SUSTAINABLE TECHNOLOGIES

for today and for the future

7. ACCOUNTS

CASE STUDY

Johnson Matthey – The Original Recycler

Recycling is a core competence of Johnson Matthey – we've been doing it for almost 200 years.

Today Johnson Matthey is the world's largest recycler of platinum group metals. With facilities in both the US and UK and long industry experience, Johnson Matthey has earned a trusted reputation among its many customers across the globe.

Our recycling operations have an important role to play in the conservation and optimisation of platinum group metals (pgms). In studies on environmental impact it has been estimated that the recycling and recovery of pgms from secondary sources is one to two orders of magnitude less intensive compared to the primary extraction of these important materials. Recycling pgms is not easy though. It is a highly complex process which requires a deep understanding of materials science, pyrometallurgy, multi stage chemical separations and analytical science. Through application of these core technologies, Johnson Matthey provides its customers with a full, 'seven metal' separation of gold, silver, platinum, palladium and the insoluble, difficult to separate rhodium, iridium and ruthenium.

Johnson Matthey recycles a wide range of feeds including spent process catalysts from pharmaceutical or fine chemicals manufacturers, end of life autocatalysts, secondary mine residues, jewellery or other metal scrap and materials from other Johnson Matthey operations.

Our expertise lies in our ability to process customers' bulk material to generate a homogeneous sample from which we can accurately determine its pgm content, then recovering the optimum amount of pgm in the shortest possible time.

But we don't just confine our expertise to our recycling facilities. We also apply the principles of recycling throughout our internal operations, giving us a firm foundation to tackle the task of further improving the resource efficiency of all our products, both in manufacture and in use.

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Consolidated Income Statement

for the year ended 31st March 2014

	Notes	2014 £ million	2013 restated (note 40) £ million
Revenue	1,2	**11,155.2**	10,728.8
Cost of sales		**(10,356.1)**	(10,024.5)
Gross profit		**799.1**	704.3
Distribution costs		**(137.3)**	(125.1)
Administrative expenses		**(192.9)**	(163.1)
Major impairment and restructuring charges	3	**–**	(17.4)
Amortisation of acquired intangibles	4	**(20.7)**	(16.9)
Operating profit	1,6	**448.2**	381.8
Finance costs	7	**(50.4)**	(41.4)
Finance income	8	**8.3**	8.2
Share of profit of joint venture		**0.5**	–
Profit before tax		**406.6**	348.6
Income tax expense	9	**(67.9)**	(77.5)
Profit for the year		**338.7**	271.1
Attributable to:			
Owners of the parent company		**340.2**	271.8
Non-controlling interests		**(1.5)**	(0.7)
		338.7	271.1
		pence	pence
Earnings per ordinary share attributable to the equity holders of the parent company			
Basic	11	**167.7**	132.3
Diluted	11	**166.9**	131.2

Consolidated Statement of Total Comprehensive Income

for the year ended 31st March 2014

	Notes	2014 £ million	2013 restated (note 40) £ million
Profit for the year		**338.7**	271.1
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Remeasurements of post-employment benefit assets and liabilities	14	**43.5**	(91.9)
Tax on above items taken directly to or transferred from equity	31	**(19.3)**	20.9
		24.2	(71.0)
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences	32	**(95.3)**	22.0
Cash flow hedges	32	**9.3**	(15.6)
Fair value gains / (losses) on net investment hedges	32	**9.7**	(4.3)
Fair value loss on available-for-sale investments		**(0.4)**	(0.3)
Tax on above items taken directly to or transferred from equity	31	**0.3**	3.4
		(76.4)	5.2
Other comprehensive (expense) / income for the year		**(52.2)**	(65.8)
Total comprehensive income for the year		**286.5**	205.3
Attributable to:			
Owners of the parent company		**288.3**	206.0
Non-controlling interests		**(1.8)**	(0.7)
		286.5	205.3

The notes on pages 139 to 176 form an integral part of the accounts.

Consolidated and Parent Company Balance Sheets

as at 31st March 2014

	Notes	Group 2014 £ million	Group 2013 restated (note 40) £ million	Group 1st April 2012 restated (note 40) £ million	Parent company 2014 £ million	Parent company 2013 £ million
Assets						
Non-current assets						
Property, plant and equipment	15	**1,023.4**	992.5	908.9	**266.3**	247.3
Goodwill	16	**571.0**	584.6	519.3	**113.3**	110.5
Other intangible assets	17	**183.3**	212.8	127.8	**12.0**	5.9
Investments in subsidiaries	18	**–**	–	–	**1,611.3**	1,611.3
Investment in joint venture	19	**3.3**	3.1	2.8	**–**	–
Deferred income tax assets	29	**32.1**	20.3	25.4	**–**	11.9
Available-for-sale investments	20	**57.5**	57.9	8.0	**–**	–
Interest rate swaps	25	**12.1**	27.1	29.3	**12.1**	27.1
Other receivables	22	**9.9**	4.3	3.0	**705.6**	573.6
Post-employment benefit net assets	14	**8.2**	10.9	8.4	**–**	–
Total non-current assets		**1,900.8**	1,913.5	1,632.9	**2,720.6**	2,587.6
Current assets						
Inventories	21	**672.5**	664.3	629.5	**133.7**	109.4
Current income tax assets		**27.4**	15.1	11.5	**–**	–
Trade and other receivables	22	**955.3**	870.2	843.8	**948.1**	1,023.5
Cash and cash equivalents – cash and deposits	25	**221.8**	69.6	137.9	**181.4**	6.0
Interest rate swaps	25	**4.0**	–	–	**4.0**	–
Other financial assets	26	**7.5**	5.7	11.6	**7.8**	8.1
Total current assets		**1,888.5**	1,624.9	1,634.3	**1,275.0**	1,147.0
Total assets		**3,789.3**	3,538.4	3,267.2	**3,995.6**	3,734.6
Liabilities						
Current liabilities						
Trade and other payables	23	**(830.0)**	(732.5)	(709.6)	**(1,680.4)**	(1,595.1)
Current income tax liabilities		**(124.4)**	(106.7)	(103.0)	**(12.2)**	(9.4)
Cash and cash equivalents – bank overdrafts	25	**(39.2)**	(48.2)	(35.8)	**(35.7)**	(59.7)
Other borrowings, finance leases and related swaps	25	**(175.9)**	(273.8)	(56.4)	**(125.6)**	(254.9)
Other financial liabilities	26	**(3.1)**	(11.3)	(4.5)	**(5.0)**	(10.7)
Provisions	28	**(17.4)**	(19.8)	(34.0)	**(5.5)**	(6.2)
Total current liabilities		**(1,190.0)**	(1,192.3)	(943.3)	**(1,864.4)**	(1,936.0)
Non-current liabilities						
Borrowings, finance leases and related swaps	25	**(752.0)**	(610.3)	(530.4)	**(752.0)**	(610.2)
Deferred income tax liabilities	29	**(89.3)**	(57.3)	(54.3)	**(3.9)**	–
Employee benefit obligations	14	**(173.5)**	(254.8)	(175.5)	**(88.0)**	(125.8)
Provisions	28	**(28.6)**	(29.2)	(28.8)	**(13.9)**	(14.0)
Other payables	23	**(2.7)**	(3.6)	(4.3)	**(1.6)**	(8.5)
Total non-current liabilities		**(1,046.1)**	(955.2)	(793.3)	**(859.4)**	(758.5)
Total liabilities		**(2,236.1)**	(2,147.5)	(1,736.6)	**(2,723.8)**	(2,694.5)
Net assets		**1,553.2**	1,390.9	1,530.6	**1,271.8**	1,040.1
Equity						
Share capital	30	**220.7**	220.7	220.7	**220.7**	220.7
Share premium account		**148.3**	148.3	148.3	**148.3**	148.3
Shares held in employee share ownership trust (ESOT)		**(52.7)**	(51.7)	(50.2)	**(52.7)**	(51.7)
Other reserves	32	**(27.9)**	48.2	43.0	**1.6**	(3.6)
Retained earnings		**1,271.1**	1,029.7	1,171.0	**953.9**	726.4
Total equity attributable to owners of the parent company		**1,559.5**	1,395.2	1,532.8	**1,271.8**	1,040.1
Non-controlling interests		**(6.3)**	(4.3)	(2.2)	**–**	–
Total equity		**1,553.2**	1,390.9	1,530.6	**1,271.8**	1,040.1

The accounts were approved by the Board of Directors on 4th June 2014 and signed on its behalf by:

N A P Carson
R J MacLeod
Directors

The notes on pages 139 to 176 form an integral part of the accounts.

Consolidated and Parent Company Cash Flow Statements

for the year ended 31st March 2014

	Notes	Group 2014 £ million	Group 2013 restated (note 40) £ million	Parent company 2014 £ million	Parent company 2013 restated £ million
Cash flows from operating activities					
Profit before tax		**406.6**	348.6	**367.5**	222.3
Adjustments for:					
Share of profit of joint venture		**(0.5)**	–	**–**	–
Depreciation, amortisation, impairment losses and profit on sale of non-current assets and investments		**150.9**	149.6	**35.2**	32.8
Share-based payments		**10.5**	7.9	**4.9**	6.0
(Increase) / decrease in inventories		**(67.7)**	(11.0)	**(24.3)**	55.1
Increase in receivables		**(164.9)**	(2.3)	**(57.6)**	(199.9)
Increase / (decrease) in payables		**188.5**	(22.1)	**47.5**	43.5
Decrease in provisions		**(0.8)**	(16.2)	**(0.9)**	(9.6)
Contributions in excess of employee benefit obligations charge		**(38.7)**	(27.5)	**(16.3)**	(21.8)
Changes in fair value of financial instruments		**(0.5)**	(3.0)	**0.5**	(3.6)
Dividends received from subsidiaries		**–**	–	**(236.5)**	(75.4)
Net finance costs		**42.1**	33.2	**(13.1)**	(9.1)
Income tax paid		**(48.6)**	(60.6)	**(5.7)**	(15.2)
Net cash inflow from operating activities		**476.9**	396.6	**101.2**	25.1
Cash flows from investing activities					
Dividends received from subsidiaries		**–**	–	**236.5**	75.4
Purchases of non-current assets and investments	33	**(213.7)**	(233.4)	**(52.8)**	(109.9)
Proceeds from sale of non-current assets and investments		**3.5**	1.0	**–**	0.7
Purchases of businesses	33	**(8.0)**	(149.6)	**(8.1)**	–
Net cash (outflow) / inflow from investing activities		**(218.2)**	(382.0)	**175.6**	(33.8)
Cash flows from financing activities					
Net cost of ESOT transactions in own shares	33	**(19.3)**	(23.9)	**(19.3)**	(23.9)
Proceeds from borrowings and finance leases	33	**78.8**	280.2	**46.6**	278.3
Dividends paid to equity holders of the parent company	10	**(118.6)**	(328.4)	**(118.6)**	(328.4)
Settlement of currency swaps for net investment hedging		**(0.1)**	2.7	**(0.1)**	2.7
Interest paid		**(41.7)**	(35.2)	**(52.2)**	(43.1)
Interest received		**6.4**	7.5	**66.2**	57.3
Net cash outflow from financing activities		**(94.5)**	(97.1)	**(77.4)**	(57.1)
Increase / (decrease) in cash and cash equivalents in the year		**164.2**	(82.5)	**199.4**	(65.8)
Exchange differences on cash and cash equivalents		**(3.0)**	1.8	**–**	–
Cash and cash equivalents at beginning of year		**21.4**	102.1	**(53.7)**	12.1
Cash and cash equivalents at end of year	34	**182.6**	21.4	**145.7**	(53.7)
Reconciliation to net debt					
Increase / (decrease) in cash and cash equivalents in the year		**164.2**	(82.5)	**199.4**	(65.8)
Proceeds from borrowings and finance leases		**(78.8)**	(280.2)	**(46.6)**	(278.3)
Change in net debt resulting from cash flows		**85.4**	(362.7)	**152.8**	(344.1)
Borrowings acquired with subsidiaries		**–**	(0.5)	**–**	–
Exchange differences on net debt		**21.0**	(17.0)	**23.1**	(18.6)
Movement in net debt in year		**106.4**	(380.2)	**175.9**	(362.7)
Net debt at beginning of year		**(835.6)**	(455.4)	**(891.7)**	(529.0)
Net debt at end of year	25	**(729.2)**	(835.6)	**(715.8)**	(891.7)

The notes on pages 139 to 176 form an integral part of the accounts.

Consolidated Statement of Changes in Equity

for the year ended 31st March 2014

	Share capital £ million	Share premium account £ million	Shares held in ESOT £ million	Other reserves (note 32) restated £ million	Retained earnings restated £ million	Total attributable to equity holders restated £ million	Non-controlling interests restated £ million	Total equity restated £ million
At 1st April 2012	220.7	148.3	(50.2)	43.0	1,169.6	1,531.4	0.4	1,531.8
Restatement (note 40)	–	–	–	–	1.4	1.4	(2.6)	(1.2)
At 1st April 2012 (restated)	220.7	148.3	(50.2)	43.0	1,171.0	1,532.8	(2.2)	1,530.6
Profit for the year	–	–	–	–	271.8	271.8	(0.7)	271.1
Remeasurements of post-employment benefit assets and liabilities	–	–	–	–	(91.9)	(91.9)	–	(91.9)
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	–	–	–	22.0	–	22.0	–	22.0
Tax on other comprehensive income	–	–	–	3.4	20.9	24.3	–	24.3
Total comprehensive income	–	–	–	5.2	200.8	206.0	(0.7)	205.3
Dividends paid (note 10)	–	–	–	–	(328.4)	(328.4)	(0.2)	(328.6)
Purchase of non-controlling interest	–	–	–	–	–	–	(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 (restated)	220.7	148.3	(51.7)	48.2	1,029.7	1,395.2	(4.3)	1,390.9
Profit for the year	–	–	–	–	340.2	340.2	(1.5)	338.7
Remeasurements of post-employment benefit assets and liabilities	–	–	–	–	43.5	43.5	–	43.5
Cash flow hedges	–	–	–	9.3	–	9.3	–	9.3
Net investment hedges	–	–	–	9.7	–	9.7	–	9.7
Available-for-sale investments	–	–	–	(0.4)	–	(0.4)	–	(0.4)
Currency translation differences	–	–	–	(95.0)	–	(95.0)	(0.3)	(95.3)
Tax on other comprehensive income	–	–	–	0.3	(19.3)	(19.0)	–	(19.0)
Total comprehensive income	–	–	–	(76.1)	364.4	288.3	(1.8)	286.5
Dividends paid (note 10)	–	–	–	–	(118.6)	(118.6)	(0.2)	(118.8)
Purchase of shares by ESOT	–	–	(22.3)	–	–	(22.3)	–	(22.3)
Share-based payments	–	–	–	–	17.1	17.1	–	17.1
Cost of shares transferred to employees	–	–	21.3	–	(25.1)	(3.8)	–	(3.8)
Tax on share-based payments	–	–	–	–	3.6	3.6	–	3.6
At 31st March 2014	**220.7**	**148.3**	**(52.7)**	**(27.9)**	**1,271.1**	**1,559.5**	**(6.3)**	**1,553.2**

The notes on pages 139 to 176 form an integral part of the accounts.

Parent Company Statement of Changes in Equity

for the year ended 31st March 2014

	Share capital £ million	Share premium account £ million	Shares held in ESOT £ million	Other reserves (note 32) £ million	Retained earnings restated £ million	Total equity restated £ million
At 1st April 2012	220.7	148.3	(50.2)	6.8	916.0	1,241.6
Profit for the year	–	–	–	–	193.6	193.6
Remeasurements of post-employment benefit assets and liabilities	–	–	–	–	(45.6)	(45.6)
Cash flow hedges	–	–	–	(12.6)	–	(12.6)
Currency translation differences	–	–	–	(0.6)	–	(0.6)
Tax on other comprehensive income	–	–	–	2.8	4.6	7.4
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
Profit for the year	–	–	–	–	341.7	341.7
Remeasurements of post-employment benefit assets and liabilities	–	–	–	–	21.4	21.4
Cash flow hedges	–	–	–	5.9	–	5.9
Currency translation differences	–	–	–	0.5	–	0.5
Tax on other comprehensive income	–	–	–	(1.2)	(11.1)	(12.3)
Total comprehensive income	–	–	–	5.2	352.0	357.2
Dividends paid (note 10)	–	–	–	–	(118.6)	(118.6)
Purchase of shares by ESOT	–	–	(22.3)	–	–	(22.3)
Share-based payments	–	–	–	–	14.2	14.2
Cost of shares transferred to employees	–	–	21.3	–	(22.2)	(0.9)
Tax on share-based payments	–	–	–	–	2.1	2.1
At 31st March 2014	**220.7**	**148.3**	**(52.7)**	**1.6**	**953.9**	**1,271.8**

The notes on pages 139 to 176 form an integral part of the accounts.

Accounting Policies

for the year ended 31st March 2014

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, and include the group's interest in joint ventures.

Entities the group controls are accounted for as subsidiaries. Entities that are joint ventures are accounted for using the equity method of accounting. 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, joint venture 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, joint ventures and branches are translated into sterling at the average rates for the year. Balance sheets of overseas subsidiaries, joint ventures 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, joint ventures 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.

Accounting Policies

for the year ended 31st March 2014

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.

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 2014

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:

- Borrowings are measured at amortised cost unless they are designated as being fair value hedged, in which case they are remeasured for the fair value changes in respect of the hedged risk with these changes recognised in the income statement.
- 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 2014

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 costs of 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 deducted in arriving at operating profit.
- The net interest cost, based on the discount rate at the beginning of the year, contributions paid in and the present value of the net defined benefit liabilities during the year, is included in finance costs.
- Past service costs and curtailment gains and losses are recognised in operating profit at the earlier of when the plan amendment or curtailment occurs and when any related restructuring costs or termination benefits are recognised.
- Gains or losses arising from settlements are included in operating profit when the settlement occurs.
- Remeasurements, representing returns on plan assets excluding amounts included in interest and actuarial gains and losses arising from changes in demographic and financial assumptions, are recognised in other comprehensive income.

Standards and interpretations adopted in the year

During the year, IFRS 10 – ‘Consolidated Financial Statements’, IFRS 11 – ‘Joint Arrangements’, IFRS 12 – ‘Disclosure of Interests in Other Entities’, the revised International Accounting Standard (IAS 27) – ‘Separate Financial Statements’, the revised IAS 28 – ‘Investments in Associates and Joint Ventures’ and the revised IAS 19 – ‘Employee Benefits’ were adopted and prior years restated. The effect of the restatements is explained in note 40.

IFRS 13 – ‘Fair Value Measurement’, Amendments to IAS 1 – ‘Presentation of Items of Other Comprehensive Income’, IFRIC 20 – ‘Stripping Costs in the Production Phase of a Surface Mine’, Amendments to IFRS 7 – ‘Disclosures – Offsetting Financial Assets and Financial Liabilities’, Amendments to IFRS 1 – ‘Government Loans’ and ‘Annual Improvements to IFRSs 2009-2011 Cycle’ were also 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’ is still being evaluated.

The effects of any standards and interpretations amended or issued after 30th April 2014 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 2014

1 Segmental information

As described in the Annual Report and Accounts for the year ended 31st March 2013, the group reorganised its divisional structure from 1st April 2013 to reflect its new management structure and internal reporting. The segmental information below reflects the new divisional structure and comparative information has been restated to reflect the change.

For management purposes, the group is organised into five operating divisions – Emission Control Technologies, Process Technologies, Precious Metal Products, Fine Chemicals and New Businesses. 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 26 to 43. 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 the value of precious metals including inter-segment sales (referred to as sales excluding precious metals below). Sales between segments are made at market prices, taking into account the volumes involved.

Year ended 31st March 2014

	Emission Control Technologies £ million	Process Technologies £ million	Precious Metal Products £ million	Fine Chemicals £ million	New Businesses £ million	Eliminations £ million	Total £ million
Revenue from external customers	2,898.9	573.7	7,243.2	362.8	76.6	–	11,155.2
Inter-segment revenue	96.8	6.4	1,178.1	8.5	2.3	(1,292.1)	–
Total revenue	2,995.7	580.1	8,421.3	371.3	78.9	(1,292.1)	11,155.2
External sales excluding precious metals	1,644.6	559.0	386.1	317.5	73.6	–	2,980.8
Inter-segment sales	0.2	6.2	43.6	4.9	2.0	(56.9)	–
Sales excluding precious metals	1,644.8	565.2	429.7	322.4	75.6	(56.9)	2,980.8
Segmental underlying operating profit / (loss)	203.6	101.9	130.9	84.1	(18.3)	–	502.2
Unallocated corporate expenses							(33.3)
Underlying operating profit							468.9
Amortisation of acquired intangibles (note 4)							(20.7)
Operating profit							448.2
Net finance costs							(42.1)
Share of profit of joint venture							0.5
Profit before tax							406.6
Segmental net assets	928.7	670.7	383.7	453.3	77.7	–	2,514.1
Net debt							(729.2)
Post-employment benefit net assets and liabilities							(165.3)
Deferred income tax assets and liabilities							(57.2)
Provisions and non-current other payables							(48.7)
Investment in joint venture							3.3
Unallocated corporate net assets							36.2
Total net assets							1,553.2
Segmental capital expenditure	72.1	59.5	40.0	26.2	8.0	–	205.8
Other additions to non-current assets (excluding financial, deferred tax and post-employment benefit net assets)	5.6	7.5	–	1.5	1.5	–	16.1
Segmental total additions to non-current assets	77.7	67.0	40.0	27.7	9.5	–	221.9
Corporate capital expenditure							12.5
Total additions to non-current assets							234.4
Segment depreciation and amortisation	56.7	25.1	19.0	18.5	3.1	–	122.4
Corporate depreciation							5.0
Amortisation of acquired intangibles (note 4)							20.7
Total depreciation and amortisation							148.1

Notes on the Accounts

for the year ended 31st March 2014

1 Segmental information (continued)

Year ended 31st March 2013 (restated)

	Emission Control Technologies £ million	Process Technologies £ million	Precious Metal Products £ million	Fine Chemicals £ million	New Businesses £ million	Eliminations £ million	Total £ million
Revenue from external customers	2,488.0	503.7	7,368.0	332.1	37.0	–	10,728.8
Inter-segment revenue	69.1	11.5	1,005.0	13.0	1.5	(1,100.1)	–
Total revenue	2,557.1	515.2	8,373.0	345.1	38.5	(1,100.1)	10,728.8
External sales excluding precious metals	1,460.5	497.2	381.9	300.4	35.7	–	2,675.7
Inter-segment sales	0.8	11.4	41.9	7.8	1.3	(63.2)	–
Sales excluding precious metals	1,461.3	508.6	423.8	308.2	37.0	(63.2)	2,675.7
Segmental underlying operating profit / (loss)	163.5	92.4	124.4	76.6	(16.0)	–	440.9
Unallocated corporate expenses							(24.8)
Underlying operating profit							416.1
Major impairment and restructuring charges (note 3)							(17.4)
Amortisation of acquired intangibles (note 4)							(16.9)
Operating profit							381.8
Net finance costs							(33.2)
Profit before tax							348.6
Segmental net assets	1,010.3	657.0	330.7	440.7	78.2	–	2,516.9
Net debt							(835.6)
Post-employment benefit net assets and liabilities							(243.9)
Deferred income tax assets and liabilities							(37.0)
Provisions and non-current other payables							(52.6)
Investment in joint venture							3.1
Unallocated corporate net assets							40.0
Total net assets							1,390.9
Segmental capital expenditure	75.6	42.0	35.1	21.5	3.6	–	177.8
Other additions to non-current assets (excluding financial, deferred tax and post-employment benefit net assets)	–	116.6	2.5	0.7	46.7	–	166.5
Segmental total additions to non-current assets	75.6	158.6	37.6	22.2	50.3	–	344.3
Corporate capital expenditure							13.5
Total additions to non-current assets							357.8
Segment depreciation and amortisation	60.9	21.3	18.3	19.7	2.5	–	122.7
Corporate depreciation							3.9
Amortisation of acquired intangibles (note 4)							16.9
Total depreciation and amortisation							143.5

The group received £1,514.0 million of revenue from one external customer (2013 £1,435.4 million) which is 14% (2013 13%) of the group's revenue from external customers. The revenue is reported in Precious Metal Products as it is generated by the group's precious metals management activities and so has a very low return on sales.

Notes on the Accounts

for the year ended 31st March 2014

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 benefit net assets.

	Revenue from external customers		Non-current assets	
	2014	2013	**2014**	2013 restated
	£ million	£ million	**£ million**	£ million
UK	**3,063.5**	2,818.5	**735.9**	698.2
Germany	**911.3**	679.5	**217.4**	220.7
Rest of Europe	**1,431.5**	1,177.3	**252.3**	269.2
USA	**2,467.3**	3,096.0	**355.8**	369.3
Rest of North America	**126.9**	85.4	**31.0**	26.8
China (including Hong Kong)	**1,744.0**	1,527.0	**72.0**	63.9
Rest of Asia	**941.4**	846.0	**107.1**	121.0
Rest of World	**469.3**	499.1	**19.2**	28.3
Total	**11,155.2**	10,728.8	**1,790.7**	1,797.4

2 Revenue

	2014 £ million	2013 £ million
Sale of goods	**10,916.2**	10,482.1
Rendering of services	**187.6**	193.2
Royalties and licence income	**51.4**	53.5
Total revenue	**11,155.2**	10,728.8

3 Major impairment and restructuring charges for year ended 31st March 2013

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 in the year ended 31st March 2013. There is no impact in the consolidated income statement in the year ended 31st March 2014.

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 2014

5 Fees payable to auditors

	2014 £ million	2013 £ million
Fees payable to the company's auditor and its associates for:		
The audit of these accounts	0.6	0.5
The audit of the accounts of the company's subsidiaries	1.4	1.2
Total audit	2.0	1.7
Audit-related assurance services	0.1	0.1
Total audit and audit-related services	2.1	1.8
Taxation compliance services	0.1	0.2
Taxation advisory services	–	0.1
All other assurance services	0.1	0.1
Corporate finance services	–	0.1
All other services	–	0.1
Total fees payable to the company's auditor and its associates	**2.3**	2.4

Audit fees paid to other auditors were £0.1 million (2013 £0.1 million).

6 Operating profit

	2014 £ million	2013 £ million
Operating profit is arrived at after charging / (crediting):		
Total research and development expenditure	152.3	136.0
less development expenditure capitalised	(3.6)	(3.2)
Research and development charged	148.7	132.8
less external funding received – from government grants	(7.0)	(1.9)
– from other organisations	(5.0)	(2.0)
Net research and development	136.7	128.9
Inventories recognised as an expense	9,562.4	9,294.9
Write-down of inventories recognised as an expense	7.6	14.5
Reversal of write-down of inventories arising from increases in net realisable value	(2.9)	(6.3)
Net gains on foreign exchange	0.4	3.4
Net gains / (losses) on foreign currency forwards held for trading	0.4	(3.5)
Cash flow hedges transferred from equity – revenue	(2.4)	(2.2)
– cost of sales	2.9	(5.6)
– finance costs	–	0.1
– total	0.5	(7.7)
Depreciation of property, plant and equipment	115.1	111.2
Amortisation of internally generated intangible assets included in cost of sales	8.5	9.8
Amortisation of other intangible assets included in – cost of sales	0.7	2.7
– distribution costs	0.1	0.1
– administrative expenses	3.0	2.8
– amortisation of acquired intangibles (note 4)	20.7	16.9
Operating lease rentals payable – minimum lease payments	16.3	15.0
– sublease payments received	(0.2)	(0.2)

Notes on the Accounts

for the year ended 31st March 2014

7 Finance costs

	2014 £ million	2013 restated £ million
Interest payable on financial liabilities measured at amortised cost	**39.7**	33.5
Interest on post-employment benefits	**10.4**	7.6
Unwinding of discount on provisions	**0.3**	0.3
Total finance costs	**50.4**	41.4

8 Finance income

	2014 £ million	2013 £ million
Interest receivable on interest rate swaps	**3.7**	6.0
Net gains on financial assets and liabilities classified as held for trading	**3.7**	6.0
Interest receivable on available-for-sale investments, loans and receivables	**4.6**	2.2
Total finance income	**8.3**	8.2

9 Taxation

	2014 £ million	2013 restated £ million
Current tax		
Corporation tax on profits for the year	**75.5**	83.0
Adjustment for prior years	**(9.0)**	(7.5)
Total current tax	**66.5**	75.5
Deferred tax		
Origination and reversal of temporary differences	**9.3**	1.3
Changes in tax rates and laws	**(10.0)**	(1.8)
Write-downs, or reversal of previous write-downs, of deferred tax assets	**2.1**	2.5
Total deferred tax	**1.4**	2.0
Income tax expense	**67.9**	77.5

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

	2014 £ million	2013 restated £ million
Profit before tax	**406.6**	348.6
Tax expense at UK corporation tax rate of 23% (2013 24%)	**93.5**	83.7
Effects of:		
Overseas tax rates	**14.2**	4.1
Expenses not deductible for tax purposes	**1.6**	1.6
Unutilised losses	**0.8**	1.4
Utilisation of tax losses and tax holidays	**(8.5)**	(4.6)
Adjustments for prior years	**(6.9)**	(5.0)
Innovation – tax incentives	**(9.2)**	(8.0)
Reduction in deferred tax resulting from decrease in UK tax rates	**(9.5)**	(2.3)
Other	**(8.1)**	6.6
Tax expense for the year	**67.9**	77.5

In July 2013 the UK government enacted a change in the UK corporation tax rate from 23% to 21% effective from 1st April 2014 and to 20% from 1st April 2015 and so the UK deferred tax balances at 31st March 2014 have been recalculated at the new rates.

Notes on the Accounts

for the year ended 31st March 2014

10 Dividends

	2014 £ million	2013 £ million
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
2012/13 final ordinary dividend paid – 41.5 pence per share	84.1	–
2013/14 interim ordinary dividend paid – 17.0 pence per share	34.5	–
Total dividends	**118.6**	328.4

A final dividend of 45.5 pence per ordinary share has been proposed by the board which will be paid on 5th August 2014 to shareholders on the register at the close of business on 13th June 2014, subject to shareholders' approval. The estimated amount to be paid is £92.3 million and has not been recognised in these accounts.

11 Earnings per ordinary share

	2014 pence	2013 restated pence
Basic	167.7	132.3
Diluted	166.9	131.2

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

	2014 £ million	2013 restated £ million
Earnings		
Profit for the year attributable to equity holders of the parent company	340.2	271.8

	2014	2013
Weighted average number of shares in issue		
Basic	202,831,354	205,507,239
Dilution for share options and long term incentive plans	1,029,944	1,683,218
Diluted	203,861,298	207,190,457

Underlying earnings per ordinary share are calculated as follows:

	2014 £ million	2013 restated £ million
Profit for the year attributable to equity holders of the parent company	340.2	271.8
Major impairment and restructuring charges (note 3)	–	17.4
Amortisation of acquired intangibles (note 4)	20.7	16.9
Tax thereon	(5.3)	(2.6)
Tax effect of UK corporation tax rate change	(9.5)	–
Underlying profit for the year	346.1	303.5

	pence	pence
Underlying earnings per share		
Basic	170.6	147.7
Diluted	169.8	146.5

Notes on the Accounts

for the year ended 31st March 2014

12 Employee and key management personnel costs

12a Employee numbers

	2014	2013
The average monthly number of employees during the year was:		
Emission Control Technologies	**4,239**	4,163
Process Technologies	**2,038**	1,734
Precious Metal Products	**2,609**	2,482
Fine Chemicals	**1,300**	1,283
New Businesses	**640**	361
Corporate and Central Research	**505**	475
Average number of employees	**11,331**	10,498
Actual number of employees at 31st March	**11,556**	10,995

The number of temporary employees included above at 31st March 2014 was 349 (2013 390).

The actual number of staff was:

	At 31st March 2014			At 31st March 2013		
	Actual employees	Agency staff	Total headcount	Actual employees	Agency staff	Total headcount
Emission Control Technologies	**4,334**	**467**	**4,801**	4,241	414	4,655
Process Technologies	**2,095**	**278**	**2,373**	1,861	288	2,149
Precious Metal Products	**2,615**	**202**	**2,817**	2,490	80	2,570
Fine Chemicals	**1,341**	**41**	**1,382**	1,282	30	1,312
New Businesses	**637**	**68**	**705**	636	95	731
Corporate and Central Research	**534**	**9**	**543**	485	4	489
Total	**11,556**	**1,065**	**12,621**	10,995	911	11,906

12b Employee benefits expense

	2014 £ million	2013 restated £ million
Wages and salaries	**439.4**	403.6
Social security costs	**47.5**	41.8
Pension and other post-employment costs	**51.5**	54.2
Share-based payments	**17.1**	14.3
Total employee benefits expense	**555.5**	513.9

Termination benefits of £3.6 million (2013 £4.9 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 2014 the CEC had an average of 11 members (2013 11 members). Their compensation charged in the year was:

	2014 £ million	2013 £ million
Short term employee benefits	**7.3**	4.6
Pension and other post-employment costs	**0.5**	0.5
Share-based payments	**3.1**	2.0
Non-executive directors' fees and benefits	**0.6**	0.5
Total compensation of key management personnel	**11.5**	7.6

Termination benefits not included above were £0.1 million (2013 £0.8 million). 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 103 to 122.

Notes on the Accounts

for the year ended 31st March 2014

13 Share-based payments

Long Term Incentive Plan (LTIP)

Under the LTIP, shares are allocated to approximately 1,100 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 2014, shares allocated in 2011, 2012 and 2013 (at 31st March 2013, shares allocated in 2010, 2011 and 2012) 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. As a result of the share consolidation in August 2012, 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 2010, 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.

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 and a further award was made in August 2013 for the 2012/13 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 103 to 122.

Options were exercised on a regular basis throughout the year. The average share price during the year was 2,917.4 pence (2013 2,297.0 pence).

Activity relating to share options was:

	2014 Number of options	**2014** Weighted average exercise price pence	2013 Number of options	2013 Weighted average exercise price pence
Outstanding at the start of the year	**303,196**	**1,143.8**	758,867	1,174.4
Forfeited during the year	**(14,820)**	**1,268.0**	(741)	1,070.0
Exercised during the year	**(256,073)**	**1,128.0**	(454,930)	1,195.0
Outstanding at the end of the year	**32,303**	**1,213.6**	303,196	1,143.8
Exercisable at the end of the year	**32,303**	**1,213.6**	303,196	1,143.8

Notes on the Accounts

for the year ended 31st March 2014

13 Share-based payments (continued)

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

	2014 Number of options	**2014 Weighted average remaining life years**	2013 Number of options	2013 Weighted average remaining life years
Range of exercise price				
800 pence to 900 pence	**1,569**	**0.3**	103,236	0.3
1,000 pence to 1,100 pence	**7,537**	**1.3**	10,620	2.3
1,200 pence to 1,300 pence	**23,197**	**2.3**	189,340	3.3
	32,303	**2.0**	303,196	2.3

The fair value of the shares allocated during the year under the LTIP was 2,717.5 pence per share allocation (2013 2,005.0 pence per share allocation). The fair value was based on the share price at the date of allocation of 2,883.4 pence (2013 2,163.2 pence) adjusted for the present value of the expected dividends that will not be received at an expected dividend rate of 1.98% (2013 2.54%).

Activity relating to the LTIP was:

	2014 Number of allocated shares	2013 Number of allocated shares
Outstanding at the start of the year	**2,574,451**	2,676,241
Allocated during the year	**819,276**	915,983
Forfeited during the year	**(120,409)**	(55,018)
Released during the year	**(759,977)**	(962,755)
Outstanding at the end of the year	**2,513,341**	2,574,451

1,289 (2013 32,475) shares were awarded during the year under the deferred bonus rules. The fair value was 2,664.0 pence per share award (2013 1,953.8 pence per share award), based on the share price at the date of award of 2,883.0 pence (2013 2,162.0 pence) adjusted for the present value of the expected dividends that will not be received at an expected dividend rate of 1.98% (2013 2.54%). These share awards are still outstanding at the end of the year.

191,302 (2013 232,668) matching shares under the SIP and 35,810 (2013 46,951) 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 £17.1 million (2013 £14.3 million).

14 Post-employment benefits

14a Group

The group operates a number of post-employment retirement and medical benefit plans around the world, the forms of which vary with conditions and practices in the countries concerned. The retirement plans in the UK, US and other countries include both defined contribution and defined benefit plans.

For defined contribution plans, retirement benefits are determined by the value of funds arising from contributions paid in respect of each employee and the investment returns on those contributions prior to retirement. The group also makes payments to employees' personal pension plans.

For defined benefit plans, which include final salary, career average and other types of plans with committed pension payments, the retirement benefits are based on factors such as the employee's pensionable salary and length of service. The majority of the group's final salary and career average defined benefit retirement plans are now closed to new entrants but remain open to ongoing accrual for current members.

The group's principal defined benefit retirement plans are funded through separate fiduciary or trustee administered funds that are independent of the sponsoring company. The contributions paid to these arrangements are jointly agreed by the sponsoring company and the relevant trustee or fiduciary body after each funding valuation and in consultation with independent qualified actuaries. The plans' assets together with the agreed funding contributions should be sufficient to meet the plans' future pension obligations.

The group's principal post-employment medical plans are in the UK and US and are unfunded arrangements that have been closed to new entrants for over 10 years.

Notes on the Accounts
for the year ended 31st March 2014

14 Post-employment benefits (continued)

14a Group (continued)

Regulatory framework and governance
The UK pension plan, the Johnson Matthey Employees Pension Scheme (JMEPS), is a registered arrangement and established under trust law and, as such, is subject to UK pension, tax and trust legislation. It is managed by a corporate trustee, JMEPS Trustees Limited. The trustee board includes representatives appointed by both the parent company and employees and includes an independent chairman.

Although the parent company bears the financial cost of the plan, the trustee directors are responsible for the overall management and governance of JMEPS, including compliance with all applicable legislation and regulations. The trustee directors are required by law to act in the interest of all relevant beneficiaries and to set certain policies; to manage the day to day administration of the benefits; and to set the plan's investment strategy following consultation with the parent company.

UK pensions are regulated by the Pensions Regulator whose statutory objectives and regulatory powers are described on its website: www.thepensionsregulator.gov.uk.

The US pension plans are qualified pension arrangements and are subject to the requirements of the Employee Retirement Income Security Act, the Pension Protection Act 2006 and the Department of Labor and Internal Revenue. The plans are managed by a pension committee which acts as the fiduciary and, as such, is ultimately responsible for the management of the plans' investments; compliance with all applicable legislation and regulations; and overseeing the general management of the plans.

Other trustee or fiduciary arrangements that have similar responsibilities and obligations are in place for the group's other funded defined benefit pension plans outside of the UK and US.

Benefits
The UK pension plan is segregated into two sections – a legacy section which provides final salary and career average pension benefits and a new cash balance section. The final salary element of the legacy section was closed to future accrual of benefits from 1st April 2010 and the career average element of the legacy section was closed to new entrants in October 2012 but remains open to future accrual for existing members. All new entrants now join the cash balance section of the plan.

The legacy section provides benefits to members in the form of a set level of pension payable for life based on the member's length of service and final pensionable salary at retirement or averaged over their career with the parent company. The benefits attract inflation-related increases both before and after retirement.

The new cash balance section provides benefits to members at the point of retirement in the form of a cash lump sum. The benefits attract inflation-related increases before retirement but following the payment of the retirement lump sum benefit the plan has no obligation to pay any further benefits to the member.

The group operates two defined benefit pension plans in the US. The hourly pension plan is for unionised employees and provides a fixed retirement benefit for life based upon years of service. The salaried pension plan provides retirement benefits for life based on the member's length of service and final pensionable salary (averaged over last five years). The salaried plan benefits attract inflation-related increases before leaving but are non-increasing thereafter. On retirement, members in either plan have the option to take the cash value of their benefit instead of a lifetime annuity in which case the plan has no obligation to pay any further benefits to the member.

The US salaried pension plan was closed to new entrants on 1st September 2013 but remains open to future accrual for existing members. All new non-unionised US employees now join a defined contribution plan.

Funding
UK legislation requires that pension plans are funded prudently and that when undertaking a funding valuation (every three years) assets are taken at their market value and the liabilities are determined based on a set of prudent assumptions set by the trustee following consultation with their appointed actuary. The assumptions used for funding valuations may therefore differ to the actuarial assumptions used for IAS 19 accounting purposes.

The last funding valuation of JMEPS was carried out as at 1st April 2012. This valuation showed that there was a deficit of £214 million on the agreed funding basis. To address the deficit, the parent company agreed to make deficit contributions of £23.1 million per year from 1st April 2013 to 31st December 2019. In addition, the parent company and trustee agreed to establish a special purpose vehicle (SPV) to provide additional deficit reduction contributions and to provide greater security to the trustee.

In January 2013, this SPV was set up and the group invested £50.0 million in a bond portfolio which is beneficially held by this SPV. The income generated by the SPV will be used to make annual distributions of £3.5 million to JMEPS for a period of up to 25 years. These annual distributions are only payable if the legacy section of JMEPS continues to be in deficit. This bond portfolio is held as a non-current available-for-sale investment (note 20) and the group's liability to pay the income to the plan is not a plan asset under IAS 19, although it is for actuarial funding valuation purposes.

In accordance with the governing documentation of JMEPS, any future plan surplus would be returned to the parent company by way of a refund assuming gradual settlement of the liabilities over the lifetime of the plan. As such, there are no adjustments required in respect of IFRIC 14 – 'IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'.

The last annual review of the US defined benefit pension plans was carried out by a qualified actuary as at 1st July 2013. The company contributes US $6.0 million per year to prudently cover the cost of benefits and anticipated future funding needs. The assumptions used for funding valuations may differ to the actuarial assumptions used for IAS 19 accounting purposes.

Similar funding valuations are undertaken on the group's other defined benefit pension plans outside of the UK and US in accordance with prevailing local legislation.

Notes on the Accounts

for the year ended 31st March 2014

14 Post-employment benefits (continued)

14a Group (continued)

Risk management

The group is exposed to a number of risks relating to its post-retirement pension plans, the most significant of which are:

Risk	Mitigation
Market (investment) risk Asset returns may not move in line with the liabilities and may be subject to volatility.	The group's various plans have highly diversified investment portfolios, investing in a wide range of assets that provide reasonable assurance that no single security or type of security could have a material adverse impact on the plan. A de-risking strategy is in place to reduce volatility in the plans as a result of the mismatch between the assets and liabilities. As the funding level of the plans improve and hit pre-agreed triggers, plan investments are switched from return seeking assets to liability matching assets. The plans also implement partial currency hedging on their overseas assets to mitigate currency risk.
Interest rate risk Liabilities are sensitive to movements in bond yields (interest rates), with lower interest rates leading to an increase in the valuation of liabilities, albeit the impact on the plan's funding level will be partially offset by an increase in the value of its bond holdings.	The group's defined benefit plans hold a high proportion of their assets in government or corporate bonds, which provide a natural hedge against falling interest rates. In the UK, this interest rate hedge is extended by the use of interest rate swaps. The swaps are held with several banks to reduce counterparty risk.
Inflation risk Liabilities are sensitive to movements in inflation, with higher inflation leading to an increase in the valuation of liabilities.	Where plan benefits provide inflation-related increases the plan holds some inflation-linked assets which provide a natural hedge against higher than expected inflation increases. In the UK, this inflation hedge is extended by the use of inflation rate swaps. The swaps are held with several banks to reduce counterparty risk.
Longevity risk The majority of the group's defined benefit plans provide benefits for the life of the member, so the liabilities are sensitive to life expectancy, with increases in life expectancy leading to an increase in the valuation of liabilities.	The group has closed most of its defined benefit pension plans to new entrants replacing them with either a cash balance plan or defined contribution plans, both of which are unaffected by life expectancy. For the plans where a benefit for life continues to be payable, prudent mortality assumptions are used that appropriately allow for a future improvement in life expectancy. These assumptions are reviewed on a regular basis to minimise the risk of using an inappropriate assumption.

Financial assumptions

Qualified independent actuaries have updated the funding valuations under IAS 19 of the group's major defined benefit plans to 31st March 2014. The assumptions used are chosen from a range of possible actuarial assumptions which, due to the long term nature of the plans, may not necessarily be borne out in practice. The main financial assumptions used were:

	2014 UK plans %	2014 US plans %	2014 Other plans %	2013 UK plans %	2013 US plans %	2013 Other plans %
First 2 (2013 3) years rate of increase in salaries	3.40	3.30	3.11	3.40	3.50	2.79
Ultimate rate of increase in salaries	4.15	3.30	3.11	4.15	3.50	2.79
Rate of increase in pensions in payment	3.30	–	1.61	3.40	–	1.18
Discount rate	4.60	4.50	3.87	4.50	4.20	3.57
Inflation		2.75	1.67		2.75	1.36
– UK RPI	3.40			3.40		
– UK CPI	2.70			2.70		
Current medical benefits cost trend rate	6.10	7.48	–	6.10	7.48	–
Ultimate medical benefits cost trend rate	5.50	4.50	–	6.10	4.50	–

Notes on the Accounts

for the year ended 31st March 2014

14 Post-employment benefits (continued)

14a Group (continued)

Demographic assumptions

The mortality assumptions are based on country-specific mortality tables and where appropriate include an allowance for future improvements in life expectancy. In addition, where credible data exists, actual plan experience is taken into account. The group's most substantial pension liabilities are in the UK and the US where, using the mortality tables adopted, 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	20.6	24.1	23.3
Female	24.9	22.9	27.3	25.2

Sensitivities

The calculations of the defined benefit obligations are sensitive to the assumptions used. The following summarises the estimated impact of a change in the assumption on the group's main plans while holding all other assumptions constant. This sensitivity analysis may not be representative of the actual change as it is unlikely that the change in assumptions would occur in insolation of one another.

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 2014:

	0.1% increase		0.1% decrease	
	UK plan £ million	US plans £ million	UK plan £ million	US plans £ million
Effect of discount rate	(24.9)	(3.5)	25.6	3.6
Effect of inflation	24.8	–	(24.2)	–
Effect of rate of increase in salaries	5.5	0.9	(5.4)	(0.9)

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

	UK plan £ million	US plans £ million
Pension defined benefit obligation	29.9	5.6

A 1% point change in the assumed medical cost trend rates would have the following increase / (decrease) on:

	1% point increase		1% point decrease	
	UK plan £ million	US plan £ million	UK plan £ million	US plan £ million
Post-retirement medical plan defined benefit obligation	1.3	9.3	(1.1)	(7.2)

Estimated effect on future cash flows

It is estimated that the group will contribute about £69 million to the post-employment defined benefits plans during the year ending 31st March 2015.

The maturity profile of the defined benefit obligations will also affect future cash flows. The estimated weighted average durations of the defined benefit obligations of the main plans at 31st March 2014 are:

	UK pension years	UK post-retirement medical benefits years	US pensions years	US post-retirement medical benefits years
Weighted average duration	19.6	14.0	17.1	18.5

Notes on the Accounts

for the year ended 31st March 2014

14 Post-employment benefits (continued)

14a Group (continued)

Financial information

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

	UK pension restated £ million	UK post-retirement medical benefits restated £ million	US pensions restated £ million	US post-retirement medical benefits restated £ million	Other restated £ million	Total restated £ million
At 1st April 2012	1,028.6	–	157.0	–	40.7	1,226.3
Interest income	53.4	–	7.5	–	2.0	62.9
Return on plan assets excluding interest	85.6	–	12.3	–	(3.7)	94.2
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
Interest income	53.2	–	8.1	–	1.8	63.1
Settlement gains	–	–	(14.8)	–	–	(14.8)
Return on plan assets excluding interest	(26.2)	–	11.9	–	5.0	(9.3)
Employee contributions	1.9	–	–	0.2	0.3	2.4
Company contributions	49.4	0.4	16.7	0.5	3.4	70.4
Benefits paid	(38.8)	(0.4)	(4.8)	(0.7)	(1.8)	(46.5)
Exchange adjustments	–	–	(18.1)	–	(4.5)	(22.6)
At 31st March 2014	**1,216.4**	**–**	**193.8**	**–**	**45.8**	**1,456.0**

The fair values of plan assets were:

	2014 UK pension £ million	**2014 US pensions £ million**	**2014 Other £ million**	2013 UK pension £ million	2013 US pensions £ million	2013 Other £ million
At 31st March 2014						
Quoted corporate bonds	**673.5**	**76.4**	**2.9**	680.7	51.0	3.3
Inflation and interest rate swaps	**(1.2)**	**–**	**–**	–	–	–
Quoted government bonds	**–**	**41.0**	**11.2**	–	33.2	3.6
Cash and cash equivalents	**24.6**	**0.4**	**1.3**	5.2	–	2.2
Quoted equity	**466.7**	**76.0**	**5.3**	442.4	110.6	10.3
Unquoted equity	**3.5**	**–**	**–**	2.4	–	–
Property	**49.3**	**–**	**0.1**	46.2	–	–
Insurance policies	**–**	**–**	**25.0**	–	–	22.2
	1,216.4	**193.8**	**45.8**	1,176.9	194.8	41.6

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 assets for the cash balance section of the UK plan are held separately from the assets of the legacy section. At 31st March 2014 the defined benefit obligation related to the contributory cash balance section was £4.3 million and the fair value of the plan assets was £4.3 million.

A curtailment gain arose in the UK pension plan as employees in the legacy section were given the option to move to the new cash balance section, which took effect at the start of the year. A settlement gain arose in the US pension plans as some deferred pensioners were bought out during the year. A curtailment gain arose in the US pension plans during the year as employees in the salaried pension plan were given the option to move to the new defined contribution plan. Past service costs in the other plans arose mainly due to plan amendments caused by legislation changes in the Netherlands which increased the retirement age and decreased the maximum accrual rate.

Notes on the Accounts

for the year ended 31st March 2014

14 Post-employment benefits (continued)

14a Group (continued)

Financial information (continued)

Movements in the defined benefit obligation during the year were:

	UK pension restated £ million	UK post-retirement medical benefits restated £ million	US pensions restated £ million	US post-retirement medical benefits restated £ million	Other restated £ million	Total restated £ million
At 1st April 2012	(1,113.4)	(11.7)	(183.0)	(30.8)	(59.3)	(1,398.2)
Current service cost – in operating profit	(25.4)	(0.1)	(8.3)	(1.0)	(2.2)	(37.0)
Current service cost – capitalised	(0.1)	–	–	–	–	(0.1)
Past service costs	(1.9)	–	–	–	(0.1)	(2.0)
Interest cost	(57.1)	(0.6)	(9.2)	(1.5)	(2.7)	(71.1)
Employee contributions	–	–	–	(0.2)	(0.3)	(0.5)
Remeasurements due to changes in:						
Demographic assumptions	11.6	0.1	(23.7)	(6.2)	(1.6)	(19.8)
Financial assumptions	(144.8)	1.9	(19.2)	(5.4)	(0.5)	(168.0)
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)
Current service cost – in operating profit	(28.8)	(0.1)	(11.0)	(1.1)	(2.3)	(43.3)
Current service cost – capitalised	(0.1)	–	–	–	–	(0.1)
Past service costs	–	–	–	–	1.1	1.1
Interest cost	(58.6)	(0.4)	(10.4)	(1.9)	(2.6)	(73.9)
Curtailment gains	1.3	–	6.8	–	0.2	8.3
Settlement gains	–	–	17.3	–	–	17.3
Employee contributions	(1.9)	–	–	(0.2)	(0.3)	(2.4)
Remeasurements due to changes in:						
Demographic assumptions	5.6	–	2.0	(0.9)	(3.1)	3.6
Financial assumptions	41.2	0.8	11.6	3.4	(3.9)	53.1
Benefits paid	38.8	0.4	4.8	0.7	1.8	46.5
Exchange adjustments	–	–	21.2	4.1	4.9	30.2
At 31st March 2014	**(1,295.0)**	**(9.4)**	**(207.9)**	**(42.4)**	**(69.9)**	**(1,624.6)**

Under the US Medicare legislation, a government subsidy is receivable as the US post-retirement medical benefits plan is actuarially equivalent to the Medicare Prescription Drug Act. Also, there is an insurance policy taken out to reinsure the pension commitments of one of the other small pension plans which does not meet the definition of a qualifying insurance policy. These are both accounted for as reimbursement rights and are shown on the balance sheet as post-employment benefits net assets.

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 2012	–	–	–	6.4	0.7	7.1
Interest income	–	–	–	0.6	–	0.6
Return on assets excluding interest	–	–	–	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
Interest income	–	–	–	0.4	–	0.4
Return on assets excluding interest	–	–	–	(3.9)	–	(3.9)
Company contributions	–	–	–	–	0.1	0.1
Exchange adjustments	–	–	–	(0.7)	–	(0.7)
At 31st March 2014	**–**	**–**	**–**	**4.8**	**1.0**	**5.8**

Notes on the Accounts

for the year ended 31st March 2014

14 Post-employment benefits (continued)

14a Group (continued)

Financial information (continued)

The net post-employment benefit assets and liabilities were:

	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 2014						
Defined benefit obligation	**(1,295.0)**	**(9.4)**	**(207.9)**	**(42.4)**	**(69.9)**	**(1,624.6)**
Fair value of plan assets	**1,216.4**	**–**	**193.8**	**–**	**45.8**	**1,456.0**
Reimbursement rights	**–**	**–**	**–**	**4.8**	**1.0**	**5.8**
Net post-employment benefit assets and liabilities	**(78.6)**	**(9.4)**	**(14.1)**	**(37.6)**	**(23.1)**	**(162.8)**
At 31st March 2013 (restated)						
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
Net post-employment benefit assets and liabilities	(115.6)	(10.1)	(55.4)	(37.5)	(23.2)	(241.8)

These are included in the balance sheet as:

	2014 Post-employment benefits net assets £ million	**2014 Employee benefits obligations £ million**	**2014 Total £ million**	2013 Post-employment benefits net assets restated £ million	2013 Employee benefits obligations restated £ million	2013 Total restated £ million
UK pension plan	**–**	**(78.6)**	**(78.6)**	–	(115.6)	(115.6)
UK post-retirement medical benefits plan	**–**	**(9.4)**	**(9.4)**	–	(10.1)	(10.1)
US pension plans	**0.1**	**(14.2)**	**(14.1)**	–	(55.4)	(55.4)
US post-retirement medical benefits plan	**4.8**	**(42.4)**	**(37.6)**	9.0	(46.5)	(37.5)
Other plans	**3.3**	**(26.4)**	**(23.1)**	1.9	(25.1)	(23.2)
Total post-employment plans	**8.2**	**(171.0)**	**(162.8)**	10.9	(252.7)	(241.8)
Other long term employee benefits		**(2.5)**			(2.1)	
Total long term employee benefit obligations		**(173.5)**			(254.8)	

Amounts recognised in the income statement for long term employment benefits were:

	2014 £ million	2013 restated £ million
Operating profit		
Current service cost	**(43.4)**	(37.0)
Past service costs	**1.1**	(2.0)
Curtailment gains	**8.3**	–
Settlement gains	**2.5**	–
Defined benefit post-employment costs charged to operating profit	**(31.5)**	(39.0)
Defined contribution plans' expense	**(9.3)**	(7.4)
Other long term employee benefits	**(0.3)**	(0.2)
Charge to operating profit	**(41.1)**	(46.6)
Finance costs		
Interest on plan liabilities	**(73.9)**	(71.1)
Interest income on plan assets	**63.1**	62.9
Interest income on reimbursement rights	**0.4**	0.6
Charge to finance costs	**(10.4)**	(7.6)
Charge to consolidated income statement	**(51.5)**	(54.2)

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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 plans to the individual group entities. The parent company recognises the net defined benefit cost for these plans and information is disclosed in note 14a.

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 2012 (restated)	432.3	24.1	1,237.1	82.8	1,776.3
Additions	7.4	0.6	58.7	114.2	180.9
Acquisitions	–	0.1	3.9	2.3	6.3
Reclassifications	11.2	0.3	57.7	(69.2)	–
Disposals	(1.5)	(11.8)	(53.5)	(0.2)	(67.0)
Exchange adjustments	5.2	0.1	18.3	2.9	26.5
At 31st March 2013 (restated)	454.6	13.4	1,322.2	132.8	1,923.0
Additions	33.0	0.6	99.2	77.5	210.3
Reclassifications	24.8	0.1	73.0	(97.9)	–
Disposals	(0.6)	(0.1)	(19.5)	(0.3)	(20.5)
Exchange adjustments	(29.1)	(1.1)	(82.6)	(8.0)	(120.8)
At 31st March 2014	482.7	12.9	1,392.3	104.1	1,992.0
Accumulated depreciation and impairment					
At 1st April 2012 (restated)	138.2	17.6	711.6	–	867.4
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)	(51.6)	–	(64.3)
Exchange adjustments	1.5	–	10.4	–	11.9
At 31st March 2013 (restated)	154.3	6.1	768.6	1.5	930.5
Charge for the year	15.7	1.0	98.4	–	115.1
Impairment losses	0.6	–	1.0	–	1.6
Reversal of impairment losses	–	(0.1)	–	(0.1)	(0.2)
Disposals	(0.4)	(0.1)	(17.8)	(0.1)	(18.4)
Exchange adjustments	(11.5)	(0.4)	(48.0)	(0.1)	(60.0)
At 31st March 2014	158.7	6.5	802.2	1.2	968.6
Carrying amount at 31st March 2014	**324.0**	**6.4**	**590.1**	**102.9**	**1,023.4**
Carrying amount at 31st March 2013	300.3	7.3	553.6	131.3	992.5
Carrying amount at 1st April 2012	294.1	6.5	525.5	82.8	908.9

The carrying amount of plant and machinery includes £1.1 million (2013 £1.3 million) in respect of assets held under finance leases.

Compensation received for impaired or lost property, plant and equipment was £0.5 million (2013 £1.0 million).

Finance costs capitalised were £3.4 million (2013 £2.0 million) and the capitalisation rate used to determine the amount of finance costs eligible for capitalisation was 4.3% (2013 5.0%).

Impairment losses for freehold land and buildings of £0.6 million have been included within administrative expenses (2013 £0.4 million in major impairment and restructuring charges (note 3)). There were no impairment losses for long and short leaseholds (2013 £0.1 million included in administrative expenses). Impairment losses for plant and machinery of £1.0 million have been included in administrative expenses (2013 £0.8 million in administrative expenses, £0.2 million in cost of sales, £0.1 million in distribution and selling costs and £2.6 million in major impairment and restructuring charges). There were no impairment losses for construction in progress (2013 £0.6 million included in major impairment and restructuring charges and £0.9 million in cost of sales). The impairment losses are included in the underlying operating profit of Precious Metal Products and arose as the sites are closing.

Of the reversal of impairment losses for long and short leaseholds, £0.1 million (2013 £0.1 million) is included in cost of sales and £ nil (2013 £0.7 million) in distribution and selling costs. The reversal of impairment losses for construction in progress of £0.1 million is included in cost of sales (2013 £ nil). The reversal of impairment losses for plant and machinery is £ nil (2013 £0.6 million included in cost of sales). The reversals are included in the underlying operating profit of Fine Chemicals and Process Technologies.

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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 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
Additions	2.5	–	34.1	15.5	52.1
Reclassifications	2.9	–	8.6	(11.5)	–
Disposals	–	–	(2.2)	–	(2.2)
At 31st March 2014	104.3	1.4	439.0	15.6	560.3
Accumulated depreciation and impairment					
At 1st April 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
Charge for the year	2.9	0.2	28.2	–	31.3
Impairment losses	0.6	–	1.0	–	1.6
Disposals	–	–	(2.0)	–	(2.0)
At 31st March 2014	42.5	0.4	251.1	–	294.0
Carrying amount at 31st March 2014	**61.8**	**1.0**	**187.9**	**15.6**	**266.3**
Carrying amount at 31st March 2013	59.9	1.2	174.6	11.6	247.3
Carrying amount at 1st April 2012	59.7	0.9	171.7	3.4	235.7

The carrying amount of plant and machinery includes £1.0 million (2013 £1.3 million) in respect of assets held under finance leases.

Finance costs capitalised were £0.9 million (2013 £0.2 million) and the capitalisation rate used to determine the amount of finance costs eligible for capitalisation was 4.3% (2013 5.0%).

16 Goodwill

	Group £ million	Parent company £ million
Cost		
At 1st April 2012 (restated)	519.3	110.5
Acquisitions	60.0	–
Adjustments to prior year acquisitions (note 38)	(0.5)	–
Exchange adjustments	5.8	–
At 31st March 2013 (restated)	584.6	110.5
Acquisitions (note 38)	3.2	2.8
Exchange adjustments	(16.8)	–
At 31st March 2014	571.0	113.3
Impairment		
At 1st April 2012, 31st March 2013 and 31st March 2014	–	–
Carrying amount at 31st March 2014	**571.0**	**113.3**
Carrying amount at 31st March 2013	584.6	110.5
Carrying amount at 1st April 2012	519.3	110.5

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16 Goodwill (continued)

Goodwill arising on the acquisition of businesses is allocated, at acquisition, to the cash-generating units (CGUs) that are expected to benefit from that business combination. As a result of the divisional reorganisation, the CGUs have been revised. Goodwill is now allocated as follows:

	Group		Parent company	
	2014	2013 restated	2014	2013
	£ million	£ million	£ million	£ million
Emission Control Technologies – Non-light Duty Catalysts	79.9	82.1	–	–
Process Technologies	305.1	314.3	113.0	110.5
Precious Metal Products – Other	7.9	8.5	–	–
Fine Chemicals				
Macfarlan Smith	117.1	117.1	–	–
Pharmaceutical Materials and Services	19.8	21.8	–	–
Research Chemicals	22.0	21.6	–	–
Other	1.3	1.5	–	–
New Businesses				
Battery Technologies	15.0	15.1	–	–
Other	2.9	2.6	0.3	–
	571.0	584.6	113.3	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 four (2013 five) year plans have been approved by management. The cash flow projections have been extrapolated using a long term average growth rate of 3.0% (2013 3.0%). The discount rate used was 11.3% (2013 11.6%).

For the Battery Technologies CGU four year plans have been approved by management. Over the next decade management expects the business to grow rapidly and so the cash flow projections for years five to ten have been extrapolated using an 18.0% growth rate. The long term growth rate is then 5.0% (2013 5.0%) and the discount rate was 14.8% (2013 12.0%).

For Process Technologies the long term average growth rate used was 3.4% (2013 3.2%) and the discount rate was 11.4% (2013 11.4%). For Macfarlan Smith the long term average growth rate used was 2.5% (2013 2.5%) and the discount rate was 7.3% (2013 6.9%). For Pharmaceutical Materials and Services the long term average growth rate used was 3.0% (2013 3.0%) and the discount rate was 8.6% (2013 8.3%). For Research Chemicals the long term average growth rate used was 4.0% (2013 5.0%) and the discount rate was 8.2% (2013 8.4%).

All the impairment tests result in headroom of more than 50% over the carrying value of the relevant CGU's net assets and so it is unlikely that a reasonably possible change in a key assumption would result in an impairment of goodwill.

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for the year ended 31st March 2014

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 2012	71.1	53.0	28.6	24.1	105.1	281.9
Additions	–	4.9	0.8	–	4.7	10.4
Acquisitions	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
Additions	–	4.1	0.3	–	3.6	8.0
Acquisitions (note 38)	0.7	–	–	6.5	–	7.2
Disposals	–	(0.3)	–	–	–	(0.3)
Exchange adjustments	(8.9)	(3.1)	(1.2)	(1.9)	(7.4)	(22.5)
At 31st March 2014	141.9	58.2	29.1	56.3	110.4	395.9
Accumulated amortisation and impairment						
At 1st April 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
Charge for the year	12.9	4.5	2.2	4.9	8.5	33.0
Disposals	–	(0.3)	–	–	–	(0.3)
Exchange adjustments	(2.6)	(2.2)	(0.6)	(0.3)	(5.1)	(10.8)
At 31st March 2014	66.7	46.8	18.2	10.8	70.1	212.6
Carrying amount at 31st March 2014	**75.2**	**11.4**	**10.9**	**45.5**	**40.3**	**183.3**
Carrying amount at 31st March 2013	93.7	12.7	13.4	45.5	47.5	212.8
Carrying amount at 1st April 2012	26.5	12.4	16.0	21.9	51.0	127.8

17b Parent company

	Computer software £ million	Patents, trademarks and licences £ million	Acquired research and technology £ million	Development expenditure £ million	Total £ million
Cost					
At 1st April 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
Additions	1.9	0.3	–	–	2.2
Acquisitions	–	–	6.0	–	6.0
Disposals	(0.1)	–	–	–	(0.1)
At 31st March 2014	19.0	0.9	6.0	9.0	34.9
Accumulated amortisation and impairment					
At 1st April 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
Charge for the year	1.5	0.1	–	0.5	2.1
Disposals	(0.1)	–	–	–	(0.1)
At 31st March 2014	15.6	0.1	–	7.2	22.9
Carrying amount at 31st March 2014	**3.4**	**0.8**	**6.0**	**1.8**	**12.0**
Carrying amount at 31st March 2013	3.0	0.6	–	2.3	5.9
Carrying amount at 1st April 2012	2.2	–	–	3.2	5.4

Notes on the Accounts

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18 Investments in subsidiaries

	Cost of investments in subsidiaries £ million	Accumulated impairment £ million	Carrying amount £ million
At 1st April 2012	1,732.3	(186.1)	1,546.2
Additions	65.2	–	65.2
Impairment loss	–	(0.1)	(0.1)
At 31st March 2013 and at 31st March 2014	**1,797.5**	**(186.2)**	**1,611.3**

The principal subsidiaries are shown in note 41.

19 Investment in joint venture

	2014 £ million	2013 restated £ million
At beginning of year	**3.1**	2.8
Group's share of profit of joint venture for the year	**0.5**	–
Group's share of joint venture's other comprehensive income – currency translation differences	**(0.3)**	0.3
Group's share of joint venture's total comprehensive income	**0.2**	0.3
At end of year	**3.3**	3.1

20 Non-current available-for-sale investments

	2014 £ million	2013 £ million
Quoted bonds purchased to fund pension deficit	**49.1**	49.7
Unquoted investments	**8.4**	8.2
	57.5	57.9

The quoted bonds are measured at fair value using level 1 inputs (note 26). 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 investment vehicles that invest in start up companies and are categorised as level 3 (note 26). Movements in the unquoted investments in the year are shown below but, given their size, it would be overly onerous to provide additional detail.

	£ million
At 1st April 2012	8.0
Purchases	0.3
Repayment	(0.1)
At 31st March 2013	8.2
Purchases	0.2
At 31st March 2014	**8.4**

21 Inventories

	Group		Parent company	
	2014 £ million	2013 restated £ million	2014 £ million	2013 £ million
Raw materials and consumables	**162.3**	140.4	**22.8**	19.5
Work in progress	**245.2**	255.3	**57.4**	44.1
Finished goods and goods for resale	**265.0**	268.6	**53.5**	45.8
	672.5	664.3	**133.7**	109.4

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

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22 Trade and other receivables

	Group		Parent company	
	2014 £ million	2013 restated £ million	2014 £ million	2013 £ million
Current				
Trade receivables	**754.1**	709.3	**150.8**	147.4
Amounts receivable from long term contract customers	**15.5**	19.4	**–**	–
Amounts receivable from subsidiaries	**–**	–	**750.7**	855.4
Prepayments and accrued income	**61.4**	49.4	**21.4**	13.4
Value added tax and other sales tax receivable	**44.7**	34.7	**5.2**	4.6
Other receivables	**79.6**	57.4	**20.0**	2.7
Current trade and other receivables	**955.3**	870.2	**948.1**	1,023.5
Non-current				
Amounts receivable from subsidiaries	**–**	–	**662.8**	530.1
Prepayments and accrued income	**9.7**	4.1	**42.8**	43.5
Other receivables	**0.2**	0.2	**–**	–
Non-current trade and other receivables	**9.9**	4.3	**705.6**	573.6

23 Trade and other payables

	Group		Parent company	
	2014 £ million	2013 restated £ million	2014 £ million	2013 £ million
Current				
Trade payables	**391.0**	315.3	**128.3**	105.0
Amounts payable to long term contract customers	**83.0**	93.0	**–**	–
Amounts payable to subsidiaries	**–**	–	**1,383.5**	1,324.2
Accruals and deferred income	**295.8**	243.1	**91.8**	75.5
Other payables	**60.2**	81.1	**76.8**	90.4
Current trade and other payables	**830.0**	732.5	**1,680.4**	1,595.1
Non-current				
Amounts payable to subsidiaries	**–**	–	**0.6**	7.4
Accruals and deferred income	**0.3**	1.0	**–**	–
Other payables	**2.4**	2.6	**1.0**	1.1
Non-current trade and other payables	**2.7**	3.6	**1.6**	8.5

24 Long term contracts

	2014 £ million	2013 £ million
Contract revenue recognised	**103.6**	85.1
Contracts in progress at the year end:		
Costs incurred plus recognised profits less recognised losses to date	**358.1**	291.3
Amount of advances received	**86.9**	87.6

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25 Net debt

	Group		Parent company	
	2014 £ million	2013 restated £ million	2014 £ million	2013 £ million
Non-current borrowings, finance leases and related swaps				
Bank, other loans and related swaps				
3.39% USD Bonds 2028	107.6	–	107.6	–
3.14% USD Bonds 2025	78.0	–	78.0	–
3.57% Sterling Bonds 2024	65.0	65.0	65.0	65.0
2.44% Euro Bonds 2023	16.5	–	16.5	–
2.99% USD Bonds 2023	99.0	–	99.0	–
3.26% USD Bonds 2022	89.2	98.6	89.2	98.6
4.66% Euro Bonds 2021	82.6	84.5	82.6	84.5
1.945% Euro European Investment Bank (EIB) loan 2019	102.4	104.8	102.4	104.8
5.67% US Dollar Bonds 2016	101.0	115.1	101.0	115.1
4.95% US Dollar Bonds 2015	–	139.9	–	139.9
Interest rates swaps designated as fair value hedges	0.6	–	0.6	–
Cross currency interest rate swaps designated as cash flow hedges	5.2	–	5.2	–
Cross currency interest rate swaps designated as net investment hedges	3.5	–	3.5	–
Other interest rate swaps classified as held for trading	0.4	1.0	0.4	1.0
Finance leases repayable				
From four to five years	–	0.2	–	0.2
From three to four years	0.2	0.4	0.2	0.4
From two to three years	0.4	0.4	0.4	0.4
From one to two years	0.4	0.4	0.4	0.3
Non-current borrowings, finance leases and related swaps	752.0	610.3	752.0	610.2
Current borrowings, finance leases and related swaps				
4.95% USD Bonds 2015	123.9	–	123.9	–
4.987% Euro EIB loan 2013	–	105.8	–	105.8
5.55% US Dollar Bonds 2013	–	65.8	–	65.8
Other bank and other loans	50.1	101.8	(0.2)	83.0
Cross currency interest rate swaps designated as cash flow hedges	1.2	–	1.2	–
Other interest rate swaps held for trading	0.3	–	0.3	–
Finance leases	0.4	0.4	0.4	0.3
Current borrowings, finance leases and related swaps excluding bank overdrafts	175.9	273.8	125.6	254.9
Bank overdrafts	39.2	48.2	35.7	59.7
Current borrowings, finance leases and related swaps	215.1	322.0	161.3	314.6
Total borrowings and finance leases	967.1	932.3	913.3	924.8
Less interest rate swaps designated as fair value hedges	5.9	17.3	5.9	17.3
Less cross currency interest rate swaps designated as cash flow hedges	–	0.9	–	0.9
Less cross currency interest rate swaps designated as net investment hedges	0.3	–	0.3	–
Less other interest rate swaps classified as held for trading	5.9	8.9	5.9	8.9
Less interest rate swaps designated as fair value hedges – current	4.0	–	4.0	–
Less cash and deposits	221.8	69.6	181.4	6.0
Net debt	729.2	835.6	715.8	891.7

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. 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%. US $100.0 million of the 3.14% US Dollar Bonds 2025 have been swapped into sterling at 2.83%. On 10th March 2014, the 3.26% US Dollar Bonds 2022 were swapped into floating rate US dollars. The interest rate implicit in the finance leases is 5.9% and the lease term ends in 2017. Apart from the bonds, EIB loans and finance leases shown separately above, all the loans, overdrafts and bank deposits are denominated in various currencies and bear interest at commercial floating rates.

The cross currency and interest rate swaps are measured at fair value using level 2 inputs (note 26). The bonds which are designated as being fair value hedged are remeasured for the fair value changes in respect of the hedged risk using level 2 inputs. The fair values are estimated by discounting the future contractual cash flows using appropriate market sourced data at the balance sheet date.

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26 Other financial assets and liabilities

	Group		Parent company	
	2014 £ million	2013 £ million	**2014 £ million**	2013 £ million
Other financial assets				
Forward foreign exchange contracts and options designated as cash flow hedges	**5.5**	1.2	**6.0**	3.6
Forward foreign exchange contracts and currency swaps held for trading	**2.0**	3.7	**1.8**	3.7
Embedded derivatives	**–**	0.8	**–**	0.8
Other financial assets	**7.5**	5.7	**7.8**	8.1
Other financial liabilities				
Forward foreign exchange contracts and options designated as cash flow hedges	**(0.7)**	(9.3)	**(2.6)**	(9.5)
Forward foreign exchange contracts and currency swaps held for trading	**(2.4)**	(2.0)	**(2.4)**	(1.2)
Other financial liabilities	**(3.1)**	(11.3)	**(5.0)**	(10.7)

Fair values are measured using a hierarchy where the inputs are:

- Level 1 – quoted prices in active markets for identical assets or liabilities.
- Level 2 – not level 1 but are observable for that asset or liability either directly or indirectly.
- Level 3 – not based on observable market data (unobservable).

Of the other financial assets listed above, all are measured at fair value using level 2 inputs except for certain embedded derivatives which were valued using level 3 inputs and were settled in the year. All other financial liabilities are measured at fair value using level 2 inputs.

The fair value of forward foreign exchange contracts and currency swaps is estimated by discounting the future contractual cash flows using appropriate market sourced data at the balance sheet date.

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

	Group £ million	Parent company £ million
At 1st April 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
Gains recognised in cost of sales	2.4	2.4
Settlements	(3.2)	(3.2)
At 31st March 2014	**–**	**–**

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 2014

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. To a lesser extent the group has also financed a portion of its investment in China using a currency swap. The group has designated the currency swaps, a US dollar loan and some euro loans (fair value of the loans was £284.9 million (2013 £387.2 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 2014 £ million	Borrowings 2013 £ million	**Cash 2014 £ million**	Cash 2013 restated £ million	**Borrowings 2014 £ million**	Borrowings 2013 £ million	**Cash 2014 £ million**	Cash 2013 £ million
Sterling	**324.7**	179.0	**390.0**	237.6	**330.5**	177.2	**394.6**	236.6
US dollar	**619.8**	700.8	**197.2**	193.8	**618.2**	711.6	**191.4**	173.8
Euro	**311.9**	325.4	**51.3**	39.6	**312.4**	339.0	**47.4**	36.0
Swedish krona	**94.6**	101.1	**1.2**	1.8	**93.0**	108.4	**0.8**	–
Hong Kong dollar	**–**	–	**52.3**	50.3	**–**	–	**49.9**	50.3
Chinese renminbi	**46.1**	23.8	**24.3**	6.4	**28.1**	15.4	**–**	–
Japanese yen	**22.1**	8.1	**0.5**	4.7	**22.0**	8.1	**0.5**	1.7
South African rand	**20.4**	45.8	**1.2**	0.3	**18.1**	31.4	**0.1**	–
Indian rupee	**18.9**	8.4	**0.6**	10.1	**–**	–	**–**	–
Canadian dollar	**0.2**	0.4	**17.1**	19.1	**–**	–	**16.9**	19.4
Brazilian real	**14.2**	–	**1.3**	–	**–**	–	**–**	–
South Korean won	**1.7**	20.5	**–**	7.8	**–**	18.2	**–**	–
Other currencies	**11.2**	12.0	**19.6**	18.2	**9.5**	9.6	**14.4**	9.4
	1,485.8	1,425.3	**756.6**	589.7	**1,431.8**	1,418.9	**716.0**	527.2

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 2015.

The main impact of movements in exchange rates on the group's results arises on translation of overseas subsidiaries' profits into sterling. The group's largest exposure is to the US dollar and a 5% (8.0 cent (2013 7.9 cent)) movement in the average exchange rate for the US dollar against sterling would have had a £9.3 million (2013 £6.5 million) impact on operating profit. The group is also exposed to the euro and a 5% (5.9 cent (2013 6.1 cent)) movement in the average exchange rate for the euro against sterling would have had a £5.0 million (2013 £4.2 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% (8.3 cent (2013 7.6 cent)) movement in the closing exchange rate for the US dollar against sterling would have had a £6.7 million (2013 £3.3 million) impact on operating profit and a £24.3 million (2013 £32.4 million) impact on equity for these instruments. A 5% (6.1 cent (2013 5.9 cent)) movement in the closing exchange rate for the euro against sterling would have had a £7.2 million (2013 £4.6 million) impact on operating profit and a £17.8 million (2013 £20.9 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 £3.2 million (2013 £7.0 million) for the US dollar and £4.7 million (2013 £6.7 million) for the euro relates to cash flow hedging instruments hedging the forecast receipts and payments whose cash flows have yet to occur.

Notes on the Accounts

for the year ended 31st March 2014

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 five 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 2014 were £6.9 million (2013 gains £3.6 million) and the gains on the bonds attributable to the hedged risk were £6.9 million (2013 £3.6 million). The group and parent company have designated the two US dollar fixed interest rate to sterling fixed interest rate cross currency swaps as cash flow hedges as they hedge the movement in the cash flows of the hedged bonds attributable to changes in the US dollar / sterling exchange rate. The cross currency swaps' cash flows are expected to occur in 2015 and 2025 when the bonds which they hedge mature. The interest element of the cash flow hedges is realised in the income statement each year and the exchange effect is expected to be realised in the income statement in 2015 and 2025. At 31st March 2014, 88% (2013 74%) of the group's net debt and 90% (2013 70%) of the parent company's net debt were at fixed rates with an average interest rate of 3.06% (2013 3.67%). 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 £0.9 million (2013 £2.1 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:

	2014		2013	
Group	**Carrying amount £ million**	**Fair value £ million**	Carrying amount £ million	Fair value £ million
US Dollar Bonds 2013, 2015, 2016, 2022, 2023, 2025 and 2028	**(598.7)**	**(580.3)**	(419.4)	(419.0)
Euro Bonds 2021 and 2023	**(99.1)**	**(114.1)**	(84.5)	(100.5)
Euro EIB loans 2013 and 2019	**(102.4)**	**(104.6)**	(210.6)	(212.9)
Sterling Bonds 2024	**(65.0)**	**(63.7)**	(65.0)	(65.9)

	2014		2013	
Parent company	**Carrying amount £ million**	**Fair value £ million**	Carrying amount £ million	Fair value £ million
Amounts receivable from subsidiaries	**1,413.5**	**1,471.7**	1,385.5	1,437.6
US Dollar Bonds 2013, 2015, 2016, 2022, 2023, 2025 and 2028	**(598.7)**	**(580.3)**	(419.4)	(419.0)
Euro Bonds 2021 and 2023	**(99.1)**	**(114.1)**	(84.5)	(100.5)
Euro EIB loans 2013 and 2019	**(102.4)**	**(104.6)**	(210.6)	(212.9)
Sterling Bonds 2024	**(65.0)**	**(63.7)**	(65.0)	(65.9)

The fair values are calculated using level 2 inputs (note 26) by discounting future cash flows to net present values using appropriate market interest rates prevailing at the year end.

There were no transfers of any financial instrument between the levels of the fair value hierarchy (note 26) during the year.

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 2014 the group and parent company had no borrowings under committed bank facilities (2013 £50.1 million). The group and parent company also have a number of uncommitted facilities, including metal leases, and overdraft lines at their disposal.

	Group		Parent company	
	2014 £ million	2013 £ million	**2014 £ million**	2013 £ million
Undrawn committed borrowing facilities				
Expiring within one year	**41.3**	110.5	**41.3**	110.5
Expiring in more than one year but not more than two years	**110.0**	154.8	**110.0**	154.8
Expiring in more than two years	**118.9**	99.4	**118.9**	99.4
	270.2	364.7	**270.2**	364.7

Notes on the Accounts

for the year ended 31st March 2014

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 2014	Within 1 year £ million	1 to 2 years £ million	2 to 5 years £ million	After 5 years £ million	Total £ million
Bank overdrafts	39.2	–	–	–	39.2
Bank and other loans – principal	171.3	–	89.3	650.3	910.9
Bank and other loans – interest payments	35.3	25.4	65.0	93.6	219.3
Finance lease obligations	0.5	0.5	0.6	–	1.6
Financial liabilities in trade and other payables	676.6	0.2	0.8	0.6	678.2
Total non-derivative financial liabilities	922.9	26.1	155.7	744.5	1,849.2
Foreign exchange forwards, options and swaps – payments	276.4	0.4	–	–	276.8
Foreign exchange forwards, options and swaps – receipts	(277.4)	(0.4)	–	–	(277.8)
Total derivative financial liabilities	(1.0)	–	–	–	(1.0)

Group as at 31st March 2013 (restated)	Within 1 year restated £ million	1 to 2 years £ million	2 to 5 years £ million	After 5 years £ million	Total restated £ 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	596.3	0.5	0.6	0.8	598.2
Total non-derivative financial liabilities	948.4	155.4	144.4	395.4	1,643.6
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

Parent company as at 31st March 2014	Within 1 year £ million	1 to 2 years £ million	2 to 5 years £ million	After 5 years £ million	Total £ million
Bank overdrafts	35.7	–	–	–	35.7
Bank and other loans – principal	121.4	–	89.3	650.3	861.0
Bank and other loans – interest payments	32.4	25.4	65.0	93.6	216.4
Finance lease obligations	0.4	0.4	0.6	–	1.4
Financial liabilities in trade and other payables	1,670.1	0.1	0.3	1.2	1,671.7
Total non-derivative financial liabilities	1,860.0	25.9	155.2	745.1	2,786.2
Foreign exchange forwards, options and swaps – payments	326.1	5.1	–	–	331.2
Foreign exchange forwards, options and swaps – receipts	(325.2)	(4.9)	–	–	(330.1)
Total derivative financial liabilities	0.9	0.2	–	–	1.1

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

Notes on the Accounts

for the year ended 31st March 2014

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 2014 trade receivables for the group amounted to £754.1 million (2013 restated £709.3 million) (parent company £150.8 million (2013 £147.4 million)). £500.8 million (2013 £470.8 million) of these receivables at group level (£101.7 million (2013 £93.4 million) at parent company level) arose in Emission Control Technologies (ECT) which 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 2014 (and at 31st March 2013) 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	
	2014	2013 restated	**2014**	2013
	£ million	£ million	**£ million**	£ million
Amounts neither past due nor impaired	**666.7**	625.9	**140.0**	133.0
Amounts past due but not impaired				
less than 30 days	**50.1**	61.0	**6.5**	10.7
30 – 90 days	**28.5**	13.7	**2.3**	2.6
more than 90 days	**9.5**	9.2	**2.0**	1.1
Total past due but not impaired	**88.1**	83.9	**10.8**	14.4
Amounts impaired	**6.1**	5.2	**2.0**	2.1
Specific allowances for bad and doubtful debts	**(5.9)**	(5.1)	**(2.0)**	(2.1)
Carrying amount of impaired receivables	**0.2**	0.1	**–**	–
Other allowances for bad and doubtful debts	**(0.9)**	(0.6)	**–**	–
Trade receivables net of allowances	**754.1**	709.3	**150.8**	147.4

Movements in the allowances for impairments were:

	Group		Parent company	
	2014 £ million	2013 £ million	**2014 £ million**	2013 £ million
At beginning of year	**5.7**	5.3	**2.1**	1.2
Charge for year	**4.0**	2.0	**1.5**	1.3
Acquisitions	**0.1**	0.1	**–**	–
Released	**(1.1)**	(1.6)	**(0.3)**	(0.3)
Utilised	**(1.7)**	(0.1)	**(1.3)**	(0.1)
Exchange adjustments	**(0.2)**	–	**–**	–
At end of year	**6.8**	5.7	**2.0**	2.1

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 2014, the maximum exposure with a single bank for deposits was £9.7 million (2013 £7.8 million) for the group and £3.2 million (2013 £0.6 million) for the parent company, whilst the largest mark to market exposure for derivative financial instruments to a single bank was £5.0 million (2013 £12.5 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 2014 the group's and parent company's exposure to these funds was £176.2 million (2013 £ nil). 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 2014 was £38.6 million (2013 £43.3 million).

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for the year ended 31st March 2014

27 Financial risk management (continued)

27f Offsetting financial assets and liabilities

The group and parent company only offset financial assets and liabilities when they currently have a legally enforceable right to offset the recognised amounts and they intend to either settle on a net basis or realise the asset and settle the liability simultaneously. The following financial assets and liabilities are subject to offsetting, enforceable master netting arrangements or similar agreements:

Group as at 31st March 2014	Gross financial assets / (liabilities) £ million	Amounts set off £ million	Net amounts in balance sheet £ million	Related amounts not set off £ million	Net £ million
Cash and cash equivalents – cash and deposits	**274.4**	**(52.6)**	**221.8**	**–**	**221.8**
Other financial assets	**7.5**	**–**	**7.5**	**(2.9)**	**4.6**
Cash and cash equivalents – bank overdrafts	**(91.8)**	**52.6**	**(39.2)**	**–**	**(39.2)**
Other financial liabilities	**(3.1)**	**–**	**(3.1)**	**2.9**	**(0.2)**

Group as at 31st March 2013	Gross financial assets / (liabilities) £ million	Amounts set off £ million	Net amounts in balance sheet £ million	Related amounts not set off £ million	Net £ million
Cash and cash equivalents – cash and deposits	179.4	(109.8)	69.6	–	69.6
Other financial assets	5.7	–	5.7	(3.5)	2.2
Cash and cash equivalents – bank overdrafts	(158.0)	109.8	(48.2)	–	(48.2)
Other financial liabilities	(11.3)	–	(11.3)	3.5	(7.8)

Parent company as at 31st March 2014	Gross financial assets / (liabilities) £ million	Amounts set off £ million	Net amounts in balance sheet £ million	Related amounts not set off £ million	Net £ million
Cash and cash equivalents – cash and deposits	**209.7**	**(28.3)**	**181.4**	**–**	**181.4**
Other financial assets	**7.8**	**–**	**7.8**	**(3.1)**	**4.7**
Cash and cash equivalents – bank overdrafts	**(64.0)**	**28.3**	**(35.7)**	**–**	**(35.7)**
Other financial liabilities	**(5.0)**	**–**	**(5.0)**	**3.1**	**(1.9)**

Parent company as at 31st March 2013	Gross financial assets / (liabilities) £ million	Amounts set off £ million	Net amounts in balance sheet £ million	Related amounts not set off £ million	Net £ million
Cash and cash equivalents – cash and deposits	46.2	(40.2)	6.0	–	6.0
Other financial assets	8.1	–	8.1	(3.4)	4.7
Cash and cash equivalents – bank overdrafts	(99.9)	40.2	(59.7)	–	(59.7)
Other financial liabilities	(10.7)	–	(10.7)	3.4	(7.3)

Notes on the Accounts

for the year ended 31st March 2014

27 Financial risk management (continued)

27g 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 on page 46 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 on page 48 for more information.

	Group		Parent company	
	2014 **£ million**	2013 restated £ million	**2014** **£ million**	2013 £ million
Net debt	**729.2**	835.6	**715.8**	891.7
Equity	**1,553.2**	1,390.9	**1,271.8**	1,040.1
Capital employed	**2,282.4**	2,226.5	**1,987.6**	1,931.8

	Group	
	2014 **£ million**	2013 restated £ million
Net debt	**729.2**	835.6
Pension deficits	**119.2**	196.1
Bonds purchased to fund pensions	**(49.1)**	(49.7)
Related deferred taxation	**(16.1)**	(38.6)
Net debt (including post tax pension deficits)	**783.2**	943.4
EBITDA	**596.3**	542.7
Return on invested capital	**20.8%**	19.8%
Net debt (including post tax pension deficits) to EBITDA	**1.3 times**	1.7 times

28 Provisions and contingent liabilities

28a Group

	Restructuring provisions £ million	Warranty and technology provisions £ million	Other provisions £ million	Total £ million
At 1st April 2013	6.2	20.4	22.4	49.0
Charge for year	5.1	11.3	3.6	20.0
Acquisitions (note 38)	–	–	0.1	0.1
Utilised	(2.9)	(2.7)	(6.6)	(12.2)
Released	(1.0)	(4.5)	(3.1)	(8.6)
Unwinding of discount	–	–	0.3	0.3
Exchange adjustments	(0.3)	(0.5)	(1.8)	(2.6)
At 31st March 2014	**7.1**	**24.0**	**14.9**	**46.0**

	2014 **£ million**	2013 £ million
Current	**17.4**	19.8
Non-current	**28.6**	29.2
Total provisions	**46.0**	49.0

The restructuring provisions relate to Emission Control Technologies, Precious Metal Products and Fine Chemicals and are expected to be fully spent by 2015/16.

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 Emission Control Technologies and Process Technologies. 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 nine years.

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for the year ended 31st March 2014

28 Provisions and contingent liabilities (continued)

28b Parent company

	Restructuring provisions £ million	Warranty provisions £ million	Other provisions £ million	Total £ million
At 1st April 2013	0.5	1.8	17.9	20.2
Charge for year	4.5	–	1.9	6.4
Utilised	(0.2)	–	(5.3)	(5.5)
Released	–	(1.8)	–	(1.8)
Acquisitions (note 38)	–	–	0.1	0.1
At 31st March 2014	**4.8**	**–**	**14.6**	**19.4**

	2014 £ million	2013 £ million
Current	**5.5**	6.2
Non-current	**13.9**	14.0
Total provisions	**19.4**	20.2

The restructuring provisions relate to Emission Control Technologies and Precious Metal Products and are expected to be fully spent by 2015/16.

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 restated £ million	Provisions £ million	Inventories £ million	Intangibles £ million	Other £ million	Total deferred tax (assets) / liabilities restated £ million
At 1st April 2012 (restated)	69.1	(36.4)	(17.1)	(37.6)	32.5	18.4	28.9
(Credit) / charge to income	(3.9)	(4.8)	1.7	8.6	(1.4)	1.8	2.0
Acquisitions	0.3	–	(0.1)	(0.2)	22.3	(5.9)	16.4
Tax on items taken directly to or transferred from equity	–	(10.3)	–	–	–	(0.4)	(10.7)
Exchange adjustments	1.4	(1.5)	(0.4)	(0.3)	1.3	(0.1)	0.4
At 31st March 2013 (restated)	66.9	(53.0)	(15.9)	(29.5)	54.7	13.8	37.0
Charge / (credit) to income	1.4	2.6	(4.5)	8.1	(6.6)	0.4	1.4
Tax on items taken directly to or transferred from equity	–	19.4	–	–	–	1.4	20.8
Exchange adjustments	(4.1)	2.4	2.2	0.7	(3.5)	0.3	(2.0)
At 31st March 2014	**64.2**	**(28.6)**	**(18.2)**	**(20.7)**	**44.6**	**15.9**	**57.2**

	2014 £ million	2013 restated £ million
Deferred tax assets	**(32.1)**	(20.3)
Deferred tax liabilities	**89.3**	57.3
	57.2	37.0

Deductible temporary differences, unused tax losses and unused tax credits not recognised on the balance sheet are £100.9 million (2013 £101.2 million).

Deferred tax liabilities have not been recognised on temporary differences of £815.7 million (2013 £629.7 million) associated with investments in subsidiaries.

Notes on the Accounts

for the year ended 31st March 2014

29 Deferred taxation (continued)

29b Parent company

	Property, plant and equipment £ million	Post-employment benefits restated £ million	Provisions £ million	Inventories £ million	Intangibles £ million	Other £ million	Total deferred tax (assets) / liabilities restated £ million
At 1st April 2012	20.4	(14.8)	–	(27.9)	0.7	7.4	(14.2)
Charge / (credit) to income	0.1	(7.8)	(0.4)	4.7	(0.2)	1.0	(2.6)
Tax on items taken directly to or transferred from equity	–	6.1	–	–	–	(1.2)	4.9
At 31st March 2013	20.5	(16.5)	(0.4)	(23.2)	0.5	7.2	(11.9)
(Credit) / charge to income	(2.1)	(1.6)	(0.5)	8.5	(0.2)	(0.4)	3.7
Tax on items taken directly to or transferred from equity	–	11.1	–	–	–	1.0	12.1
At 31st March 2014	**18.4**	**(7.0)**	**(0.9)**	**(14.7)**	**0.3**	**7.8**	**3.9**

Deductible temporary differences, unused tax losses and unused tax credits not recognised on the balance sheet are £3.0 million (2013 £3.0 million).

30 Share capital

	Number	£ million
Issued and fully paid ordinary shares		
At 1st April 2012	220,673,613	220.7
Effect of share consolidation	(10,030,618)	–
At 31st March 2013 and 31st March 2014	**210,642,995**	**220.7**

Details of outstanding share options, allocations under the company's long term incentive plan and awards under the deferred bonus 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 $\frac{16}{21}$ 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 2013 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 $\frac{16}{21}$ 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 2014 the ESOT held 2,068,308 shares (2013 2,275,765 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 (2013 5,725,246) at a total cost of £91.7 million (2013 £91.7 million).

31 Tax effects relating to other comprehensive income

	2014			2013		
	Before tax £ million	Tax £ million	Net of tax £ million	Before tax restated £ million	Tax restated £ million	Net of tax restated £ million
Currency translation differences	**(95.3)**	**2.5**	**(92.8)**	22.0	–	22.0
Cash flow hedges	**9.3**	**(2.2)**	**7.1**	(15.6)	3.4	(12.2)
Fair value gains / (losses) on net investment hedges	**9.7**	**–**	**9.7**	(4.3)	–	(4.3)
Fair value loss on available-for-sale investments	**(0.4)**	**–**	**(0.4)**	(0.3)	–	(0.3)
Remeasurements of post-employment benefit assets and liabilities	**43.5**	**(19.3)**	**24.2**	(91.9)	20.9	(71.0)
Total other comprehensive (expense) / income	**(33.2)**	**(19.0)**	**(52.2)**	(90.1)	24.3	(65.8)

Notes on the Accounts

for the year ended 31st March 2014

32 Other reserves

32a Group

	Capital redemption reserve £ million	Foreign currency translation restated £ million	Available-for-sale reserve £ million	Hedging reserve £ million	Total other reserves restated £ million
At 1st April 2012	6.5	32.2	–	4.3	43.0
Cash flow hedges – losses taken to equity	–	–	–	(7.9)	(7.9)
Cash flow hedges – transferred to income statement	–	–	–	(7.7)	(7.7)
Fair value losses on net investment hedges taken to equity	–	(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 taken to equity	–	21.3	–	–	21.3
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 (restated)	6.5	49.9	(0.3)	(7.9)	48.2
Cash flow hedges – gains taken to equity	–	–	–	8.8	8.8
Cash flow hedges – transferred to income statement	–	–	–	0.5	0.5
Fair value gains on net investment hedges taken to equity	–	9.7	–	–	9.7
Fair value losses on available-for-sale investments	–	–	(0.4)	–	(0.4)
Currency translation differences on foreign currency net investments and related loans taken to equity	–	(95.0)	–	–	(95.0)
Tax on items taken directly to or transferred from equity	–	2.5	–	(2.2)	0.3
At 31st March 2014	**6.5**	**(32.9)**	**(0.7)**	**(0.8)**	**(27.9)**

32b Parent company

	Capital redemption reserve £ million	Foreign currency translation £ million	Hedging reserve £ million	Total other reserves £ million
At 1st April 2012	6.5	(3.9)	4.2	6.8
Cash flow hedges – losses taken to equity	–	–	(5.9)	(5.9)
Cash flow hedges – transferred to income statement	–	–	(6.7)	(6.7)
Currency translation differences on foreign operations taken to equity	–	(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)
Cash flow hedges – gains taken to equity	–	–	4.3	4.3
Cash flow hedges – transferred to income statement	–	–	1.6	1.6
Currency translation differences on foreign operations taken to equity	–	0.5	–	0.5
Tax on items taken directly to or transferred from equity	–	–	(1.2)	(1.2)
At 31st March 2014	**6.5**	**(4.0)**	**(0.9)**	**1.6**

Notes on the Accounts

for the year ended 31st March 2014

33 Gross cash flows

33a Purchases of non-current assets and investments

	Group		Parent company	
	2014 £ million	2013 restated £ million	2014 £ million	2013 £ million
Purchases of property, plant and equipment	**205.5**	173.4	**50.6**	42.3
Purchases of intangible assets	**8.0**	9.7	**2.2**	2.4
Funding of new subsidiaries	**–**	–	**–**	65.2
Purchases of available-for-sale investments	**0.2**	50.3	**–**	–
	213.7	233.4	**52.8**	109.9

33b Purchases of businesses

	Group		Parent company	
	2014 £ million	2013 £ million	2014 £ million	2013 £ million
Purchases of businesses	**9.5**	156.3	**8.1**	–
Purchase of non-controlling interest	**–**	1.2	**–**	–
Cash acquired with businesses	**–**	(7.4)	**–**	–
Consideration refunded for prior years' acquisitions	**(1.5)**	(1.1)	**–**	–
Consideration paid for prior years' acquisitions	**–**	0.6	**–**	–
	8.0	149.6	**8.1**	–

33c Net cost of ESOT transactions in own shares

	Group		Parent company	
	2014 £ million	2013 £ million	2014 £ million	2013 £ million
Purchase of own shares by ESOT	**(22.2)**	(29.3)	**(22.2)**	(29.3)
Release of own shares by ESOT	**2.9**	5.4	**2.9**	5.4
	(19.3)	(23.9)	**(19.3)**	(23.9)

33d Proceeds from borrowings and finance leases

	Group		Parent company	
	2014 £ million	2013 £ million	2014 £ million	2013 £ million
Proceeds from borrowings falling due within one year	**34.7**	59.7	**–**	50.1
Repayment of borrowings falling due within one year	**(257.0)**	(47.7)	**(254.6)**	(40.0)
Proceeds from borrowings falling due after more than one year	**301.5**	268.5	**301.5**	268.5
Capital element of finance lease rental payments	**(0.4)**	(0.3)	**(0.3)**	(0.3)
	78.8	280.2	**46.6**	278.3

34 Cash and cash equivalents

	Group		Parent company	
	2014 £ million	2013 restated £ million	2014 £ million	2013 £ million
Cash and deposits	**221.8**	69.6	**181.4**	6.0
Bank overdrafts	**(39.2)**	(48.2)	**(35.7)**	(59.7)
Cash and cash equivalents	**182.6**	21.4	**145.7**	(53.7)

Notes on the Accounts

for the year ended 31st March 2014

35 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 2014 precious metal leases were £55.7 million (2013 £96.8 million).

36 Commitments

	Group		Parent company	
	2014 £ million	2013 £ million	2014 £ million	2013 £ million
Future capital expenditure contracted but not provided	18.2	23.0	6.1	10.0
Future minimum amounts payable under non-cancellable operating leases				
Within one year	16.4	15.3	2.6	2.2
From one to five years	27.8	26.1	5.2	4.9
After five years	38.6	18.7	11.3	8.3
	82.8	60.1	19.1	15.4
Future minimum sublease payments expected to be received under non-cancellable operating leases	(0.1)	(0.2)	(0.1)	(0.2)
Future minimum amounts payable under finance leases				
Within one year	0.5	0.5	0.4	0.4
From one to five years	1.1	1.5	1.0	1.4
	1.6	2.0	1.4	1.8
Less future finance charges	(0.1)	(0.2)	(0.1)	(0.2)
Present value of finance lease obligations	1.5	1.8	1.3	1.6

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.

37 Transactions with related parties

Transactions between the parent company and its subsidiaries, which are related parties, have been eliminated on consolidation and so are only disclosed for the parent company's accounts. The group's joint venture is a related party. Guarantees of subsidiaries' borrowings are disclosed in note 27e.

	Group		Parent company	
	2014 £ million	2013 £ million	2014 £ million	2013 £ million
Trading transactions with joint venture				
Purchases of goods	0.3	0.2	0.3	0.2
Trading transactions with subsidiaries				
Sale of goods	–	–	2,778.6	2,562.0
Purchases of goods	–	–	382.9	378.2
Income from service charges	–	–	24.3	23.0
Amounts receivable from subsidiaries	–	–	187.1	168.6
Amounts payable to subsidiaries	–	–	29.0	15.6
Loans to subsidiaries	–	–	1,226.4	1,216.9
Loans from subsidiaries	–	–	1,355.1	1,316.0

The group's post-employment benefits plans are related parties and the group's and parent company's transactions with them are disclosed in note 14.

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

Notes on the Accounts

for the year ended 31st March 2014

38 Acquisitions

If all the acquisitions in the year had been completed on 1st April 2013 the revenue for the group would have been £11,155.8 million and its profit for the year £338.6 million.

On 16th August 2013 the group acquired the business of Biomedical Technologies, Inc. (BTI), a small niche life science company. Its acquisition should be an enabler for growing Research Chemicals' life science product range. The goodwill arising is attributable to opportunities expected by integrating BTI's product range into Research Chemicals' existing distribution network and utilising Research Chemicals' sales and marketing capability.

On 8th October 2013 the group acquired the ion exchange business of Purity Systems Incorporated (PSI). Its acquisition will enable the group to access novel silica / polymer composite resin technology. These resins can selectively remove and recycle base metals and other contaminant metals from industrial processes and effluent streams. The goodwill arising is attributable to synergies arising from the potential to apply the learning from this technology to other existing Johnson Matthey products to improve their manufacture and performance.

On 28th March 2014 the group acquired the vinyl chloride monomer (VCM) process technology and business from Jacobs Process BV. Through this acquisition the group now has full ownership of the technology and plans to develop an updated plant flowsheet which will enhance the group's opportunities in the growing market for VCM. The goodwill arising is attributable to these significant opportunities. As part of the transaction £0.8 million was paid in exchange for the vendor's commitment to provide professional services in the future. This has been excluded from the numbers below and accounted for as a prepayment.

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:

	BTI £ million	PSI £ million	VCM £ million
Net assets acquired			
Intangible assets	0.9	1.2	5.1
Inventories	–	0.1	–
Trade and other receivables	0.1	–	–
Provisions	–	(0.1)	–
Total net assets acquired	1.0	1.2	5.1
Goodwill on acquisition	0.5	0.3	2.4
	1.5	1.5	7.5
Satisfied by			
Purchase consideration – cash	1.4	0.6	7.5
Purchase consideration – deferred	0.1	0.9	–
	1.5	1.5	7.5
Acquisition-related costs charged to administrative expenses	0.1	0.1	0.1
Revenue since acquisition	0.3	0.1	–
Profit / (loss) since acquisition	0.1	(0.2)	–
Trade and other receivables – gross contractual amounts receivable	0.1	–	–

All the goodwill arising on acquisitions made in the year is expected to be deductible for tax purposes.

On 27th March 2013 the group acquired Formox AB, its Chinese subsidiary and its business in USA. At 31st March 2013 the fair value of the consideration and the fair value of the net assets acquired were provisional as the completion accounts had yet to be agreed with the vendor. During the year the completion accounts were agreed, £1.5 million refunded and the fair values finalised. This resulted in goodwill being reduced and inventories increased by £0.5 million.

Notes on the Accounts

for the year ended 31st March 2014

39 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 £571.0 million and the parent company has £113.3 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.

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 refining businesses alone process over four million oz of platinum group metals, over 15 million oz of gold and over 60 million oz of silver each year. The extent of process 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. Also 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 2014

40 Effect of restatements

The adoption of IFRS 10 – 'Consolidated Financial Statements', IFRS 11 – 'Joint Arrangements', IFRS 12 – 'Disclosure of Interests in Other Entities' and the revised IAS 27 – 'Separate Financial Statements' and IAS 28 – 'Investments in Associates and Joint Ventures' changes the definition of when the group controls another entity and, as a result, from 1st April 2013 one entity is accounted for as a joint venture rather than a subsidiary. The impact on the year ended 31st March 2014 was to decrease profit for the year by £0.5 million and decrease net assets and increase non-controlling interests by £3.2 million.

The revision to IAS 19 – 'Employee Benefits', which the group has adopted from 1st April 2013, removes the 'corridor approach' for recognising actuarial gains and losses and eliminates options for presenting gains and losses, neither of which have any effect on the group. 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 are no longer spread over the vesting period but are immediately expensed. The group has decided to include net interest on the net defined benefit liabilities in finance costs and reimbursement rights for the US post-retirement medical benefits plan in post-employment benefits net assets. The impact on the year ended 31st March 2014 was to increase operating profit by £2.6 million, increase finance costs by £10.5 million, decrease income tax expense by £2.3 million, increase the remeasurement gain by £8.6 million and increase the related tax charge by £2.2 million, decrease employee benefit obligations by £2.6 million and increase deferred tax liabilities by £0.6 million.

The restatements decrease the basic, diluted and underlying earnings per share for the year ended 31st March 2014 by 3.0 pence.

The effect on previously reported comparative amounts for key lines only was:

Year ended 31st March 2013	As previously reported £ million	IFRS 10 and IFRS 11 £ million	IAS 19 £ million	Acquisition adjustments (note 38) £ million	As restated £ million
Consolidated income statement					
Operating profit	380.5	–	1.3	–	381.8
Finance costs	(33.8)	–	(7.6)	–	(41.4)
Profit before tax	354.9	–	(6.3)	–	348.6
Income tax expense	(79.1)	–	1.6	–	(77.5)
Profit for the year	275.8	–	(4.7)	–	271.1
Basic earnings per share (pence)	134.6	–	(2.3)	–	132.3
Consolidated statement of total comprehensive income					
Remeasurements of post-employment benefits	(97.9)	–	6.0	–	(91.9)
Tax on above items	22.4	–	(1.5)	–	20.9
Currency translation differences	22.2	(0.3)	0.1	–	22.0
Total comprehensive income for the year	205.7	(0.3)	(0.1)	–	205.3
Consolidated balance sheet					
Total non-current assets	1,903.5	1.5	9.0	(0.5)	1,913.5
Total current assets	1,629.8	(5.4)	–	0.5	1,624.9
Total current liabilities	(1,193.3)	1.0	–	–	(1,192.3)
Deferred income tax liabilities	(56.5)	–	(0.8)	–	(57.3)
Employee benefit obligations	(247.9)	–	(6.9)	–	(254.8)
Net assets	1,392.5	(2.9)	1.3	–	1,390.9
Non-controlling interests	(1.4)	(2.9)	–	–	(4.3)
Consolidated cash flow statement					
Net cash flow from operating activities	396.1	0.5	–	–	396.6
Net cash outflow from investing activities	(382.4)	0.4	–	–	(382.0)
Decrease in cash and cash equivalents in the year	(83.4)	0.9	–	–	(82.5)

1st April 2012	As previously reported £ million	IFRS 10 and IFRS 11 £ million	IAS 19 £ million	As restated £ million
Consolidated balance sheet				
Total non-current assets	1,624.5	2.0	6.4	1,632.9
Total current assets	1,640.1	(5.8)	–	1,634.3
Total current liabilities	(944.5)	1.2	–	(943.3)
Deferred income tax liabilities	(53.4)	–	(0.9)	(54.3)
Employee benefit obligations	(171.4)	–	(4.1)	(175.5)
Net assets	1,531.8	(2.6)	1.4	1,530.6
Non-controlling interests	0.4	(2.6)	–	(2.2)

Notes on the Accounts

for the year ended 31st March 2014

41 Principal subsidiaries

The group's subsidiaries at 31st March 2014 whose results or financial position, in the opinion of the directors, principally affected the accounts 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
* Johnson Matthey Davy Technologies 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
Johnson Matthey Battery Systems Spólka z ograniczoną odpowiedzialnością	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. de R.L. 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
Johnson Matthey Process Technologies, 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 only

Opinions and conclusions arising from our audit

1 Our opinion on the accounts is unmodified

We have audited the accounts of Johnson Matthey Plc for the year ended 31st March 2014 set out on pages 130 to 176.

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 2014 and of the group's profit for the year then ended;
- the group accounts have been properly prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU);
- the parent company accounts have been properly prepared in accordance with IFRS as adopted by the EU; 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.

2 Our assessment of risks of material misstatement

In arriving at our audit opinion above on the accounts, the risks of material misstatement that had the greatest effect on our audit were as follows:

Refinery process and stock takes

Refer to page 100 (Audit Committee Report) and page 174 (financial disclosures).

The risk	Our response
The group refines a significant amount of metal as set out in note 39. The year end metal inventory quantity is determined from: assay estimates of the metal contained in the carrier material entering and refined metal leaving the refining process; and estimates of process losses, rolled forward from assay estimates of the metal content in the plants at the time of the annual stock takes which take place at different times earlier in the financial year. Further, in the main the plants process material on behalf of third parties whereby the group must return pre-agreed recoverable quantities of refined metal to those parties; under or over recoveries reduce or increase the group's own metal inventory. The group's year end inventory quantities are subject to a significant degree of estimation across both its own inventory and the material being processed for third parties, such that a small variation in estimates could have a material effect on the accounts.	We assessed through observation, interview and reperformance on a sample basis the adequacy of group controls over metal processing and inventory including physical security, metal receipt / dispatch, metal recording, assaying and stock takes. We attended physical stock takes to verify adherence to stock take processes. We sought to understand and corroborate the reasons for significant or unusual movements in inventory quantities between the accounting records and the physical stock takes. We evaluated the roll forward of inventory from the point of stock take to the year end to assess the potential for misstatement. We assessed provisions for inventory loss compared to historical trends and stock take results to assess the likelihood and quantum of processing loss (if any) of metal between the date of the stock take and the year end date. We also considered the adequacy of the group's disclosures about the degree of estimation involved in arriving at the measured inventory.

Carrying value of goodwill and other intangible assets

Refer to page 100 (Audit Committee Report), page 136 (accounting policy) and pages 155, 156 and 174 (financial disclosures).

The risk	Our response
The group has significant intangible assets arising from the acquisition of businesses and investments in new products and technologies. Some investments are still at an early stage of development and as such, carry a greater risk that they will not be commercially viable. Recoverability of these assets is based on forecasting and discounting future cash flows, which are inherently judgmental.	Our audit procedures included, among others, detailed testing of the directors' impairment assessment for each major asset. We obtained the discounted cash flow models and assessed the principles and integrity of each model. We critically assessed the group's valuation assumptions for its cash flow projections, with reference to internally and externally derived sources and taking into account the group's historical forecasting accuracy. We assessed the inputs based on our own insights and experience and also used our own valuation specialists in this evaluation. We considered the adequacy of the group's disclosures in respect of impairment testing and whether disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions properly reflected the risks inherent in the valuations.

Independent Auditor's Report

to the members of Johnson Matthey Public Limited Company only

Opinions and conclusions arising from our audit (continued)

2 Our assessment of risks of material misstatement (continued)

Post-employment benefits

Refer to page 101 (Audit Committee Report), page 138 (accounting policy) and pages 147 to 154 (financial disclosures).

The risk	Our response
Significant estimates are made in valuing the group's post-employment benefit plans. Small changes in assumptions and estimates used to value the group's net post-employment benefit liabilities would have a significant effect on the group's financial position.	Our procedures, among others, included challenging the key assumptions, being the discount rates, inflation rates and mortality / life expectancies supporting the group's post-employment benefit obligations valuations, with the support of our own actuarial specialists. This included a comparison of these key assumptions used against externally derived data. We have also assessed the adequacy of the group's disclosures in respect of post-employment benefits.

Taxation accounting

Refer to page 101 (Audit Committee Report), page 137 (accounting policy) and page 174 (financial disclosures).

The risk	Our response
The group operates in multiple jurisdictions governed by national tax laws and regulations and is required to estimate the tax effect of cross border transactions including transfer pricing arrangements. Where the precise impact of these laws and regulations on indirect taxes and the tax payable on profits arising in those jurisdictions is unclear, the group seeks to make reasonable estimates to determine the tax charge arising.	In this area our audit procedures included, among others, assessment of correspondence with the relevant tax authorities and the use of our own local and international tax specialists, who have knowledge of the relevant indirect and direct tax regimes and experience in their application, to analyse and challenge the assumptions used to determine the tax charge. We also assessed the adequacy of the group's disclosures in this regard.

3 Our application of materiality and an overview of the scope of our audit

The materiality for the group accounts was set at £20.5 million. This has been determined with reference to a benchmark of group profit before tax, which we consider to be one of the principal considerations for members of the company in assessing the financial performance of the group. Materiality represents 5% of group profit before tax as disclosed on the face of the consolidated income statement.

We agreed with the Audit Committee to report to it all corrected and uncorrected misstatements we identified through our audit with a value in excess of £0.5 million, in addition to other misstatements below that amount that we believe warranted reporting for qualitative reasons.

In establishing the overall approach to our audit, we considered the decentralised nature of the group's operations, the risk profile of countries where the group operates, our historical audit findings and changes taking place within the business. We also considered the financial significance and risks associated with each business together with any local statutory audit requirements.

Audits and specified procedures for group reporting purposes undertaken by the group team and component auditors, the most significant of which were in the UK, the US, Canada, Sweden, Germany, China, India, South Africa and Macedonia, covered 81% of group revenue, 90% of group profit before tax and 87% of group total assets. The audits of the operating businesses for group reporting purposes were performed to local materiality levels. These local materiality levels were set individually for each business and ranged from £0.1 million to £9.0 million.

KPMG is the local statutory auditor to many of the company's subsidiaries around the world performing work in addition to that required for group reporting purposes. These local statutory audits are performed to local audit standards, and sometimes to a different reporting period to the group. At businesses where KPMG does not perform audit work for group purposes we receive reports from local auditors on the results of their statutory audit work. This enables us to consider whether there is a risk of significant misstatement to the group's results that could arise from these businesses. In total these statutory audits comprise 15% of group revenue; 5% of group profit before tax and 4% of group total assets.

Detailed audit instructions were sent to all auditors of operating businesses. These instructions covered the significant audit areas that should be covered by these audits (which included the relevant risks of material misstatement detailed above) and set out the information required to be reported back to the group audit team.

The group audit team follows a programme of site visits that is designed so that senior team members visit the group's key operations and local auditors on a rotational basis. In addition to these visits, telephone and video conferences are held with component auditors at least once a year. For the year ended 31st March 2014, the group audit team visited operations in the UK, the US, Canada, Sweden, Germany, China, India and Macedonia.

Independent Auditor's Report

to the members of Johnson Matthey Public Limited Company only

Opinions and conclusions arising from our audit (continued)

4 Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

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 Strategic Report and Directors' Report for the financial year for which the accounts are prepared is consistent with the accounts.

5 We have nothing to report in respect of matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the accounts, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the directors' statement that they consider that the Annual Report and Accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's performance, business model and strategy; or
- the Audit Committee Report does not appropriately address matters communicated by us to the Audit Committee.

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 49, in relation to going concern; and
- the part of the corporate governance statement in the Corporate Governance Report on page 85 relating to the company's compliance with the nine provisions of the UK Corporate Governance Code (2010) specified for our review.

We have nothing to report in respect of the above responsibilities.

Scope of report and responsibilities

As explained more fully in the directors' responsibilities statement on page 127, the directors are responsible for the preparation of the accounts and for being satisfied that they give a true and fair view. 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. This report is made solely to the company's members as a body and subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2013a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

Stephen Oxley (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London E14 5GL

4th June 2014