | 18.8 | – | 18.8 |
| Cost of shares transferred to employees | – | – | 22.6 | – | (17.4) | 5.2 | – | 5.2 |
| Tax on share-based payments | – | – | – | – | 4.7 | 4.7 | – | 4.7 |
| At 31st March 2012 | 220.7 | 148.3 | (50.2) | 43.0 | 1,169.6 | 1,531.4 | 0.4 | 1,531.8 |
| Profit for the year | – | – | – | – | 276.5 | 276.5 | (0.7) | 275.8 |
| Actuarial loss on post-employment benefits | – | – | – | – | (97.9) | (97.9) | – | (97.9) |
| Cash flow hedges | – | – | – | (15.6) | – | (15.6) | – | (15.6) |
| Net investment hedges | – | – | – | (4.3) | – | (4.3) | – | (4.3) |
| Available-for-sale investments | – | – | – | (0.3) | – | (0.3) | – | (0.3) |
| Currency translation differences | – | – | – | 21.9 | – | 21.9 | 0.3 | 22.2 |
| Tax on other comprehensive income | – | – | – | 3.4 | 22.4 | 25.8 | – | 25.8 |
| Total comprehensive income | – | – | – | 5.1 | 201.0 | 206.1 | (0.4) | 205.7 |
| Dividends paid (note 10) | – | – | – | – | (328.4) | (328.4) | (0.2) | (328.6) |
| Purchase of non-controlling interest (note 39) | – | – | – | – | – | – | (1.2) | (1.2) |
| Purchase of shares by ESOT | – | – | (28.6) | – | – | (28.6) | – | (28.6) |
| Share-based payments | – | – | – | – | 14.3 | 14.3 | – | 14.3 |
| Cost of shares transferred to employees | – | – | 27.1 | – | (28.1) | (1.0) | – | (1.0) |
| Tax on share-based payments | – | – | – | – | 0.1 | 0.1 | – | 0.1 |
| **At 31st March 2013** | **220.7** | **148.3** | **(51.7)** | **48.1** | **1,028.5** | **1,393.9** | **(1.4)** | **1,392.5** |

The notes on pages 149 to 186 form an integral part of the accounts.

# Parent Company Statement of Changes in Equity

for the year ended 31st March 2013

| | Share capital £ million | Share premium account £ million | Shares held in ESOT £ million | Other reserves (note 33) £ million | Retained earnings £ million | Total equity £ million |
|---|---|---|---|---|---|---|
| At 1st April 2011 | 220.7 | 148.3 | (35.8) | 1.8 | 870.3 | 1,205.3 |
| Profit for the year | – | – | – | – | 183.4 | 183.4 |
| Actuarial loss on post-employment benefits | – | – | – | – | (53.3) | (53.3) |
| Cash flow hedges | – | – | – | 6.7 | – | 6.7 |
| Currency translation differences | – | – | – | (0.1) | – | (0.1) |
| Tax on other comprehensive income | – | – | – | (1.6) | 14.6 | 13.0 |
| Total comprehensive income | – | – | – | 5.0 | 144.7 | 149.7 |
| Dividends paid (note 10) | – | – | – | – | (103.1) | (103.1) |
| Purchase of shares by ESOT | – | – | (37.0) | – | – | (37.0) |
| Share-based payments | – | – | – | – | 16.2 | 16.2 |
| Cost of shares transferred to employees | – | – | 22.6 | – | (14.8) | 7.8 |
| Tax on share-based payments | – | – | – | – | 2.7 | 2.7 |
| At 31st March 2012 | 220.7 | 148.3 | (50.2) | 6.8 | 916.0 | 1,241.6 |
| Profit for the year | – | – | – | – | 196.8 | 196.8 |
| Actuarial loss on post-employment benefits | – | – | – | – | (49.6) | (49.6) |
| Cash flow hedges | – | – | – | (12.6) | – | (12.6) |
| Currency translation differences | – | – | – | (0.6) | – | (0.6) |
| Tax on other comprehensive income | – | – | – | 2.8 | 5.4 | 8.2 |
| Total comprehensive income | – | – | – | (10.4) | 152.6 | 142.2 |
| Dividends paid (note 10) | – | – | – | – | (328.4) | (328.4) |
| Purchase of shares by ESOT | – | – | (28.6) | – | – | (28.6) |
| Share-based payments | – | – | – | – | 11.5 | 11.5 |
| Cost of shares transferred to employees | – | – | 27.1 | – | (25.4) | 1.7 |
| Tax on share-based payments | – | – | – | – | 0.1 | 0.1 |
| **At 31st March 2013** | **220.7** | **148.3** | **(51.7)** | **(3.6)** | **726.4** | **1,040.1** |

The notes on pages 149 to 186 form an integral part of the accounts.

# Accounting Policies

for the year ended 31st March 2013

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

## Basis of accounting and preparation

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

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

The parent company has not presented its own income statement, statement of total comprehensive income and related notes as permitted by section 408 of the Companies Act 2006.

## Basis of consolidation

The consolidated accounts comprise the accounts of the parent company and all its subsidiaries, including the employee share ownership trust.

Entities over which the group has the ability to exercise control are accounted for as subsidiaries. Transactions and balances between group companies are eliminated. No profit is taken on transactions between group companies.

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

## Foreign currencies

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

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

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

Other exchange differences are taken to operating profit.

## Revenue

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

## Long term contracts

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

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

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

## Finance costs and finance income

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

## Grants

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

# Accounting Policies

for the year ended 31st March 2013

## Research and development

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

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

## Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any provisions for impairment. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its useful life. Certain freehold buildings and plant and equipment are depreciated using the units of production method, as this more closely reflects their expected consumption. All other assets are depreciated using the straight line method. The useful lives vary according to the class of the asset, but are typically: leasehold property 30 years (or the life of the lease if shorter); freehold buildings 30 years; and plant and equipment 4 to 10 years. Freehold land is not depreciated.

## Goodwill

Goodwill arises on the acquisition of a business when the fair value of the consideration given exceeds the fair value attributed to the net assets acquired (including contingent liabilities). It is subject to annual impairment reviews. Acquisition-related costs are charged to the income statement as incurred.

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

## Intangible assets

Intangible assets are stated at cost less accumulated amortisation and any provisions for impairment. They are amortised in accordance with the relevant income stream or by using the straight line method over the useful lives from the time they are first available for use. The estimated useful lives vary according to the specific asset but are typically: 1 to 15 years for customer contracts and relationships; 3 to 8 years for capitalised computer software; 3 to 20 years for patents, trademarks and licences; 4 to 10 years for acquired research and technology; and 3 to 8 years for capitalised development currently being amortised.

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

## Investments in subsidiaries

Investments in subsidiaries are stated in the parent company's balance sheet at cost less any provisions for impairment. If a distribution is received from a subsidiary then the investment in that subsidiary is assessed for an indication of impairment.

## Leases

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

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

## Precious metal inventories

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

## Other inventories

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

## Cash and cash equivalents

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

# Accounting Policies

for the year ended 31st March 2013

## Derivative financial instruments

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

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

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

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

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

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

## Other financial instruments

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

- Unhedged borrowings are measured at amortised cost.
- Available-for-sale investments, which are investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be measured reliably, are measured at cost.
- Other available-for-sale investments are measured at fair value with interest calculated using the effective interest method recognised in financial income and the remaining gain or loss recognised in other comprehensive income until the investment is derecognised. At that time the cumulative gain or loss recognised in other comprehensive income will be transferred from equity to operating profit.
- All other financial assets and liabilities, including short term receivables and payables, are measured at amortised cost less any impairment provision.

## Taxation

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

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

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

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

## Provisions and contingencies

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

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

# Accounting Policies

for the year ended 31st March 2013

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

The fair value of outstanding shares allocated to employees under the long term incentive plan is calculated by adjusting the share price on the date of allocation for the present value of the expected dividends that will not be received. The resulting cost is charged to the income statement over the relevant vesting periods, adjusted to reflect actual and expected levels of vesting where appropriate.

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

## Pensions and other post-employment benefits

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

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

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

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

## Standards and interpretations adopted in the year

During the year, Amendments to IFRS 7 – 'Disclosures – Transfers of Financial Assets', Amendments to IAS 12 – 'Deferred Tax: Recovery of Underlying Assets' and Amendments to IFRS 1 – 'Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters' were adopted. There was no material impact on the reported results or financial position of the group and parent company.

## Standards and interpretations issued but not yet applied

The impact of the adoption of IFRS 9 – 'Financial Instruments', Amendments to IFRS 9 and IFRS 7 – 'Mandatory Effective Date and Transition Disclosures', IFRS 10 – 'Consolidated Financial Statements', IFRS 11 – 'Joint Arrangements', IFRS 12 – 'Disclosure of Interests in Other Entities' and IFRS 13 – 'Fair Value Measurement' and the revised IAS 27 – 'Separate Financial Statements' and IAS 28 – 'Investments in Associates and Joint Ventures' are still being evaluated.

IAS 19 – 'Employee Benefits' was revised in June 2011 and is applicable for periods beginning on or after 1st January 2013 and so will be applied for the year starting 1st April 2013. It removes the 'corridor approach' for recognising actuarial gains and losses and eliminates options for presenting gains and losses which will have no effect on the group and parent company. It also amends the disclosures and requires the replacement of the expected return on plan assets and interest cost on plan obligations with net interest on the net defined benefit liability based on the discount rate. In addition, past service costs will no longer be spread over the vesting period but will be immediately expensed. The group has decided that it will include net interest on the net defined benefit liabilities in finance costs. Had the standard been applied for the year ended 31st March 2013, the group's operating profit would have increased by £1.3 million, its net finance costs increased by £7.6 million and its employee benefit obligations decreased by £2.1 million. This would have decreased the earnings per share (basic, diluted and underlying) by 2.3p. The parent company's profit for the year would have decreased by £3.2 million with no effect on its employee benefit obligations. It is estimated that for the year ending 31st March 2014, the group's operating profit will increase by £1.5 million and its net finance costs increase by £10.5 million. The parent company's profit for the year is estimated to decrease by £3.9 million.

The effects of any standards and interpretations amended or issued after 30th April 2013 have not yet been evaluated.

The group and parent company do not consider that any other standards or interpretations issued by the IASB but not yet applicable will have a significant impact on their reported results or net assets.

# Notes on the Accounts

for the year ended 31st March 2013

## 1 Segmental information

For management purposes, the group is organised into three operating divisions – Environmental Technologies, Precious Metal Products and Fine Chemicals and each division is represented by a director on the Board of Directors. These operating divisions represent the group's segments. Their principal activities are described on pages 30 to 46. The performance of the divisions is assessed by the Board of Directors on underlying operating profit, which is before amortisation of acquired intangibles, major impairment and restructuring charges and profit or loss on disposal of businesses. Each division is also assessed on sales excluding precious metals including inter-segment sales. Sales between segments are made at market prices, taking into account the volumes involved.

**Year ended 31st March 2013**

| | Environmental Technologies £ million | Precious Metal Products £ million | Fine Chemicals £ million | Eliminations £ million | Total £ million |
|---|---|---|---|---|---|
| Revenue from external customers | 2,925.1 | 7,520.1 | 283.6 | – | 10,728.8 |
| Inter-segment revenue | 76.1 | 970.9 | 2.7 | (1,049.7) | – |
| Total revenue | 3,001.2 | 8,491.0 | 286.3 | (1,049.7) | 10,728.8 |
| External sales excluding the value of precious metals | 1,896.3 | 504.6 | 274.8 | – | 2,675.7 |
| Inter-segment sales | 7.6 | 43.4 | 2.6 | (53.6) | – |
| **Sales excluding the value of precious metals** | 1,903.9 | 548.0 | 277.4 | (53.6) | 2,675.7 |
| Segmental underlying operating profit | 226.0 | 147.1 | 71.1 | – | 444.2 |
| Unallocated corporate expenses | | | | | (29.4) |
| **Underlying operating profit** | | | | | 414.8 |
| Major impairment and restructuring charges (note 3) | | | | | (17.4) |
| Amortisation of acquired intangibles (note 4) | | | | | (16.9) |
| Operating profit | | | | | 380.5 |
| Net finance costs | | | | | (25.6) |
| **Profit before tax** | | | | | 354.9 |
| Segmental net assets | 1,674.4 | 425.7 | 422.7 | – | 2,522.8 |
| Net debt | | | | | (835.2) |
| Post-employment benefits net assets and liabilities | | | | | (246.0) |
| Deferred income tax assets and liabilities | | | | | (36.2) |
| Provisions and non-current other payables | | | | | (52.6) |
| Unallocated corporate net assets | | | | | 39.7 |
| Total net assets | | | | | 1,392.5 |
| Segmental capital expenditure | 117.4 | 40.7 | 20.4 | – | 178.5 |
| Other additions to non-current assets (excluding financial assets, deferred tax assets and post-employment benefits net assets) | 163.8 | 2.5 | 0.7 | – | 167.0 |
| Segmental total additions to non-current assets | 281.2 | 43.2 | 21.1 | – | 345.5 |
| Corporate capital expenditure | | | | | 13.5 |
| Total additions to non-current assets | | | | | 359.0 |
| Segment depreciation and amortisation | 80.7 | 24.1 | 17.9 | – | 122.7 |
| Corporate depreciation | | | | | 3.9 |
| Amortisation of acquired intangibles (note 4) | | | | | 16.9 |
| Total depreciation and amortisation | | | | | 143.5 |

# Notes on the Accounts

for the year ended 31st March 2013

## 1 Segmental information (continued)

**Year ended 31st March 2012**

| | Environmental Technologies £ million | Precious Metal Products £ million | Fine Chemicals £ million | Eliminations £ million | Total £ million |
|---|---|---|---|---|---|
| Revenue from external customers | 3,123.6 | 8,609.4 | 290.2 | – | 12,023.2 |
| Inter-segment revenue | 131.0 | 1,232.0 | 2.2 | (1,365.2) | – |
| Total revenue | 3,254.6 | 9,841.4 | 292.4 | (1,365.2) | 12,023.2 |
| External sales excluding the value of precious metals | 1,861.9 | 534.3 | 282.4 | – | 2,678.6 |
| Inter-segment sales | 13.8 | 47.7 | 2.3 | (63.8) | – |
| **Sales excluding the value of precious metals** | 1,875.7 | 582.0 | 284.7 | (63.8) | 2,678.6 |
| Segmental underlying operating profit | 211.8 | 200.8 | 69.7 | – | 482.3 |
| Unallocated corporate expenses | | | | | (32.2) |
| **Underlying operating profit** | | | | | 450.1 |
| Amortisation of acquired intangibles (note 4) | | | | | (16.7) |
| Operating profit | | | | | 433.4 |
| Net finance costs | | | | | (24.1) |
| **Profit before tax** | | | | | 409.3 |
| Segmental net assets | 1,448.6 | 324.6 | 418.8 | – | 2,192.0 |
| Net debt | | | | | (454.2) |
| Post-employment benefits net assets and liabilities | | | | | (169.4) |
| Deferred income tax assets and liabilities | | | | | (28.0) |
| Provisions and non-current other payables | | | | | (67.1) |
| Unallocated corporate net assets | | | | | 58.5 |
| Total net assets | | | | | 1,531.8 |
| Segmental capital expenditure | 97.1 | 31.6 | 15.8 | – | 144.5 |
| Other additions to non-current assets (excluding financial assets, deferred tax assets and post-employment benefits net assets) | 0.3 | – | – | (0.3) | – |
| Segmental total additions to non-current assets | 97.4 | 31.6 | 15.8 | (0.3) | 144.5 |
| Corporate capital expenditure | | | | | 5.1 |
| Total additions to non-current assets | | | | | 149.6 |
| Segment depreciation and amortisation | 82.8 | 22.6 | 17.4 | – | 122.8 |
| Corporate depreciation | | | | | 3.3 |
| Amortisation of acquired intangibles (note 4) | | | | | 16.7 |
| Total depreciation and amortisation | | | | | 142.8 |

The group received £1,435.4 million of revenue from one external customer (2012 £1,690.0 million) which is 13% (2012 14%) of the group's revenue from external customers. The revenue is reported in Precious Metal Products as it is generated by the group's platinum marketing and distribution activities and so has a very low return on sales.

# Notes on the Accounts

for the year ended 31st March 2013

## 1 Segmental information (continued)

The group's country of domicile is the UK. Revenue from external customers is based on the customer's location. Non-current assets are based on the location of the assets and exclude financial assets, deferred tax assets and post-employment benefits net assets.

| | Revenue from external customers | | Non-current assets | |
|---|---|---|---|---|
| | **2013 £ million** | 2012 £ million | **2013 £ million** | 2012 £ million |
| UK | **2,818.5** | 3,534.4 | **698.2** | 665.3 |
| Germany | **679.5** | 869.4 | **220.7** | 227.9 |
| Rest of Europe | **1,177.3** | 1,379.7 | **269.7** | 97.2 |
| USA | **3,096.0** | 2,896.9 | **369.3** | 343.3 |
| Rest of North America | **85.4** | 126.8 | **26.8** | 16.0 |
| China (including Hong Kong) | **1,527.0** | 1,497.4 | **62.1** | 51.8 |
| Rest of Asia | **846.0** | 1,027.4 | **121.0** | 123.8 |
| Rest of World | **499.1** | 691.2 | **28.3** | 34.3 |
| Total | **10,728.8** | 12,023.2 | **1,796.1** | 1,559.6 |

## 2 Revenue

| | **2013 £ million** | 2012 £ million |
|---|---|---|
| Sale of goods | **10,482.1** | 11,771.9 |
| Rendering of services | **193.2** | 193.1 |
| Royalties and licence income | **53.5** | 58.2 |
| **Total revenue** | **10,728.8** | 12,023.2 |

## 3 Major impairment and restructuring charges

During the year ended 31st March 2013 the group commenced a restructuring of its global active pharmaceutical ingredient (API) manufacturing business. This gave rise to a pre-tax impairment and restructuring charge of £14.2 million.

During the year ended 31st March 2013 the group liquidated an Irish subsidiary and an Australian subsidiary and so reclassified £4.6 million of cumulative exchange losses from equity to major impairment and restructuring charges.

During the year ended 31st March 2011 the group announced it was starting consultation with the Works Council about the closure of its autocatalyst facility in Brussels. The plant ceased production in July 2011, the closure of the site then commenced and was completed during the year ended 31st March 2013. This gave rise to a pre-tax impairment and restructuring charge of £57.0 million estimated in the year ended 31st March 2011. £1.4 million was credited to major impairment and restructuring charges in the year ended 31st March 2013.

These are excluded from underlying operating profit.

## 4 Amortisation of acquired intangibles

The amortisation of intangible assets which arise on the acquisition of businesses, together with any subsequent impairment of these intangible assets, is shown separately on the face of the income statement. It is excluded from underlying operating profit.

# Notes on the Accounts

for the year ended 31st March 2013

## 5 Fees payable to auditors

| | 2013 | | 2012 | |
|---|---|---|---|---|
| | £ million | £ million | £ million | £ 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 | 1.2 | | 1.1 | |
| – audit-related assurance services | 0.1 | | 0.1 | |
| – tax compliance services | 0.2 | | 0.2 | |
| – tax advisory services | 0.1 | | 0.2 | |
| – corporate finance services | 0.1 | | – | |
| – other services | 0.2 | | 0.1 | |
| Total fees payable to the company's auditor and its associates for other services | | 1.9 | | 1.7 |
| **Total fees payable to the company's auditor and its associates** | | 2.4 | | 2.2 |

Audit fees paid to other auditors were £0.1 million (2012 £0.1 million).

## 6 Operating profit

| | 2013 £ million | 2012 £ million |
|---|---|---|
| Operating profit is arrived at after charging / (crediting): | | |
| Total research and development expenditure | 136.0 | 128.6 |
| less development expenditure capitalised | (3.2) | (9.1) |
| Research and development charged | 132.8 | 119.5 |
| less external funding received – from government grants | (1.9) | (2.0) |
| – from other organisations | (2.0) | (4.2) |
| Net research and development | 128.9 | 113.3 |
| Other government grants | – | (0.2) |
| Inventories recognised as an expense | 9,294.9 | 10,561.4 |
| Write-down of inventories recognised as an expense | 14.5 | 8.6 |
| Reversal of write-down of inventories arising from increases in net realisable value | (6.3) | (2.2) |
| Net losses / (gains) on foreign exchange | 3.4 | (5.2) |
| Net (gains) / losses on foreign currency forwards held for trading | (3.5) | 6.0 |
| Cash flow hedges transferred from equity – revenue | (2.2) | (2.3) |
| – cost of sales | (5.6) | 0.1 |
| – finance costs | 0.1 | – |
| – total | (7.7) | (2.2) |
| Depreciation of property, plant and equipment | 111.2 | 108.5 |
| Amortisation of internally generated intangible assets included in cost of sales | 9.8 | 12.5 |
| Amortisation of other intangible assets included in – cost of sales | 2.7 | 3.2 |
| – distribution costs | 0.1 | 0.1 |
| – administrative expenses | 2.8 | 1.8 |
| – amortisation of acquired intangibles (note 4) | 16.9 | 16.7 |
| Operating lease rentals payable – minimum lease payments | 15.0 | 13.4 |
| Operating lease rentals payable – sublease payments received | (0.2) | (0.2) |

# Notes on the Accounts
for the year ended 31st March 2013

## 7 Finance costs

| | 2013 £ million | 2012 £ million |
|---|---|---|
| Net loss on remeasurement of fair value hedges and related hedged items to fair value | – | 0.1 |
| Net losses on financial assets and liabilities classified as held for trading | – | 0.1 |
| Interest payable on financial liabilities measured at amortised cost | 33.5 | 35.0 |
| Unwinding of discount on provisions | 0.3 | 0.3 |
| **Total finance costs** | 33.8 | 35.4 |

## 8 Finance income

| | 2013 £ million | 2012 £ million |
|---|---|---|
| Interest receivable on interest rate swaps | 6.0 | 8.2 |
| Net gains on financial assets and liabilities classified as held for trading | 6.0 | 8.2 |
| Interest receivable on available-for-sale investments, loans and receivables | 2.2 | 3.1 |
| **Total finance income** | 8.2 | 11.3 |

## 9 Taxation

| | 2013 £ million | 2012 £ million |
|---|---|---|
| **Current tax** | | |
| Corporation tax on profits for the year | 83.0 | 82.6 |
| Adjustment for prior years | (7.5) | (8.4) |
| Total current tax | 75.5 | 74.2 |
| **Deferred tax** | | |
| Origination and reversal of temporary differences | 3.0 | 22.7 |
| Changes in tax rates and laws | (1.9) | (2.8) |
| Benefit from previously unrecognised tax losses, tax credits or temporary differences of prior years | – | (0.2) |
| Write-downs, or reversal of previous write-downs, of deferred tax assets | 2.5 | – |
| Total deferred tax | 3.6 | 19.7 |
| **Income tax expense** | 79.1 | 93.9 |

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

| | 2013 £ million | 2012 £ million |
|---|---|---|
| Profit before tax | 354.9 | 409.3 |
| Tax expense at UK corporation tax rate of 24% (2012 26%) | 85.2 | 106.4 |
| Effects of: | | |
| Overseas tax rates | 4.1 | 8.5 |
| Expenses not deductible for tax purposes | 1.6 | 1.7 |
| Unutilised losses | 1.4 | 2.6 |
| Utilisation of tax losses and tax holidays | (4.6) | (4.9) |
| Adjustments for prior years | (5.0) | (8.6) |
| Research and development credits | (8.0) | (7.0) |
| Other | 4.4 | (4.8) |
| Tax expense for the year | 79.1 | 93.9 |

In July 2012 the UK government enacted a change in the UK corporation tax rate from 24% to 23% effective from 1st April 2013 and so the UK deferred tax balances at 31st March 2013 have been recalculated at the new rate.

# Notes on the Accounts

for the year ended 31st March 2013

## 10 Dividends

| | 2013 £ million | 2012 £ million |
|---|---|---|
| 2010/11 final ordinary dividend paid – 33.5 pence per share | – | 71.2 |
| 2011/12 interim ordinary dividend paid – 15.0 pence per share | – | 31.9 |
| 2011/12 final ordinary dividend paid – 40.0 pence per share | 84.9 | – |
| Special dividend paid – 100.0 pence per share | 212.1 | – |
| 2012/13 interim ordinary dividend paid – 15.5 pence per share | 31.4 | – |
| **Total dividends** | 328.4 | 103.1 |

A final dividend of 41.5 pence per ordinary share has been proposed by the board which will be paid on 6th August 2013 to shareholders on the register at the close of business on 14th June 2013, subject to shareholders' approval. The estimated amount to be paid is £84.1 million and has not been recognised in these accounts.

## 11 Earnings per ordinary share

| | 2013 pence | 2012 pence |
|---|---|---|
| Basic | 134.6 | 148.7 |
| Diluted | 133.5 | 146.9 |

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.

| | 2013 £ million | 2012 £ million |
|---|---|---|
| **Earnings** | | |
| Profit for the year attributable to equity holders of the parent company | 276.5 | 315.9 |

| | 2013 | 2012 |
|---|---|---|
| **Weighted average number of shares in issue** | | |
| Basic | 205,507,239 | 212,431,522 |
| Dilution for share options and long term incentive plans | 1,683,218 | 2,567,460 |
| Diluted | 207,190,457 | 214,998,982 |

Underlying earnings per ordinary share are calculated as follows:

| | 2013 £ million | 2012 £ million |
|---|---|---|
| Profit for the year attributable to equity holders of the parent company | 276.5 | 315.9 |
| Major impairment and restructuring charges (note 3) | 17.4 | – |
| Amortisation of acquired intangibles (note 4) | 16.9 | 16.7 |
| Tax thereon | (2.6) | (6.1) |
| Underlying profit for the year | 308.2 | 326.5 |

| | 2013 pence | 2012 pence |
|---|---|---|
| Underlying earnings per share | | |
| Basic | 150.0 | 153.7 |
| Diluted | 148.8 | 151.9 |

# Notes on the Accounts

for the year ended 31st March 2013

## 12 Employee and key management personnel costs

### 12a Employee numbers

| | 2013 | 2012 |
|---|---|---|
| The average monthly number of employees during the year was: | | |
| Environmental Technologies | **5,968** | 5,568 |
| Precious Metal Products | **2,937** | 2,847 |
| Fine Chemicals | **1,108** | 1,089 |
| Corporate and Central Research | **485** | 410 |
| **Average number of employees** | **10,498** | 9,914 |
| **Actual number of employees at 31st March** | **10,995** | 10,058 |

The number of temporary employees included above at 31st March 2013 was 390 (2012 253).

The actual number of staff was:

| | At 31st March 2013 | | | At 31st March 2012 | | |
|---|---|---|---|---|---|---|
| | Actual employees | Agency staff | Total headcount | Actual employees | Agency staff | Total headcount |
| Environmental Technologies | **6,445** | **740** | **7,185** | 5,640 | 687 | 6,327 |
| Precious Metal Products | **2,948** | **137** | **3,085** | 2,894 | 165 | 3,059 |
| Fine Chemicals | **1,107** | **30** | **1,137** | 1,090 | 17 | 1,107 |
| Corporate and Central Research | **495** | **4** | **499** | 434 | 4 | 438 |
| **Total** | **10,995** | **911** | **11,906** | 10,058 | 873 | 10,931 |

### 12b Employee benefits expense

| | 2013 £ million | 2012 £ million |
|---|---|---|
| Wages and salaries | **403.9** | 392.9 |
| Social security costs | **41.8** | 48.2 |
| Pension and other post-employment costs | **47.6** | 32.3 |
| Share-based payments | **14.3** | 18.8 |
| **Total employee benefits expense** | **507.6** | 492.2 |

Termination benefits of £4.9 million (2012 £5.2 million) are not included above.

### 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 2013 the CEC had 11 members (2012 11 members). Their compensation charged in the year was:

| | 2013 £ million | 2012 £ million |
|---|---|---|
| Short term employee benefits | **4.6** | 6.5 |
| Pension and other post-employment costs | **0.5** | 0.4 |
| Share-based payments | **2.0** | 3.6 |
| Non-executive directors' fees and benefits | **0.5** | 0.6 |
| **Total compensation of key management personnel** | **7.6** | 11.1 |

Termination benefits not included above were £0.8 million (2012 £ nil). Other than the compensation above there were no transactions with any key management personnel. There were no balances outstanding at the year end.

Information on the directors' remuneration is given in the Remuneration Report on pages 117 to 131.

# Notes on the Accounts

for the year ended 31st March 2013

## 13 Share-based payments

### Long Term Incentive Plan (LTIP)

Under the LTIP, shares are allocated to approximately 900 of the group's executive directors, senior managers and middle managers based on a percentage of salary and are subject to performance targets over a three year period. At 31st March 2013, shares allocated in 2010, 2011 and 2012 (at 31st March 2012, shares allocated in 2009, 2010 and 2011) 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 underlying earnings per share (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. For the shares allocated in 2009 only, the performance conditions were relaxed and so the minimum release required EPS growth of 3% compound per annum and the maximum release required EPS growth of 10% compound per annum. As a result of the share consolidation (note 30), for the shares allocated in 2010, 2011 and 2012 to executive directors only, the performance conditions have been adjusted and so the minimum release requires EPS growth of 7% compound per annum and the maximum release requires EPS growth of 16% compound per annum. Of the shares allocated in 2009, 100% were released during the year.

### Share options

In 2007 the LTIP was introduced and allocations of shares under this plan replaced the granting of share options. No share options have been granted since the year ended 31st March 2007. 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 were 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 approximately 800 employees were granted options each year.

Options granted in 2004 to 2006 were subject to a minimum three year performance target of EPS growth of UK RPI plus 3% per annum. Other performance targets were EPS growth of UK RPI plus 4% per annum and EPS growth of UK RPI plus 5% per annum. If the performance targets were not met at the end of the three year performance period, the options would lapse. The targets for options granted in 2004, 2005 and the 3% and 4% targets for options granted in 2006 have been met and so these options are exercisable. The 5% target for options granted in 2006 was not met and so these options have lapsed. Gains are capped at 100% of the grant price.

Options granted in 2002 and 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 were subject to annual retesting until they lapse on the tenth anniversary of grant. Since the targets have been met all these options are exercisable.

### Deferred bonus

In the year ended 31st March 2012 the bonus rules were changed for the executive directors and members of the Chief Executive’s Committee, whereby a proportion of their bonus payable is now awarded as shares and deferred for three years. The first shares were awarded in August 2012 for the 2011/12 bonus. The Management Development and Remuneration Committee is entitled to claw back the deferred element in cases of misstatement or misconduct or other relevant reason as determined by it.

### 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.

### 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 6% 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 117 to 131.

# Notes on the Accounts

for the year ended 31st March 2013

## 13 Share-based payments (continued)

Options were exercised on a regular basis throughout the year. The average share price during the year was 2,297.0 pence (2012 1,943.0 pence).

Activity relating to share options was:

| | 2013 Number of options | 2013 Weighted average exercise price pence | 2012 Number of options | 2012 Weighted average exercise price pence |
|---|---|---|---|---|
| Outstanding at the start of the year | **758,867** | **1,174.4** | 1,797,780 | 1,124.0 |
| Forfeited during the year | **(741)** | **1,070.0** | (15,063) | 1,060.8 |
| Exercised during the year | **(454,930)** | **1,195.0** | (1,023,850) | 1,087.6 |
| Outstanding at the end of the year | **303,196** | **1,143.8** | 758,867 | 1,174.4 |
| Exercisable at the end of the year | **303,196** | **1,143.8** | 758,867 | 1,174.4 |

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

| | 2013 Number of options | 2013 Weighted average remaining life years | 2012 Number of options | 2012 Weighted average remaining life years |
|---|---|---|---|---|
| **Range of exercise price** | | | | |
| 800 pence to 900 pence | **103,236** | **0.3** | 199,965 | 1.1 |
| 1,000 pence to 1,100 pence | **10,620** | **2.3** | 15,335 | 3.3 |
| 1,200 pence to 1,300 pence | **189,340** | **3.3** | 543,567 | 4.3 |
| | **303,196** | **2.3** | 758,867 | 3.5 |

The fair value of the shares allocated during the year under the LTIP was 2,005.0 pence per share allocation (2012 1,907.2 pence per share allocation). The fair value was based on the share price at the date of allocation of 2,163.2 pence (2012 2,040.0 pence) adjusted for the present value of the expected dividends that will not be received at an expected dividend rate of 2.54% (2012 2.25%).

Activity relating to the LTIP was:

| | 2013 Number of allocated shares | 2012 Number of allocated shares |
|---|---|---|
| Outstanding at the start of the year | **2,676,241** | 2,402,541 |
| Allocated during the year | **915,983** | 937,850 |
| Forfeited during the year | **(55,018)** | (127,552) |
| Released during the year | **(962,755)** | (280,521) |
| Expired during the year | **–** | (256,077) |
| Outstanding at the end of the year | **2,574,451** | 2,676,241 |

32,475 shares were awarded during the year under deferred bonus rules. The fair value was 1,953.8 pence per share award, based on the share price at the date of award of 2,162.0 pence adjusted for the present value of the expected dividends that will not be received at an expected dividend rate of 2.54%. These shares are still outstanding at the end of the year.

232,668 (2012 252,092) matching shares under the SIP and 46,951 (2012 55,442) 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 £14.3 million (2012 £18.8 million).

# Notes on the Accounts

for the year ended 31st March 2013

## 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 £7.4 million (2012 £6.9 million).

The major defined benefit plans are pension plans and post-retirement medical plans in the UK and the US. The UK pension plan is a career average salary plan with a final salary section which was closed to future accrual of benefits from 1st April 2010. The career average salary section of the plan was closed to new members from 1st October 2012. From 1st October 2012 new employees are enrolled in a new contributory cash balance defined benefit section of the UK plan. The US hourly pension plan is a fixed benefit plan based upon years of service. The US salaried pension plan is a final salary plan. Full actuarial valuations were carried out at 1st April 2012 for the UK pension plan and 30th June 2012 for the US pension plans and the valuations of all of the UK and US plans were updated to 31st March 2013 by qualified independent actuaries.

The main assumptions were:

| | 2013 UK plans % | 2013 US plans % | 2013 Other plans % | 2012 UK plans % | 2012 US plans % | 2012 Other plans % |
|---|---|---|---|---|---|---|
| First 3 years rate of increase in salaries | 3.40 | 3.50 | 2.79 | 3.40 | 3.40 | 3.21 |
| Ultimate rate of increase in salaries | 4.15 | 3.50 | 2.79 | 4.15 | 3.40 | 3.21 |
| Rate of increase in pensions in payment | 3.40 | – | 1.18 | 3.40 | – | 1.57 |
| Discount rate | 4.50 | 4.20 | 3.57 | 5.10 | 4.80 | 4.78 |
| Inflation | | 2.75 | 1.36 | | 2.75 | 1.76 |
| – UK RPI | 3.40 | | | 3.40 | | |
| – UK CPI | 2.70 | | | 2.70 | | |
| Current medical benefits cost trend rate | 6.10 | 7.48 | – | 5.40 | 7.78 | – |
| Ultimate medical benefits cost trend rate | 6.10 | 4.50 | – | 5.40 | 4.50 | – |

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 group's largest plan is in the UK and for this plan the group has used SAPS S1 mortality tables based on year of birth (as published by the Institute of Actuaries) for both pensioner and non-pensioner members in conjunction with the results of an investigation into the actual mortality experience of plan members. In addition, to allow for future improvements in longevity, the CMI 2011 tables (published by the Institute of Actuaries) have been used, with an assumed long term rate of future annual mortality improvement of 1.25%.

The mortality tables used for the other larger plans were:

| | |
|---|---|
| US | RP2000 Generational Table projected with Scale BB |
| Netherlands | AG Prognosetafel 2012-62 with adjustment table HM |
| Canada | UP 94 generational (including allowance for future mortality improvements) |
| Germany | RT2005 G |
| South Africa | PA(90), rated down by two years |

The expected future lifetime of average members currently at age 65 and average members at age 65 in 25 years time (i.e. members who are currently aged 40 years) is respectively:

| | Currently age 65 | | Age 65 in 25 years | |
|---|---|---|---|---|
| | UK plan | US plans | UK plan | US plans |
| Male | 21.9 | 20.5 | 24.1 | 23.2 |
| Female | 24.9 | 22.8 | 27.3 | 25.1 |

# Notes on the Accounts

for the year ended 31st March 2013

## 14 Post-employment benefits (continued)

### 14a Group (continued)

A 1% point change in the assumed medical cost trend rates would have the following effects on:

| | 1% point increase | | 1% point decrease | |
|---|---|---|---|---|
| | UK plan £ million | US plan £ million | UK plan £ million | US plan £ million |
| Post-retirement medical plan expense | **0.1** | **0.4** | **(0.1)** | **(0.3)** |
| Post-retirement medical plan defined benefit obligation | **1.5** | **8.1** | **(1.2)** | **(6.3)** |

A 0.1% change in the discount rate and rate of increase in salaries would have the following increases / (decreases) on the pension plans' defined benefit obligations at 31st March 2013:

| | 0.1% point increase | | 0.1% point decrease | |
|---|---|---|---|---|
| | UK plan £ million | US plans £ million | UK plan £ million | US plans £ million |
| Effect of discount rate | **(24.0)** | **(4.5)** | **24.7** | **4.6** |
| Effect of rate of increase in salaries | **4.8** | **1.2** | **(4.7)** | **(1.2)** |

A one year increase in life expectancy would have the following increase on:

| | UK plan £ million | US plans £ million |
|---|---|---|
| Pension defined benefit obligation | **31.1** | **6.9** |

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

| | UK pension | | US pensions | | Other | |
|---|---|---|---|---|---|---|
| | Expected rate of return % | Value £ million | Expected rate of return % | Value £ million | Expected rate of return % | Value £ million |
| **At 31st March 2013** | | | | | | |
| Equities | **6.80** | **444.8** | **7.70** | **110.6** | **8.16** | **10.3** |
| Bonds | **3.68** | **685.9** | **3.90** | **84.2** | **5.06** | **9.1** |
| Property | **5.00** | **46.2** | **–** | **–** | **–** | **–** |
| Insurance policies | **–** | **–** | **–** | **–** | **4.19** | **22.2** |
| | **4.91** | **1,176.9** | **6.06** | **194.8** | **5.37** | **41.6** |
| **At 31st March 2012** | | | | | | |
| Equities | 7.10 | 430.7 | 7.70 | 86.3 | 8.57 | 5.7 |
| Bonds | 4.24 | 550.5 | 3.70 | 70.7 | 4.90 | 11.0 |
| Property | 5.40 | 47.4 | – | – | – | – |
| Insurance policies | – | – | – | – | 4.36 | 24.0 |
| | 5.49 | 1,028.6 | 5.90 | 157.0 | 5.09 | 40.7 |

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 are 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.

During the year the group established a special purpose vehicle (SPV) and invested £50.0 million in a bond portfolio which is beneficially held by this SPV. The annual income generated by the SPV will be paid to the UK pension plan while it remains in deficit. This bond portfolio is held as a non-current available-for-sale investment (note 19) and the group's liability to pay the income to the plan is not a plan asset under IAS 19, although it is for the actuarial funding valuation.

The assets for the new contributory cash balance section of the UK plan are held separately from the assets of the career average salary section. At 31st March 2013 the defined benefit obligation related to the contributory cash balance section was £0.2 million and the fair value of the plan assets was £0.2 million.

# Notes on the Accounts

for the year ended 31st March 2013

## 14 Post-employment benefits (continued)

### 14a Group (continued)

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

| | UK pension £ million | UK post-retirement medical benefits £ million | US pensions £ million | US post-retirement medical benefits £ million | Other £ million | Total £ million |
|---|---|---|---|---|---|---|
| At 1st April 2011 | 966.8 | – | 134.0 | – | 35.8 | 1,136.6 |
| Expected return on plan assets | 64.3 | – | 8.6 | – | 2.0 | 74.9 |
| Settlement gains | – | – | – | – | 0.9 | 0.9 |
| Actuarial (loss) / gain | (11.4) | – | 10.2 | – | 3.1 | 1.9 |
| Employee contributions | – | – | – | – | 0.3 | 0.3 |
| Company contributions | 44.7 | 0.5 | 8.5 | 0.7 | 2.1 | 56.5 |
| Benefits paid | (35.8) | (0.5) | (4.7) | (0.7) | (1.5) | (43.2) |
| Exchange adjustments | – | – | 0.4 | – | (2.0) | (1.6) |
| At 31st March 2012 | 1,028.6 | – | 157.0 | – | 40.7 | 1,226.3 |
| Expected return on plan assets | 57.4 | – | 9.3 | – | 2.2 | 68.9 |
| Actuarial gain / (loss) | 81.6 | – | 10.5 | – | (3.9) | 88.2 |
| Employee contributions | – | – | – | 0.2 | 0.3 | 0.5 |
| Company contributions | 47.9 | 0.3 | 13.5 | 0.5 | 4.0 | 66.2 |
| Benefits paid | (38.6) | (0.3) | (4.8) | (0.7) | (1.9) | (46.3) |
| Exchange adjustments | – | – | 9.3 | – | 0.2 | 9.5 |
| **At 31st March 2013** | **1,176.9** | **–** | **194.8** | **–** | **41.6** | **1,413.3** |

The actual return on plan assets for the UK plan was £139.0 million (2012 £52.9 million) and for US plans was £19.8 million (2012 £18.8 million). It is estimated that the group will contribute about £71 million to the post-employment defined benefits plans during the year ending 31st March 2014.

Movements in the defined benefit obligation during the year were:

| | UK pension £ million | UK post-retirement medical benefits £ million | US pensions £ million | US post-retirement medical benefits £ million | Other £ million | Total £ million |
|---|---|---|---|---|---|---|
| At 1st April 2011 | (1,027.4) | (12.5) | (152.1) | (25.8) | (49.6) | (1,267.4) |
| Current service cost – in operating profit | (23.0) | (0.1) | (6.9) | (0.8) | (1.7) | (32.5) |
| Current service cost – capitalised | (0.1) | – | – | – | – | (0.1) |
| Past service cost – vested | (0.2) | – | – | – | (0.1) | (0.3) |
| Interest cost | (55.5) | (0.7) | (8.5) | (1.5) | (2.6) | (68.8) |
| Curtailment gains | – | – | – | – | 0.2 | 0.2 |
| Settlement losses | – | – | – | – | (0.9) | (0.9) |
| Employee contributions | – | – | – | – | (0.3) | (0.3) |
| Actuarial (loss) / gain | (43.0) | 1.1 | (19.7) | (3.3) | (8.6) | (73.5) |
| Benefits paid | 35.8 | 0.5 | 4.7 | 0.7 | 1.5 | 43.2 |
| Exchange adjustments | – | – | (0.5) | (0.1) | 2.8 | 2.2 |
| At 31st March 2012 | (1,113.4) | (11.7) | (183.0) | (30.8) | (59.3) | (1,398.2) |
| Current service cost – in operating profit | (26.7) | (0.1) | (8.7) | (1.0) | (2.2) | (38.7) |
| Current service cost – capitalised | (0.1) | – | – | – | – | (0.1) |
| Past service cost – vested | (1.9) | – | – | – | (0.1) | (2.0) |
| Interest cost | (55.8) | (0.6) | (8.8) | (1.5) | (2.7) | (69.4) |
| Employee contributions | – | – | – | (0.2) | (0.3) | (0.5) |
| Actuarial (loss) / gain | (133.2) | 2.0 | (42.9) | (11.6) | (2.1) | (187.8) |
| Benefits paid | 38.6 | 0.3 | 4.8 | 0.7 | 1.9 | 46.3 |
| Exchange adjustments | – | – | (11.6) | (2.1) | (0.9) | (14.6) |
| **At 31st March 2013** | **(1,292.5)** | **(10.1)** | **(250.2)** | **(46.5)** | **(65.7)** | **(1,665.0)** |

# Notes on the Accounts

for the year ended 31st March 2013

## 14 Post-employment benefits (continued)

### 14a Group (continued)

Movements in the reimbursement rights during the year were:

| | UK pension £ million | UK post-retirement medical benefits £ million | US pensions £ million | US post-retirement medical benefits £ million | Other £ million | Total £ million |
|---|---|---|---|---|---|---|
| At 1st April 2011 | – | – | – | 4.9 | 0.7 | 5.6 |
| Expected return | – | – | – | 0.5 | – | 0.5 |
| Actuarial gain | – | – | – | 1.0 | – | 1.0 |
| At 31st March 2012 | – | – | – | 6.4 | 0.7 | 7.1 |
| Expected return | – | – | – | 0.6 | – | 0.6 |
| Actuarial gain | – | – | – | 1.7 | – | 1.7 |
| Company contributions | – | – | – | – | 0.2 | 0.2 |
| Exchange adjustments | – | – | – | 0.3 | – | 0.3 |
| **At 31st March 2013** | **–** | **–** | **–** | **9.0** | **0.9** | **9.9** |

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

| | UK pension £ million | UK post-retirement medical benefits £ million | US pensions £ million | US post-retirement medical benefits £ million | Other £ million | Total £ million |
|---|---|---|---|---|---|---|
| **Year ended 31st March 2013** | | | | | | |
| Current service cost | **(26.7)** | **(0.1)** | **(8.7)** | **(1.0)** | **(2.2)** | **(38.7)** |
| Interest on plan liabilities | **(55.8)** | **(0.6)** | **(8.8)** | **(1.5)** | **(2.7)** | **(69.4)** |
| Expected return on plan assets | **57.4** | **–** | **9.3** | **–** | **2.2** | **68.9** |
| Expected return on reimbursement rights | **–** | **–** | **–** | **0.6** | **–** | **0.6** |
| Past service cost – vested | **(1.9)** | **–** | **–** | **–** | **(0.1)** | **(2.0)** |
| Past service cost – non-vested | **–** | **–** | **–** | **0.4** | **–** | **0.4** |
| Charge to income statement | **(27.0)** | **(0.7)** | **(8.2)** | **(1.5)** | **(2.8)** | **(40.2)** |
| **Year ended 31st March 2012** | | | | | | |
| Current service cost | (23.0) | (0.1) | (6.9) | (0.8) | (1.7) | (32.5) |
| Interest on plan liabilities | (55.5) | (0.7) | (8.5) | (1.5) | (2.6) | (68.8) |
| Expected return on plan assets | 64.3 | – | 8.6 | – | 2.0 | 74.9 |
| Expected return on reimbursement rights | – | – | – | 0.5 | – | 0.5 |
| Curtailment gains | – | – | – | – | 0.2 | 0.2 |
| Past service cost – vested | (0.2) | – | – | – | (0.1) | (0.3) |
| Past service cost – non-vested | – | – | – | 0.6 | – | 0.6 |
| Charge to income statement | (14.4) | (0.8) | (6.8) | (1.2) | (2.2) | (25.4) |

Of the total charge for the year, £24.8 million (2012 £15.3 million) has been included within cost of sales, £5.2 million (2012 £3.0 million) in distribution costs and £10.2 million (2012 £7.1 million) in administrative expenses.

# Notes on the Accounts

for the year ended 31st March 2013

## 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 pension £ million | UK post-retirement medical benefits £ million | US pensions £ million | US post-retirement medical benefits £ million | Other £ million | Total £ million |
|---|---|---|---|---|---|---|
| **At 31st March 2013** | | | | | | |
| Present value of funded obligations | **(1,292.5)** | **–** | **(250.2)** | **–** | **(48.6)** | **(1,591.3)** |
| Present value of unfunded obligations | **–** | **(10.1)** | **–** | **(46.5)** | **(17.1)** | **(73.7)** |
| Defined benefit obligation | **(1,292.5)** | **(10.1)** | **(250.2)** | **(46.5)** | **(65.7)** | **(1,665.0)** |
| Fair value of plan assets | **1,176.9** | **–** | **194.8** | **–** | **41.6** | **1,413.3** |
| Reimbursement rights | **–** | **–** | **–** | **9.0** | **0.9** | **9.9** |
| Unrecognised past service credit – non-vested | **–** | **–** | **–** | **(2.1)** | **–** | **(2.1)** |
| Net post-employment benefits assets and liabilities | **(115.6)** | **(10.1)** | **(55.4)** | **(39.6)** | **(23.2)** | **(243.9)** |
| **At 31st March 2012** | | | | | | |
| Present value of funded obligations | (1,113.4) | – | (183.0) | – | (45.0) | (1,341.4) |
| Present value of unfunded obligations | – | (11.7) | – | (30.8) | (14.3) | (56.8) |
| Defined benefit obligation | (1,113.4) | (11.7) | (183.0) | (30.8) | (59.3) | (1,398.2) |
| Fair value of plan assets | 1,028.6 | – | 157.0 | – | 40.7 | 1,226.3 |
| Reimbursement rights | – | – | – | 6.4 | 0.7 | 7.1 |
| Unrecognised past service credit – non-vested | – | – | – | (2.3) | – | (2.3) |
| Net post-employment benefits assets and liabilities | (84.8) | (11.7) | (26.0) | (26.7) | (17.9) | (167.1) |

These are included in the balance sheet as:

| | **2013 Post-employment benefits net assets £ million** | **2013 Employee benefits obligations £ million** | **2013 Total £ million** | 2012 Post-employment benefits net assets £ million | 2012 Employee benefits obligations £ million | 2012 Total £ million |
|---|---|---|---|---|---|---|
| UK pension plan | **–** | **(115.6)** | **(115.6)** | – | (84.8) | (84.8) |
| UK post-retirement medical benefits plan | **–** | **(10.1)** | **(10.1)** | – | (11.7) | (11.7) |
| US pension plans | **–** | **(55.4)** | **(55.4)** | – | (26.0) | (26.0) |
| US post-retirement medical benefits plan | **–** | **(39.6)** | **(39.6)** | – | (26.7) | (26.7) |
| Other plans | **1.9** | **(25.1)** | **(23.2)** | 2.0 | (19.9) | (17.9) |
| Total post-employment plans | **1.9** | **(245.8)** | **(243.9)** | 2.0 | (169.1) | (167.1) |
| Other long term employee benefits | | **(2.1)** | | | (2.3) | |
| **Total long term employee benefits obligations** | | **(247.9)** | | | (171.4) | |

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

| | UK pension £ million | UK post-retirement medical benefits £ million | US pensions £ million | US post-retirement medical benefits £ million | Other £ million | Total £ million |
|---|---|---|---|---|---|---|
| At 1st April 2011 | (176.7) | 0.3 | (26.4) | (1.4) | (4.3) | (208.5) |
| Recognised in year | (54.4) | 1.1 | (9.5) | (2.3) | (5.5) | (70.6) |
| At 31st March 2012 | (231.1) | 1.4 | (35.9) | (3.7) | (9.8) | (279.1) |
| Recognised in year | (51.6) | 2.0 | (32.4) | (9.9) | (6.0) | (97.9) |
| **At 31st March 2013** | **(282.7)** | **3.4** | **(68.3)** | **(13.6)** | **(15.8)** | **(377.0)** |

# Notes on the Accounts

for the year ended 31st March 2013

## 14 Post-employment benefits (continued)

### 14a Group (continued)

History of the plans and experience adjustments are:

| | UK pension £ million | UK post-retirement medical benefits £ million | US pensions £ million | US post-retirement medical benefits £ million | Other £ million | Total £ million |
|---|---|---|---|---|---|---|
| **Year ended 31st March 2013** | | | | | | |
| Present value of defined benefit obligation | **(1,292.5)** | **(10.1)** | **(250.2)** | **(46.5)** | **(65.7)** | **(1,665.0)** |
| Fair value of plan assets | **1,176.9** | **–** | **194.8** | **–** | **41.6** | **1,413.3** |
| Reimbursement rights | **–** | **–** | **–** | **9.0** | **0.9** | **9.9** |
| Deficit in the plan | **(115.6)** | **(10.1)** | **(55.4)** | **(37.5)** | **(23.2)** | **(241.8)** |
| Experience adjustments arising on plan liabilities | **10.4** | **(0.1)** | **(48.8)** | **(10.8)** | **(1.6)** | **(50.9)** |
| Experience adjustments arising on plan assets | **81.6** | **–** | **10.6** | **–** | **(3.9)** | **88.3** |
| **Year ended 31st March 2012** | | | | | | |
| Present value of defined benefit obligation | (1,113.4) | (11.7) | (183.0) | (30.8) | (59.3) | (1,398.2) |
| Fair value of plan assets | 1,028.6 | – | 157.0 | – | 40.7 | 1,226.3 |
| Reimbursement rights | – | – | – | 6.4 | 0.7 | 7.1 |
| Deficit in the plan | (84.8) | (11.7) | (26.0) | (24.4) | (17.9) | (164.8) |
| Experience adjustments arising on plan liabilities | – | 0.3 | 0.7 | (3.3) | (3.0) | (5.3) |
| Experience adjustments arising on plan assets | (11.4) | – | 10.2 | – | 3.1 | 1.9 |
| **Year ended 31st March 2011** | | | | | | |
| Present value of defined benefit obligation | (1,027.4) | (12.5) | (152.1) | (25.8) | (49.6) | (1,267.4) |
| Fair value of plan assets | 966.8 | – | 134.0 | – | 35.8 | 1,136.6 |
| Reimbursement rights | – | – | – | 4.9 | 0.7 | 5.6 |
| Deficit in the plan | (60.6) | (12.5) | (18.1) | (20.9) | (13.1) | (125.2) |
| Experience adjustments arising on plan liabilities | 2.7 | (0.2) | (0.2) | 3.3 | 0.6 | 6.2 |
| Experience adjustments arising on plan assets | 8.1 | – | 8.5 | – | 1.4 | 18.0 |
| **Year ended 31st March 2010** | | | | | | |
| Present value of defined benefit obligation | (1,043.6) | (14.4) | (149.6) | (28.5) | (54.2) | (1,290.3) |
| Fair value of plan assets | 886.7 | – | 122.5 | – | 36.0 | 1,045.2 |
| Reimbursement rights | – | – | – | 5.5 | 0.6 | 6.1 |
| Deficit in the plan | (156.9) | (14.4) | (27.1) | (23.0) | (17.6) | (239.0) |
| Experience adjustments arising on plan liabilities | (5.2) | 1.2 | (2.1) | 0.4 | (0.2) | (5.9) |
| Experience adjustments arising on plan assets | 173.4 | – | 19.8 | – | 1.9 | 195.1 |
| **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) |

# Notes on the Accounts

for the year ended 31st March 2013

## 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:

| | 2013 Expected rate of return % | 2013 Value £ million | 2012 Expected rate of return % | 2012 Value £ million |
|---|---|---|---|---|
| Equities | **6.80** | **444.8** | 7.10 | 430.7 |
| Bonds | **3.68** | **685.9** | 4.24 | 550.5 |
| Property | **5.00** | **46.2** | 5.40 | 47.4 |
| | **4.91** | **1,176.9** | 5.49 | 1,028.6 |

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 are 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 fair value of the plan assets during the year were:

| | 2013 Pension £ million | 2013 Post-retirement medical benefits £ million | 2012 Pension £ million | 2012 Post-retirement medical benefits £ million |
|---|---|---|---|---|
| At beginning of year | **1,028.6** | **–** | 966.8 | – |
| Expected return on plan assets | **57.4** | **–** | 64.3 | – |
| Actuarial gain / (loss) | **81.6** | **–** | (11.4) | – |
| Company contributions | **47.9** | **0.3** | 44.7 | 0.5 |
| Benefits paid | **(38.6)** | **(0.3)** | (35.8) | (0.5) |
| At end of year | **1,176.9** | **–** | 1,028.6 | – |

The actual return on plan assets was £139.0 million (2012 £52.9 million). It is estimated that the company will contribute about £44 million (and its subsidiaries will also contribute about £6 million) to the company's post-employment defined benefit plans during the year ending 31st March 2014.

Movements in the defined benefit obligation during the year were:

| | 2013 Pension £ million | 2013 Post-retirement medical benefits £ million | 2012 Pension £ million | 2012 Post-retirement medical benefits £ million |
|---|---|---|---|---|
| At beginning of year | **(1,113.4)** | **(11.7)** | (1,027.4) | (12.5) |
| Current service cost – in operating profit | **(26.7)** | **(0.1)** | (23.0) | (0.1) |
| Current service cost – capitalised | **(0.1)** | **–** | (0.1) | – |
| Past service cost – vested | **(1.9)** | **–** | (0.2) | – |
| Interest cost | **(55.8)** | **(0.6)** | (55.5) | (0.7) |
| Actuarial (loss) / gain | **(133.2)** | **2.0** | (43.0) | 1.1 |
| Benefits paid | **38.6** | **0.3** | 35.8 | 0.5 |
| At end of year | **(1,292.5)** | **(10.1)** | (1,113.4) | (11.7) |

# Notes on the Accounts

for the year ended 31st March 2013

## 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:

| | 2013 Pension £ million | 2013 Post-retirement medical benefits £ million | 2012 Pension £ million | 2012 Post-retirement medical benefits £ million |
|---|---|---|---|---|
| Present value of funded obligations | **(1,292.5)** | **–** | (1,113.4) | – |
| Present value of unfunded obligations | **–** | **(10.1)** | – | (11.7) |
| Defined benefit obligation | **(1,292.5)** | **(10.1)** | (1,113.4) | (11.7) |
| Fair value of plan assets | **1,176.9** | **–** | 1,028.6 | – |
| Net retirement benefits assets and liabilities | **(115.6)** | **(10.1)** | (84.8) | (11.7) |

These are included in the balance sheet under employee benefits obligations as:

| | 2013 £ million | 2012 £ million |
|---|---|---|
| Pension plan | **(115.6)** | (84.8) |
| Post-retirement medical benefits plan | **(10.1)** | (11.7) |
| Total post-employment plans | **(125.7)** | (96.5) |
| Other long term employee benefits | **(0.1)** | (0.1) |
| **Total long term employee benefits obligations** | **(125.8)** | (96.6) |

The cumulative amount of actuarial gains / (losses) recognised in the statement of changes in equity were:

| | 2013 Pension £ million | 2013 Post-retirement medical benefits £ million | 2012 Pension £ million | 2012 Post-retirement medical benefits £ million |
|---|---|---|---|---|
| At beginning of year | **(232.5)** | **1.4** | (178.1) | 0.3 |
| Recognised in year | **(51.6)** | **2.0** | (54.4) | 1.1 |
| At end of year | **(284.1)** | **3.4** | (232.5) | 1.4 |

History of the plans and experience adjustments are:

| | Present value of defined benefit obligation £ million | Fair value of plan assets £ million | Deficit in plan £ million | Experience adjustments arising on plan liabilities £ million | Experience adjustments arising on plan assets £ million |
|---|---|---|---|---|---|
| **Year ended 31st March 2013** | | | | | |
| Pension | **(1,292.5)** | **1,176.9** | **(115.6)** | **10.4** | **81.6** |
| Post-retirement medical benefits | **(10.1)** | **–** | **(10.1)** | **(0.1)** | **–** |
| **Year ended 31st March 2012** | | | | | |
| Pension | (1,113.4) | 1,028.6 | (84.8) | – | (11.4) |
| Post-retirement medical benefits | (11.7) | – | (11.7) | 0.3 | – |
| **Year ended 31st March 2011** | | | | | |
| Pension | (1,027.4) | 966.8 | (60.6) | 2.7 | 8.1 |
| Post-retirement medical benefits | (12.5) | – | (12.5) | (0.2) | – |
| **Year ended 31st March 2010** | | | | | |
| Pension | (1,043.6) | 886.7 | (156.9) | (5.2) | 173.4 |
| Post-retirement medical benefits | (14.4) | – | (14.4) | 1.2 | – |
| **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) | – |

# Notes on the Accounts

for the year ended 31st March 2013

## 15 Property, plant and equipment

### 15a Group

| | Freehold land and buildings £ million | Long and short leasehold £ million | Plant and machinery £ million | Assets in the course of construction £ million | Total £ million |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 1st April 2011 | 426.1 | 24.6 | 1,241.9 | 62.4 | 1,755.0 |
| Additions | 5.8 | 0.4 | 53.7 | 77.0 | 136.9 |
| Reclassifications | 8.6 | 0.1 | 36.7 | (45.4) | – |
| Disposals | (1.8) | (0.1) | (72.9) | (8.3) | (83.1) |
| Exchange adjustments | (6.4) | (0.9) | (22.0) | (2.5) | (31.8) |
| At 31st March 2012 | 432.3 | 24.1 | 1,237.4 | 83.2 | 1,777.0 |
| Additions | 7.4 | 0.6 | 58.7 | 114.9 | 181.6 |
| Acquisitions (note 39) | – | 0.1 | 3.9 | 2.3 | 6.3 |
| Reclassifications | 11.6 | 0.3 | 57.7 | (69.6) | – |
| Disposals | (1.9) | (11.8) | (53.6) | (0.2) | (67.5) |
| Exchange adjustments | 5.2 | 0.1 | 18.5 | 2.9 | 26.7 |
| At 31st March 2013 | 454.6 | 13.4 | 1,322.6 | 133.5 | 1,924.1 |
| **Accumulated depreciation and impairment** | | | | | |
| At 1st April 2011 | 126.8 | 16.0 | 704.5 | – | 847.3 |
| Charge for the year | 14.5 | 0.9 | 93.1 | – | 108.5 |
| Impairment losses | – | 1.4 | 1.6 | – | 3.0 |
| Reversal of impairment losses | – | – | (2.8) | – | (2.8) |
| Disposals | (1.5) | – | (69.8) | – | (71.3) |
| Exchange adjustments | (1.6) | (0.7) | (14.9) | – | (17.2) |
| At 31st March 2012 | 138.2 | 17.6 | 711.7 | – | 867.5 |
| Charge for the year | 15.1 | 1.0 | 95.1 | – | 111.2 |
| Impairment losses | 0.4 | 0.1 | 3.7 | 1.5 | 5.7 |
| Reversal of impairment losses | – | (0.8) | (0.6) | – | (1.4) |
| Disposals | (0.9) | (11.8) | (51.7) | – | (64.4) |
| Exchange adjustments | 1.5 | – | 10.5 | – | 12.0 |
| At 31st March 2013 | 154.3 | 6.1 | 768.7 | 1.5 | 930.6 |
| **Carrying amount at 31st March 2013** | **300.3** | **7.3** | **553.9** | **132.0** | **993.5** |
| Carrying amount at 31st March 2012 | 294.1 | 6.5 | 525.7 | 83.2 | 909.5 |
| Carrying amount at 1st April 2011 | 299.3 | 8.6 | 537.4 | 62.4 | 907.7 |

The carrying amount of plant and machinery includes £1.3 million (2012 £1.6 million) in respect of assets held under finance leases.

Compensation received for impaired or lost property, plant and equipment was £1.0 million (2012 £3.0 million).

Finance costs capitalised were £2.0 million (2012 £0.7 million) and the capitalisation rate used to determine the amount of finance costs eligible for capitalisation was 5.0% (2012 4.4%).

The impairment losses for freehold land and buildings of £0.4 million (2012 £ nil) have been included in major impairment and restructuring charges (note 3). Of the impairment losses for long and short leaseholds in the year £ nil (2012 £0.3 million) have been included in cost of sales, £0.1 million (2012 £0.7 million) in administrative expenses and £ nil (2012 £0.4 million) in major impairment and restructuring charges (note 3). Of the impairment losses for plant and machinery £0.8 million (2012 £1.0 million) have been included in administrative expenses, £0.2 million in cost of sales (2012 £0.6 million), £0.1 million in distribution and selling costs (2012 £ nil) and £2.6 million (2012 £ nil) in major impairment and restructuring charges (note 3). Of the impairment losses for construction in progress £0.6 million (2012 £ nil) have been included in major impairment and restructuring charges and £0.9 million has been included in cost of sales (2012 £ nil). Impairment losses of £1.7 million and £0.4 million are included in the underlying operating profit of Environmental Technologies and Precious Metal Products respectively and arose as the assets have become idle or damaged.

Of the reversal of impairment losses for long and short leaseholds, £0.7 million (2012 £ nil) is included in distribution and selling costs and £0.1 million (2012 £ nil) is included in cost of sales. Of the reversal of impairment losses for plant and machinery, £0.6 million (2012 £0.7 million) is included in cost of sales and £ nil (2012 £2.1 million) is included in major impairment and restructuring charges. £0.5 million and £0.9 million of these reversals are included in the underlying operating profit of Environmental Technologies and Fine Chemicals respectively.

# Notes on the Accounts

for the year ended 31st March 2013

## 15 Property, plant and equipment (continued)

### 15b Parent company

| | Freehold land and buildings £ million | Long and short leasehold £ million | Plant and machinery £ million | Assets in the course of construction £ million | Total £ million |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 1st April 2011 | 94.2 | 1.0 | 366.9 | 2.1 | 464.2 |
| Additions | 3.1 | – | 25.0 | 5.5 | 33.6 |
| Reclassifications | – | – | 4.0 | (4.0) | – |
| Disposals | (1.3) | – | (3.8) | (0.2) | (5.3) |
| At 31st March 2012 | 96.0 | 1.0 | 392.1 | 3.4 | 492.5 |
| Additions | 3.3 | 0.4 | 26.5 | 13.0 | 43.2 |
| Reclassifications | 0.2 | – | 4.6 | (4.8) | – |
| Disposals | (0.6) | – | (24.7) | – | (25.3) |
| At 31st March 2013 | 98.9 | 1.4 | 398.5 | 11.6 | 510.4 |
| **Accumulated depreciation and impairment** | | | | | |
| At 1st April 2011 | 34.7 | 0.1 | 198.6 | – | 233.4 |
| Charge for the year | 2.7 | – | 25.3 | – | 28.0 |
| Disposals | (1.1) | – | (3.5) | – | (4.6) |
| At 31st March 2012 | 36.3 | 0.1 | 220.4 | – | 256.8 |
| Charge for the year | 2.8 | 0.1 | 26.6 | – | 29.5 |
| Disposals | (0.1) | – | (23.1) | – | (23.2) |
| At 31st March 2013 | 39.0 | 0.2 | 223.9 | – | 263.1 |
| **Carrying amount at 31st March 2013** | **59.9** | **1.2** | **174.6** | **11.6** | **247.3** |
| Carrying amount at 31st March 2012 | 59.7 | 0.9 | 171.7 | 3.4 | 235.7 |
| Carrying amount at 1st April 2011 | 59.5 | 0.9 | 168.3 | 2.1 | 230.8 |

The carrying amount of plant and machinery includes £1.3 million (2012 £1.5 million) in respect of assets held under finance leases.

Finance costs capitalised were £0.2 million (2012 £ nil) and the capitalisation rate used to determine the amount of finance costs eligible for capitalisation was 5.0% (2012 4.4%).

# Notes on the Accounts

for the year ended 31st March 2013

## 16 Goodwill

| | Group £ million | Parent company £ million |
|---|---|---|
| **Cost** | | |
| At 1st April 2011 | 528.7 | 110.5 |
| Exchange adjustments | (9.2) | – |
| At 31st March 2012 | 519.5 | 110.5 |
| Acquisitions (note 39) | 60.0 | – |
| Exchange adjustments | 5.8 | – |
| At 31st March 2013 | 585.3 | 110.5 |
| **Impairment** | | |
| At 1st April 2011, 31st March 2012 and 31st March 2013 | – | – |
| **Carrying amount at 31st March 2013** | **585.3** | **110.5** |
| Carrying amount at 31st March 2012 | 519.5 | 110.5 |
| Carrying amount at 1st April 2011 | 528.7 | 110.5 |

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. Goodwill is allocated as follows:

| | Group | | Parent company | |
|---|---|---|---|---|
| | **2013 £ million** | 2012 £ million | **2013 £ million** | 2012 £ million |
| Environmental Technologies | | | | |
| Emission Control Technologies – Non-light Duty Catalysts | **85.8** | 84.4 | **–** | – |
| Process Technologies | **290.4** | 245.3 | **110.5** | 110.5 |
| Battery Technologies | **15.1** | – | **–** | – |
| Precious Metal Products | | | | |
| Catalysts and Chemicals | **26.0** | 24.8 | **–** | – |
| Other | **7.5** | 5.6 | **–** | – |
| Fine Chemicals | | | | |
| Macfarlan Smith | **117.1** | 117.1 | **–** | – |
| Pharmaceutical Materials and Services | **21.8** | 20.7 | **–** | – |
| Research Chemicals | **21.6** | 21.6 | **–** | – |
| | **585.3** | 519.5 | **110.5** | 110.5 |

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 forward 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 estimated tax cash flows and risk applicable to each CGU.

For the Non-light Duty Catalysts CGU five (2012 five) year plans have been approved by management. The cash flow projections have been extrapolated using a long term average growth rate of 3% (2012 12% for years 6 to 10 and 4% after that). The discount rate used was 11.6% (2012 12.3%). The impairment test results in headroom of more than 100% 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.

# Notes on the Accounts

for the year ended 31st March 2013

## 16 Goodwill (continued)

For Process Technologies the long term average growth rate used was 3.2% (2012 5.0%) and the discount rate was 11.4% (2012 12.0%). For Battery Technologies, which was acquired during the year, the long term average growth rate used was 5.0% and the discount rate was 12.0%. For Catalysts and Chemicals the long term average growth rate used was 2.5% (2012 4.7%) and the discount rate was 11.4% (2012 12.0%). For Macfarlan Smith the long term average growth rate used was 2.5% (2012 2.5%) and the discount rate was 6.9% (2012 8.0%). For Pharmaceutical Materials and Services the long term average growth rate used was 3.0% (2012 4.0%) and the discount rate was 8.3% (2012 8.3%). For Research Chemicals the long term average growth rate used was 5.0% (2012 5.0%) and the discount rate was 8.4% (2012 9.2%). These impairment tests all result in headroom of over 100%, except for Battery Technologies which is over 50%, 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 2011 | 73.5 | 53.5 | 29.0 | 25.2 | 97.2 | 278.4 |
| Additions | – | 3.5 | 0.1 | – | 9.1 | 12.7 |
| Disposals | – | (2.5) | – | – | – | (2.5) |
| Exchange adjustments | (2.4) | (1.5) | (0.5) | (1.1) | (1.2) | (6.7) |
| At 31st March 2012 | 71.1 | 53.0 | 28.6 | 24.1 | 105.1 | 281.9 |
| Additions | – | 4.9 | 0.8 | – | 4.7 | 10.4 |
| Acquisitions (note 39) | 77.0 | – | – | 27.0 | – | 104.0 |
| Disposals | – | (0.7) | – | – | – | (0.7) |
| Exchange adjustments | 2.0 | 0.3 | 0.6 | 0.6 | 4.4 | 7.9 |
| At 31st March 2013 | 150.1 | 57.5 | 30.0 | 51.7 | 114.2 | 403.5 |
| **Accumulated amortisation and impairment** | | | | | | |
| At 1st April 2011 | 33.1 | 40.0 | 9.3 | 1.0 | 42.1 | 125.5 |
| Charge for the year | 13.0 | 4.0 | 3.6 | 1.2 | 12.5 | 34.3 |
| Disposals | – | (2.5) | – | – | – | (2.5) |
| Exchange adjustments | (1.5) | (0.9) | (0.3) | – | (0.5) | (3.2) |
| At 31st March 2012 | 44.6 | 40.6 | 12.6 | 2.2 | 54.1 | 154.1 |
| Charge for the year | 10.4 | 4.6 | 3.7 | 3.8 | 9.8 | 32.3 |
| Disposals | – | (0.7) | – | – | – | (0.7) |
| Exchange adjustments | 1.4 | 0.3 | 0.3 | 0.2 | 2.8 | 5.0 |
| At 31st March 2013 | 56.4 | 44.8 | 16.6 | 6.2 | 66.7 | 190.7 |
| **Carrying amount at 31st March 2013** | **93.7** | **12.7** | **13.4** | **45.5** | **47.5** | **212.8** |
| Carrying amount at 31st March 2012 | 26.5 | 12.4 | 16.0 | 21.9 | 51.0 | 127.8 |
| Carrying amount at 1st April 2011 | 40.4 | 13.5 | 19.7 | 24.2 | 55.1 | 152.9 |

# Notes on the Accounts

for the year ended 31st March 2013

## 17 Other intangible assets (continued)

### 17b Parent company

| | Computer software £ million | Patents, trademarks and licences £ million | Development expenditure £ million | Total £ million |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1st April 2011 | 15.2 | – | 9.0 | 24.2 |
| Additions | 1.2 | – | – | 1.2 |
| Disposals | (1.0) | – | – | (1.0) |
| At 31st March 2012 | 15.4 | – | 9.0 | 24.4 |
| Additions | 1.8 | 0.6 | – | 2.4 |
| At 31st March 2013 | 17.2 | 0.6 | 9.0 | 26.8 |
| **Accumulated amortisation and impairment** | | | | |
| At 1st April 2011 | 13.2 | – | 4.6 | 17.8 |
| Charge for the year | 1.0 | – | 1.2 | 2.2 |
| Disposals | (1.0) | – | – | (1.0) |
| At 31st March 2012 | 13.2 | – | 5.8 | 19.0 |
| Charge for the year | 1.0 | – | 0.9 | 1.9 |
| At 31st March 2013 | 14.2 | – | 6.7 | 20.9 |
| **Carrying amount at 31st March 2013** | **3.0** | **0.6** | **2.3** | **5.9** |
| Carrying amount at 31st March 2012 | 2.2 | – | 3.2 | 5.4 |
| Carrying amount at 1st April 2011 | 2.0 | – | 4.4 | 6.4 |

## 18 Investments in subsidiaries

| | Cost of investments in subsidiaries £ million | Accumulated impairment £ million | Carrying amount £ million |
|---|---|---|---|
| At 1st April 2011 | 1,692.3 | (186.1) | 1,506.2 |
| Additional shares issued by subsidiary | 40.0 | – | 40.0 |
| At 31st March 2012 | 1,732.3 | (186.1) | 1,546.2 |
| Additions | 65.2 | – | 65.2 |
| Impairment loss | – | (0.1) | (0.1) |
| **At 31st March 2013** | **1,797.5** | **(186.2)** | **1,611.3** |

The principal subsidiaries are shown in note 41.

In the year ended 31st March 2013, one of the parent company's subsidiaries paid a dividend and as a consequence the investment was impaired.

## 19 Non-current available-for-sale investments

| | **2013 £ million** | 2012 £ million |
|---|---|---|
| Quoted bonds purchased to fund pension deficit | **49.7** | – |
| Unquoted investments | **8.2** | 8.0 |
| | **57.9** | 8.0 |

The quoted bonds are measured at fair value using quoted prices in active markets (level 1 inputs per IFRS 7's fair value hierarchy). There is no active market for the unquoted investments since they are investments in a company that is in the start up phase and in an investment vehicle that invests in start up companies. Given their size it would be overly onerous to provide additional detail.

# Notes on the Accounts
for the year ended 31st March 2013

## 20 Inventories

| | Group | | Parent company | |
|---|---|---|---|---|
| | 2013 £ million | 2012 £ million | 2013 £ million | 2012 £ million |
| Raw materials and consumables | 140.6 | 154.8 | 19.5 | 31.6 |
| Work in progress | 255.3 | 229.1 | 44.1 | 87.3 |
| Finished goods and goods for resale | 270.0 | 246.9 | 45.8 | 45.5 |
| | 665.9 | 630.8 | 109.4 | 164.4 |

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

## 21 Trade and other receivables

| | Group | | Parent company | |
|---|---|---|---|---|
| | 2013 £ million | 2012 £ million | 2013 £ million | 2012 £ million |
| **Current** | | | | |
| Trade receivables | 712.1 | 690.3 | 147.4 | 139.4 |
| Amounts receivable from long term contract customers | 19.4 | 12.3 | – | – |
| Amounts receivable from subsidiaries | – | – | 855.4 | 827.7 |
| Prepayments and accrued income | 49.5 | 68.7 | 13.4 | 34.5 |
| Value added tax and other sales tax receivable | 34.7 | 31.5 | 4.6 | 3.9 |
| Other receivables | 57.4 | 44.3 | 2.7 | 4.1 |
| **Current trade and other receivables** | 873.1 | 847.1 | 1,023.5 | 1,009.6 |
| **Non-current** | | | | |
| Amounts receivable from subsidiaries | – | – | 530.1 | 387.6 |
| Prepayments and accrued income | 4.5 | 2.9 | 43.5 | 0.1 |
| Other receivables | 0.2 | 0.1 | – | – |
| **Non-current trade and other receivables** | 4.7 | 3.0 | 573.6 | 387.7 |

## 22 Trade and other payables

| | Group | | Parent company | |
|---|---|---|---|---|
| | 2013 £ million | 2012 £ million | 2013 £ million | 2012 £ million |
| **Current** | | | | |
| Trade payables | 315.9 | 344.7 | 105.0 | 103.6 |
| Amounts payable to long term contract customers | 93.0 | 80.4 | – | – |
| Amounts payable to subsidiaries | – | – | 1,324.2 | 1,206.9 |
| Accruals and deferred income | 243.5 | 222.8 | 75.5 | 77.7 |
| Other payables | 81.1 | 62.8 | 90.4 | 166.2 |
| **Current trade and other payables** | 733.5 | 710.7 | 1,595.1 | 1,554.4 |
| **Non-current** | | | | |
| Amounts payable to subsidiaries | – | – | 7.4 | 22.6 |
| Accruals and deferred income | 1.0 | 1.7 | – | – |
| Other payables | 2.6 | 2.6 | 1.1 | 0.7 |
| **Non-current trade and other payables** | 3.6 | 4.3 | 8.5 | 23.3 |

# Notes on the Accounts

for the year ended 31st March 2013

## 23 Long term contracts

| | 2013 £ million | 2012 £ million |
|---|---|---|
| Contract revenue recognised | **85.1** | 117.1 |
| Contracts in progress at the year end: | | |
| Costs incurred plus recognised profits less recognised losses to date | **291.3** | 244.9 |
| Amount of advances received | **87.6** | 73.6 |

## 24 Net debt

| | Group | | Parent company | |
|---|---|---|---|---|
| | 2013 £ million | 2012 £ million | 2013 £ million | 2012 £ million |
| **Non-current borrowings, finance leases and related swaps** | | | | |
| Bank, other loans and related swaps | | | | |
| 3.57% Sterling Bonds 2024 | **65.0** | – | **65.0** | – |
| 3.26% US Dollar Bonds 2022 | **98.6** | – | **98.6** | – |
| 4.66% Euro Bonds 2021 | **84.5** | 83.3 | **84.5** | 83.3 |
| 1.945% Euro European Investment Bank (EIB) loan 2019 | **104.8** | – | **104.8** | – |
| 5.67% US Dollar Bonds 2016 | **115.1** | 110.9 | **115.1** | 110.9 |
| 4.95% US Dollar Bonds 2015 | **139.9** | 135.8 | **139.9** | 135.8 |
| 4.987% Euro EIB loan 2013 | **–** | 104.2 | **–** | 104.2 |
| 5.55% US Dollar Bonds 2013 | **–** | 62.6 | **–** | 62.6 |
| Cross currency interest rate swaps designated as cash flow hedges | **–** | 0.3 | **–** | 0.3 |
| Other interest rate swaps classified as held for trading | **1.0** | – | **1.0** | – |
| Other repayable from one to two years | **–** | 31.5 | **–** | 31.3 |
| Finance leases repayable | | | | |
| After five years | **–** | 0.2 | **–** | 0.2 |
| From four to five years | **0.2** | 0.4 | **0.2** | 0.4 |
| From three to four years | **0.4** | 0.4 | **0.4** | 0.4 |
| From two to three years | **0.4** | 0.4 | **0.4** | 0.4 |
| From one to two years | **0.4** | 0.4 | **0.3** | 0.3 |
| Non-current borrowings, finance leases and related swaps | **610.3** | 530.4 | **610.2** | 530.1 |
| **Current borrowings and finance leases** | | | | |
| 4.987% Euro EIB loan 2013 | **105.8** | – | **105.8** | – |
| 5.55% US Dollar Bonds 2013 | **65.8** | – | **65.8** | – |
| 5.17% Sterling Bonds 2013 | **–** | 40.0 | **–** | 40.0 |
| Other bank and other loans | **101.8** | 16.1 | **83.0** | – |
| Finance leases | **0.4** | 0.3 | **0.3** | 0.3 |
| Current borrowings and finance leases excluding bank overdrafts | **273.8** | 56.4 | **254.9** | 40.3 |
| Bank overdrafts | **48.2** | 35.8 | **59.7** | 65.9 |
| Current borrowings and finance leases | **322.0** | 92.2 | **314.6** | 106.2 |
| **Total borrowings and finance leases** | **932.3** | 622.6 | **924.8** | 636.3 |
| Less interest rate swaps designated as fair value hedges | **17.3** | 29.3 | **17.3** | 29.3 |
| Less cross currency interest rate swaps designated as cash flow hedges | **0.9** | – | **0.9** | – |
| Less other interest rate swaps classified as held for trading | **8.9** | – | **8.9** | – |
| Less cash and deposits | **70.0** | 139.1 | **6.0** | 78.0 |
| **Net debt** | **835.2** | 454.2 | **891.7** | 529.0 |

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. Up to 3rd May 2012, all the 5.67% US Dollar Bonds 2016 had been swapped into floating rate US dollars. From 3rd May 2012, US $75.0 million of the 5.67% US Dollar Bonds 2016 have been swapped into floating rate US dollars and the balance has effectively been swapped into fixed rate US dollars at 1.55%. 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.

# Notes on the Accounts

for the year ended 31st March 2013

## 25 Other financial assets

| | Group | | Parent company | |
|---|---|---|---|---|
| | **2013 £ million** | 2012 £ million | **2013 £ million** | 2012 £ million |
| Forward foreign exchange contracts and options designated as cash flow hedges | **1.2** | 7.0 | **3.6** | 7.1 |
| Forward foreign exchange contracts and currency swaps held for trading | **3.7** | 3.1 | **3.7** | 2.9 |
| Foreign exchange swaps designated as hedges of a net investment in foreign operations | **–** | 0.3 | **–** | – |
| Embedded derivatives | **0.8** | 1.2 | **0.8** | 1.2 |
| | **5.7** | 11.6 | **8.1** | 11.2 |

Of the other financial assets listed above, all are measured at fair value using observable inputs (level 2 inputs per IFRS 7’s fair value hierarchy) except for certain embedded derivatives which are valued based on both observable and unobservable inputs (level 3 inputs).

The reconciliation of other financial assets valued using level 3 inputs is:

| | Group £ million | Parent company £ million |
|---|---|---|
| At 1st April 2011 | 1.4 | 1.4 |
| Gains recognised in cost of sales | 4.8 | 4.8 |
| Settlements | (5.0) | (5.0) |
| At 31st March 2012 | 1.2 | 1.2 |
| Gains recognised in cost of sales | 3.4 | 3.4 |
| Settlements | (3.8) | (3.8) |
| **At 31st March 2013** | **0.8** | **0.8** |

There were no transfers between the levels of IFRS 7's fair value hierarchy during the year.

## 26 Other financial liabilities

| | Group | | Parent company | |
|---|---|---|---|---|
| | **2013 £ million** | 2012 £ million | **2013 £ million** | 2012 £ million |
| Forward foreign exchange contracts and options designated as cash flow hedges | **9.3** | 0.6 | **9.5** | 1.6 |
| Forward foreign exchange contracts and currency swaps held for trading | **2.0** | 3.9 | **1.2** | 3.2 |
| | **11.3** | 4.5 | **10.7** | 4.8 |

All other financial liabilities are measured at fair value using observable inputs (level 2 inputs per IFRS 7’s fair value hierarchy).

## 27 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 speculative trading activity in financial instruments.

# Notes on the Accounts

for the year ended 31st March 2013

## 27 Financial risk management (continued)

### 27a Foreign currency risk

The group operates globally with a significant amount of its profit 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 and Europe by borrowing US dollars and euros 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. The group has designated the currency swaps, a US dollar loan and three euro loans (fair value of the loans was £387.2 million (2012 £202.0 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 2013 £ million** | Borrowings 2012 £ million | **Cash 2013 £ million** | Cash 2012 £ million | **Borrowings 2013 £ million** | Borrowings 2012 £ million | **Cash 2013 £ million** | Cash 2012 £ million |
| Sterling | **179.0** | 220.4 | **237.6** | 394.9 | **177.2** | 240.2 | **236.6** | 390.6 |
| US dollar | **700.8** | 424.3 | **193.8** | 75.9 | **711.6** | 421.9 | **173.8** | 69.4 |
| Euro | **325.4** | 372.8 | **39.6** | 38.1 | **339.0** | 388.4 | **36.0** | 23.1 |
| Swedish krona | **101.1** | 1.6 | **1.8** | 4.5 | **108.4** | 1.5 | **–** | 5.9 |
| Hong Kong dollar | **–** | – | **50.3** | 46.5 | **–** | – | **50.3** | 46.0 |
| South African rand | **45.8** | 28.9 | **0.3** | 52.2 | **31.4** | 19.7 | **–** | 51.5 |
| Chinese renminbi | **23.8** | 19.7 | **6.8** | 9.9 | **15.4** | 14.4 | **–** | – |
| South Korean won | **20.5** | 19.3 | **7.8** | 5.2 | **18.2** | 17.0 | **–** | – |
| Canadian dollar | **0.4** | 6.9 | **19.1** | 8.6 | **–** | 7.9 | **19.4** | 8.5 |
| Indian rupee | **8.4** | 9.8 | **10.1** | 9.0 | **–** | – | **–** | – |
| Japanese yen | **8.1** | 10.2 | **4.7** | 2.1 | **8.1** | 16.9 | **1.7** | 1.4 |
| Other currencies | **12.0** | 3.8 | **18.2** | 16.6 | **9.6** | 3.8 | **9.4** | 6.3 |
| | **1,425.3** | 1,117.7 | **590.1** | 663.5 | **1,418.9** | 1,131.7 | **527.2** | 602.7 |

The group and parent company use forward exchange contracts, and occasionally purchased 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 2014.

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% (7.9 cent (2012 8.0 cent)) movement in the average exchange rate for the US dollar against sterling would have had a £6.5 million (2012 £7.3 million) impact on operating profit. The group is also exposed to the euro and a 5% (6.1 cent (2012 5.8 cent)) movement in the average exchange rate for the euro against sterling would have had a £4.2 million (2012 £3.7 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.

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% (7.6 cent (2012 8.0 cent)) movement in the closing exchange rate for the US dollar against sterling would have had a £3.3 million (2012 £3.1 million) impact on operating profit and a £32.4 million (2012 £20.8 million) impact on equity for these instruments. A 5% (5.9 cent (2012 6.0 cent)) movement in the closing exchange rate for the euro against sterling would have had a £4.6 million (2012 £5.7 million) impact on operating profit and a £20.9 million (2012 £21.4 million) impact on equity for these instruments. However, the impact on 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 £7.0 million (2012 £3.3 million) for the US dollar and £6.7 million (2012 £4.6 million) for the euro relates to cash flow hedging instruments hedging the forecast receipts and payments whose cash flows have yet to occur.

# Notes on the Accounts

for the year ended 31st March 2013

## 27 Financial risk management (continued)

### 27b 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 four 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 losses on the interest rate swaps in the year ended 31st March 2013 were £3.6 million (2012 gains £5.6 million) and the gains on the bonds attributable to the hedged risk were £3.6 million (2012 losses £5.7 million). The group and parent company have designated the US dollar fixed interest rate to sterling fixed interest rate cross currency swap as a cash flow hedge as it hedges the movement in the cash flows of the hedged bond attributable to changes in the US dollar / sterling exchange rate. The cross currency swap's cash flows are expected to occur in 2015 when the bond which it hedges matures. The interest element of the cash flow hedge is realised in the income statement each year and the exchange effect is expected to be realised in the income statement in 2015. At 31st March 2013, 74% (2012 73%) of the group's net debt and 70% (2012 62%) of the parent company's net debt were at fixed rates with an average interest rate of 3.67% (2012 4.91%). 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 £2.1 million (2012 £1.2 million) impact on the group's profit before tax. This is within the range the board regards as acceptable.

### 27c Fair value of financial instruments

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

| | 2013 | | 2012 | |
|---|---|---|---|---|
| **Group** | **Carrying amount £ million** | **Fair value £ million** | Carrying amount £ million | Fair value £ million |
| US Dollar Bonds 2013, 2015, 2016 and 2022 | **(419.4)** | **(419.0)** | (309.3) | (334.1) |
| Euro Bonds 2021 | **(84.5)** | **(100.5)** | (83.3) | (93.6) |
| Euro EIB loans 2013 and 2019 | **(210.6)** | **(212.9)** | (104.2) | (108.4) |
| Sterling Bonds 2013 and 2024 | **(65.0)** | **(65.9)** | (40.0) | (41.1) |

| | 2013 | | 2012 | |
|---|---|---|---|---|
| **Parent company** | **Carrying amount £ million** | **Fair value £ million** | Carrying amount £ million | Fair value £ million |
| Amounts receivable from subsidiaries | **1,385.5** | **1,437.6** | 1,215.3 | 1,247.8 |
| US Dollar Bonds 2013, 2015, 2016 and 2022 | **(419.4)** | **(419.0)** | (309.3) | (334.1) |
| Euro Bonds 2021 | **(84.5)** | **(100.5)** | (83.3) | (93.6) |
| Euro EIB loans 2013 and 2019 | **(210.6)** | **(212.9)** | (104.2) | (108.4) |
| Sterling Bonds 2013 and 2024 | **(65.0)** | **(65.9)** | (40.0) | (41.1) |

The fair values are calculated by discounting future cash flows to net present values using appropriate market interest rates prevailing at the year end.

### 27d 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 2013 the group and parent company had borrowings under committed bank facilities of £50.1 million (2012 £ nil). The group and parent company also have a number of uncommitted facilities, including metal leases, and overdraft lines at their disposal.

| | Group | | Parent company | |
|---|---|---|---|---|
| | **2013 £ million** | 2012 £ million | **2013 £ million** | 2012 £ million |
| **Undrawn committed borrowing facilities** | | | | |
| Expiring within one year | **110.5** | 120.8 | **110.5** | 120.8 |
| Expiring in more than one year but not more than two years | **154.8** | 131.3 | **154.8** | 131.3 |
| Expiring in more than two years | **99.4** | 60.0 | **99.4** | 60.0 |
| | **364.7** | 312.1 | **364.7** | 312.1 |

# Notes on the Accounts

for the year ended 31st March 2013

## 27 Financial risk management (continued)

### 27d 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 2013 | Within 1 year £ million | 1 to 2 years £ million | 2 to 5 years £ million | After 5 years £ million | Total £ million |
|---|---|---|---|---|---|
| Bank overdrafts | 48.2 | – | – | – | 48.2 |
| Bank and other loans – principal | 273.3 | 130.7 | 98.3 | 352.8 | 855.1 |
| Bank and other loans – interest payments | 30.1 | 23.8 | 44.4 | 41.8 | 140.1 |
| Finance lease obligations | 0.5 | 0.4 | 1.1 | – | 2.0 |
| Financial liabilities in trade and other payables | 597.3 | 0.5 | 0.6 | 0.8 | 599.2 |
| Total non-derivative financial liabilities | 949.4 | 155.4 | 144.4 | 395.4 | 1,644.6 |
| Foreign exchange forwards, options and swaps – payments | 427.1 | 20.2 | – | – | 447.3 |
| Foreign exchange forwards, options and swaps – receipts | (416.7) | (19.5) | – | – | (436.2) |
| Total derivative financial liabilities | 10.4 | 0.7 | – | – | 11.1 |

| Group as at 31st March 2012 | Within 1 year £ million | 1 to 2 years £ million | 2 to 5 years £ million | After 5 years £ million | Total £ million |
|---|---|---|---|---|---|
| Bank overdrafts | 35.8 | – | – | – | 35.8 |
| Bank and other loans – principal | 56.2 | 198.5 | 219.0 | 83.3 | 557.0 |
| Bank and other loans – interest payments | 29.2 | 22.1 | 28.7 | 15.3 | 95.3 |
| Finance lease obligations | 0.4 | 0.5 | 1.3 | 0.2 | 2.4 |
| Financial liabilities in trade and other payables | 588.8 | 0.8 | 0.5 | 0.4 | 590.5 |
| Total non-derivative financial liabilities | 710.4 | 221.9 | 249.5 | 99.2 | 1,281.0 |
| Foreign exchange forwards, options and swaps – payments | 370.8 | 2.2 | 0.7 | – | 373.7 |
| Foreign exchange forwards, options and swaps – receipts | (366.4) | (2.2) | (0.7) | – | (369.3) |
| Total derivative financial liabilities | 4.4 | – | – | – | 4.4 |

| Parent company as at 31st March 2013 | Within 1 year £ million | 1 to 2 years £ million | 2 to 5 years £ million | After 5 years £ million | Total £ million |
|---|---|---|---|---|---|
| Bank overdrafts | 59.7 | – | – | – | 59.7 |
| Bank and other loans – principal | 254.6 | 130.7 | 98.3 | 352.8 | 836.4 |
| Bank and other loans – interest payments | 27.8 | 23.8 | 44.4 | 41.8 | 137.8 |
| Finance lease obligations | 0.4 | 0.4 | 1.0 | – | 1.8 |
| Financial liabilities in trade and other payables | 1,585.7 | 0.1 | 0.3 | 8.1 | 1,594.2 |
| Total non-derivative financial liabilities | 1,928.2 | 155.0 | 144.0 | 402.7 | 2,629.9 |
| Foreign exchange forwards, options and swaps – payments | 440.9 | 25.9 | 1.2 | – | 468.0 |
| Foreign exchange forwards, options and swaps – receipts | (430.7) | (25.2) | (1.2) | – | (457.1) |
| Total derivative financial liabilities | 10.2 | 0.7 | – | – | 10.9 |

| Parent company as at 31st March 2012 | Within 1 year £ million | 1 to 2 years £ million | 2 to 5 years £ million | After 5 years £ million | Total £ million |
|---|---|---|---|---|---|
| Bank overdrafts | 65.9 | – | – | – | 65.9 |
| Bank and other loans – principal | 40.0 | 198.1 | 219.0 | 83.3 | 540.4 |
| Bank and other loans – interest payments | 27.3 | 21.9 | 28.7 | 15.3 | 93.2 |
| Finance lease obligations | 0.4 | 0.4 | 1.3 | 0.2 | 2.3 |
| Financial liabilities in trade and other payables | 1,539.4 | 0.1 | 0.3 | 22.9 | 1,562.7 |
| Total non-derivative financial liabilities | 1,673.0 | 220.5 | 249.3 | 121.7 | 2,264.5 |
| Foreign exchange forwards, options and swaps – payments | 395.9 | 4.6 | 0.8 | – | 401.3 |
| Foreign exchange forwards, options and swaps – receipts | (391.3) | (4.5) | (0.7) | – | (396.5) |
| Total derivative financial liabilities | 4.6 | 0.1 | 0.1 | – | 4.8 |

# Notes on the Accounts

for the year ended 31st March 2013

## 27 Financial risk management (continued)

### 27e 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 2013 trade receivables for the group amounted to £712.1 million (2012 £690.3 million) (parent company £147.4 million (2012 £139.4 million)). £470.8 million (2012 £482.2 million) of these receivables at group level (£93.4 million (2012 £103.7 million) at parent company level) arose in Emission Control Technologies (ECT) which is part of Environmental Technologies Division and mainly supplies the automotive industry including car and truck manufacturers and component suppliers. Although ECT has a wide spread of the available customers the concentrated nature of this industry means that amounts owed by individual customers can be large. Other parts of the group tend to sell to a larger number of customers and amounts owed tend to be lower. As at 31st March 2013 (and at 31st March 2012) for the group as a whole, no single outstanding balance exceeded 2% 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 are 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 | |
|---|---|---|---|---|
| | **2013 £ million** | 2012 £ million | **2013 £ million** | 2012 £ million |
| Amounts neither past due nor impaired | **626.5** | 618.8 | **133.0** | 129.3 |
| Amounts past due but not impaired | | | | |
| less than 30 days | **61.0** | 52.2 | **10.7** | 7.2 |
| 30 – 90 days | **14.3** | 11.3 | **2.6** | 1.8 |
| more than 90 days | **10.8** | 8.5 | **1.1** | 1.2 |
| Total past due but not impaired | **86.1** | 72.0 | **14.4** | 10.2 |
| Amounts impaired | **5.2** | 4.8 | **2.1** | 1.1 |
| Specific allowances for bad and doubtful debts | **(5.1)** | (4.4) | **(2.1)** | (1.1) |
| Carrying amount of impaired receivables | **0.1** | 0.4 | **–** | – |
| Other allowances for bad and doubtful debts | **(0.6)** | (0.9) | **–** | (0.1) |
| Trade receivables net of allowances | **712.1** | 690.3 | **147.4** | 139.4 |

Movements in the allowances for impairments were:

| | Group | | Parent company | |
|---|---|---|---|---|
| | **2013 £ million** | 2012 £ million | **2013 £ million** | 2012 £ million |
| At beginning of year | **5.3** | 7.2 | **1.2** | 1.8 |
| Charge for year | **2.0** | 2.9 | **1.3** | 0.7 |
| Acquisitions | **0.1** | – | **–** | – |
| Released | **(1.6)** | (1.7) | **(0.3)** | (0.2) |
| Utilised | **(0.1)** | (2.9) | **(0.1)** | (1.1) |
| Exchange adjustments | **–** | (0.2) | **–** | – |
| **At end of year** | **5.7** | 5.3 | **2.1** | 1.2 |

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. The exposure to individual banks is monitored frequently against internally defined limits together with the bank's credit ratings and credit default swap prices. As at 31st March 2013, the maximum exposure with a single bank for deposits was £7.8 million (2012 £12.8 million) for the group and £0.6 million (2012 £12.2 million) for the parent company, whilst the largest mark to market exposure for derivative financial instruments to a single bank was £12.5 million (2012 £14.3 million) for the group and parent company. The group and parent company also use money market funds to invest surplus cash thereby further diversifying credit risk and at 31st March 2013 the group's and parent company's exposure to these funds was £ nil (2012 £59.7 million). 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 parent company also guarantees some of its subsidiaries' borrowings, partly through interest netting arrangements, and precious metal leases and its exposure at 31st March 2013 was £43.3 million (2012 £26.8 million).

# Notes on the Accounts

for the year ended 31st March 2013

## 27 Financial risk management (continued)

### 27f Capital management

The group's policy for managing capital is to maintain an efficient 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 of a return on invested capital (underlying operating profit divided by average capital employed) of over 20% to ensure focus on efficient use of the group's capital. See the section on return on invested capital in the Financial Review of Operations on page 48 for more information. The group also has a long term target of net debt (including post tax pension deficits) to EBITDA of between 1.5 and 2.0 times although in any given year it may fall outside this range depending on future plans. See the section on capital structure in the Financial Review of Operations on page 50 for more information.

| | Group | | Parent company | |
|---|---|---|---|---|
| | **2013 £ million** | 2012 £ million | **2013 £ million** | 2012 £ million |
| Net debt | **835.2** | 454.2 | **891.7** | 529.0 |
| Equity | **1,392.5** | 1,531.8 | **1,040.1** | 1,241.6 |
| **Capital employed** | **2,227.7** | 1,986.0 | **1,931.8** | 1,770.6 |

| | **2013 £ million** | 2012 £ million |
|---|---|---|
| Net debt | **835.2** | 454.2 |
| Pension deficits | **196.1** | 130.7 |
| Bonds purchased to fund pensions | **(49.7)** | – |
| Related deferred taxation | **(38.6)** | (33.7) |
| **Net debt (including post tax pension deficits)** | **943.0** | 551.2 |
| EBITDA | **541.4** | 576.2 |
| Return on invested capital | **19.7%** | 22.3% |
| Net debt (including post tax pension deficits) to EBITDA | **1.7 times** | 1.0 times |

## 28 Provisions and contingent liabilities

### 28a Group

| | Restructuring provisions £ million | Warranty and technology provisions £ million | Other provisions £ million | Total £ million |
|---|---|---|---|---|
| At 1st April 2012 | 18.0 | 24.1 | 20.7 | 62.8 |
| Charge for year | 2.0 | 4.1 | 3.9 | 10.0 |
| Acquisitions (note 39) | – | 0.5 | 2.0 | 2.5 |
| Utilised | (10.9) | (2.9) | (4.1) | (17.9) |
| Released | (2.9) | (5.4) | (0.6) | (8.9) |
| Unwinding of discount | – | – | 0.3 | 0.3 |
| Exchange adjustments | – | – | 0.2 | 0.2 |
| **At 31st March 2013** | **6.2** | **20.4** | **22.4** | **49.0** |

| | **2013 £ million** | 2012 £ million |
|---|---|---|
| Current | **19.8** | 34.0 |
| Non-current | **29.2** | 28.8 |
| **Total provisions** | **49.0** | 62.8 |

The restructuring provisions relate to all divisions and are expected to be fully spent by 2014/15.

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 of up to three years.

The other provisions include environmental, onerous leases and legal provisions arising across the group. Amounts provided reflect management's best estimate of the expenditure required to settle the obligations at the balance sheet date. They are expected to be fully spent over the next six years.

# Notes on the Accounts

for the year ended 31st March 2013

## 28 Provisions and contingent liabilities (continued)

### 28b Parent company

| | Restructuring provisions £ million | Warranty provisions £ million | Other provisions £ million | Total £ million |
|---|---|---|---|---|
| At 1st April 2012 | 3.8 | – | 25.9 | 29.7 |
| Charge for year | 0.3 | 1.8 | 2.3 | 4.4 |
| Utilised | (3.5) | – | (6.5) | (10.0) |
| Released | (0.1) | – | (3.8) | (3.9) |
| **At 31st March 2013** | **0.5** | **1.8** | **17.9** | **20.2** |

| | 2013 £ million | 2012 £ million |
|---|---|---|
| Current | **6.2** | 17.1 |
| Non-current | **14.0** | 12.6 |
| **Total provisions** | **20.2** | 29.7 |

The restructuring provisions relate to Environmental Technologies Division and are expected to be fully spent in 2013/14.

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, 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 27e.

## 29 Deferred taxation

### 29a Group

| | Property, plant and equipment £ million | Post-employment benefits £ million | Provisions £ million | Inventories £ million | Intangibles £ million | Other £ million | Total deferred tax (assets) / liabilities £ million |
|---|---|---|---|---|---|---|---|
| At 1st April 2011 | 56.5 | (32.9) | (26.7) | (46.1) | 39.2 | 29.8 | 19.8 |
| Charge / (credit) to income | 13.3 | 4.9 | 9.0 | 8.4 | (6.1) | (9.8) | 19.7 |
| Tax on items taken directly to or transferred from equity | – | (9.4) | – | – | – | (0.9) | (10.3) |
| Exchange adjustments | (0.7) | 0.1 | 0.6 | 0.1 | (0.6) | (0.7) | (1.2) |
| At 31st March 2012 | 69.1 | (37.3) | (17.1) | (37.6) | 32.5 | 18.4 | 28.0 |
| (Credit) / charge to income | (3.9) | (3.2) | 1.7 | 8.6 | (1.4) | 1.8 | 3.6 |
| Acquisitions (note 39) | 0.3 | – | (0.1) | (0.2) | 22.3 | (5.9) | 16.4 |
| Tax on items taken directly to or transferred from equity | – | (11.8) | – | – | – | (0.4) | (12.2) |
| Exchange adjustments | 1.4 | (1.5) | (0.4) | (0.3) | 1.3 | (0.1) | 0.4 |
| **At 31st March 2013** | **66.9** | **(53.8)** | **(15.9)** | **(29.5)** | **54.7** | **13.8** | **36.2** |

| | 2013 £ million | 2012 £ million |
|---|---|---|
| Deferred tax assets | **(20.3)** | (25.4) |
| Deferred tax liabilities | **56.5** | 53.4 |
| | **36.2** | 28.0 |

Deductible temporary differences, unused tax losses and unused tax credits not recognised on the balance sheet are £101.2 million (2012 £72.5 million).

Deferred tax liabilities have not been recognised on temporary differences of £629.7 million (2012 £576.9 million) associated with investments in subsidiaries.

# Notes on the Accounts

for the year ended 31st March 2013

## 29 Deferred taxation (continued)

### 29b Parent company

| | Property, plant and equipment £ million | Post-employment benefits £ million | Provisions £ million | Inventories £ million | Intangibles £ million | Other £ million | Total deferred tax (assets) / liabilities £ million |
|---|---|---|---|---|---|---|---|
| At 1st April 2011 | 20.5 | (14.4) | (0.2) | (36.3) | 1.1 | 9.4 | (19.9) |
| (Credit) / charge to income | (0.1) | 3.6 | 0.2 | 8.4 | (0.4) | (2.4) | 9.3 |
| Tax on items taken directly to or transferred from equity | – | (4.0) | – | – | – | 0.4 | (3.6) |
| At 31st March 2012 | 20.4 | (14.8) | – | (27.9) | 0.7 | 7.4 | (14.2) |
| Charge / (credit) to income | 0.1 | (7.0) | (0.4) | 4.7 | (0.2) | 1.0 | (1.8) |
| Tax on items taken directly to or transferred from equity | – | 5.3 | – | – | – | (1.2) | 4.1 |
| **At 31st March 2013** | **20.5** | **(16.5)** | **(0.4)** | **(23.2)** | **0.5** | **7.2** | **(11.9)** |

Deductible temporary differences, unused tax losses and unused tax credits not recognised on the balance sheet are £3.0 million (2012 £4.0 million).

## 30 Share capital

| | Number | £ million |
|---|---|---|
| **Issued and fully paid ordinary shares** | | |
| At 1st April 2011 and 31st March 2012 | 220,673,613 | 220.7 |
| Effect of share consolidation | (10,030,618) | – |
| **At 31st March 2013** | **210,642,995** | **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.

Following approval at the annual general meeting held on 25th July 2012 and in connection with the special dividend also approved (note 10), a share consolidation under which shareholders received 21 new ordinary shares of $104^{16}/_{21}$ pence for every 22 existing ordinary shares of 100 pence each, became effective on 6th August 2012.

At the last annual general meeting on 25th July 2012 shareholders approved a resolution for the company to make purchases of its own shares up to a maximum number of 20,491,774 ordinary shares of $104^{16}/_{21}$ pence each. 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 and parent company'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 2013 the ESOT held 2,275,765 shares (2012 2,508,723 shares) which had not yet vested unconditionally in employees. Computershare Trustees (CI) Limited, as trustee for the ESOT, has waived its dividend entitlement.

The total number of treasury shares held was 5,725,246 (2012 5,997,877) at a total cost of £91.7 million (2012 £91.7 million).

## 31 Components of other comprehensive income

| | **2013 £ million** | 2012 £ million |
|---|---|---|
| Cash flow hedges – (losses) / gains taken to equity | **(7.9)** | 8.3 |
| – transferred to income statement | **(7.7)** | (2.2) |
| | **(15.6)** | 6.1 |
| Currency translation differences – gains / (losses) taken to equity | **21.5** | (53.7) |
| – transferred to income statement | **0.7** | – |
| | **22.2** | (53.7) |
| Net investment hedges – (losses) / gains taken to equity | **(8.2)** | 23.7 |
| – transferred to income statement | **3.9** | – |
| | **(4.3)** | 23.7 |

# Notes on the Accounts
for the year ended 31st March 2013

## 32 Tax effects relating to other comprehensive income

| | 2013 Before tax £ million | 2013 Tax £ million | 2013 Net of tax £ million | 2012 Before tax £ million | 2012 Tax £ million | 2012 Net of tax £ million |
|---|---|---|---|---|---|---|
| Currency translation differences | **22.2** | **–** | **22.2** | (53.7) | – | (53.7) |
| Cash flow hedges | **(15.6)** | **3.4** | **(12.2)** | 6.1 | (1.4) | 4.7 |
| Fair value (losses) / gains on net investment hedges | **(4.3)** | **–** | **(4.3)** | 23.7 | – | 23.7 |
| Fair value loss on available-for-sale investments | **(0.3)** | **–** | **(0.3)** | – | – | – |
| Actuarial loss on post-employment benefits assets and liabilities | **(97.9)** | **22.4** | **(75.5)** | (70.6) | 20.1 | (50.5) |
| **Total other comprehensive (expense) / income** | **(95.9)** | **25.8** | **(70.1)** | (94.5) | 18.7 | (75.8) |

## 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 2011 | 6.5 | 62.2 | – | (0.4) | 68.3 |
| Cash flow hedges: | | | | | |
| Gains taken to equity | – | – | – | 8.3 | 8.3 |
| Transferred to income statement | – | – | – | (2.2) | (2.2) |
| Fair value gains on net investment hedges | – | 23.7 | – | – | 23.7 |
| Currency translation differences on foreign currency net investments and related loans | – | (53.7) | – | – | (53.7) |
| Tax on items taken directly to or transferred from equity | – | – | – | (1.4) | (1.4) |
| At 31st March 2012 | 6.5 | 32.2 | – | 4.3 | 43.0 |
| Cash flow hedges: | | | | | |
| Losses taken to equity | – | – | – | (7.9) | (7.9) |
| Transferred to income statement | – | – | – | (7.7) | (7.7) |
| Fair value losses on net investment hedges | – | (8.2) | – | – | (8.2) |
| Fair value losses on net investment hedges transferred to profit on liquidation of subsidiaries (note 3) | – | 3.9 | – | – | 3.9 |
| Fair value losses on available-for-sale investments | – | – | (0.3) | – | (0.3) |
| Currency translation differences on foreign currency net investments and related loans | – | 21.2 | – | – | 21.2 |
| Currency translation differences transferred to profit on liquidation of subsidiaries (note 3) | – | 0.7 | – | – | 0.7 |
| Tax on items taken directly to or transferred from equity | – | – | – | 3.4 | 3.4 |
| **At 31st March 2013** | **6.5** | **49.8** | **(0.3)** | **(7.9)** | **48.1** |

### 33b Parent company

| | Capital redemption reserve £ million | Foreign currency translation £ million | Hedging reserve £ million | Total other reserves £ million |
|---|---|---|---|---|
| At 1st April 2011 | 6.5 | (3.8) | (0.9) | 1.8 |
| Cash flow hedges: | | | | |
| Gains taken to equity | – | – | 8.5 | 8.5 |
| Transferred to income statement | – | – | (1.8) | (1.8) |
| Currency translation differences on foreign operations | – | (0.1) | – | (0.1) |
| Tax on items taken directly to or transferred from equity | – | – | (1.6) | (1.6) |
| At 31st March 2012 | 6.5 | (3.9) | 4.2 | 6.8 |
| Cash flow hedges: | | | | |
| Losses taken to equity | – | – | (5.9) | (5.9) |
| Transferred to income statement | – | – | (6.7) | (6.7) |
| Currency translation differences on foreign operations | – | (0.6) | – | (0.6) |
| Tax on items taken directly to or transferred from equity | – | – | 2.8 | 2.8 |
| **At 31st March 2013** | **6.5** | **(4.5)** | **(5.6)** | **(3.6)** |

# Notes on the Accounts

for the year ended 31st March 2013

## 34 Gross cash flows

### 34a Purchases of non-current assets and investments

| | Group | | Parent company | |
|---|---|---|---|---|
| | 2013 £ million | 2012 £ million | 2013 £ million | 2012 £ million |
| Purchases of property, plant and equipment | 174.2 | 137.5 | 42.3 | 33.3 |
| Purchases of intangible assets | 9.7 | 13.0 | 2.4 | 1.2 |
| Funding of new subsidiaries | – | – | 65.2 | – |
| Purchases of available-for-sale investments | 50.3 | 0.2 | – | – |
| | 234.2 | 150.7 | 109.9 | 34.5 |

### 34b Purchases of businesses

| | Group | | Parent company | |
|---|---|---|---|---|
| | 2013 £ million | 2012 £ million | 2013 £ million | 2012 £ million |
| Purchases of businesses | 156.3 | – | – | – |
| Purchase of non-controlling interest | 1.2 | – | – | – |
| Cash acquired with businesses | (7.4) | – | – | – |
| Consideration refunded for prior years' acquisitions | (1.1) | (1.6) | – | – |
| Consideration paid for prior years' acquisitions | 0.6 | 1.0 | – | – |
| | 149.6 | (0.6) | – | – |

### 34c Net cost of ESOT transactions in own shares

| | Group | | Parent company | |
|---|---|---|---|---|
| | 2013 £ million | 2012 £ million | 2013 £ million | 2012 £ million |
| Purchase of own shares by ESOT | (29.3) | (36.8) | (29.3) | (36.8) |
| Release of own shares by ESOT | 5.4 | 11.1 | 5.4 | 11.1 |
| | (23.9) | (25.7) | (23.9) | (25.7) |

### 34d Proceeds from / (repayment of) borrowings and finance leases

| | Group | | Parent company | |
|---|---|---|---|---|
| | 2013 £ million | 2012 £ million | 2013 £ million | 2012 £ million |
| Proceeds from borrowings falling due within one year | 59.7 | 2.6 | 50.1 | – |
| Repayment of borrowings falling due within one year | (47.7) | (168.7) | (40.0) | (146.7) |
| Proceeds from borrowings falling due after more than one year | 268.5 | – | 268.5 | – |
| Capital element of finance lease rental payments | (0.3) | (0.3) | (0.3) | (0.3) |
| | 280.2 | (166.4) | 278.3 | (147.0) |

## 35 Cash and cash equivalents

| | Group | | Parent company | |
|---|---|---|---|---|
| | 2013 £ million | 2012 £ million | 2013 £ million | 2012 £ million |
| Cash and deposits | 70.0 | 139.1 | 6.0 | 78.0 |
| Bank overdrafts | (48.2) | (35.8) | (59.7) | (65.9) |
| **Cash and cash equivalents** | 21.8 | 103.3 | (53.7) | 12.1 |

# Notes on the Accounts

for the year ended 31st March 2013

## 36 Precious metal operating leases

The group leases, rather than purchases, precious metals to fund temporary peaks in metal requirements provided market conditions allow. These leases are 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 2013 precious metal leases were £96.8 million (2012 £9.1 million).

## 37 Commitments

| | Group | | Parent company | |
|---|---|---|---|---|
| | **2013 £ million** | 2012 £ million | **2013 £ million** | 2012 £ million |
| Future capital expenditure contracted but not provided | **23.0** | 20.8 | **10.0** | 1.4 |
| Future minimum amounts payable under non-cancellable operating leases | | | | |
| Within one year | **15.3** | 17.1 | **2.2** | 2.3 |
| From one to five years | **26.1** | 27.9 | **4.9** | 6.9 |
| After five years | **18.7** | 19.4 | **8.3** | 8.7 |
| | **60.1** | 64.4 | **15.4** | 17.9 |
| Future minimum sublease payments expected to be received under non-cancellable operating leases | **(0.2)** | (0.3) | **(0.2)** | (0.3) |
| Future minimum amounts payable under finance leases | | | | |
| Within one year | **0.5** | 0.4 | **0.4** | 0.4 |
| From one to five years | **1.5** | 1.8 | **1.4** | 1.7 |
| After five years | **–** | 0.2 | **–** | 0.2 |
| | **2.0** | 2.4 | **1.8** | 2.3 |
| Less future finance charges | **(0.2)** | (0.3) | **(0.2)** | (0.3) |
| Present value of finance lease obligations | **1.8** | 2.1 | **1.6** | 2.0 |

The group and parent company lease some of its property, plant and equipment which are used by the group and parent company in their operations, except for leases of some property which the group and parent company no longer use which are now sublet.

## 38 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. Guarantees of subsidiaries' borrowings are disclosed in note 27e.

| | Group | | Parent company | |
|---|---|---|---|---|
| | **2013 £ million** | 2012 £ million | **2013 £ million** | 2012 £ million |
| **Trading transactions with subsidiaries** | | | | |
| Sale of goods | **–** | – | **2,562.0** | 2,898.2 |
| Purchases of goods | **–** | – | **378.2** | 404.9 |
| Income from service charges | **–** | – | **23.0** | 16.2 |
| Amounts receivable from subsidiaries | **–** | – | **168.6** | 140.9 |
| Amounts payable to subsidiaries | **–** | – | **15.6** | 18.6 |
| Loans to subsidiaries | **–** | – | **1,216.9** | 1,074.4 |
| Loans from subsidiaries | **–** | – | **1,316.0** | 1,210.9 |

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.

# Notes on the Accounts

for the year ended 31st March 2013

## 39 Acquisitions

If all the acquisitions in the year had been completed on 1st April 2012 the revenue for the group would have been £10,814.4 million and its profit for the year £277.4 million.

On 21st August 2012 the group acquired 100% of Shanghai Changyin Electronic Material Science and Technology Co., Ltd. Changyin is based in Shanghai, China and manufactures silver paste. The acquisition of Changyin should provide a route to the growing market for silver paste for photovoltaic cell applications. The goodwill arising is attributable to synergies and future opportunities expected as Changyin provides a production base for the group's Colour Technologies business to supply silver paste to the photovoltaic industry and the Chinese automotive product sector currently being served from the Netherlands and Korea.

On 19th October 2012 the group acquired 100% of AG Holding Limited and its subsidiaries (Axeon). Axeon is a specialist in the design, development and manufacture of integrated battery modules and systems for customers in the automotive industry and in high performance non-automotive applications. The acquisition of Axeon brings applications engineering expertise for battery systems which will complement the group's materials science and research and development expertise, providing the base for further expansion in battery materials and technology. The goodwill arising is attributable to: the synergies expected from the deeper understanding of the fundamentals of cell electrochemistry and materials that the combining of these respective areas of expertise will bring; the probable geographical expansion of Axeon's markets which the group's global footprint should enable; and the assembled workforce.

On 27th March 2013 the group acquired 100% of Formox AB, its Chinese subsidiary and its business in USA. Formox is based in Sweden and is a leading global provider of catalysts, plant designs and licences for the manufacture of formaldehyde. Its technologies complement the group's existing strengths in process catalysts and in plant design and licensing. Formox provides opportunities to integrate and expand the group's technology and catalysts into a broader range of chemical processes and grow its position in the global petrochemicals market. The goodwill arising is attributable to these significant opportunities and synergies plus the assembled workforce.

The fair value of the net assets acquired, consideration paid, goodwill arising on these transactions, acquisition-related expenses and contribution to the group's results since acquisition were:

| | Changyin £ million | Axeon £ million | Formox £ million |
|---|---|---|---|
| **Net assets acquired** | | | |
| Property, plant and equipment | 0.1 | 1.0 | 5.2 |
| Intangible assets | 0.3 | 30.4 | 73.3 |
| Inventories | 0.4 | 4.2 | 9.1 |
| Trade and other receivables | 0.9 | 4.3 | 8.6 |
| Cash and cash equivalents | 0.2 | 1.6 | 5.6 |
| Current other borrowings | (0.5) | – | – |
| Trade and other payables | (0.9) | (7.2) | (23.1) |
| Current income tax (liabilities) / assets | – | (0.4) | 0.6 |
| Deferred income tax liabilities | (0.1) | (5.8) | (10.5) |
| Provisions | – | (2.5) | – |
| Total net assets acquired | 0.4 | 25.6 | 68.8 |
| Goodwill on acquisition | 1.6 | 15.0 | 43.4 |
| | 2.0 | 40.6 | 112.2 |
| **Satisfied by** | | | |
| Purchase consideration – cash | 2.0 | 40.6 | 113.7 |
| Purchase consideration – to be refunded | – | – | (1.5) |
| | 2.0 | 40.6 | 112.2 |
| Acquisition-related costs charged to administrative expenses | 0.2 | 1.0 | 0.8 |
| Revenue since acquisition | 3.4 | 30.7 | – |
| Profit / (loss) since acquisition | (0.2) | (1.6) | – |
| Trade and other receivables – gross contractual amounts receivable | 0.9 | 4.4 | 8.6 |
| Trade and other receivables – estimate of amounts not expected to be collected | – | 0.1 | – |

None of the goodwill arising on acquisition is expected to be deductible for tax purposes.

For the acquisition of Formox, the fair value of the consideration and the fair value of the net assets acquired are provisional as the completion accounts have yet to be agreed with the vendor.

On 23rd October 2012 the group acquired the 50% of Tracerco Asia Sdn. Bhd. it did not already own for £1.2 million and the non-controlling interest at this date was £1.2 million. This has been accounted for as an equity transaction.

# Notes on the Accounts

for the year ended 31st March 2013

## 40 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 £585.3 million and the parent company has £110.5 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 are also subject to annual impairment reviews based on discounted cash flow projections.

### Provisions and contingent liabilities

As described in note 28 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.

### Refining process and stock takes

The group's and parent company's refining and fabrication businesses process significant quantities of precious metal and, similar to many industrial activities, losses may arise during processing. The extent of such losses depends on many factors, including the nature of material being refined, the specific refining processes applied and the processes' efficiency. Judgment is therefore required in estimating the amount of such losses when setting process loss provisions. In addition stock takes, particularly at the refining businesses, involve estimation of volumes in the refining system and the subsequent sampling and assaying of material to assess the precious metal content. In addition, the results of sampling and assaying and therefore the stock take itself are only available some time after the date of the stock take. In setting process loss provisions and assessing the stock take results management takes account of the complexity of the stock take process, past experience, the ability to extract precious metals from the refining process and other factors when estimating losses and gains.

# Notes on the Accounts

for the year ended 31st March 2013

## 41 Principal subsidiaries

The group's principal subsidiaries at 31st March 2013 are set out below. Those held directly by the parent company are marked with an asterisk (*). All the companies are wholly owned unless otherwise stated. All the subsidiaries are involved in the principal activities of the group. A full list of the group's subsidiaries will be attached to the parent company's annual return to be filed with the Registrar of Companies.

| | Country of incorporation |
|---|---|
| **Europe** | |
| * Avocado Research Chemicals Limited | England |
| * Davy Process Technology Limited | England |
| * Johnson Matthey Fuel Cells Limited (82.5%) | England |
| * Tracerco Limited | England |
| Johnson Matthey SAS | France |
| Alfa Aesar GmbH & Co KG | Germany |
| Johnson Matthey Catalysts (Germany) GmbH | Germany |
| Johnson Matthey GmbH | Germany |
| Johnson Matthey DOOEL Skopje | Macedonia |
| Johnson Matthey BV | Netherlands |
| Axeon Spólka z ograniczoną odpowiedzialnocścią | Poland |
| Macfarlan Smith Limited | Scotland |
| Johnson Matthey AB | Sweden |
| Formox AB | Sweden |
| Johnson Matthey & Brandenberger AG | Switzerland |
| **North America** | |
| The Argent Insurance Co. Limited | Bermuda |
| Johnson Matthey Limited | Canada |
| Johnson Matthey de Mexico, S.A. de C.V. | Mexico |
| Johnson Matthey Inc. | USA |
| Johnson Matthey Catalog Company Inc. | USA |
| Johnson Matthey Fuel Cells, Inc. (82.5%) | USA |
| Johnson Matthey Pharmaceutical Materials, Inc. | USA |
| Intercat, Inc. | USA |
| Johnson Matthey Gold & Silver Refining Inc. | USA |

| | Country of incorporation |
|---|---|
| **Asia** | |
| Johnson Matthey (Shanghai) Catalysts Co., Ltd | China |
| Johnson Matthey (Shanghai) Chemicals Limited | China |
| Johnson Matthey Pacific Limited | Hong Kong |
| Johnson Matthey India Private Limited | India |
| Johnson Matthey Chemicals India Private Limited | India |
| Johnson Matthey Japan GK | Japan |
| * Johnson Matthey Sdn. Bhd. (92%) | Malaysia |
| Johnson Matthey Catalysts Korea Limited | South Korea |
| **Africa** | |
| Johnson Matthey (Proprietary) Limited | South Africa |
| **Australasia** | |
| Johnson Matthey (Aust) Ltd | Australia |
| **South America** | |
| * Johnson Matthey Argentina S.A. | Argentina |

# Independent Auditor's Report

to the members of Johnson Matthey Public Limited Company

We have audited the group and parent company accounts of Johnson Matthey Plc for the year ended 31st March 2013 which comprise the Consolidated Income Statement, the Consolidated Statement of Total Comprehensive Income, the Consolidated and Parent Company Balance Sheets, the Consolidated and Parent Company Cash Flow Statements, the Consolidated Statement of Changes in Equity, the Parent Company Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the EU and, as regards the parent company accounts, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective Responsibilities of Directors and Auditor

As explained more fully in the directors' responsibilities statement set out on page 137, the directors are responsible for the preparation of the accounts and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

## Scope of the Audit of the Accounts

A description of the scope of an audit of accounts is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

## Opinion on Accounts

In our opinion:

- the accounts give a true and fair view of the state of the group's and of the parent company's affairs as at 31st March 2013 and of the group's profit for the year then ended;
- the group accounts have been properly prepared in accordance with IFRS as adopted by the EU;
- the parent company accounts have been properly prepared in accordance with IFRS as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the accounts have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group accounts, Article 4 of the IAS Regulation.

## Opinion on Other Matters Prescribed by the Companies Act 2006

In our opinion:

- the part of the directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the directors' report for the financial year for which the accounts are prepared is consistent with the accounts.

## Matters on Which we are Required to Report by Exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company accounts and the part of the directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 51, in relation to going concern; and
- the part of the Corporate Governance statement on page 95 relating to the company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the board on directors' remuneration.

**David Matthews (Senior Statutory Auditor)**
**for and on behalf of KPMG Audit Plc, Statutory Auditor**
Chartered Accountants
15 Canada Square, London E14 5GL

5th June 2013