Annual Report & Accounts

2009

Johnson Matthey

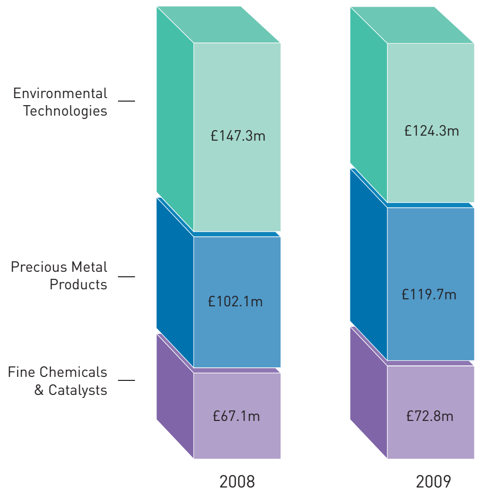
FINANCIAL HIGHLIGHTS – 2009

Johnson Matthey performed well in 2008/09 with sales, underlying profit before tax and underlying earnings per share slightly ahead of last year despite very difficult market conditions in the second half of the year.

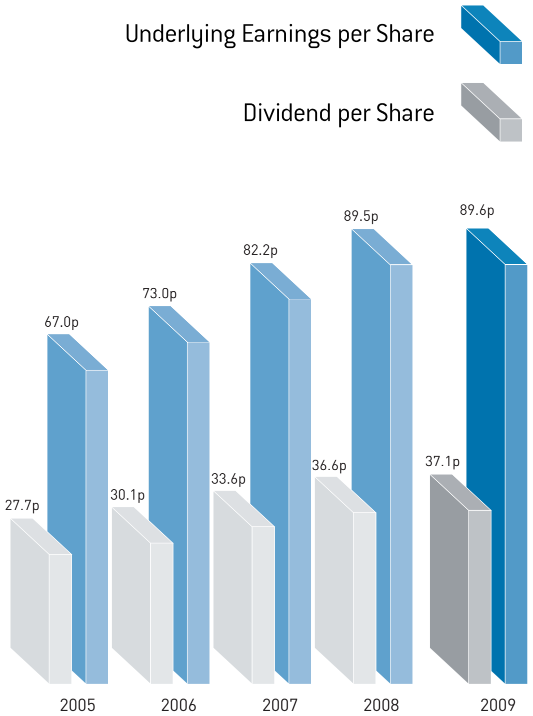
	Year to 31st March 2009	2008	% change
Revenue	**£7,848m**	£7,499m	+5
Sales excluding precious metals	**£1,797m**	£1,750m	+3
Profit before tax	**£249.4m**	£262.3m	-5
Total earnings per share	**82.6p**	88.5p	-7
Underlying*:			
Profit before tax	**£267.9m**	£265.4m	+1
Earnings per share	**89.6p**	89.5p	–
Dividend per share	**37.1p**	36.6p	+1

* Before amortisation of acquired intangibles, restructuring charges and profit on disposal of businesses.

Divisional Operating Profit[1]

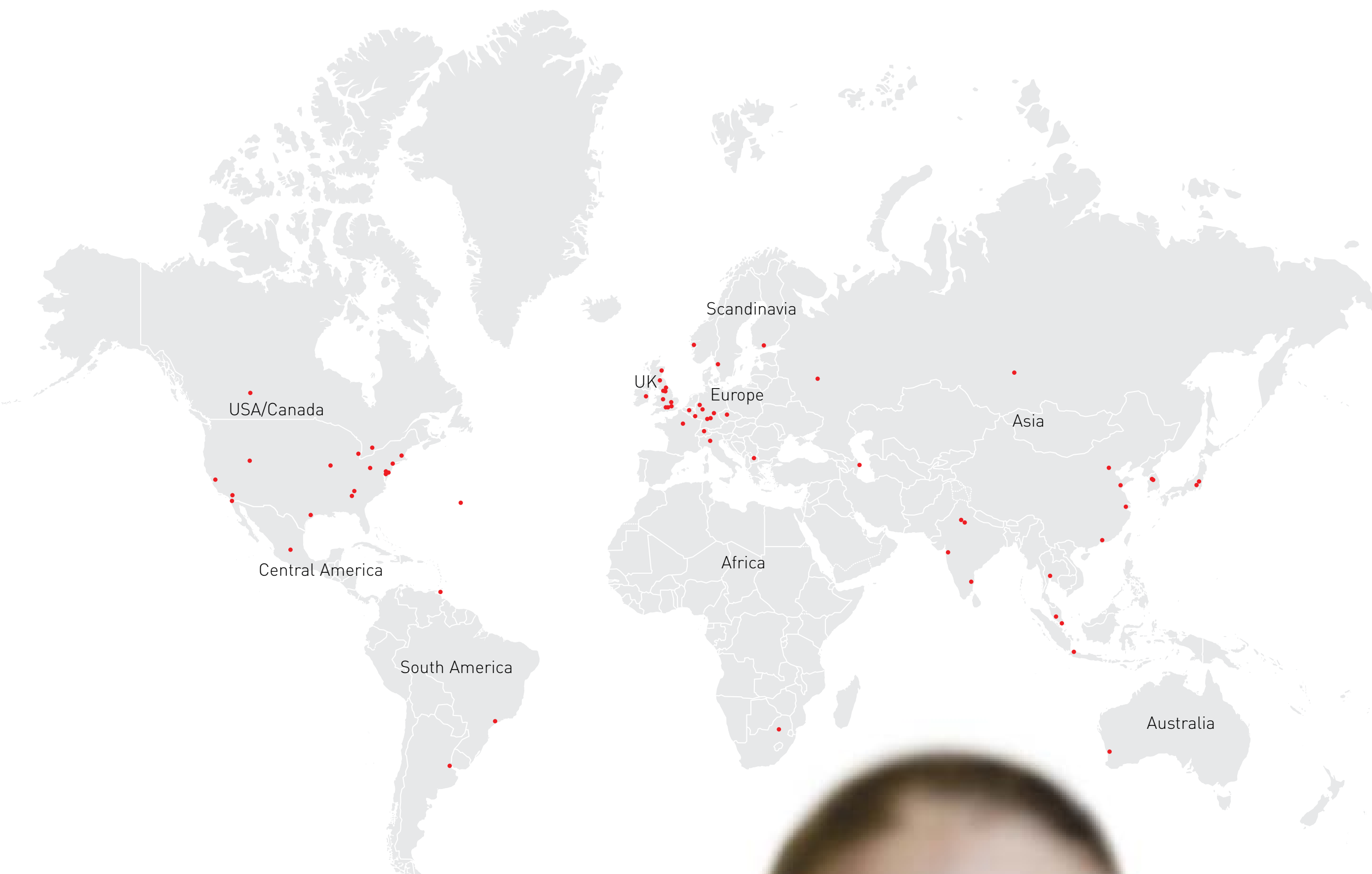


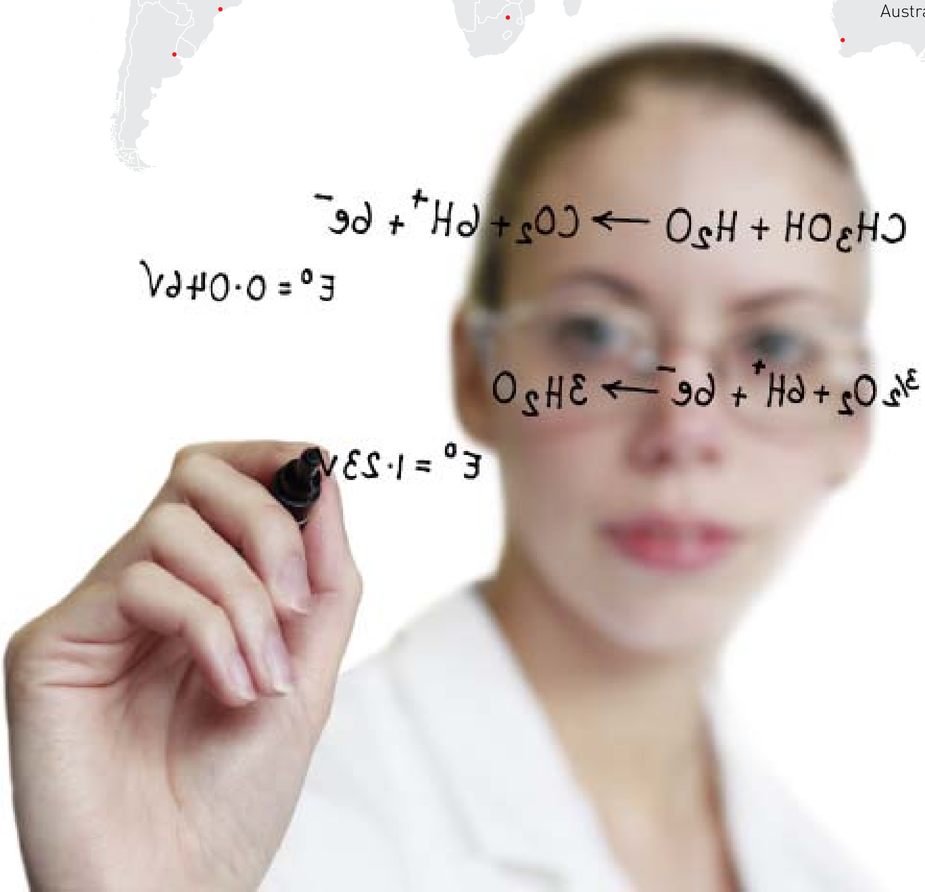
[1] Before amortisation of acquired intangibles and restructuring charges.



THE GROUP AT A GLANCE

Johnson Matthey is a speciality chemicals company and a world leader in advanced materials technology. The group focuses on its core skills in catalysis, precious metals, fine chemicals and process technology, developing products that enhance the quality of life for millions of people around the world. The group has operations in over 30 countries and employs around 8,500 people. Johnson Matthey's operations are organised into three global divisions: Environmental Technologies, Precious Metal Products and Fine Chemicals & Catalysts.





Johnson Matthey

Environmental Technologies

Emission Control Technologies

Process Technologies

Fuel Cells

Environmental Technologies Division is a global supplier of catalysts and related technologies for applications which benefit the environment such as pollution control, cleaner fuel, more efficient use of hydrocarbons and the hydrogen economy.

Revenue	**£2,226m**
Sales excluding precious metals	**£1,135m**

Precious Metal Products

Platinum Marketing and Distribution

Noble Metals

Pgm Refining and Recycling

Colour Technologies

Gold and Silver

Johnson Matthey has a longstanding international reputation as a leader in the application of precious metals. Precious Metal Products Division is at the heart of these activities focused on the marketing, distribution, fabrication, refining and recycling of precious metals and their products.

Revenue	**£5,016m**
Sales excluding precious metals	**£314m**

Fine Chemicals & Catalysts

Catalysts and Chemicals

Macfarlan Smith

Pharmaceutical Materials and Services

Research Chemicals

Fine Chemicals & Catalysts Division is a global supplier of fine chemicals, catalysts and other speciality chemical products and services to a wide range of chemical and pharmaceutical industry customers and research institutes.

Revenue	**£606m**
Sales excluding precious metals	**£347m**

CONTENTS

Our 2009 Annual Report & Accounts is divided into three sections...

1. **Report of the Directors:** this section contains the Business Review summarising the group's activities, strategy and performance during the year. It also contains information on the group's corporate governance.
2. **Accounts:** this section includes the consolidated and parent company accounts and related notes, as well as the responsibility of directors' statement and auditors' report.
3. **Other Information:** this section provides further information for shareholders, a glossary and an index to help the reader locate information in the relevant sections.

Cautionary Statement

The Business Review and certain other sections of this Annual Report contain forward looking statements that are subject to risk factors associated with, amongst other things, the economic and business circumstances occurring from time to time in the countries and sectors in which the group operates. It is believed that the expectations reflected in these statements are reasonable but they may be affected by a wide range of variables which could cause actual results to differ materially from those currently anticipated.

CHAIRMAN'S STATEMENT

Sir John Banham
Chairman

I am pleased to report that Johnson Matthey performed well in the financial year 2008/09 despite the extremely difficult economic conditions that prevailed throughout the second half of the year. Following a very strong first half we felt the full force of the economic downturn that followed on from the severe problems in the global banking system, the resulting credit crunch and collapse in consumer confidence. The effect of the crisis on the automotive industry, particularly in the North American and European markets, was especially severe and resulted in quite unprecedented declines in vehicle production during our second half. The results achieved by Johnson Matthey in this environment are a great tribute to the strength of your company and the ability of its management team, which was able to take rapid action to reduce costs and adapt to quickly changing market conditions.

The drivers of our business, particularly those concerned with protecting the environment and improving energy security, remain firmly in place. Our commitment to investing in R&D remains as strong as ever as it provides the products and technologies that are vital if we are to maintain our world leading market positions and continue to grow our global businesses. Looking forward, your board will continue to support investment in new products to ensure the continued growth of the Johnson Matthey group and progress towards achieving the board's main objective, that of delivering superior value to its shareholders.

Our non-executive directors play a vital role in the governance of your company. Johnson Matthey is extremely fortunate to benefit from the knowledge and many years of experience of its strong team of independent directors. On 31st March 2009, Ian Strachan retired from the board after just over seven years service as a non-executive director of Johnson Matthey. Since joining the board in January 2002, Ian has made an invaluable contribution to the strategic development of the company. We are very fortunate to have had the benefit of his vast experience of UK and international business and we will miss his strong contribution to the work of the board. On behalf of all of us at Johnson Matthey, I would like to thank Ian for the important contribution that he has made to the success of the company and to wish him all the very best for the future.

Sir Thomas Harris joined the board as a non-executive director of the company with effect from 1st April 2009. Sir Thomas is currently Vice Chairman of Standard Chartered Capital Markets Ltd, a non-executive director of Biocompatibles International plc and SC First Bank (Korea), a director of IFSL and a Trustee of Asia House. Further biographical details of Sir Thomas Harris are presented in the Board of Directors information on page 39 of this Annual Report.

At the end of February the company announced that David Morgan, Executive Director, Group Corporate Development, had decided to stand down from the board at this year's Annual General Meeting and will be leaving the company. At the beginning of April it was announced that Dr Pelham Hawker, Executive Director, Process Technologies and Fine Chemicals & Catalysts, had decided to retire. He will also stand down from the board at the Annual General Meeting and leave the company.

David Morgan has been with Johnson Matthey for over 20 years, joining the company as a Division Finance Director in 1988. He has been a member of the board for almost ten years. As our executive director with responsibility for corporate development and legal and secretarial affairs, David played a leading role in the divestments and acquisitions that refocused the group on its core skills in catalysis, precious metals, fine chemicals and process technology.

Pelham Hawker has been with the company for 24 years, joining as Research & Development Manager in 1985. He has been a board member for almost six years. Throughout his long and distinguished career with Johnson Matthey, Pelham has been closely involved in all of our catalysts businesses and has played a leading role in their development. He was appointed to the board as Executive Director, Environmental Catalysts and Technologies in 2003 and in 2004 was appointed Executive Director, Process Catalysts and Technologies. He assumed additional responsibility for Pharmaceutical Materials Division in 2006 and has run our Fine Chemicals & Catalysts Division since it was created in 2007.

Both David and Pelham have made enormous contributions to the success of Johnson Matthey and on behalf of you all, shareholders and colleagues alike, I would like to thank them both for their hard work and dedication over many years of service and to wish Pelham a very happy retirement and David well in all of his future endeavours.

At the time that we announced Pelham Hawker's retirement we also announced the appointment of Bill Sandford as an executive director of the company. Bill has been with Johnson Matthey for 32 years and is currently Division Director, Precious Metal Products. He will join the board with effect from the end of the company's Annual General Meeting on 21st July 2009. We also announced that Larry Pentz had been appointed Executive Director, Environmental Technologies. The group's Emission Control Technologies, Process Technologies and Fuel Cells businesses now all report to Larry.

Finally, in February we announced the appointment later this year of Robert MacLeod as an executive director and Group Finance Director designate. Robert MacLeod, who is currently Group Finance Director of WS Atkins plc, will join the board with effect from 22nd June 2009. He will take over the role of Group Finance Director from John Sheldrick when he retires later this year.

The dedication, professionalism and enthusiasm of our employees at every level of the company never fails to impress me. On your behalf, I would like to thank all of our employees around the world for their contribution to the success of the company during a very challenging year.

In conclusion, Johnson Matthey remains in good shape and continues to make progress towards delivering superior shareholder value. Despite the current downturn in many of the world's economies, the global drivers for our business remain very much in place.

Sir John Banham
Chairman

CHIEF EXECUTIVE'S STATEMENT

Neil Carson
Chief Executive

Johnson Matthey performed well in 2008/09, which was very much a year of two halves. A record first half performance was followed by very difficult market conditions in the second half of the year, especially for our Emission Control Technologies business which was impacted by the effects of the credit crunch and collapse in consumer confidence on automotive markets, particularly in North America and Europe. Our non-automotive businesses however, held up well. For the year as a whole, revenue rose by 5% to £7.8 billion and sales excluding precious metals were up 3% at £1.8 billion. Profit before tax, amortisation of acquired intangibles and restructuring charges was up 1% at £267.9 million.

From 1st April 2009 we have transferred our Catalysts and Chemicals business, which makes precious metal and some base metal catalysts and precious metal chemicals, into our Precious Metal Products Division. Going forward, the Fine Chemicals businesses, comprising of our Macfarlan Smith, Pharmaceutical Materials and Services and Research Chemicals businesses, will be reported as Fine Chemicals Division.

A key element of our strategy has been to maintain a strong balance sheet to ensure that we have sufficient funds to support our investment in R&D and fund organic growth. This has put us in a good position to face the current economic downturn. Our investment in R&D is the foundation of our high technology business and we will continue to increase this investment to ensure that we have the products to maintain and grow our world leading market positions. At the same time we are taking continued action to cut costs in all of our businesses and are maintaining a sharp focus on generating cash.

In 2009/10 we plan to reduce our capital expenditure to around 1.2 times depreciation. We will however, continue to pursue opportunities for growth, for example in manufacturing catalysts for NOx control on coal fired power stations in China.

Despite the difficult market conditions that we currently face, the medium to long term prospects for our businesses continue to hold a great deal of promise. The legislative drivers of our business remain firmly in place and the world continues to focus on protecting the environment, improving efficiency and on enhancing energy security, all areas where we have key enabling technologies. We are also well positioned to grow in Asia, the one part of the world where national economies are expected to be least impacted by the current global downturn. Over the last few years we have been investing in infrastructure and building our market shares in Asia. Our businesses in the region, particularly in China, have achieved good growth. All of our divisions now have a well established presence in the key Chinese and Indian markets to serve growing local demand for our high technology products.

Sustainability

Sustainability is also a key element of our strategy for the future growth of our business. Today a significant proportion of our profits are generated from products that benefit the environment and we are world leaders in this field. It is now almost 18 months since we launched Sustainability 2017, a long term vision for the whole group which sets our direction and aspirations to become a more sustainable business in the future. We have set challenging targets to at least double our earnings per share, achieve carbon neutrality, eliminate waste to landfill and halve the key resources we use per unit of output by 2017. We have now established our benchmark position and have started to measure our progress. We have been working hard to embed sustainability into the company's culture and all of our businesses have set their own annual sustainability plans which align with the group goals.

There is tremendous enthusiasm and commitment for sustainability among our employees. All across the group, individuals and teams are focusing on improving the resource efficiency of our own operations and on designing new and improved products that help our customers to be more sustainable and competitive. This approach not only ensures we become more careful with the way we use the world's resources and enhances our manufacturing processes, but at the same time it is saving us money today and is also driving the development of new environmental technologies to support the future growth of our business. Such efforts are even more important in the challenging market conditions that we currently face. Further details of our progress towards Sustainability 2017 are summarised on pages 29 to 37 and are presented in full in the group's Sustainability Report which will be published on our website in July.

Outlook

The credit crunch and global recession have significantly reduced demand in a number of Johnson Matthey's markets. Demand for automotive products has been particularly badly affected and so far we have seen no signs of improvement. Prices of platinum group metals are also well down on their peaks reached in the early part of 2008/09.

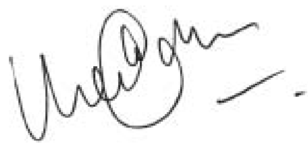
Against this background we expect Johnson Matthey's profit in the first half of 2009/10 will be lower than in the same period in 2008/09, when the group achieved strong growth and record profits. Emission Control Technologies' sales excluding precious metals fell by 26% in the second half of 2008/09 on a constant currency basis and have continued at that level into the first quarter of 2009/10. Despite good demand for Process Technologies' products, if current market conditions continue we would expect Environmental Technologies Division's operating profit will be significantly lower than in the first half of 2008/09.

Precious Metal Products Division achieved very strong results in the first half of 2008/09, boosted by record platinum group metal prices and good growth in the manufacturing businesses. The platinum price in the first two months of the current financial year has averaged $1,153/oz which is well below the same period last year. In addition, demand for platinum refining and recycling, which contributed approximately 15% of the division's profits in 2008/09, is much weaker. Although some of Precious Metal Products' businesses, such as gold refining, continue to enjoy good demand, overall the division is also expected to be down in the first half of the year.

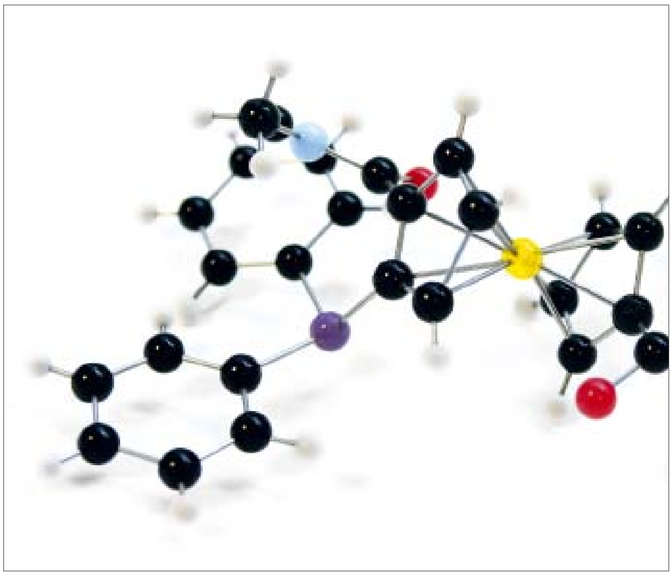
The one area where we expect to see some growth in operating profit in the first six months of 2009/10 is Fine Chemicals Division, where demand is less affected by the recession and we should get a boost from additional income on the generic version of ADDERALL XR® which was launched in April 2009.

The outlook for the second six months is more difficult to predict, given the current economic uncertainty. However, if conditions do start to improve we would expect the group to return to growth in the second half of 2009/10.

Looking beyond 2009/10, prospects for Johnson Matthey's businesses remain encouraging with emissions legislation already in place which will drive demand for new catalysts. New regulations for heavy duty diesel emissions in North America will come into force from 1st January 2010, which will increase the number of catalysts sold per vehicle. In the European Union, new regulations will apply from January 2011 which will mean that all new diesel cars sold will need to be fitted with diesel particulate filters to reduce particulate emissions. In China, regulations on reducing harmful NOx emissions from power stations are anticipated to start in 2011, while energy security and environmental concerns continue to underpin demand for syngas catalysts and purification materials. Despite the economic slowdown, we are continuing to increase our investment in research and development to develop new catalyst products and technologies for the future. Johnson Matthey has a strong balance sheet and is well placed to benefit from any recovery in global activity.



Neil Carson
Chief Executive



– Research and development at Davy Process Technology, Stockton-on-Tees, UK.

– Manufacturing plate catalysts at Redwitz, Germany.

– Chiral ligands are developed by our Catalysts and Chemicals business.

– Decorative precious metals, colours and enamels produced by our Colour Technologies business.

– Fuel cell component manufacturing at our Swindon, UK facility.

BUSINESS REVIEW

Group Activities

Johnson Matthey is a global speciality chemicals company. We serve our customer base from operations in over 30 countries and employ around 8,500 people worldwide. The group is organised into three global divisions: Environmental Technologies; Precious Metal Products and Fine Chemicals & Catalysts.

Environmental Technologies is a global supplier of catalysts and related technologies for applications which benefit the environment such as pollution control, cleaner fuel, more efficient use of hydrocarbons and the hydrogen economy. The division comprises three businesses:

- Emission Control Technologies is a global leader in catalytic systems for emissions control from vehicles and industrial processes.
- Process Technologies serves the world's chemical, oil, gas and refining industries. It manufactures catalysts, provides specialist services and designs and licenses chemical processes.
- Johnson Matthey Fuel Cells develops and manufactures catalysts and catalysed components for a wide range of clean energy fuel cell systems.

Precious Metal Products' activities comprise the marketing, distribution, refining and recycling of platinum group metals, fabrication of products using precious metals and related materials, and refining of gold and silver.

Fine Chemicals & Catalysts is a global supplier of fine chemicals, catalysts and other speciality chemical products and services to a wide range of chemical and pharmaceutical industry customers and research institutes.

Strategy and Objectives

Johnson Matthey's strategic intent is to achieve consistent growth in earnings by concentrating on the development of high added value products and services in areas where our expertise provides a competitive edge, particularly in catalysis, precious metals, fine chemicals and process technology.

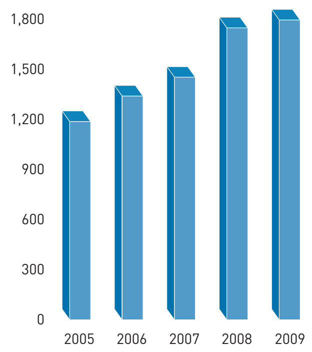
The group's financial objectives are:

- To continue to achieve consistent and above average growth in underlying earnings per share.
- To grow dividends in line with underlying earnings while maintaining dividend cover at about two and a half times to ensure sufficient funds are retained to support organic growth. Dividend cover may vary from the long term target to enable the group to maintain dividends at a consistent level.
- To deliver a return on investment above the group's cost of capital. We estimate Johnson Matthey's post tax cost of capital is currently about 8.2% (11.5% pre-tax). In addition we have a long run pre-tax target rate for the group of 20%.

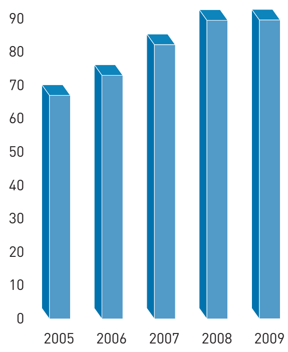
The board's strategies to achieve these financial objectives are:

- Focus the business on the group's core skills in catalysis, precious metals, fine chemicals and process technology.
- Position the group in growth markets where our core skills are applicable. Catalysis is a key technology in many developing markets for the 21st century, particularly those concerned with protecting the environment such as in emission control, cleaner fuel, more efficient use of hydrocarbons and the hydrogen economy. Environmental Technologies Division, which combines our skills in catalysts and process technology, is well positioned to serve these emerging markets. Catalysis is also important in the manufacture of fine chemicals where Johnson Matthey has a number of strong niche market positions. Johnson Matthey's expertise and international strength in precious metals, particularly platinum group metals, was the starting point for many of our businesses. The market for platinum has grown steadily for many decades and demand is expected to grow significantly over the next ten years.
- Differentiate ourselves by using our world class technology. We will continue to invest significantly in research and development to develop new products and manufacturing processes. Technology is the key driver for most of our businesses and Johnson Matthey has a strong science base with technical centres located in all our major markets.
- Maintain strong relationships with our major customers, suppliers, government bodies and other stakeholders by investing resources on joint projects to ensure the group is well positioned for future market development.
- Continue to invest in Johnson Matthey's employees to ensure they are well trained, motivated and encouraged to meet the challenges of the future.
- Ensure the business is run in a sustainable way by using resources efficiently, minimising waste in our manufacturing processes and designing new products that help our customers to be more sustainable and competitive.

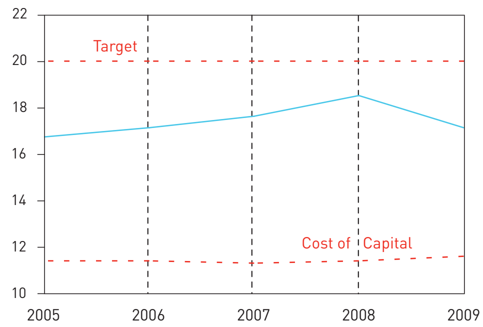
Sales Excluding Precious Metals
£ million



Underlying Earnings per Share
Pence



Return on Invested Capital
%



Key Performance Indicators

The group uses a range of key performance indicators (KPIs) to monitor performance over time in line with the financial objectives and strategy summarised in the previous section. The principal KPIs, together with the group's performance against them in 2008/09, are described below:

Financial

Underlying earnings per share growth and return on invested capital are two of the principal financial KPIs we use to measure the group's performance. In calculating these measures we exclude the following items which can distort the trend in measuring results:

- Amortisation of intangible assets arising on acquisition of businesses (acquired intangibles).
- Major restructuring or impairment charges.
- Profits and losses on disposal of businesses.
- Major tax items arising from changes in legislation.

In 2008/09 three items were excluded in arriving at underlying earnings per share: a £9.1 million charge for amortisation of acquired intangibles (mainly arising as a result of the acquisition of Argillon Group in February 2008); a £9.4 million restructuring charge for the cost of closing our fine chemicals facility in Ireland; and a £1.2 million profit in discontinued businesses arising mainly as a result of the disposal of our Insulators and Alumina businesses (see note 41 on page 103). Underlying earnings per share for the group in 2008/09 were 89.6 pence, 0.1 pence up on 2007/08. Total earnings per share were 82.6 pence, 7% below 2007/08. Over the five years from 2004/05, underlying earnings per share have grown at a compound annual rate of 7.5% p.a. The group's five year financial record is shown on page 106.

The board is recommending an unchanged final dividend for 2008/09 of 26.0 pence. The interim dividend was increased by 5% to 11.1 pence. The total dividend for the year is 37.1 pence which is an increase of 1% over 2007/08, slightly above the rate of growth of underlying earnings per share. Over the five years from 2004/05, dividends have grown at a compound annual rate of 7.6% p.a.

We define return on invested capital (ROIC) for the group as underlying operating profit (before amortisation of acquired intangibles and restructuring charges) divided by average capital employed (equity plus net debt). ROIC for individual divisions is calculated using average segment assets minus average segment liabilities as the denominator.

Over the five years to 2007/08 we made steady progress in increasing the group's ROIC towards our long term target of 20%. In 2007/08 the return reached 18.5%. The global downturn in the second half of 2008/09, which led to sharply reduced sales of automotive catalysts, caused our ROIC for the year to fall by 1.4% to 17.1%. The group's ROIC for 2008/09 was still well ahead of our long run cost of capital, which we estimate to be 11.5% on a pre-tax basis. Divisional returns are discussed on page 13.

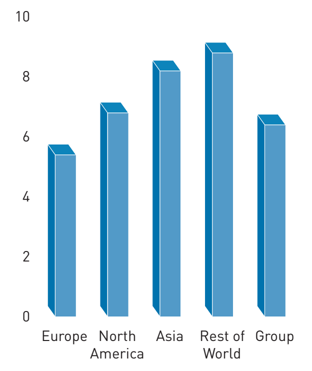
In measuring sales growth and return on sales we focus on sales excluding the value of precious metals. Total revenue can be distorted by trading activity as well as fluctuations in precious metal prices and does not provide a good guide to underlying growth or profitability. In 2008/09 both revenue (£7.8 billion) and sales excluding precious metals (£1.8 billion) grew at similar rates (5% and 3% respectively). Over five years sales excluding precious metals have grown by 11% p.a.

Johnson Matthey is a global business with operations in many countries around the world which report in different currencies. We report sales and operating profit translated both at actual exchange rates and at constant rates (translating last year's results at this year's rates) to measure underlying growth. We also monitor several key cash flow and capital ratios both for the group and individual divisions. More details of financial KPIs are given in the Financial Review on pages 10 to 14 and Operations on pages 17 to 23.

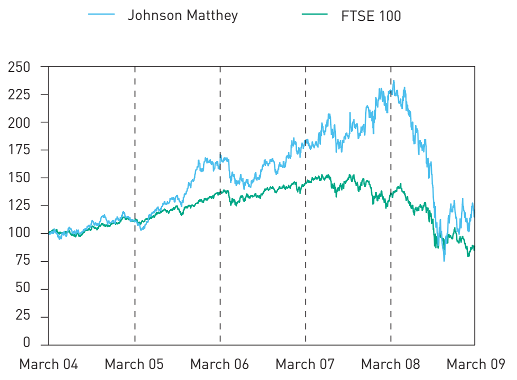
Voluntary Employee Turnover by Region

For 2008/09 (continuing businesses)

%



Johnson Matthey Share Price Five Year Performance versus FTSE 100



Market Shares

One measure we use to monitor the commercial performance of our businesses is market share. We aim to achieve a leading position (usually number one or two) in the global markets in which we operate. In Emission Control Technologies we estimate we have a 31% share of the available market (excluding in house manufacture by car companies) for light duty catalysts. Our two major competitors have similar shares with the remaining 5% of the market supplied by smaller competitors (mainly in China). In the new market for heavy duty diesel catalysts to original equipment manufacturers Johnson Matthey is the market leader with a share in excess of 45%.

The market for sales of platinum group metals (pgms) to end customers is more fragmented and precise shares are more difficult to estimate. Johnson Matthey is the global market leader. We are also the leader in fabricated pgm products for the industrial market with a worldwide share of about a third.

In Process Technologies and Fine Chemicals & Catalysts we sell a wide range of products into niche markets. Johnson Matthey is the market leader in syngas catalysts used in the manufacture of ammonia, methanol and hydrogen from hydrocarbon feedstocks. We are also the leader in the available market for catalysts used in pharmaceutical production.

Sustainability

Johnson Matthey is committed to running its business in a sustainable way. The group's Sustainability 2017 Vision, launched in December 2007, outlines the targets that we have set and states that by 2017 we aim to:

- At least double earnings per share.
- Achieve carbon neutrality.
- Achieve zero waste to landfill.
- Halve the key resources we use per unit of output.

We have identified KPIs to measure the group's performance, taking data from our 2006/07 reporting cycle as the baseline year. Since 2006/07 our underlying earnings per share have increased by 9% from 82.2 pence to 89.6 pence. Growth has been held back by the impact of the global recession but the medium term outlook remains encouraging. Progress towards achieving carbon neutrality is measured according to the group's total global warming potential which has fallen from 386,074 tonnes CO_2 equivalent in calendar year 2006 to 370,787 tonnes in 2008/09. In working towards our target of zero waste to landfill, we have reduced the amount of waste sent to landfill by 67% from 16,555 tonnes in calendar year 2006 to 5,535 tonnes in 2008/09. To meet our target of halving the key resources we use per unit of output we have identified the three resources which are most significant to the majority of our facilities worldwide; electricity, natural gas and water. Since 2006, electricity consumption has reduced by 8%, natural gas consumption has increased by 5% and water use is up 2%. Further details on these targets, our measures of performance and the plans we are making to achieve them are summarised on pages 29 to 37 and set out in full in our Sustainability Report at www.matthey.com.

We measure sustainability performance according to five elements: financial; governance; social (including employees and community investment); health and safety; and environment. Within these areas, in addition to our Sustainability 2017 metrics, we set targets and measure performance against a range of indicators. These include employee related data, such as voluntary staff turnover, accident statistics (the group has a target of zero greater than three day accidents) and emissions. A number of these KPIs and our performance against them are summarised on pages 29 to 37. Full details of all Johnson Matthey's sustainability related KPIs and our performance are presented in the Sustainability Report.

John Sheldrick
Group Finance Director

Financial Review

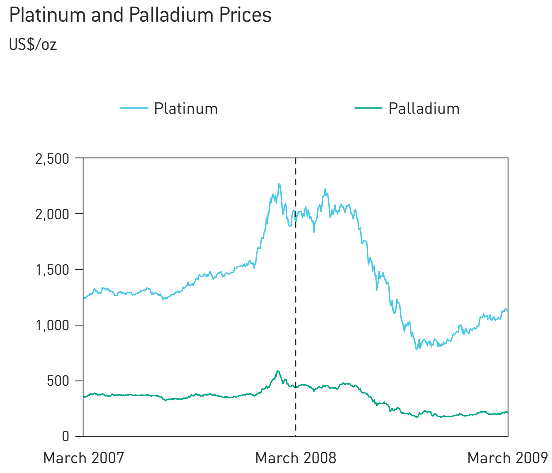
Introduction

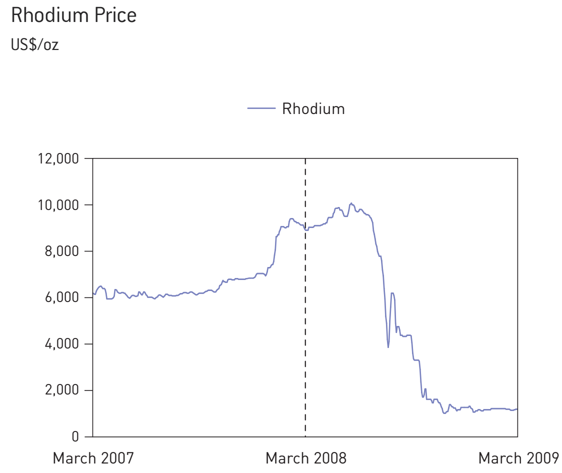
In the financial year to 31st March 2009, Johnson Matthey's revenue rose by 5% to £7.8 billion and sales excluding the value of precious metals increased by 3% to £1.8 billion. Underlying profit before tax (before amortisation of acquired intangibles and restructuring charges) was up 1% at £267.9 million. Underlying earnings per share increased by 0.1 pence to 89.6 pence.

Market conditions changed significantly during the year. In the first six months revenue increased by 24% and underlying profit before tax rose by 20%. Environmental Technologies Division and Precious Metal Products Division both achieved double digit growth in sales and operating profit. Although the recession had already started in North America, global car production for the first six months was unchanged from the same period in 2007/08. Emission Control Technologies, which supplies catalysts to the automotive market, performed well with growth in new products and a good contribution from Argillon, which was acquired in February 2008. Prices for platinum group metals were also very strong in the early part of the year, with platinum averaging $1,795/oz for the six months to 30th September 2008.

In the late summer and early autumn of 2008 car sales in many of the world's major economies fell dramatically and have remained low since then. Global car production in the second half of Johnson Matthey's financial year was 26% down on the same period in 2007/08. With car producers taking action to reduce stocks, sales of autocatalysts fell by more than 30%. Platinum group metal prices were also significantly lower with platinum averaging $952/oz for the six months to 31st March 2009.

Not all of Johnson Matthey's businesses experienced lower demand in the second half. Process Technologies in particular achieved good growth. Although the oil price has fallen substantially from its peak, concerns over energy security and environmental issues continued to drive demand for syngas catalysts and purification products. The group's reported results have also benefited from sterling's weakness, particularly against the US dollar which averaged $1.50/£ in the second half compared with $1.93/£ in the first half.





In response to deteriorating conditions in the automotive market, our Emission Control Technologies business took early action to reduce costs. Total headcount for the business was reduced by 13% compared with 31st March 2008. Long term savings of £10 million p.a. were secured by increased production efficiency and reduced distribution costs. We have increased our focus on cash, with the group generating £96.8 million of net cash flow in the year and net debt reduced by £76.0 million, despite the effect of exchange translation on foreign currency borrowings. The group's balance sheet is strong with gearing (net debt / equity) falling to 45% at 31st March 2009.

Sales

Revenue for the year ended 31st March 2009 increased by 5% to £7.8 billion, with 24% growth in the first half of the year followed by a 12% decline in the second half. Platinum group metal prices, which had reached record levels in the first quarter of the year, fell sharply in the summer of 2008 which reduced revenue in the second half of the year. Sales excluding the value of precious metals rose by 3% to £1,797 million. Once again, all the growth came in the first half of the year when sales were 10% ahead, followed by a 4% drop in the second half. The fall reflected substantially lower autocatalyst demand from October 2008 onwards, partly offset by good sales of non-automotive products. Translated at constant exchange rates, revenue for the year fell by 2% and sales excluding precious metals were 5% lower.

Environmental Technologies Division's revenue fell by 3% to £2.2 billion and sales excluding precious metals were £4.4 million down at £1,135 million. Translated at constant exchange rates, sales excluding precious metals fell by 7%. Emission Control Technologies' (ECT's) sales excluding precious metals were 26% down at constant exchange rates in the second half, having been 8% up on the same basis in the first six months, as a result of the sharp fall in automotive demand in the second half of the year. By contrast, Process Technologies achieved good growth throughout the year with sales 8% up on a constant currency basis. The Ammonia, Methanol, Oil and Gas (AMOG) business was well ahead of last year with continued strong demand for catalysts and purification materials for industries where hydrogen or synthesis gas are key intermediates.

Precious Metal Products Division's revenue increased by 7% to £5.0 billion, boosted by higher prices for platinum group metals (pgms) in the first half of the year. Sales excluding the value of precious metals were 2% up at £314 million benefiting from favourable exchange translation. At constant currency rates sales excluding precious metals fell by 8% with demand for products sold to the automotive industry declining in the second half. Fine Chemicals & Catalysts Division achieved good growth in reported sales, largely as a result of favourable exchange translation. Many of the division's businesses are located outside the UK, particularly in the USA, and sales reported in sterling benefited from currency movements. Revenue increased by 16% to £606 million and sales excluding precious metals rose by 15% to £347 million. Translated at constant exchange rates, revenue grew by 2% and sales excluding precious metals increased by 3%.

Operating Profit

Underlying operating profit (before amortisation of acquired intangibles and restructuring charges) was 1% higher than last year at £298.5 million. Exchange translation was favourable with sterling falling significantly against most major currencies. Translated at constant rates underlying operating profit would have been 7% down on last year. Amortisation of acquired intangibles increased from £3.1 million in 2007/08 to £9.1 million in 2008/09 of which £7.8 million related to Argillon. In March 2009 we announced the closure of our fine chemical facility in Ireland to consolidate manufacturing of prostaglandin products at our facility in the USA. The closure gave rise to a restructuring charge of £9.4 million in this year's accounts.

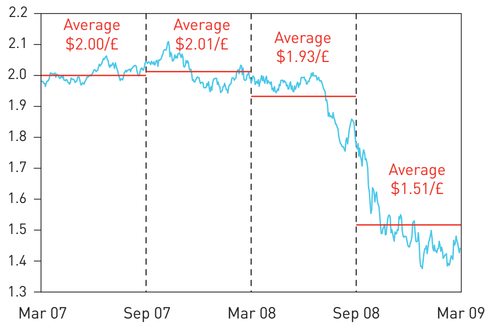
Underlying Operating Profit

(before amortisation of acquired intangibles and restructuring charges)

	Year to 31st March 2009 £ million	2008 £ million	change %	2008 at 2009 exchange rates £ million	change %
Environmental Technologies	**124.3**	147.3	-16	158.7	-22
Precious Metal Products	**119.7**	102.1	+17	109.7	+9
Fine Chemicals & Catalysts	**72.8**	67.1	+8	73.6	-1
Corporate	**(18.3)**	(19.7)		(20.0)	
Operating profit	**298.5**	296.8	+1	322.0	-7

US Dollar Exchange Rates

$/£



Environmental Technologies Division's underlying operating profit was 16% down at £124.3 million. On a constant currency basis the division was 22% below prior year. Emission Control Technologies' operating profit fell sharply in the second half of the year as car manufacturers reduced their purchases of autocatalysts in response to the global fall in car sales. The division took action to reduce costs which benefited operating profit. Process Technologies achieved good growth in operating profit with increased sales of catalysts and purification materials.

Precious Metal Products Division's operating profit rose by 17% to £119.7 million. At constant exchange rates the operating profit was 9% up with all the growth achieved in the first half of the year. The platinum price averaged over $2,000/oz in the first quarter and then fell back in the second quarter in volatile trading conditions. Our Platinum Marketing and Distribution business achieved strong growth in the first half of the year in these favourable conditions.

Fine Chemicals & Catalysts' underlying operating profit increased by 8% to £72.8 million as a result of favourable exchange translation. On a constant currency basis underlying operating profit was 1% down on 2007/08. The Fine Chemicals businesses achieved good growth in the year but Catalysts and Chemicals was down on a constant currency basis. More details of the performance of the individual divisions are set out on pages 17 to 23.

Exchange Rates

The main impact of exchange rate movements on the group's results comes from the translation of foreign subsidiaries' profits into sterling. Sterling weakened significantly against most major currencies in 2008/09, with much of the decline occurring in the third quarter of the year.

Around a quarter of the group's profits are made in North America, mainly in the USA. The average rate for the US dollar for the year was $1.719/£ compared with $2.007/£ for 2007/08. Each one cent change in the average rate for the dollar has approximately a £0.4 million effect on underlying operating profit in a full year. The fall of 29 cents in the average exchange rate for the dollar in 2008/09 increased reported group underlying operating profit for the year by £12.0 million. Sterling also fell against the euro averaging €1.205/£ compared with €1.417/£ in 2007/08, which increased reported underlying operating profit by £6.4 million. Sterling strengthened against the South African rand, from R14.3/£ to R15.0/£. However, the catalysts manufactured by our South African business are ultimately for export and the benefit of a weaker rand on margins more than offsets the translational effect.

Overall, excluding the rand, exchange translation increased the group's underlying operating profit by £25.2 million compared with 2007/08. Most of the group's long term borrowings are denominated in US dollars or euros. Sterling's fall increased reported borrowings by over £100 million and increased interest by around £5 million.

Return on Sales

We measure return on sales as underlying operating profit divided by sales excluding precious metals. Return on sales for the group fell by 0.4% to 16.6% with the ratio improving in Precious Metal Products Division but declining in the other two divisions. The rise in return on sales in Precious Metal Products Division was the result of the very strong performance by our Platinum Marketing and Distribution business in the first half.

Environmental Technologies Division's return on sales for the year fell by 2.0% to 10.9%. All of the decline occurred in the second half of the year when the return fell to 8.6%. ECT remained profitable in both the third and fourth quarters thanks to early action to reduce costs, but return on sales fell. Process Technologies' return on sales in the second half was higher than the first with continued growth in sales.

The fall in the return for Fine Chemicals & Catalysts Division reflected the more difficult market conditions for the Catalysts and Chemicals business in the second half of the year. The Fine Chemicals businesses performed well with a return on sales of 23.0%.

Return on Sales excluding Precious Metals

	Sales excluding precious metals		Return on sales excluding precious metals[1]	
	2009	2008	**2009**	2008
	£ million	£ million	**%**	%
Environmental Technologies	**1,135**	1,140	**10.9**	12.9
Precious Metal Products	**314**	307	**38.1**	33.2
Fine Chemicals & Catalysts	**347**	303	**21.0**	22.1
Continuing businesses	**1,797**	1,750	**16.6**	17.0

[1] Underlying operating profit divided by sales excluding precious metals.

Return on Invested Capital

	Average invested capital[1]		Return on invested capital[2]	
	2009	2008	**2009**	2008
	£ million	£ million	**%**	%
Environmental Technologies	**1,186**	970	**10.5**	15.2
Precious Metal Products	**146**	188	**81.8**	54.3
Fine Chemicals & Catalysts	**516**	483	**14.1**	13.9
Corporate / other	**(107)**	(34)	**n/a**	n/a
Total group	**1,741**	1,607	**17.1**	18.5

[1] Average of opening and closing segment assets less segment liabilities as shown in note 1 on the accounts on pages 65 and 66. For the group, the average of opening and closing equity plus net debt.

[2] Underlying operating profit divided by average invested capital.

Return on Invested Capital

The group's return on invested capital (ROIC) fell by 1.4% to 17.1%. Underlying operating profit was £1.7 million ahead of last year at £298.5 million and average assets £134 million higher at £1,741 million as a result of exchange translation and the acquisition of Argillon in February 2008. The group's ROIC of 17.1% was still well ahead of our pre-tax cost of capital, which we estimate to be 11.5%.

Our long term group target for ROIC is 20% on a pre-tax basis. We had been making good progress towards that target with steady improvements over the last five years to reach 18.5% last year (page 106). The global recession has significantly reduced demand in a number of our businesses, particularly those which sell into the automotive market, and we now have spare capacity. The medium term outlook for the group remains encouraging with growth in catalyst demand underpinned by new emissions legislation which is already in place. Once global activity starts to recover the group's ROIC should improve again as capacity utilisation increases.

Precious Metal Products Division and Fine Chemicals & Catalysts Division both improved their ROICs and were above the group's pre-tax cost of capital of 11.5% in 2008/09. Environmental Technologies Division's ROIC fell to 10.5%, 1% below the group's cost of capital, as a result of the impact of the global recession in the second half of the year.

Interest

The group's net finance costs rose by £2.3 million to £32.6 million as a result of higher average borrowings for the year as a whole, partly offset by the benefit of lower interest rates in the second half of the year. A revised accounting standard, IAS 23, was adopted in January 2009 which requires interest on major projects to be capitalised. The effect of this new standard was to reduce the group's finance charge for the year by £1.6 million and increase capital expenditure by the same amount.

Average borrowings for the year as a whole increased compared with 2007/08 as a result of the acquisition of Argillon in February 2008. With strong cash generation and lower interest rates on floating rate borrowings, the finance charge for the second six months of 2008/09 fell to £14.3 million (excluding the benefit of capitalised interest on major projects) compared with £19.9 million in the first half.

Profit before Tax

Underlying profit before tax rose by 1% to £267.9 million. After amortisation of acquired intangibles and restructuring charges, profit before tax was 5% down at £249.4 million. Profit before tax included a £2.0 million profit from associates, compared with a £1.1 million loss in 2007/08. This relates to AGR Matthey, the Australian gold refining business in which the group has a 20% stake, which performed well in the year with good demand for gold refining. In 2007/08 AGR Matthey's results were adversely affected by additional costs to reorganise the business.

Taxation

The group's total tax charge for the year was £76.7 million, 1% lower than in 2007/08. Excluding tax relief on amortisation of acquired intangibles, the average tax rate for the continuing businesses was 29.6%, which was 0.2% higher than last year.

Tax paid was £85.3 million, which was £8.6 million higher than tax payable as a result of the timing of tax payments. In 2009/10 tax paid should be correspondingly lower. In addition we expect to benefit from a repayment of tax in the UK which partly arises from tax relief on exchange losses on the group's long term currency borrowings.

Earnings per Share

Underlying earnings per share increased by 0.1 pence to 89.6 pence. Total earnings per share were 82.6 pence, 7% below 2007/08, as a result of increased amortisation charges and the cost of closure of the facility in Ireland.

In November 2008 we announced the sale of the Insulators and Alumina businesses, acquired as part of the Argillon Group, for €21 million in cash plus a €2 million vendor loan note. The businesses had been classified as "assets held for sale" in last year's accounts. The sale resulted in a profit of £0.9 million in discontinued businesses, which is excluded from underlying earnings per share.

Dividend

The board is recommending to shareholders a final dividend of 26.0 pence (unchanged from 2008) making a total dividend for the year of 37.1 pence, an increase of 1%. Cover for 2008/09 would be 2.4 times. The overall percentage increase in the dividend for the full year is slightly greater than the growth in underlying earnings per share as a result of the 5% increase in the interim dividend.

Pensions

At 31st March 2009 the group's main UK pension scheme was in deficit by £45.2 million (94% funded) on an IFRS basis compared with a surplus of £65.1 million at 31st March 2008. The change mainly reflected the fall in asset values at 31st March 2009 compared with a year earlier, with equity investments in particular adversely affected by the global recession. The valuation was also adjusted for the latest information on mortality for the members of the scheme with expected longevity rates increasing.

Worldwide, including provisions for the group's post-retirement healthcare schemes, the group had a net deficit of £151.6 million on employee benefit obligations at 31st March 2009 compared with a surplus of £16.4 million at 31st March 2008. In 2009/10 we plan to make an additional payment of US $30 million into our US schemes to bring the funds closer to balance. The triennial revaluation of our main UK scheme is currently underway and it is likely that the company will need to increase its rate of contributions from 2010. In 2008/09 the company's contribution to the UK scheme was £22.1 million.

Cash Flow

The group achieved strong cash generation in 2008/09 with a net cash inflow of £96.8 million. After taking into account the impact of exchange translation on foreign currency borrowings the group's net debt fell by £76.0 million to £534.4 million. Included in cash flow under IFRS is the impact of swap transactions used to manage currency borrowings. If these are added to exchange translation the total translational effect of exchange rate movements on borrowings denominated in foreign currencies was over £110 million and cash generation more than £190 million.

Net cash flow from operating activities increased by £271.8 million to £501.4 million. In response to the fall in demand from the automotive sector and lower precious metal prices we were able to generate £204.2 million from reduced working capital. We invested £209.3 million in capital expenditure and other investments, which was 2.0 times depreciation. Major projects included the construction of the two new ECT facilities in Macedonia and western Pennsylvania, USA, and new production capacity at Clitheroe, UK to manufacture methanol synthesis catalysts. In November 2008 we completed the planned disposal of Argillon's Insulators and Alumina businesses for €21 million in cash plus a €2 million vendor loan note.

We plan to reduce capital expenditure to 1.2 times depreciation in 2009/10. Major projects will include completion of ECT's new facilities in Macedonia and western Pennsylvania and investment in China on manufacturing capacity for plate catalysts used for reducing harmful NOx emissions from power stations.

Capital Structure

In 2008/09 net debt fell by £76.0 million to £534.4 million and equity rose by £15.8 million to £1,176.1 million. Gearing (net debt / equity) fell by 7.2% to 45.4%. The group's target range for gearing is 50% to 60%. Given the current level of economic uncertainty and more difficult conditions in the credit markets the board is happy to keep gearing below the target range for the time being. Net debt / EBITDA for the year was 1.3 times and interest cover (underlying operating profit / net finance costs) was 9.2 times.

On 31st July 2008 we drew down a five year fixed rate loan of €125 million from the European Investment Bank (EIB) under a facility arranged earlier in the year. The facility is provided to support the group's investment in research and development. At 31st March 2009 the group had £609.1 million of debt in the form of long term bonds issued in the USA and loans from the EIB. Gross debt (net of related swaps) amounted to £649.6 million offset by £115.2 million of cash and deposits. The group also had £315.0 million of committed bank facilities which are individually negotiated and over half have expiry dates after 31st March 2011 (see note 29b on page 90). There were no drawings under these bank facilities at 31st March 2009.

Treasury Policies

Financial Risk Management and Treasury Policies

The group uses financial instruments, in particular forward currency contracts and currency swaps, to manage the financial risks associated with its underlying business activities and the financing of those activities. The group does not undertake any trading activity in financial instruments. Our treasury department is run as a service centre rather than a profit centre.

Interest Rate Risk

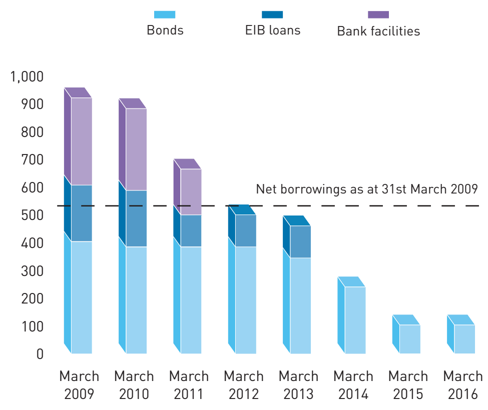
At 31st March 2009 the group had net borrowings of £534.4 million. Some 63% of this debt was at fixed rates with an average interest rate of 5.1%. The remaining 37% of the group's net borrowings was funded on a floating rate basis. A 1% change in all interest rates would have a 0.7% impact on underlying profit before tax. This is within the range the board regards as acceptable.

Borrowings

	31st March 2009 £ million	%	31st March 2008 £ million	%
Five to ten years	**242.6**	**37**	256.5	36
Two to five years	**268.5**	**41**	261.1	37
One to two years	**88.9**	**14**	72.9	10
Within one year	**49.6**	**8**	122.0	17
Gross borrowings (net of swaps)	**649.6**	**100**	712.5	100
Less: cash and deposits	**115.2**		102.1	
Net debt	**534.4**		610.4	

Maturity Profile of Debt Facilities

£ million



Foreign Currency Risk

Johnson Matthey's operations are located in over 30 countries, providing global coverage. The majority of its profits are earned outside the UK. In order to protect the group's sterling balance sheet and reduce cash flow risk the group has financed most of its investment in the USA, Europe and Japan by borrowing US dollars, euros and yen respectively. Although much of this funding is obtained by directly borrowing the relevant currency, a part is achieved through currency swaps which can be more efficient and reduce costs and credit exposure. The group uses forward exchange contracts to hedge foreign exchange exposures arising on forecast receipts and payments in foreign currencies. Currency options are occasionally used to hedge foreign exchange exposures, usually when the forecast receipt or payment amounts are uncertain. Details of the contracts outstanding on 31st March 2009 are shown on pages 89 and 90.

Precious Metal Prices

Fluctuations in precious metal prices can have a significant impact on Johnson Matthey's financial results. Our policy for all manufacturing businesses is to limit this exposure by hedging against future price changes where such hedging can be done at acceptable cost. The group does not take material exposures on metal trading.

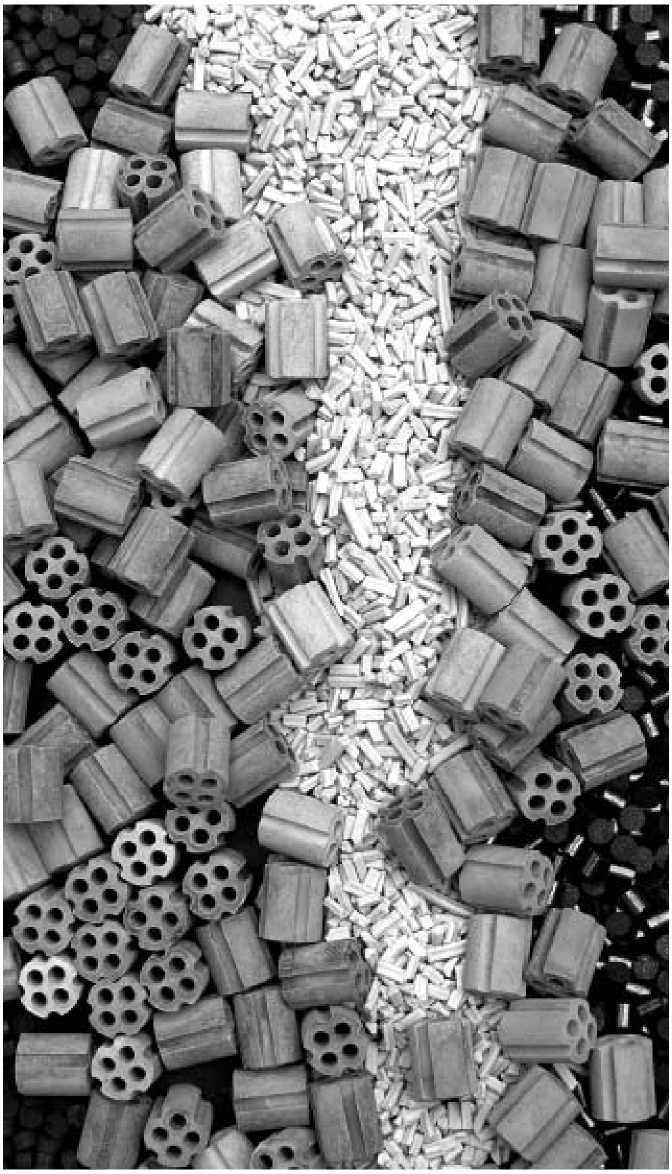
All the group's stocks of gold and silver are fully hedged by leasing or forward sales. Currently the majority of the group's platinum stocks are unhedged because of the lack of liquidity in the platinum market.

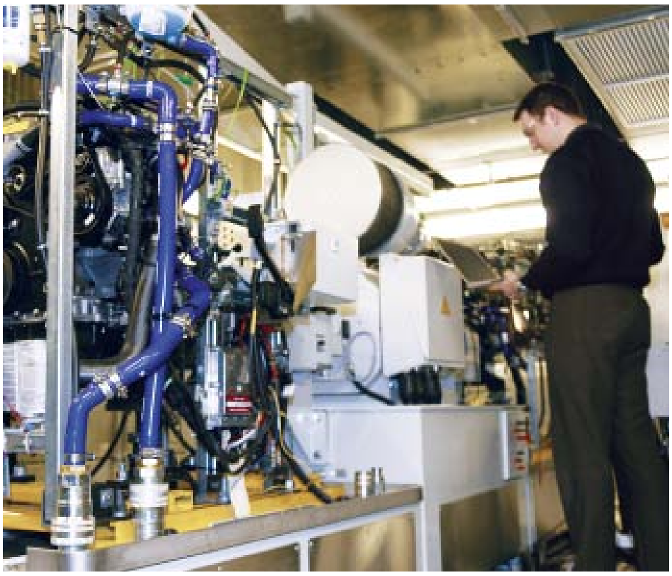
Liquidity and Going Concern

The group's policy on funding capacity is to ensure that we always have sufficient long term funding and committed bank facilities in place to meet foreseeable peak borrowing requirements. At 31st March 2009 the group had cash and deposits of £115.2 million and £315.0 million of undrawn committed bank facilities available to meet future funding requirements. The group also has a number of uncommitted facilities, including metal leases, and overdraft lines at its disposal.

Gross borrowings (net of related swaps) of £649.6 million at 31st March 2009 included £609.1 million of debt arranged under long term bond issues and long term funding from the European Investment Bank, of which only £19.0 million falls due to be repaid in the 15 months to 30th June 2010 (the going concern period). £265.0 million of the committed bank facilities have expiry dates after 30th June 2010. The maturity dates of the group's debt and borrowing facilities are illustrated in the table and chart above.

The directors have assessed the future funding requirements of the group and the company and compared it to the level of long term debt and committed bank facilities for the 15 months from the balance sheet date. The assessment included a sensitivity analysis on the key factors which could affect future cash flow and funding requirements. Having undertaken this work the directors are of the opinion that the group has adequate resources to fund its operations for the foreseeable future and so determine that it is appropriate to prepare the accounts on a going concern basis.





– Diesel particulate filter manufacturing at Germiston, South Africa.

– Medical products manufactured at our three sites in California, USA.

– Testing vehicle emission control catalysts at our European Technology Centre, Royston, UK.

– Extruded heavy duty diesel emission control catalysts manufactured at our facility in Redwitz, Germany.

– Process catalysts.

Operations – Environmental Technologies Division

	Year to 31st March 2009 £ million	2008 £ million	% change	% at constant rates
Revenue	**2,226**	2,290	-3	-9
Sales excluding precious metals	**1,135**	1,140	–	-7
Operating profit*	**124.3**	147.3	-16	-22

* before amortisation of acquired intangibles.

Description of the Business

Environmental Technologies Division is a global supplier of catalysts and related technologies for applications which benefit the environment such as pollution control, cleaner fuel, more efficient use of hydrocarbons and the hydrogen economy. The division consists of three global businesses:

Emission Control Technologies (ECT)
ECT comprises Johnson Matthey's global autocatalyst, heavy duty diesel and stationary emissions control businesses. We are a world leading manufacturer of catalysts for vehicle exhaust emission control and a leader in catalyst systems for the reduction of emissions from industrial processes. Manufacturing takes place in the UK, Germany, Belgium, Russia, USA, Mexico, Argentina, South Africa, Japan, Malaysia, India, China and South Korea. R&D facilities are in the USA, UK, Germany, Sweden, Japan, South Korea and Brazil.

Process Technologies
Process Technologies manufactures process catalysts for the syngas, methanol, ammonia, hydrogen, gas / coal to products, oil refineries and gas processing industries. Davy Process Technology develops chemical process technologies and licenses them to customers in the oil, gas and petrochemical industries. Our Tracerco business is an industrial leader in specialist technology for the diagnostics, measurement and analysis of process plant conditions across the hydrocarbon chain. Process Technologies is a global business with manufacturing sites in the UK, India and China, supported by several UK based technology centres and technical offices in key centres around the world.

Fuel Cells
Johnson Matthey is a world leader in catalysts and catalysed components for fuel cells.

Key Statistics

Return on sales excluding precious metals	10.9%
Return on invested capital (ROIC)	10.5%
Capital expenditure	£160.2m
Capex / depreciation	2.4 times
Average invested capital	£1,186m
Employees	4,623

Performance in 2008/09

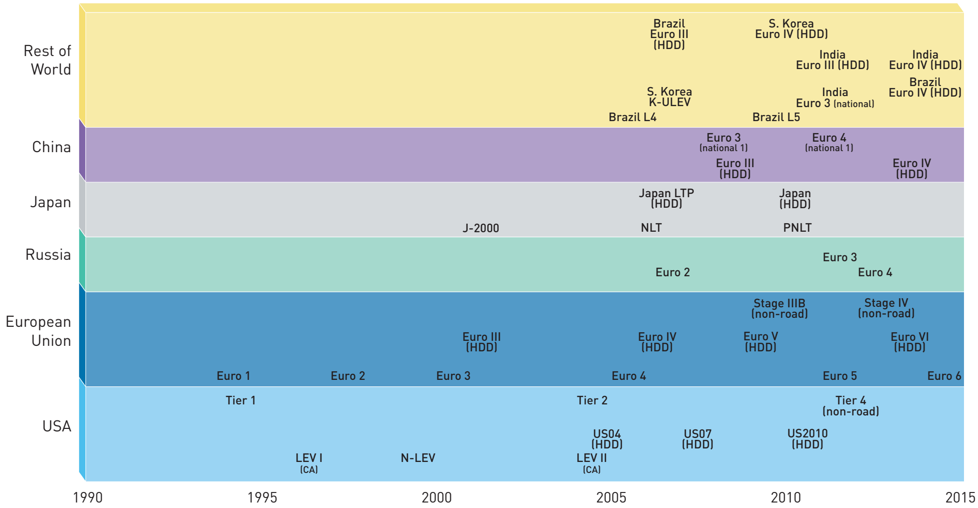
Environmental Technologies Division experienced mixed market conditions during the year. The division achieved good growth in the first half with both ECT and Process Technologies performing well. Demand for autocatalysts fell sharply in the second half of the year while demand for our other catalyst products and services remained strong. For the year as a whole, revenue fell by 3% to £2,226 million; sales excluding precious metals were £4.4 million down at £1,135 million; and underlying operating profit (before amortisation of acquired intangibles) fell by 16% to £124.3 million. Translated at constant exchange rates, sales excluding precious metals fell by 7% and underlying operating profit was 22% lower.

Emission Control Technologies

Emission Control Technologies' sales excluding precious metals fell by 3% to £872 million. Sales excluding precious metals grew by 10% in the first half of the year, followed by a drop of 16% in the second half. At constant exchange rates, sales excluding precious metals were 11% down for the year with 8% growth in the first half followed by a 26% decline in the second half.

In Johnson Matthey's financial year to 31st March 2009 global light duty vehicle sales fell by 12% to 60.3 million. Production declined by 13% with a small decrease in inventories. All of the reduction occurred in the second six months of the financial year when global car production fell by 26%. Johnson Matthey's sales volumes of autocatalysts fell by more than 30% in the second half of the year, which was greater than the fall in global car production as a result of car companies and exhaust system suppliers reducing inventories of catalysts.

Vehicle Emissions Legislation Timeline



Estimated Light Vehicle Sales and Production

		Year to 31st March 2009 millions	2008 millions	change %
North America	Sales	**14.4**	18.6	-22.6%
	Production	**10.8**	14.7	-26.5%
Total Europe	Sales	**19.1**	22.0	-13.2%
	Production	**18.9**	22.5	-16.0%
Asia	Sales	**16.7**	17.2	-2.9%
	Production	**25.8**	27.4	-5.8%
Global	Sales	**60.3**	68.5	-12.0%
	Production	**61.6**	71.1	-13.4%

Source: Global Insight

The decline in sales of diesel particulate filters (DPFs) was less than that for flow through catalysts. Around seven million diesel cars were sold in Western Europe last year of which about half were fitted with DPFs. Over the next 18 months the DPF market is set to double as all new diesel cars sold in the European Union will require fitment in January 2011.

In response to the fall in demand ECT increased its programme to reduce costs. Total headcount fell by 13%, the majority of whom were agency workers. Production efficiency has been improved with reject costs more than halved. Distribution costs per unit have also been reduced. On an annualised basis these latter two initiatives have reduced costs by £10 million at current volume levels.

Sales excluding precious metals of emission control catalysts to markets other than light duty vehicles grew by 10% on a constant currency basis. These products include heavy duty diesel (HDD) catalysts for trucks, buses and non-road vehicles, and stationary emissions control (SEC) systems for reducing emissions in a wide range of applications including power generation, industrial processes, coal power plants, marine and locomotives. Currently these applications account for 25% of ECT's sales excluding precious metals and are expected to grow significantly over the next few years despite the current economic recession. Growth in 2008/09 was mainly the result of a good contribution from Argillon which was acquired in February 2008.

Sales of trucks fell sharply in the second half of the year, particularly in Europe. We estimate the market for HDD catalysts was around US $600 million of sales excluding precious metals in calendar year 2008 with Johnson Matthey increasing its leading market share. Given current economic conditions it is difficult to predict truck sales in the future. Some governments in developing countries may slow down introduction of emissions legislation because of the lack of availability of low sulphur diesel fuel. However, based on existing legislation for on road and non-road vehicles and industry forecasts for truck sales, we still expect the market for HDD catalysts to quadruple by the end of 2014.

During the year we completed most of the construction of two new facilities, one in western Pennsylvania, USA, to manufacture the additional catalysts required to meet the new HDD legislation in North America which takes effect from 1st January 2010, and the other in Macedonia to manufacture catalysts for both light duty and heavy duty vehicles in Europe. Both of these facilities are expected to be operational by the autumn of 2009.

China is the world's largest producer and consumer of coal and more than 70% of the country's NOx emissions are generated by coal fired power plants. These harmful emissions result in high levels of ozone and acid rain. The State Environmental Protection Administration in China is expected to issue NOx control regulations that will come into effect in 2011. In advance of these regulations many new coal fired power plants have begun to purchase and install selective catalytic reduction (SCR) systems to control their NOx emissions. Our SEC business already sells plate catalysts manufactured in Redwitz, Germany to the Chinese market and we are constructing a new facility in Shanghai, China to manufacture these products locally to meet the rapid increase in demand in 2011.

Process Technologies

Process Technologies' sales excluding precious metals grew by 11%. Translated at constant exchange rates the growth was 8%. The Ammonia, Methanol, Oil and Gas (AMOG) business was well ahead of last year with continued strong demand for catalysts and purification materials for industries where hydrogen or synthesis gas are key intermediates.

– Air Products' industrial gas facility at Convent, Louisiana, USA.

Demand for methanol catalysts was strong in the second half of the year as a result of good catalyst sales for new projects. There is increasing global interest in methanol as an alternative fuel constituent, particularly in China, where a number of new methanol plants came on stream. Despite the fall in the oil price, demand for hydrogen catalysts was strong throughout the year. Hydrogen is an essential component in refinery desulphurisation processes and growing demand continues to be supported by legislation requiring low sulphur diesel, particularly in the developing world. In the coming decade increasingly stringent regulation of marine diesel is likely to further increase the requirement for fuel desulphurisation.

The Refineries and Purification business continued to grow well, with increasing demand for gas and liquid stream purification products in refineries and in primary gas production. Legislative and commercial concerns regarding impurities such as sulphur, chlorine and mercury continue to underpin growing demand for purification products.

Davy Process Technology (DPT) had another good year, securing licence and engineering sales for two oxo alcohol plants, a butanediol plant and a biodiesel plant. DPT was also successful in licensing four new methanol plants. Although new project activity around the world has reduced because of the global recession and the credit crunch, concerns over energy security continue to drive coal based projects in countries such as China which want to reduce their reliance on imported oil, and DPT has leading technology in this area.

At the end of the financial year, we were in the final stages of constructing a new world scale and class leading methanol synthesis catalyst facility at Clitheroe, UK. The new catalysts from this plant will build upon our long experience in methanol synthesis and will provide significant benefits to customers, enabling them to increase throughput and operational efficiency.

Process Technologies has also developed other technologies which have potential to lower energy use and reduce CO_2 emissions for our customers. Increased interest in coal to products and low carbon technologies provides additional support to long term growth.

Fuel Cells

The net expense of our Fuel Cells business continues to fall as demand for its products grows. In 2008/09 the net expense fell by £0.7 million to £5.7 million. As the early markets for fuel cells continue to develop there was growing demand for our range of customised membrane electrode assemblies from both existing and new customers.

The ease of deployment of direct methanol fuel cells (DMFC) has helped to grow sales of portable devices for leisure and military markets. Several companies are at an advanced stage in the development of DMFC battery rechargers that remove the dependence of batteries on mains charging.

We view the high profile announcements on support for electric vehicles by the US and UK governments as very positive for the future use of fuel cells in vehicles. Hybrid electric vehicles currently require an internal combustion engine (ICE) to recharge the battery or extend the battery range before mains recharging. Replacing the ICE with a more efficient fuel cell is straightforward and results in a completely zero emission vehicle.

Fuel cell systems using natural gas as a fuel have negligible environmental impact and enable the deployment of combined heat and power units in urban areas at the scale of a commercial building. This allows significant reductions in carbon emissions while providing other benefits such as backup power to offices, hotels and hospitals in a cost effective package. The use of fuel cells to provide power for the new Freedom Tower in New York is an example of the commercial development of this market and the substantial government support available in the USA for this technology should stimulate further demand for fuel cells.

Operations – Precious Metal Products Division

	Year to 31st March 2009 £ million	2008 £ million	% change	% at constant rates
Revenue	**5,016**	4,688	+7	–
Sales excluding precious metals	**314**	307	+2	-8
Operating profit	**119.7**	102.1	+17	+9

Description of the Business

Precious Metal Products Division is organised into five businesses:

Platinum Marketing and Distribution
The business consists of our worldwide platinum marketing and distribution activities. Marketing is headquartered in Royston, UK with support facilities in Philadelphia, USA and Hong Kong. We are the world's leading distributor of platinum group metals (pgms) and the sole marketing agent for Anglo Platinum, the world's largest producer of platinum.

Noble Metals
Noble Metals produces a wide range of precious metal and other fabricated products for industrial and medical applications. Johnson Matthey is the market leader in pgm fabricated products for industrial applications. Manufacturing takes place in the UK and USA.

Pgm Refining and Recycling
Our Pgm Refining and Recycling business includes the recovery of pgms from spent catalysts and other secondary materials and refining primary pgms from global mining operations. We have facilities in the UK and USA.

Colour Technologies
Headquartered in the Netherlands, our Colour Technologies business manufactures black obscuration enamels and silver conductive materials for automotive glass. It also makes colours, enamels and decorative precious metal products for other glass applications such as bottles and architectural glass as well as for tableware and other ceramic applications. Manufacturing takes place in the Netherlands, USA and South Korea.

Gold and Silver
Gold and Silver comprises our gold and silver refining and bullion manufacturing operations. The business serves the world's mining industries and recycles secondary scrap material. Gold and silver refining operations are located in the USA and Canada.

Key Statistics

Return on sales excluding precious metals	**38.1%**
Return on invested capital (ROIC)	**81.8%**
Capital expenditure	**£14.7m**
Capex / depreciation	**0.9 times**
Average invested capital	**£146m**
Employees	**1,895**

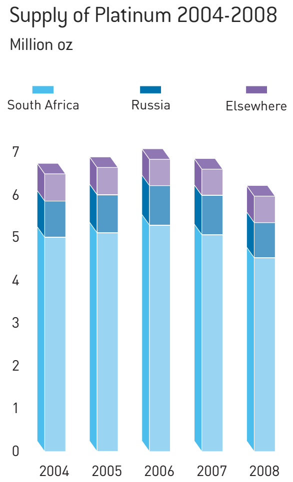
Performance in 2008/09

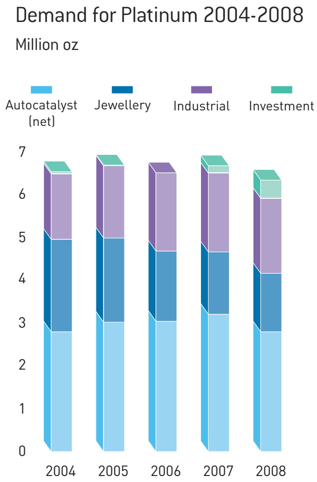
Precious Metal Products Division's revenue increased by 7% to £5,016 million, boosted by higher prices for platinum group metals in the first half of the year. Sales excluding the value of precious metals were 2% up at £314 million benefiting from favourable exchange translation. At constant currency rates sales excluding precious metals fell by 8% with demand for products sold to the automotive industry declining in the second half. Operating profit grew by 17% to £119.7 million. Translated at constant exchange rates operating profit grew by 9%, with all the growth in the first half of the year.

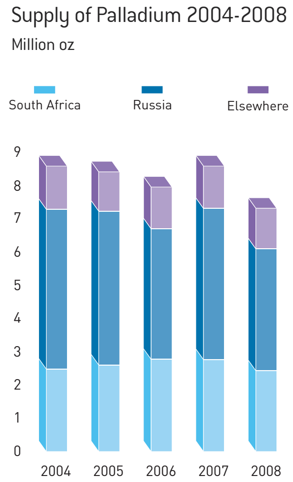
Platinum Marketing and Distribution

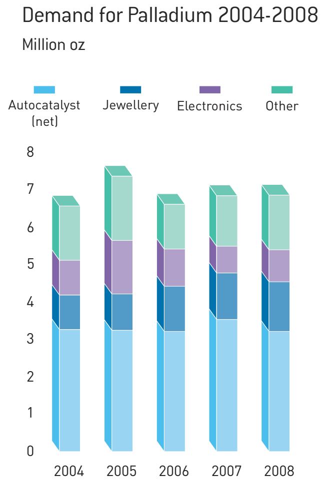
Profits in our Platinum Marketing and Distribution business increased in turbulent market conditions with very strong growth in the first six months of the year. Global demand for platinum fell by 5% in the calendar year 2008. Demand for platinum in autocatalysts decreased by 8%, depressed by the global slowdown in car production in the second half of the calendar year. Some support for demand came from rising car production in China and from tightening legislation in Europe which encouraged greater use of platinum rich particulate filters on passenger cars. Net demand from jewellery manufacturers also declined for the year as a whole as high platinum prices in the first half of the year encouraged the recycling of old jewellery. However, the much lower price of platinum in the second half of the year saw a significant recovery in jewellery demand, particularly in the key Chinese market.

Despite recent investment, mine supplies of platinum declined, with continuing production problems in South Africa affecting all the major producers. The fall in production outweighed the fall in demand, resulting in an increased supply / demand deficit.









The price of platinum declined rapidly in the first half of the financial year from near record levels in April 2008 to a low point in October when the price had more than halved. Fears of sharply falling demand as the global economy faced deep recession led to a widespread liquidation of commodities from which platinum was not excluded, in spite of a relatively favourable supply / demand balance. Platinum started the year at $2,192/oz in April, just below its record high, but averaged only $1,380/oz for the year as a whole.

Palladium demand increased slightly in calendar year 2008. Falling demand from the US autocatalyst market was broadly balanced by increases in other regions, particularly Asia. Demand from the jewellery sector increased as recycling of old stock diminished and investment demand from physically backed Exchange Traded Funds also increased. Palladium supplies fell by 15% as primary production and sales from Russian state stocks both declined. This resulted in a sharply reduced supply / demand surplus.

The palladium price reached its peak for the year in June at $475/oz, but could not escape from the general fall in prices that also overtook platinum. The average price for the year of $295/oz was 23% lower than in 2007/08.

The correction in the price of rhodium was even more dramatic, having reached a record price of $10,100/oz in June. Falling demand from the autocatalyst sector in the second half of the year seriously weakened the relatively small but volatile market for rhodium. By November the price had fallen below $1,000/oz, recovering slightly in the remainder of the year to average $4,851/oz for 2008/09 as a whole.

Noble Metals

Our Noble Metals business had a successful year. Demand for fabricated pgm products for industrial applications remained strong throughout most of the year, although our US operation's sales were slower in the final quarter. The market for catalysts to control emissions of nitrous oxide, a powerful greenhouse gas, grew quickly in 2008/09 and we were able to establish a market leading position. Further growth is expected in the coming year. Demand for medical products produced at our three sites in California, USA remained strong as our customers launched new products into the cardiovascular sector.

Pgm Refining and Recycling

Pgm Refining and Recycling generated good results during 2008/09 assisted by high pgm prices and strong intakes in the first half. However deliveries in the second half fell, particularly in the important autocatalyst scrap sector, due to lower metal prices and the knock-on effect from the slowdown in new car sales. Ongoing work on process improvements delivered further reductions in the amount of pgms held in the refining circuit. The business contributed around 15% of the division's operating profit in 2008/09 but is expected to be much weaker in 2009/10 if current market conditions continue.

Colour Technologies

Colour Technologies had a difficult year with a marked slowdown in activity in the second half. Demand from the automotive glass industry for obscuration enamels and conductive inks was well down. However, we maintained our reputation for product innovation by successfully commercialising a range of new products during the year. These included low bismuth enamels with very high chemical durability, new environmentally friendly decorative precious metal products for tableware applications and a range of fire retardant products for a newly developing market.

Gold and Silver

The division's Gold and Silver business enjoyed an excellent year as record gold prices boosted flows of secondary and primary materials for refining. Whilst revenue and profits were well ahead of previous year, the business was also able to improve metal throughput times which resulted in a significant reduction in metal holdings.

Operations – Fine Chemicals & Catalysts Division

	Year to 31st March 2009 £ million	2008 £ million	% change	% at constant rates
Revenue	**606**	521	+16	+2
Sales excluding precious metals	**347**	303	+15	+3
Operating profit*	**72.8**	67.1	+8	-1

* before restructuring charges.

Description of the Business

Fine Chemicals & Catalysts Division is a global supplier of fine chemicals, catalysts and other speciality chemical products and services to a wide range of chemical and pharmaceutical industry customers and research institutes.

Catalysts and Chemicals
The Catalysts and Chemicals business manufactures precious and base metal catalysts, fine chemicals and electrochemical products. The business sells its products to customers in the speciality chemical, pharmaceutical, fine chemical and other markets. Manufacturing takes place in the UK, USA, Germany, India and China.

Macfarlan Smith
Macfarlan Smith manufactures active pharmaceutical ingredients (APIs) and intermediate products for the pharmaceutical industry. The business specialises in APIs for controlled drugs, particularly opiate products. Most of Macfarlan Smith's customers are generic pharmaceutical companies. The business is headquartered in Edinburgh, UK.

Pharmaceutical Materials and Services
The Pharmaceutical Materials and Services business manufactures APIs and provides services to the pharmaceutical industry. The business specialises in the manufacture of platinum based anticancer APIs and controlled drugs and provides a full range of commercial scale manufacturing services for APIs to both generic and branded pharmaceutical companies. The business has operations in the USA and Ireland.

Research Chemicals
The Research Chemicals business is a globally integrated catalogue based supplier of speciality inorganic and organic chemicals. It operates under the Alfa Aesar brand name and is based in the UK, USA, Germany, China and India.

Key Statistics

Return on sales excluding precious metals	**21.0%**
Return on invested capital (ROIC)	**14.1%**
Capital expenditure	**£23.4m**
Capex / depreciation	**1.0 times**
Average invested capital	**£516m**
Employees	**1,689**

Performance in 2008/09

Fine Chemicals & Catalysts Division achieved good growth in reported sales, largely as a result of favourable exchange translation. Many of the division's businesses are located outside the UK, particularly in the USA, and sales reported in sterling benefited from currency movements. Revenue increased by 16% to £606 million, sales excluding precious metals rose by 15% to £347 million and operating profit grew by 8% to £72.8 million. Translated at constant exchange rates, sales excluding precious metals increased by 3% and operating profit fell by 1%.

The division's Fine Chemicals businesses (Macfarlan Smith, Pharmaceutical Materials and Services and Research Chemicals) achieved good growth in the year. These businesses contributed £220 million (36%) of the division's revenue; £215 million (62%) of sales excluding precious metals; and £49.5 million (68%) of operating profit (before restructuring charges).

From 1st April 2009, the remaining business in the division, Catalysts and Chemicals, has been transferred to Precious Metal Products Division. As a result, in the reported results for 2009/10 we will be showing Fine Chemicals as a separate segment and including the results of Catalysts and Chemicals within Precious Metal Products Division. Catalysts and Chemicals' revenue for 2008/09 was £386 million; sales excluding precious metals £132 million; and operating profit £23.3 million.

– Catalyst and chemical manufacturing in Shanghai, China.

– Researching the application of chiral technologies.

Catalysts and Chemicals

Catalysts and Chemicals achieved good growth in the first half of the year but sales fell in the second half as demand for some products declined in response to the global recession. Precious metal salts used in the manufacture of catalysts for the automotive industry were well down and sales of catalysts used in the manufacture of edible oils, which had enjoyed good sales growth in the first half, weakened in the second six months of the year. By contrast, sales of catalysts to the pharmaceutical industry were strong throughout the year with good demand for pgm based heterogeneous catalysts, palladium coupling catalysts and chiral ligands.

Our expansion of capacity in China for the manufacture of pgm based chemicals and catalysts became fully operational during the year, and additional capacity for sponge nickel catalysts for the local Chinese market will start production in the summer of 2009.

Macfarlan Smith

Macfarlan Smith's sales of opiate products were well up on last year with good demand for codeine phosphate. Sales of specialist opiates were also strong, particularly oxycodone. In the non-opiate sector, sales of galantamine showed good growth as a result of the launch of generic alternatives to Razadyne®. Manufacturing costs rose, particularly the cost of energy, which reduced return on sales, but operating profit was still comfortably ahead of last year.

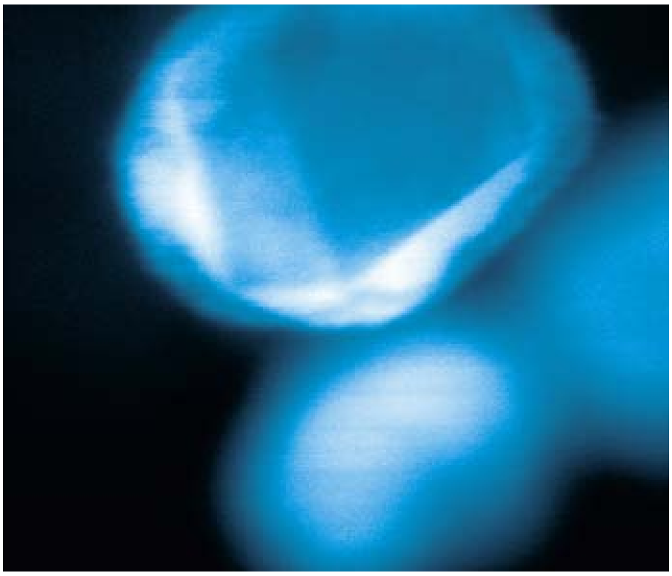
Pharmaceutical Materials and Services

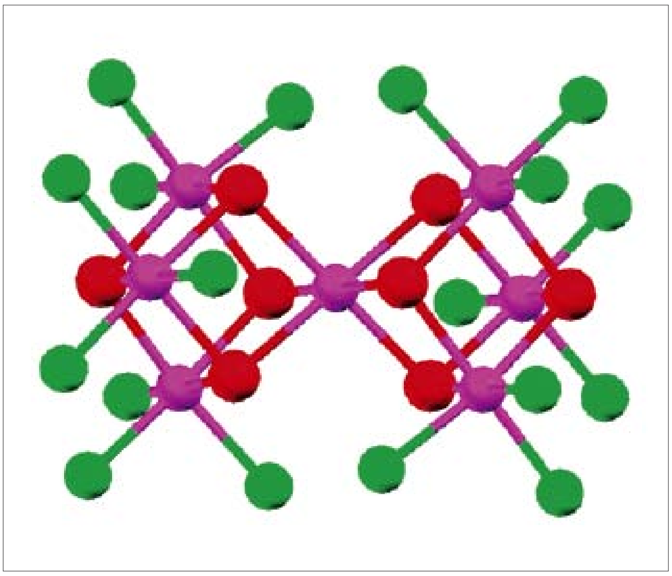
The division's Pharmaceutical Materials and Services business was ahead of last year with good sales of methylphenidate and opiate products. Sales of platinum based anticancer APIs were similar to last year with increased sales of oxaliplatin. However, revenue from contract research was adversely affected by the lack of venture capital funding for a number of our smaller customers. On 4th April 2009, Barr Laboratories (now part of Teva Pharmaceutical Industries) launched its generic version of ADDERALL XR®. Pharmaceutical Materials and Services has an agreement with Barr Laboratories which will provide additional income for the first six months after launch during which period Barr Laboratories has market exclusivity for this generic product.

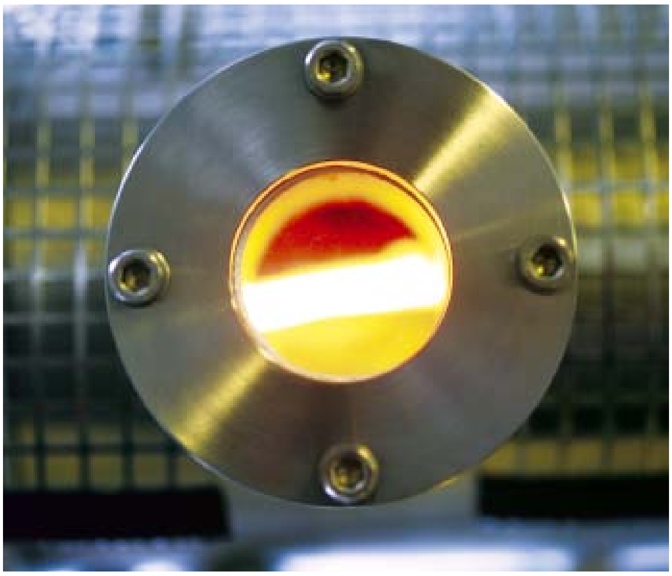
In March 2009 we announced the closure of our facility in Ireland which manufactures prostaglandin APIs for the European market. We plan to consolidate prostaglandin API manufacturing at our facility in Massachusetts, USA. The closure has resulted in a £9.4 million restructuring charge in this year's accounts.

Research Chemicals

Research Chemicals achieved good growth in the year with increased sales in North America, Europe and Asia. Sales were held back in China during the Olympics but recovered well later in the year. On 2nd March 2009 we purchased our partner's 49% share of our catalogue joint venture in China for £5.2 million. With increasing demand for its products, the business is investing in the expansion of facilities in India and in Europe and has a new manufacturing joint venture in Yantai, China which will begin operations in summer 2009.







– Micrograph of platinum core shell catalysts.

– Characterisation using x-ray photoelectron spectroscopy at our Technology Centre.

– Single crystal x-ray characterisation of platinum containing species.

– Developing and testing the next generation of emission control catalysts.

– Testing diesel particulate filters.

Research & Development

Research and development is an integral part of Johnson Matthey's high technology businesses. One of the group's strategies is to differentiate ourselves by using our world class technology and we invest significantly in research and development to develop new products and manufacturing processes. In 2008/09 Johnson Matthey spent £87.6 million gross on R&D.

Our group technology centre located at Sonning Common in the UK is focused on longer term research and has a worldwide reputation for excellence in catalysis and precious metals technology. In addition we have important research centres at Royston, Billingham and Stockton-on-Tees in the UK located close to some of our major businesses. Worldwide we have technical centres in many countries including the US, Japan, Sweden and the Netherlands.

Johnson Matthey Technology Centre

The Johnson Matthey Technology Centre (JMTC) is the group's central resource for longer term research and employs over 180 world class scientists. It supports the research and development of new products and technology across all of Johnson Matthey's businesses and has expertise in catalysis, precious metals, materials science and many other fields in which Johnson Matthey operates.

JMTC has state of the art facilities and resources for the development and testing of catalysts as well as one of the most advanced industrial analytical science groups in the world, equipped with the latest tools for materials characterisation.

Collaboration is important and JMTC works closely with the group's global network of business specific technology centres and development groups. It also participates in external collaborative R&D programmes worldwide.

Many projects at JMTC are sponsored by the operating divisions to meet their longer term objectives. In parallel, our core science projects address the fundamental science that lies at the heart of many of our businesses. Knowledge gained in the core science programmes is used to accelerate and improve product development across the group, reducing time to market and improving our ability to design products to meet customers' needs.

An increasing number of projects address sustainability issues such as energy efficiency, waste reduction, resource utilisation and low carbon technology to support our Sustainability 2017 aspirations. These projects are focused on improving the sustainability performance of our own operations and on developing the next generation of sustainable products and technologies for our customers.

Four examples of projects supporting our Sustainability 2017 programme goals are outlined below.

Next Generation Emission Control Catalysts

Since the acquisition of Argillon we have been working on exploring and optimising synergies between our coated and extruded catalyst technologies. Through combining our expertise in extruded catalysts and catalyst coating we are now developing new emission control catalysts which incorporate the dual functionality of a particulate filter and an ammonia slip catalyst into one single unit. Examples of this more resource efficient and cost effective technology are already in use in the market.

Reducing Spoilage of Fresh Produce

In the UK alone it is estimated that fruit and vegetables account for over 30% by weight of total avoidable household food waste. Better control of spoilage of fresh fruit and vegetables will potentially make a major contribution to reducing waste in this sector. A known cause of premature ripening, disease and softening in fresh produce is the presence of low levels of ethylene gas. Ethylene is produced naturally by fruit and vegetables and controlling the concentration of this gas in the atmosphere in which fresh produce is stored can help to reduce spoilage. In a collaborative programme between Anglo Platinum and Johnson Matthey, a novel supported palladium material with a significant ethylene adsorption capacity at room temperature has been developed. The scientific design of this new ethylene removal product is based on our detailed knowledge of ethylene activation over palladium and adsorption of the activated species on advanced support materials. Following successful laboratory testing, the new product is being marketed within one of our business units and is undergoing trials in the fresh produce supply chain.

Cleaner use of Coal

The use of coal will increase globally for chemical manufacture, fuels and power generation. However coal is an inherently dirty fuel, containing mercury and many other harmful components. Johnson Matthey, in collaboration with the US Department of Energy's National Energy Technology Laboratory (NETL), has developed novel palladium based sorbent technology for removing mercury from high temperature syngas derived from coal gasification processes. Compared to existing low temperature mercury capture by activated carbon, high temperature capture retains the high thermal efficiency of advanced combustion turbine power generation processes such as IGCC (integrated gasification combined cycle). This is a key element of the strategy to increase the use of abundant coal resources in countries such as the USA and is a likely route to CO_2 capture and storage. In 2008, NETL and Johnson Matthey received a prestigious R&D Top 100 Award for this novel mercury removal technology.

Fuel Cell Catalysts

Platinum is the catalytically active metal of choice in many fuel cell applications. However, given its high cost, a key goal is to optimise the number of platinum atoms available as catalytically active sites, particularly when designing catalysts for large scale commercial fuel cell applications. In a new approach to catalyst design, we are able to place platinum atoms on the surface of nanoparticles of a less expensive metal, creating a 'core shell catalyst'. In these core shell platinum nanocatalysts all the platinum atoms are available for catalytic reactions at the surface. Furthermore, through careful choice of the less expensive metal it is actually possible to enhance further the activity of the platinum atoms to give higher efficiency than using platinum alone. This new core shell technology has the potential to enable the more resource efficient manufacture of higher performance fuel cell catalysts.

Risks and Uncertainties

There are a number of potential risks and uncertainties which could have a material impact on the group's long term performance.

Technological Change and Patents

Much of the group's business is focused on selling products which are technologically advanced or employ technologically advanced processes in their manufacture. In most cases these products are subject to continuous improvement as new technology is developed. The group is exposed to the risk that if it does not keep up with changes in the market place its products will no longer be competitive. This is both a threat and an opportunity since Johnson Matthey can gain business as well as lose it. The group's strategy to meet this risk is to invest significantly in research and development to maintain or achieve leadership positions in those markets which offer sufficient added value to justify the long term investment required.

The group's results are also impacted by the status of patents. These include patents which the group itself registers and maintains, as well as the risks arising from new third party patents and the benefits that arise from the expiry of third party patents. All the group's divisions have significant registered intellectual property. The Fine Chemicals businesses supply active pharmaceutical ingredients to generic manufacturers and can benefit when third party patents expire. If actual patent lives differ from the expectations of the relevant group business, such as by being extended or successfully challenged, this can affect the group's results. The group has established policies both to monitor its existing patent portfolio and those of third parties, taking appropriate action as necessary in respect of infringement.

Legislation

Much of the stimulus for the development and growth of Johnson Matthey's products arises from new legislation governing the environmental or health impact of its customers' products in different jurisdictions worldwide. This is most significant for Emission Control Technologies where historic and future growth depends on global tightening of emissions limits. Legislation is also relevant for some of the group's other businesses. Process Technologies and Fine Chemicals & Catalysts manufacture products to remove contaminants or to produce particularly pure chemicals. Colour Technologies is supported by legislation phasing out lead, cadmium and other heavy metals from glass and ceramic glazes. The development of the fuel cells industry is also impacted by clean air regulations and the drive towards zero emissions within both local and national legislation.

Whilst the group has benefited considerably from the development of such legislation its growth could be adversely affected if the pace of legislative change slowed significantly. Johnson Matthey monitors the development of legislation globally and coordinates its development work to ensure it can achieve greatest advantage from each new requirement. Regular reviews are undertaken at the business and group level to monitor growth and to investigate other areas of potential if legislation slows.

Global, Political and Economic Conditions

Johnson Matthey operates in over 30 countries around the world including several within Africa, Asia and Latin America. While benefiting from the opportunities and growth in these regions the group is exposed to the economic, political and business risks associated with such international operations. The group encounters different legal and regulatory requirements including those for taxation, environmental, operational and competitive matters. It is exposed to the effect of political risk which can include sudden changes in regulations, expropriation of assets, imposition of trade barriers and wage controls, limits on the export of currency and volatility of prices, taxes and currencies. The group is exposed to possible natural catastrophe risk, for example through major earthquake or flood, and possible terrorist action. Management monitors such risks, maintaining adequate insurance cover and amending business procedures as appropriate to mitigate any exposure while remaining in compliance with local and group requirements.

Environmental Liabilities

The group is at risk if it causes damage to the environment as a result of its activities. This risk is managed by ensuring that all the group's manufacturing facilities operate in accordance with the group's environmental policies which are set out on the company's website at www.matthey.com. The environmental laws of various jurisdictions impose actual and potential obligations on the group to remediate contaminated sites, both those currently owned and, also in some cases, those which have been sold. The group incurs costs annually in meeting these obligations and also maintains provisions for potential liabilities. If existing provisions are inadequate to cover any liabilities or the associated costs arising from environmental obligations this could materially impact the group's results.

Commercial Relationships

Johnson Matthey benefits from close commercial relationships with a number of key customers and suppliers. The loss of any of these key customers or suppliers, or a significant worsening in commercial terms could have a material impact on the group's results.

Johnson Matthey devotes significant resources to supporting these relationships to ensure they continue to operate satisfactorily. From time to time the group undertakes surveys of customer satisfaction which are reviewed by the board. Some of the relationships are supported by long term contracts, notably the group's relationship with Anglo Platinum.

Foreign Exchange

Johnson Matthey operates globally with the majority of the group's operating profit earned outside the UK. It has significant investments outside the UK with the single largest investment being in the USA. As such the group is exposed to movements in exchange rates between sterling and other world currencies, particularly the US dollar, which could adversely or positively impact results. The group's policies for managing its foreign currency exposures are set out in more detail on pages 15 and 93.

Precious Metal Prices and Controls

A large proportion of the group's activities involve managing precious metals which have inherent risks associated with them in addition to bringing valuable business opportunities.

While the group could be vulnerable to a global disruption in the supply of platinum group metals, it has access to world markets for these metals and is not dependent on any one source for obtaining supplies for operations.

Precious metals have high prices which can fluctuate significantly and this can have a material impact on Johnson Matthey's results. The group's policies for managing this risk are set out in more detail on page 15. The high value of precious metals means that any process losses could be material and there remains the possibility of theft or fraud. Johnson Matthey has extensive experience in operating with precious metals and employs strict security, assay and other process controls and reviews to minimise any exposure. Policies are reviewed regularly by the Chief Executive's Committee and reported to the Audit Committee.

Pensions

The group's defined benefit pension funds had a net deficit at 31st March 2009 of £111.5 million. This position is exposed to the risk of changes in interest rates and the market values of investments as well as inflation and increasing longevity of the members. The assumptions used in calculating the funding position of the pension funds are shown in detail on page 74. These risks are mitigated by paying appropriate contributions into the funds and through an investment asset allocation policy which has a high level of probability of avoiding a material deficit based on the results of an asset / liability matching study.

Customer Market Dynamics

The group sells products to manufacturers who in turn use these products to serve a diverse range of end markets. The group's performance is therefore impacted by the dynamics of its customers' end markets and their performance within these markets. A significant loss of market share at or by a major automotive customer could negatively impact the group's results. The group also has exposure to the wider automotive sector as a whole which is served by a number of the group's divisions. In 2008/09 global car production is estimated to have fallen by 13% which has had a significant effect on the sales of Johnson Matthey's products. However, other factors such as tightening emissions legislation and the increasing technical demands from catalysts also play a significant role.

Risks are mitigated by monitoring both industry developments and market share at customers to prevent the group from becoming unduly dependent on any single customer.

Competitor Risk

The group operates in highly competitive markets. Significant product innovations, technical advances or the intensification of price competition could all adversely affect the group's results. Johnson Matthey invests significant resources in research and development in order to ensure the introduction of both new products and improved production processes to allow the group to be at the forefront of its chosen markets. The group also continually works to streamline its cost base to ensure it remains competitive.

Litigation and Investigations

The group is subject to a broad range of laws, regulations and standards in each of the jurisdictions in which it operates. Failure to comply properly with these laws, regulations and standards could significantly damage the reputation and performance of Johnson Matthey.

Regular internal reviews are undertaken to assess compliance with local and group policies, and provisions are made to rectify or compensate for any breaches. In the ordinary course of business, Johnson Matthey is subject to inspections and monitoring by certain regulatory or enforcement bodies and by the quality departments of some of its major customers. If existing provisions are inadequate to cover any liabilities arising from such investigations this could materially impact the group's results.

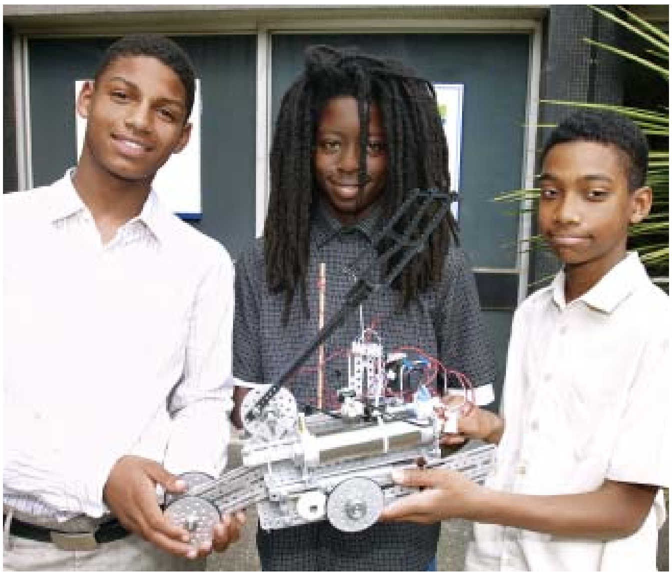
Energy and Raw Materials

The group's products contain a broad array of raw materials and its operations require significant levels of energy, notably electricity and natural gas. Any increases or volatility in prices and any significant decrease in the availability of energy or raw materials could affect the group's results. Johnson Matthey coordinates its global purchasing activities to obtain the best possible prices and uses hedging and other contractual means where appropriate to minimise this risk and to benefit where possible. The high price of oil also benefits the group by stimulating demand for new catalysts and technologies supplied by Process Technologies.

Credit Risk

The group derives a significant proportion of its revenue from sales to major customers, particularly in Emission Control Technologies. 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 results.

Johnson Matthey derives significant benefit from trading with its large customers and manages 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. As at 31st March 2009, no single outstanding balance exceeded 1% of the group's revenue. The group's exposure to Chrysler LLC, which filed under Chapter 11 in the US Bankruptcy Court on 30th April 2009, was less than US $5 million, some of which was covered by insurance and indemnities from other suppliers. The group's exposure to General Motors Corporation in the US is very small. Further details of the group's credit control procedures are set out on page 92.



– Jennifer Tweddle, who joined our Process Technologies business through a Johnson Matthey sponsored Young Scientist programme.

– Team building initiatives at Johnson Matthey Malaysia.

– Johnson Matthey manufactures catalysts to control harmful NOx emissions from coal fired power stations.

– Selective catalytic reduction (SCR) system to control NOx emissions from diesel engines used to generate power for Catalina Island, California, USA.

– 'Generating Genius' students – Johnson Matthey supports Generating Genius, a UK based charitable programme which promotes science careers to young people.

Sustainability

Johnson Matthey is a world leader in environmental technologies and, with a significant proportion of profits generated by products that directly benefit the environment, sustainability is a key element of our strategy for the future growth of the business.

Sustainability is fundamentally about the best long term way to run a business. There is growing concern globally, including among our employees, our customers, our communities and others with whom we work, about the way countries, companies and individuals are using the world's resources. This is affecting people now in many ways and our decisions and actions today will affect future generations for a long time to come.

Throughout Johnson Matthey we are committed to the principles of sustainable development and strive for outstanding resource efficiency and carbon neutrality. Going forward, we aim to further develop and enhance sustainability as a core competence and key driver of competitiveness for our business. This will be delivered through our Sustainability 2017 initiative.

Sustainability 2017

In December 2007 we launched Sustainability 2017, a challenging long term vision for the whole group that sets our direction and aspirations to make Johnson Matthey a more sustainable business for the future. Our aims are to at least double our earnings per share whilst achieving carbon neutrality, zero waste to landfill and halving the key resources that we consume per unit of output by 2017, the 200th anniversary of the founding of the company. The full statement is available on the company's website at www.matthey.com.

Sustainability 2017 was defined following an assessment of the risks, major impacts and future commercial opportunities open to the business. There are two key thrusts to the vision. The first is about being more efficient with the resources we use as a business and the second is about designing new products that help our customers to be more sustainable and competitive. Some of the progress we have made towards achieving the vision are presented in summary in this report. Further details can be found in Johnson Matthey's Sustainability Report which will be published on the company's website in July 2009.

Progress in 2008/09

We have focused on fully embedding sustainability into our routine management processes and since the start of 2008/09 all of Johnson Matthey's businesses have established and implemented their own sustainability plans as part of the group's annual financial budgeting process. All of the businesses' sustainability plans have the common corporate objectives as their foundation and are tailored as appropriate to the businesses' own specific operations. This approach encourages commitment at a local level and takes advantage of Johnson Matthey's culture and methods of working.

We have continued to refine our metrics and methods of measurement to enable us to monitor our progress objectively. Studies have continued to assess tools for the carbon footprinting of our processes and products, and for examining the comparative impacts of products throughout their lifecycle.

With our Sustainability 2017 targets in place, baseline data (taken as our performance in the 2006/07 year) has been established and we have developed appropriate key performance indicators (KPIs) to enable us to measure performance. Progress during this first full year of the initiative is summarised in the table on page 30.

The KPIs for monitoring progress towards the target of halving key resources consumed per unit of output have been developed through consultation with all of Johnson Matthey's facilities worldwide. The top three key resources were identified for each facility and from this electricity consumption, natural gas consumption and water use clearly emerged as most significant to the majority of the group.

In these early stages of our Sustainability 2017 initiative, employee engagement has been a key focus. A detailed two year communications plan is being delivered with the aim of giving employees a clear view of the importance of sustainability to the overall business strategy and equipping them with the information they need to take forward their own sustainability ideas.

During the year a leaflet, poster, in house magazine article and intranet area were produced and distributed across the group. The Johnson Matthey Sustainability 2017 Awards have been launched to recognise the outstanding contribution of individuals or teams in working towards achieving the vision.

Over the last year one day sustainability training sessions were run to help employees put the Sustainability 2017 Vision into practice in their day-to-day work. Around 130 employees around the world attended the sessions and a number of them have since used the training materials and delivered the programme to colleagues at their own sites. Further tailored training sessions for specific functions such as Purchasing and Environment, Health and Safety (EHS) are being developed for 2009/10.

A dedicated microsite is under construction which will provide a central source of information on every aspect of our sustainability programme. Due to be launched in 2009/10, it will provide a means for employees across the group to share their comments and ideas. An enhanced sustainability section on the company's corporate website will also be developed during 2009/10 which will provide a wider range of information both for employees and other stakeholders.

2009/10 and Beyond

Going forward, Johnson Matthey's businesses will continue to develop and work towards delivering their annual plans. A particular focus will be the further establishing of business level targets and the development of strategies to achieve them. To assist with this a Group Sustainability and Technology Leader has been appointed to work closely with the divisions in developing business metrics and governance practices relating to sustainability and in identifying cross company technologies.

Work will continue to measure progress against the group targets and to develop aggregated group targets from those identified at the business level. We will also look to identify the common ground in our businesses where additional group targets could be developed in the future.

Progress Towards Sustainability 2017 Targets

Sustainability 2017 Aspiration	KPI	Baseline 2006/07	2008/09[3]	2017 Target
At least double earnings per share	Underlying earnings per share (pence)	82.2[1]	89.6	≥ 164.4
Achieve carbon neutrality	Total global warming potential (tonnes CO_2 equivalent)	386,074[2]	370,787	0
Achieve zero waste to landfill	Amount of waste to landfill (tonnes)	16,555[2]	5,535	0
Halve key resources per unit of output	Electricity consumption (GJ '000)	1,469[2]	1,351	735
	Natural gas consumption (GJ '000)	2,146[2]	2,260	1,073
	Water consumption (m^3 '000)	1,909[2]	1,951	955

[1] Data presented is for the period 1st April 2006 to 31st March 2007.
[2] Data presented is for the period 1st January 2006 to 31st December 2006.
[3] Data presented is for the period 1st April 2008 to 31st March 2009.

Our Products

Many of Johnson Matthey's products and services are environmentally or socially beneficial in their own right or in the way they are used by our customers. We develop catalysts that reduce harmful emissions from both vehicles and industrial processes. Our autocatalyst products alone have prevented over four billion tonnes of pollutants from reaching the atmosphere since their introduction in 1974. We also supply the global chemical industry with catalysts and process technology know-how to enable our customers to build and operate their chemical processes more efficiently.

The development of the chemistry of precious metals underpins many of Johnson Matthey's products and technologies. Our understanding of the physical and chemical properties of the precious metals has contributed to the development of a wide range of environmentally and socially beneficial products including emission control catalysts for vehicles, platinum based anticancer drugs for chemotherapy treatments and catalysts for fuel cells. The recycling and refining of precious metals are a core competence of Johnson Matthey and we offer a range of recycling and refining services to our customers around the world. Our knowledge and expertise in this area give us a firm foundation from which to tackle the task of further improving the resource efficiency of our products in manufacture and use. Our core skills in fine chemicals underpin a number of our products which are used in the areas of medicine, health and safety. We manufacture active pharmaceutical ingredients, used by pharmaceutical companies in drug preparations, and opiate products, such as morphine and codeine, which are used to relieve pain.

The growing market for sustainable products presents a key opportunity for future business growth. Our sustainability strategy is focused on improving the sustainability footprint of our existing products and in developing new sustainable products and services for our customers, enabled by our experience in catalysis, precious metals, fine chemicals and process technology. We will continue our high level of investment in R&D and will draw on the expertise of our people. We will also look to further collaborate with our customers, suppliers and other partners to understand their priorities regarding sustainability and to maximise the benefits throughout the supply chain.

Communication with Stakeholders

Johnson Matthey has a wide range of stakeholders with an interest in hearing from or working with the company at both a corporate and business level. Our stakeholders include customers, employees, fund managers, shareholders, communities, governments, non-governmental organisations and national and international trade associations. We communicate with our stakeholders throughout the year and engagement is integrated into business decision making processes.

The company is actively involved with both the Chemical Industries Association (CIA) and the European Chemical Industry Council (Cefic). We have also continued to play a leading advisory role through participation in a number of sector trade associations and government bodies. The company is actively involved with national and local government to inform the development of policy in areas where Johnson Matthey's technology and products can play a pivotal role, for example in improving air quality and enabling the shift towards more sustainable consumption and production.

Neil Carson, Chief Executive of Johnson Matthey, is a prominent member of the Corporate Leaders Group which has provided valuable suggestions to UK government and the European Commission on climate change issues. Neil is also a member of the Advisory Board for the Cambridge Programme for Sustainability Leadership. A number of the company's senior management are involved in the UK government's sustainability and climate change initiatives.

Johnson Matthey's executives have also made a contribution to a range of organisations and committees, such as the Carbon Trust, and the company continues to participate in numerous government consultations. We have also continued to support the activities of Forum for the Future and the Green Alliance.

The company meets regularly with all of its major shareholders. At these meetings matters relating to sustainability and corporate social responsibility (CSR) may be discussed together with the performance and development of the group's businesses.

Managing Sustainability

Johnson Matthey has adopted the principles of corporate social responsibility and embedded them into our risk management processes. Since 2003 we have formally reported annually on our social, environmental and ethical performance in a separate CSR report. Through the launch of Sustainability 2017 we have defined our own vision and direction and in July 2008 we published our first Sustainability Report. This represents a transition for Johnson Matthey and is linked to our move to actively manage our impacts and opportunities more efficiently than in the past.

To ensure further progress, sustainability needs to be part of the fabric of the company at all levels. We are managing sustainability across the group according to five elements: financial; governance; social; health and safety; and environment.

Financial

Financial viability is a key element of sustainability. Continued growth in profit is an important aspiration of our Sustainability 2017 Vision and we have set a target to more than double our earnings per share by 2017. Details of our progress are outlined in the Financial Review on pages 10 to 14, in the Key Performance Indicators section on pages 8 and 9 and in the Five Year Record on page 106.

The two major thrusts of our vision are about being more efficient with the resources we use and designing new products that help our customers to be more sustainable. Using less resources as a business will save us money. It will enable us to maintain or improve our margins and allow us to invest more in R&D and infrastructure. Designing innovative new products for our customers will allow us to maintain or strengthen our competitive position in the markets we serve today and benefit from the growth opportunities in emerging markets within the sustainability sector.

We have started to evaluate the monetary savings realised to date in our businesses through implementation of their Sustainability 2017 plans. Early indications suggest savings in the region of up to £10 million have been achieved so far with similar savings projected for 2009/10 and beyond. More robust evaluations of the financial benefits of our sustainability programme will continue over the coming years.

Governance

Johnson Matthey embraces a culture of continuous improvement in all aspects of sustainability. We drive continuous improvement through corporate policies, a comprehensive management system and the commitment of our employees. Johnson Matthey has key policies in the areas of Environment, Health and Safety (EHS); Employment; and Business Integrity and Ethics which provide the framework for managing environmental, social and governance matters.

Our well established policies and management systems apply to all operations worldwide. Legal requirements are a minimum standard and in many cases our policies and systems are in advance of these. Over the last year further initiatives have been undertaken to improve our operational performance. Details of our policies, initiatives and progress can be found in the Sustainability Report on the company's website at www.matthey.com and are presented here in summary.

As outlined in the Corporate Governance section (page 42) the board has embedded environmental, social and governance matters into its risk management processes and formally reviews the area once a year. These matters are monitored by the CSR Compliance Committee, a sub-committee of the Chief Executive's Committee. A description of the committee can be found on page 42.

Policies and Management Systems – Environment, Health and Safety

A written policy statement, formulated and agreed by the Chief Executive's Committee, forms the basis of the group EHS management system. The board approves this policy statement which is signed by the Chief Executive and is available at each site throughout the group. This policy is presented in full in the Sustainability Report and on the company's website at www.matthey.com.

Environmental, Health and Safety Management

Johnson Matthey is firmly committed to managing its activities throughout the group to provide the highest level of protection to the environment and to safeguard the health and safety of its employees, customers and the community. Our EHS policies provide the guiding principles that ensure high standards are achieved at all sites worldwide and afford a means of promoting continuous improvement based on careful risk assessment and a comprehensive EHS management system.

The group EHS management system is reviewed regularly to ensure that it reflects international best practice and our growing understanding of the practical application of sustainable development.

The corporate objectives, policies and group EHS management system define accountability and set the standards against which conformance audits are assessed. This system is available to all employees via the company intranet. All facilities have developed local policies to meet the requirements of these corporate policies.

EHS compliance audits are an integral part of Johnson Matthey's corporate EHS management system and are vital to maintain continuous improvement in all aspects of EHS. All Johnson Matthey operated manufacturing and research and development facilities are included in the audit programme. The audit frequency for each facility is determined by the scale, inherent risk and past performance of the operation. Audits review conformance with the group EHS management system and compliance with national legislation, as well as providing an opportunity to share best environmental, health and safety practices.

The Group Occupational Physician undertakes health management reviews of all operational sites to provide consulting advice to guide the prioritisation and planning of programmes to optimise workplace health protection and promote workforce sustainability. All businesses undertake annual health management continuous improvement planning to structure programmes and services to meet changing business needs.

All audit reports, including health management reviews, are reviewed by the CSR Compliance Committee and appropriate follow up is taken on any outstanding issues. A total of 28 detailed compliance audits and seven one day audit action reviews were completed during 2008/09.

Our review last year of the investigation reports on the incidents at BP's Texas City refinery and the Buncefield oil storage facility generated a number of actions to integrate relevant learning into our existing EHS management systems. During 2008/09 Group EHS has worked with Aker Solutions EHS & Risk Consultancy Services to develop a process risk management vertical audit tool for use alongside our EHS audits. The project aimed to prioritise our major manufacturing sites on a risk basis and enable pragmatic process safety measures to be developed through gap analysis of the difference between the scale of hazards and the suitability of the existing controls.

The first pilot process risk management audit was carried out at our facility in Germiston, South Africa in December 2008. The audit concentrated on high consequence / low probability events and revealed some valuable new opportunities to further understand and minimise risk. Further process risk management audits are planned during 2009/10.

ISO 14001

Over the past year continued progress has been made to implement ISO 14001, in line with our target of achieving registration at all major manufacturing sites by 2010. At the end of 2008/09, 32 sites had achieved ISO 14001 registration representing 80% of our manufacturing workforce. All other manufacturing sites have plans in place to achieve registration during 2009/10.

Training

Training is vital to ensure continuous improvement in environmental, health and safety performance. A number of seminars on high priority health and safety topics were completed during the year across the group. A project management training course at our plant in Shanghai gave facility managers and engineers from across Asia the opportunity to enhance their understanding and share best practice on improving the EHS aspects and impacts of significant development projects. Following this, the course content was reviewed and expanded to provide attendees with a greater level of guidance on how to deploy robust project management techniques. It will be relaunched across the group during 2009/10.

Regular meetings are held in both Europe and North America to provide an opportunity for our EHS professionals to network, share current best practices and discuss the impact of future EHS based legislation. Similar meetings will be held in Asia over the next year to provide further networking opportunities within our Asian EHS teams.

Regulatory Matters and Product Stewardship

Johnson Matthey's corporate REACH compliance programme is well advanced. Key REACH pre-registration requirements were successfully completed to ensure efficient future phasing of our substance registrations and several hundred declarations covering various product ranges were submitted. We continue to collaborate in industry consortia under the auspices of trade associations to share the costs and technical efforts for compliance and individual substance registrations remain on track to commence in 2010. During 2008/09, a corporate REACH website (www.matthey.com/cr/reach) was launched to support our customers and enhance supply chain communication.

Preparations also continued to implement the Globally Harmonised System (GHS) for chemical classification and hazard communication. During January 2009 the European Union commenced enactment of GHS and work is well underway within our European businesses to ensure we meet the requirements of the legislation timescales.

As part of our continuing improvement programme on product stewardship, internal systems to cover further chemical control regimes, such as the US Toxic Substances Control Act, were upgraded. We have also recruited a further three compliance specialists to our corporate product stewardship teams since the start of 2008/09 to support our efforts.

On 2nd December 2008 Johnson Matthey Inc. (JMI) was sentenced in the US District Court, Salt Lake City, Utah for a single felony violation of the US Clean Water Act (CWA), namely knowingly rendering inaccurate a reporting method in January 2000. The conviction arose from a federal investigation into wastewater practices at the company's Salt Lake City refinery that began in 2002 and led to prosecution by the US Department of Justice. JMI's conviction followed the September 2008 conviction of two former managers of the Salt Lake City refinery who had entered guilty pleas to a single felony under the CWA. The outcome for JMI came about by means of plea agreements entered into with the federal government following a successful challenge in Utah state court to the underlying permit that was fundamental to the indictment. As a result, nearly all the charges in the indictment were withdrawn.

The criminal violation related to the selective screening of waste water samples for compliance analysis. Even though there was no harm to the environment, the company was ordered to pay a fine of $2.25 million and contributed $750,000 to the National Fish and Wildlife Fund. JMI will be on probation for three years. The two managers were also placed on probation and ordered to pay nominal fines. Their employment with Johnson Matthey has been terminated. In further resolution of the issues arising from this investigation, JMI has entered into a three year Compliance Agreement with the US Environmental Protection Agency effective 2nd December 2008.

Policies and Management Systems – Human Resources

Johnson Matthey's human resources policies are implemented through the corporate human resources standards which set requirements for operations throughout the group to follow. These standards are generally in advance of legal requirements and provide internal consistency. They are supported by detailed regional procedures or individual business procedures. All of these policies and procedures are subject to regular review to ensure that they continue to reflect both regional best practice and local legislation. Site specific human resources policies and procedures are communicated to staff at inductions and through staff handbooks. Human resources policies and risks are examined by the Chief Executive's Committee and the CSR Compliance Committee. The group's policies on equal opportunities and training are published on the website and are set out below.

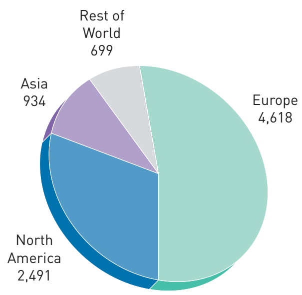
Equal Opportunities Policy

The group will recruit, train and develop employees who meet the requirements of the job role, regardless of gender, ethnic origin, age, religion, sexual orientation or disability.
The policy recognises that people with disabilities can often be denied a fair chance at work because of misconceptions about

Total Employees by Region

Average headcount for 2008/09

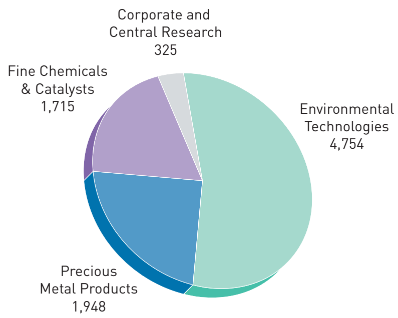
(continuing businesses*)



Total Employees by Division

Average headcount for 2008/09

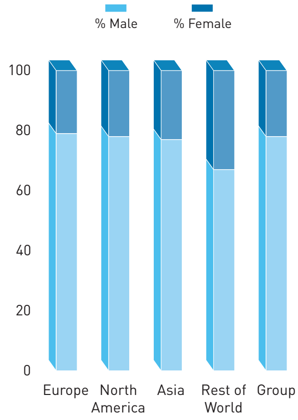
(continuing businesses*)



*Employee data relates to the financial year 2008/09 and excludes 841 employees transferred out of the group with the completion of the sale of the Argillon Insulators and Alumina businesses on 26th November 2008.

Gender by Region

As at 31st March 2009



their capabilities and seeks to enhance the opportunities available by attempting, wherever possible, to overcome obstacles, such as the need to modify equipment, restructure jobs or to improve access to premises, provided such action does not compromise health and safety standards. Similarly, employees who become disabled will be offered employment opportunities consistent with their capabilities. We value the diversity of our people as a core component of a sustainable business and employment applications are welcomed and encouraged from all sections of the community including minority groups.

Training and Development of People Policy

The Management Development and Remuneration Committee of the board takes a special interest in ensuring compliance with the Training and Development of People Policy objectives to:

- Ensure highest standards in the recruitment of employees.
- Assess training needs in the light of job requirements.
- Ensure relevance of training and link with business goals.
- Employ and evaluate effective and efficient training methods.
- Promote from within, from high potential pools of talent.
- Understand employees' aspirations.
- Provide development opportunities to meet employees' potential and aspirations.

Policies and Management Systems – Business Integrity and Ethics

The company strives to maintain the highest standards of ethical conduct and corporate responsibility worldwide through the application of the principles within its Business Integrity and Ethics Policy. These issues are further safeguarded through corporate governance processes and monitoring by the board and its sub-committees. All employees have a duty to follow the principles set out in the Business Integrity and Ethics Policy. It is integrated into the Group Control Manual and is available to staff at all sites. The policy is presented in full in the Sustainability Report and on our website at www.matthey.com.

Johnson Matthey facilities have established policies and procedures through which employees can raise employment related issues for consideration and resolution. A confidential and secure "whistleblowing" website and telephone helpline is also in place to give all employees an additional means to raise any issue of personal concern.

Supply Chain

Management of the supply chain and contractor activities is a core component of the ISO 9000 and ISO 14000 series of standards. Supply chain and contractor management questionnaires are a requirement of achieving and maintaining registration and as such, ISO registered Johnson Matthey sites require the completion of appropriate questionnaires. For those sites without ISO registration, the group EHS management system provides policy and guidance on both supply chain management and contractor control.

In March 2009 around 20 people from our businesses' European procurement teams met to review and discuss sustainable procurement. Participants also shared their ideas on best practice and as a result, development of a sustainable procurement policy for the company has been initiated.

In April 2009 Johnson Matthey conducted a corporate social responsibility audit of one of our most important suppliers, Anglo Platinum Limited. The purpose of the audit was to verify that Anglo Platinum's policies and philosophy on the non-financial elements of the sustainability triple bottom line are aligned with Johnson Matthey's position. Six critical elements were scrutinised: management of sustainable development; ethics; labour; environment; health and safety; and communities. For each element the audit team reviewed Anglo Platinum's published corporate policies, then verified them with local manufacturing site management and finally with groups of workers. The audit revealed that Anglo Platinum's policies and philosophy on corporate social responsibility are in line with those of Johnson Matthey.

Human Rights

Whilst we are confident of the human rights performance of our own operations we recognise that business practices in the supply chain are not always transparent and represent a risk that must be managed. Every effort is made to ensure the issues are managed effectively. We support the principles defined within the United Nations Universal Declaration of Human Rights and the International Labour Organisation Core Conventions including the conventions in relation to child labour, forced labour, non-discrimination, freedom of association and collective bargaining. Compliance with and respect for these core principles are integrated within the risk assessment procedures and impact assessments which are undertaken when entering into business in a new territory and within the due diligence processes when making an acquisition or entering a joint venture.

Social

Our people are respected as the company's most valuable resource and they will continue to play a vital role in the process of building a sustainable business. We are committed to recruiting high calibre employees and providing them with the information, training and working environment they need to perform to the highest standards. We encourage all our people to develop to their maximum potential and support them with human resources policies and practices that are strategically linked to the needs of our business and our customers.

Our success depends on the skills, qualities and wellbeing of our people. We have an effective, streamlined recruitment procedure to meet our steady requirement for high calibre graduates and offer a variety of career foundation training to engage new recruits. We also offer training and development programmes at middle and senior manager levels. Our aim is to retain high potential and high performing staff. Training is provided at our facilities around the world with a high level of attendance by employees from Asia, reflecting the increasing importance of this region. We also encourage employees from acquired businesses to attend programmes to expose them to our wider company culture and help them integrate. Presentations from senior executives anchor all these programmes to the company's strategies and progress.

Providing career development opportunities for employees assists staff retention and, in turn, succession planning and the sustainability of management. Recruiting well qualified staff is vital to support business development in new and emerging markets. This challenge will be met through appropriate manpower planning, local recruitment and the encouragement of international mobility. Cross divisional movement is encouraged amongst our employees and monitored as an important part of the annual management development and succession planning review process. We have continued to develop the management skills inventory database which provides the group with a powerful means of helping to identify and match suitably qualified internal candidates to promotional and development opportunities globally and / or across our divisions.

Employee Relations and Communication

The quality of our employee relations is a priority for Johnson Matthey and the company is proud of the high level of commitment and loyalty from its employees. We have a low voluntary staff turnover (6.4% in the financial year 2008/09, see page 9) with many employees staying with the company for their whole careers.

Johnson Matthey recognises the importance of effective employee communications and particularly the value of face to face dialogue. We communicate through our in house magazine, attitude surveys, regular news bulletins, presentations to staff and team briefings. Employees are also encouraged to access the company's intranet and website.

The company supports employee share ownership and employees have the opportunity to participate in share ownership plans, where practicable. Under these plans, employees can buy shares in the company which are matched by a company funded component. Employees in six countries worldwide are able to contribute to a company share ownership plan or a 401k approved savings investment plan. Through these ownership plans Johnson Matthey current and former employees collectively held 1.76% of the company's shares at 31st March 2009.

Johnson Matthey also sponsors pension plans for its employees worldwide. These pension plans are a mixture of defined benefit or defined contribution pension arrangements, savings schemes and provident funds designed to provide appropriate retirement benefits based on local laws, custom and market practice.

Johnson Matthey continues to maintain good and constructive relations with all recognised trade unions which collectively represent 34% of all group employees worldwide. From 2nd June to 11th July 2008 production was affected at the company's precision casting plant in St Catharines, Canada by a six week strike involving 47 members of the USW (United Steelworkers) union. The matters at issue were finally settled by local negotiations and production resumed on 12th July. Other than this one event no working time was lost within the group due to employee action.

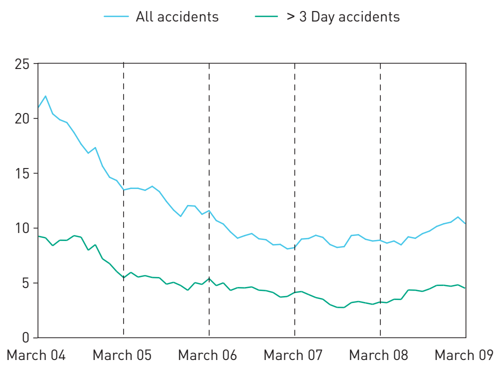
As a result of the global economic slowdown, a number of Johnson Matthey sites around the world have had to reduce employee numbers and adjust working patterns, particularly those facilities which supply the automotive related markets. In most cases these adjustments necessitated the release of agency and temporary staff although some have also required redundancies amongst permanent staff. These difficult decisions were not taken lightly. In all cases appropriate consultations were held with those affected and, where appropriate, their union representatives, in accordance with local legal and best practice requirements.

Activities in the Year

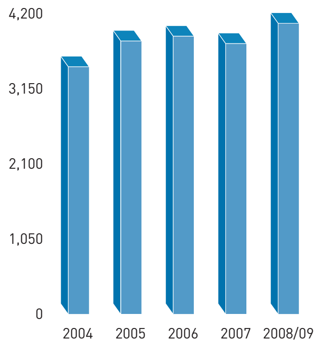
There have been a number of key initiatives during the year with a strong emphasis on working together to achieve the Sustainability 2017 Vision, employee recognition, people development and assured wellbeing programmes.

Working together, both internally and with our many stakeholders, is helping to support our Sustainability 2017 goals. Employee teams have focused on improving resource efficiency to deliver improvements in manufacturing processes, waste management and energy efficiency. Team efforts to develop more sustainable products and services have led to new catalyst solutions for our customers and more efficient methods of manufacture in our own factories. Our work with suppliers and customers to develop a more sustainable supply chain has already revealed opportunities for improvements in transport, packaging and materials use. Emphasis on sustainable personal development programmes for employees and investment in local communities has enhanced our reputation as an admired employer and good neighbour.

Annual Accident Rate per 1,000 Employees



Energy Consumption
GJ ('000)



	GJ ('000)	GJ / £ million sales excluding precious metals
2004	3,463	3,425
2005	3,823	3,485
2006	3,890	2,907
2007	3,787	2,200
2008/09	4,070	2,265

Energy consumption from 1st January 2008 to 31st March 2008 was 1,148,000 GJ.

We have continued to strengthen and improve communication and engagement with employees through site satisfaction and attitude surveys. This year Emission Control Technologies (ECT), our largest business, ran a global attitude survey of all its employees. Over 76% of the employees invited to participate completed the survey and overall satisfaction levels were very positive with 81% of participants feeling satisfied or very satisfied working for ECT. Summary results have been published and ECT's employees have been briefed on the findings. Three specific action areas have been identified for improvement within the business which will help to build a better working environment. Further information on the survey will be published in this year's Sustainability Report.

Employee understanding of Johnson Matthey's policies and commitment to their implementation to maintain and enhance the reputation of the company has remained a priority. Compliance training for managers in their responsibilities for employees, commercial contracts and company assets has been maintained during the year through online learning programmes and seminars.

The corporate sickness absence rate during 2008/09 was 2.0% compared to 2.1% for calendar year 2007 (2.1% for 1st January 2008 to 31st March 2008). Most businesses are increasing their investment in sustainable health and wellness programmes to support the longer term health, wellbeing and performance of employees.

Community Investment

We have a strong tradition in Johnson Matthey for our good community relations. We have an important contribution to make to the economic development of our local communities, not only as an employer but also through collaboration and investment, both financial and in kind.

We are actively involved in programmes worldwide that promote good community relations to foster a relationship of understanding, trust and credibility. Guidance on site requirements is detailed in the group EHS management system.

An annual review of community investment activities across the group has been carried out and shows that 95% of Johnson Matthey operations with over 50 employees participate in activities within their local communities. These activities are wide ranging and include charitable giving, support for educational projects, the advancement of science and economic regeneration projects. Employees also participate in activities or hold community related roles outside of the work environment. The company is supportive of this broader community engagement, allowing employees time off during working hours as appropriate.

To support the further development of our community investment programmes around the world, Johnson Matthey has joined the London Benchmarking Group (LBG), a group of more than 120 major companies who develop and share best practice in this area. Through our membership of LBG, we are beginning to evaluate our community investment programmes using its successful and widely accepted model. As a first step, we have introduced more robust systems for our data collection processes which we have implemented for our 2008/09 data reporting.

We will continue to offer further support to sites in developing and implementing meaningful community investment programmes through the application of the LBG methodology and through sharing best practice across the group.

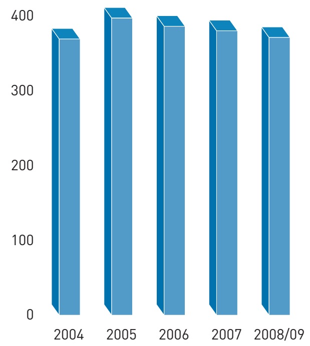
Charitable Programmes

Johnson Matthey's long history of support for charitable causes continues today through group and business programmes. The causes we support are aligned with issues to which the group makes a contribution and to issues about which our employees are passionate.

In 2008/09, Johnson Matthey supported 48 charitable causes through its corporate annual donations programme. These included support for organisations working in the areas of environment, medical and health, science and education, social welfare and international development. 44% of these corporate donations were in support of medical and health causes. A total of 37 additional charitable causes received one-off donations through the corporate programme during the year.

Total Global Warming Potential

Tonnes CO_2 equivalent ('000)



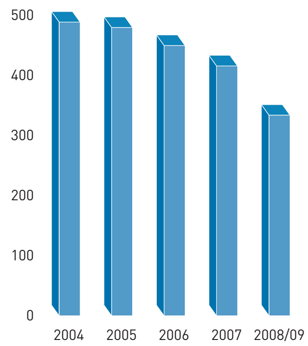
	Tonnes CO_2 equivalent ('000)	Tonnes / £ million sales excluding precious metals
2004	369	365.2
2005	397	362.1
2006	386	288.5
2007	380	221.0
2008/09	371	206.5

Global warming potential data has been restated using the latest greenhouse gas conversion data published during 2008 (e.g. DEFRA).

Total global warming potential from 1st January 2008 to 31st March 2008 was 106,000 tonnes CO_2 equivalent.

Total Acid Gas Emissions

Tonnes SO_2 equivalent



	Tonnes SO_2 equivalent	Tonnes / £ million sales excluding precious metals
2004	489	0.4837
2005	480	0.4376
2006	450	0.3362
2007	416	0.2417
2008/09	334	0.1859

Total acid gas emissions from 1st January 2008 to 31st March 2008 were 88 tonnes SO_2 equivalent.

In 2008/09 we initiated a specific programme of support focused on promoting the understanding and awareness of science among children and young people, further details of which can be found in the Sustainability Report. We believe that encouraging the next generation of scientists is very important to the sustainability of our industry and we will continue to contribute our resources and expertise.

During 2008/09 the company also contributed £500,000 to the University of Cambridge to support chemical engineering research, particularly in the area of catalysis and reaction engineering. Our funding will also help support construction of new chemical engineering facilities at the university.

Johnson Matthey continues to operate its annual charity of the year programme and employee views are considered when deciding on the charity. The international Red Cross and Red Crescent Movement was chosen as our charity of the year for 2008/09 and further details on the partnership are available in the Sustainability Report. Johnson Matthey sites around the world also lend support to many other charities locally and nationally through donations, employee time or loans of company facilities.

In the financial year to 31st March 2009 Johnson Matthey donated £495,000 to charitable organisations. This figure only includes donations made by Johnson Matthey and does not include payroll giving, donations made by staff or employee time. The company made no political donations in the year. We will continue to support a wide range of charitable causes in 2009/10.

Health and Safety

Health and safety is a key element of our sustainability strategy. As a business we are committed to providing our employees with a safe working environment and supporting and enhancing their health and wellbeing. Any accident is unacceptable and our target is zero greater than three day accidents.

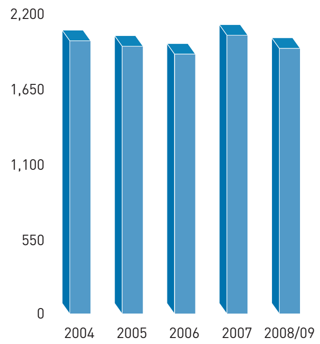
A corporate reporting system is in place to report and investigate occupational illness cases arising as a result of exposure to workplace health hazards. The incidence of cases reported during 2008/09 was 5.5 cases per 1,000 employees (5.8 cases per 1,000 employees in calendar year 2007, 3.5 cases per 1,000 employees for 1st January 2008 to 31st March 2008).

Accidents are actively monitored and detailed statistics are compiled monthly at group level. In March 2009 the incidence of greater than three day accidents at Johnson Matthey was calculated as 4.48 per 1,000 employees, an increase of 39% compared with 3.22 (restated) in March 2008. The total number of accidents that resulted in lost time was 95, a 40% increase compared to the previous year. During the year, the total accident rate increased by 17% from 8.86 (restated) to 10.39 per 1,000 employees per year. The total lost time accident incident rate per 100,000 hours worked increased by 33% from 0.40 in 2007/08 to 0.53 in 2008/09. In 2008/09 the number of days lost per 1,000 employees per year was 115, an increase of 58% compared with 73 (restated) in 2007/08. All accidents were thoroughly investigated to determine root causes and assign appropriate preventative and corrective actions.

Following steady improvement in our accident statistics in previous years, our performance in 2008/09 has highlighted the need to revitalise Johnson Matthey's accident prevention processes. The company has recently launched an initiative to introduce 'EHS Learning Events' to all facilities to help drive a reduction in the rate of injuries resulting in lost time. An 'EHS Learning Event' would typically occur when opportunities to improve the safety of the workplace are identified or when situations are observed which may necessitate at risk behaviour in achieving the required tasks or activities. Employees and long term contractors will be invited to briefly note any learning events. This will provide site managers with a valuable new source of information about the working environment that could result in injury, and employees will gain a sharpened sense of the risks around them. As the system becomes embedded we are confident this should result in reduced incidence of lost time injuries across the group.

Water Consumption

Thousands m^3



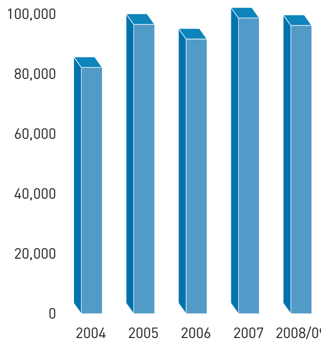
	Thousands m^3	Thousands m^3 / £ million sales excluding precious metals
2004	2,007	1.985
2005	1,967	1.793
2006	1,909	1.426
2007	2,048*	1.190
2008/09	1,951	1.086

Water consumption from 1st January 2008 to 31st March 2008 was 489,000 m^3.

*restated

Total Waste

Tonnes



	Tonnes	Tonnes / £ million sales excluding precious metals
2004	82,255	81.36
2005	96,638	88.10
2006	91,750	68.56
2007	98,764	57.39
2008/09	96,287	53.58

Total waste generated from 1st January 2008 to 31st March 2008 was 25,769 tonnes.

Environment

Environmental responsibility is a key element in making Johnson Matthey a more sustainable business. The company has an impact on the environment in many ways; through the resources we use, the way we operate our processes and the action of our products and services on enhancing the environment for others.

We undertake a comprehensive annual review of group environmental performance which covers all manufacturing and research and development facilities. Data presented here is for the 2008/09 financial year whereas previously, data has been presented on a calendar year basis. Where necessary, past environmental data has been restated to reflect changes in the business, for example divestments and site closures.

All of the manufacturing facilities across the group made progress against their individual environmental improvement targets during the year and our five year performance is shown in the tables on pages 35 to 37. The group's total energy consumption increased by 7% and our total global warming potential (GWP) reduced by 2%. Relative to sales excluding precious metals these increased by 3% and decreased by 7% respectively. The absolute reduction in GWP demonstrates early progress towards our goal to become carbon neutral and was achieved through increasing our use of green energy sources and from reducing harmful emissions from our manufacturing processes. Total emissions of acid gas (primarily oxides of nitrogen, NOx) reduced by 20% in absolute terms and by 23% relative to sales excluding precious metals. The total amount of waste generated during the year decreased by 3% across the group and by 7% relative to sales excluding precious metals. Waste to landfill decreased from 20,977 tonnes in 2007 to 5,535 tonnes in 2008/09 which represents solid progress towards our Sustainability 2017 target on waste. During the year, water consumption for the group decreased by 5% in absolute terms and by 9% relative to sales excluding precious metals.

Environmental, Health and Safety Targets

Johnson Matthey continually monitors environmental, health and safety performance to identify priority issues and to drive improvement.

A new corporate sustainability target has been set to reduce the annual incidence of occupational illness cases by at least 30% over the next five years. The longer term aim continues to be to eliminate the occurrence of occupational illness cases as far as practicable.

All sites within the group will aim to continue to make progress against the target of zero greater than three day accidents. Leading and lagging indicators have been integrated into site improvement plans to better monitor performance against these improvement targets.

We will complete new environmental, health and safety policies and guidance to support existing EHS related governance within the group EHS management system. These will focus on areas of specific interest to Johnson Matthey operations and include process safety, chemical exposure, occupational illness and occupational travel. The policies and guidance will be issued to all sites and appropriate training will follow.

Verification and Assurance

The board, Audit Committee, Chief Executive's Committee and CSR Compliance Committee review sustainability issues as part of the company's risk management processes. The board believes that the internal measures taken to review the sustainability information provide a high level of confidence. Third party assurance of our full Sustainability Report has also been commissioned. The full Sustainability Report will be published on the company's website at www.matthey.com in July 2009.

BOARD OF DIRECTORS


1


2


3


4


5


6


7


8


9


10


11

1 Sir John Banham
2 N A P Carson
3 J N Sheldrick
4 A M Thomson
5 R J W Walvis
6 D W Morgan
7 I C Strachan
8 M J Roney
9 D C Thompson
10 P N Hawker
11 L C Pentz

Sir John Banham DL, MA, HonLLD
Chairman, age 68; joined Johnson Matthey as Chairman Designate in January 2006; appointed Chairman on 1st April 2006. Currently the Senior Independent Director of Invesco Inc. and Cyclacel Pharmaceuticals Inc. He was previously a director at McKinsey & Company, the first Controller of the Audit Commission and is a former Director General of the Confederation of British Industry. Previously a director of National Power and National Westminster Bank, and Chairman of Spacelabs Healthcare Inc., Tarmac plc, Kingfisher plc, Geest plc, Whitbread PLC and Cyclacel Plc. M, N

N A P Carson BSc
Chief Executive, age 52; joined Johnson Matthey in 1980; appointed Division Director, Catalytic Systems in 1997 after having held senior management positions in the Precious Metals Division as well as Catalytic Systems in both the UK and the US. Appointed to the board as Managing Director, Catalysts & Chemicals in August 1999 and additionally assumed board level responsibility for Precious Metals Division in August 2002. Appointed Chief Executive in July 2004. Currently a member of the Advisory Board for the Cambridge Programme for Sustainability Leadership.

J N Sheldrick MA, MSc, FCMA, FCT
Group Finance Director, age 59; joined Johnson Matthey as Executive Director, Finance in September 1990 and assumed current job title in September 1995. Previously Group Treasurer of The BOC Group plc and a non-executive director of API Group Plc. Currently a non-executive director of GKN plc.

A M Thomson MA, CA
Age 62; appointed a non-executive director in September 2002. Currently Chairman of Bodycote International Plc and a non-executive director of Alstom S.A. (France). Until his retirement in 2006 he was Finance Director of Smiths Group plc. Mr Thomson is also Senior Vice President of the Institute of Chartered Accountants of Scotland. A, M, N

R J W Walvis
Age 62; appointed a non-executive director in September 2002. Currently a non-executive director of Associated British Ports Holdings Ltd and Balfour Beatty plc and Chairman of the Supervisory Board of Allianz Nederland Group NV. He was previously a non-executive director of British Energy Group plc and Chairman, Global Corporate Centre, Shell International Limited. Prior to that he held a series of senior management positions within the Royal Dutch Shell Group. A, M, N

D W Morgan MA, ACA
Executive Director, Group Corporate Development, age 51; joined Johnson Matthey in 1988 as a Division Finance Director. Appointed an executive director in August 1999. Responsible for the group's corporate development activities and legal and secretarial affairs. In addition, assumed board level responsibility for the company's central research activities in August 2002. Currently a member of the International Advisory Board of Conduit Ventures Limited.

I C Strachan
Age 66; appointed a non-executive director in January 2002. Currently a non-executive director of Transocean Inc., Xstrata plc, Rolls Royce Group plc and Caithness Petroleum Limited. Previously Chairman of Instinet Group Inc., Chief Executive of BTR plc and Deputy Chief Executive of Rio Tinto plc. He retired from the board on 31st March 2009. A, M, N

M J Roney
Age 54; appointed a non-executive director on 1st June 2007. Currently Chief Executive of Bunzl plc. Joined Bunzl plc as a non-executive director in 2003. Prior to becoming Chief Executive of Bunzl he was the Chief Executive Officer of Goodyear Dunlop Tires Europe BV and had an extensive career with the Goodyear Tire and Rubber Co holding a number of senior management positions with responsibilities in Latin America, Asia, Eastern Europe, the Middle East and Africa. A, M, N

D C Thompson
Age 48; appointed a non-executive director on 1st September 2007. Currently Chief Executive of Drax Group plc. Joined the board of Drax Group plc as Chief Executive in 2005. Prior to joining Drax she was head of the European business of the global power generation firm, InterGen. First starting her career in banking she has had senior management roles in the UK, Asia and Africa. A, M, N

P N Hawker BSc, PhD, FRSC
Executive Director, Process Technologies and Fine Chemicals & Catalysts, age 56; joined Johnson Matthey in 1985 as Research & Development Manager and was subsequently Managing Director, Autocatalysts Europe and Division Director, Environmental Catalysts and Technologies. Appointed Executive Director, Environmental Catalysts and Technologies in August 2003. He was appointed Executive Director, Process Catalysts and Technologies in July 2004 and assumed additional responsibility for Pharmaceutical Materials Division in April 2006.

L C Pentz BS ChE, MBA
Executive Director, Emission Control Technologies, age 54; joined Johnson Matthey in 1984; appointed Division Director, Process Catalysts and Technologies in 2001 after having held a series of senior management positions within Catalysts Division in the US. Appointed Executive Director, Process Catalysts and Technologies in August 2003 and Executive Director, Emission Control Technologies in July 2004. On 1st April 2009 he was appointed Executive Director, Environmental Technologies. Currently a non-executive director of Victrex plc.

Committees of the Board
A Audit Committee
M Management Development and Remuneration Committee
N Nomination Committee

The composition of the board presented above reflects the position at 31st March 2009.

On 1st April 2009 Sir Thomas Harris joined the board. His biographical details are as follows:

Sir Thomas Harris KBE CMG
Age 64; appointed a non-executive director on 1st April 2009. Currently Vice Chairman of Standard Chartered Capital Markets Ltd, a non-executive director of Biocompatibles International plc and SC First Bank (Korea), a director of IFSL and a Trustee of Asia House. Until 2004, he was Director General of Trade & Investment USA responsible for British business and technology promotion throughout the United States. He served previously as British Ambassador to the Republic of Korea in Seoul, Deputy High Commissioner in Lagos, Nigeria and Commercial Counsellor in the British Embassy in Washington DC.

OTHER SENIOR MANAGEMENT

Environmental Technologies

S M Christley *Division Finance Director,* Emission Control Technologies
A M Myers *President,* Emission Control Technologies, North America
D W Prest *Technology and Business Development Director,* Emission Control Technologies
J F Walker *Managing Director,* Emission Control Technologies, Europe
J V Zubrickas *Managing Director,* Emission Control Technologies, Asia
N Whitley *Divisional Director,* Process Technologies
G L McGregor *Divisional Finance Director,* Process Technologies
P C Framp *Business Development Director,* Process Technologies
A C Hurst *Managing Director,* Tracerco and Vertec
D J Tomlinson *President,* Davy Process Technology
J C Frost *Director,* Fuel Cells

Precious Metal Products

W F Sandford *Division Director*
B M O'Connell *Division Finance Director*
M Bedford *Director,* Precious Metals Marketing
C C Howlett *General Manager,* Noble Metals, Europe
J D Malanga *General Manager,* Noble Metals, North America
A J McCullough *General Manager,* Gold, North America
R L P J van der Heijden *Managing Director,* Colour Technologies
G P Otterman *Managing Director,* Pgm Refining and Recycling

Fine Chemicals & Catalysts

N P H Garner *Director, Finance and Planning,* Process Technologies and Fine Chemicals & Catalysts
M T Durney *President,* Catalysts and Chemicals
J B Fowler *President,* Pharmaceutical Materials and Services
R M Kilburn *Managing Director,* Macfarlan Smith
F K Sheffy *Director, Business Development,* Fine Chemicals & Catalysts
B C Singelais *President,* Global Research Chemicals

Corporate

G J Coates *Group Treasurer*
S Farrant *Group Legal Director and Company Secretary*
I D Godwin *Director, Investor Relations and Corporate Communications*
V E Gough *Group Reporting Controller*
T Hassan *Group Business Development Director*
B A Murrer *Director,* Technology Centre
S P Robinson *Director of Tax*
I F Stephenson *Director,* Group Systems, Environment, Health and Safety and Human Resources
M V Twigg *Chief Scientist*

Statement of Compliance with the Combined Code

The company has applied the principles set out in Section 1 of the Combined Code on Corporate Governance issued by the Financial Reporting Council dated June 2006 (the Code). This statement describes how the principles of the Code have been applied.

The company has complied with all relevant provisions set out in Section 1 of the Code throughout the year except that the board has taken the view that it is not necessarily practical, efficient or desired by shareholders for the Senior Independent Director to attend meetings with major shareholders in order to learn their issues and concerns unless such discussions are requested by shareholders. The methods by which major shareholders' views are communicated to the board as a whole are discussed under 'Relations with Shareholders' on page 41.

Directors and the Board

The board is responsible to the company's shareholders for the group's system of corporate governance, its strategic objectives and the stewardship of the company's resources and is ultimately responsible for social, environmental and ethical matters. The board held eight meetings in the year and in addition met separately to review the group's long term strategy. The board delegates specific responsibilities to board committees, as described below. The board reviews the key activities of the business and receives papers and presentations to enable it to do so effectively. The Company Secretary is responsible to the board, and is available to individual directors, in respect of board procedures.

The board comprises the Chairman, the Chief Executive, four other executive directors and five independent non-executive directors. Mr N A P Carson is the Chief Executive. Sir John Banham is the Chairman. Sir John's other commitments are disclosed on page 38. The roles of Chairman and Chief Executive are separate. The Chairman leads the board, ensuring that each director, particularly each non-executive director, is able to make an effective contribution. He monitors, with assistance from the Company Secretary, the information distributed to the board to ensure that it is sufficient, accurate, timely and clear. The Chief Executive maintains day-to-day management responsibility for the company's operations, implementing group strategies and policies agreed by the board.

The role of non-executive directors, who are appointed for specified terms subject to re-election and to Companies Acts provisions relating to the removal of a director, is to enhance independence and objectivity of the board's deliberations and decisions. Mr A M Thomson was appointed Senior Independent Director on 1st April 2008 following the retirement of Mr C D Mackay on 31st March 2008. Sir Thomas Harris joined the board as a non-executive director on 1st April 2009 following the retirement from the board of Mr I C Strachan on 31st March 2009. All non-executive directors are independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgment.

The executive directors have specific responsibilities, which are detailed on pages 38 and 39, and have direct responsibility for all operations and activities. As announced on 26th February 2009, Mr D W Morgan, Executive Director, Group Corporate Development, has decided to stand down from the board at the forthcoming Annual General Meeting on 21st July 2009. As announced on 1st April 2009, Dr P N Hawker, Executive Director, Process Technologies and Fine Chemicals & Catalysts, has decided to retire and will also stand down from the board at the forthcoming Annual General Meeting. Also as announced on 1st April 2009, Mr W F Sandford, Division Director, Precious Metal Products, has been appointed an executive director and will join the board with effect from the end of the forthcoming Annual General Meeting. Mr L C Pentz, previously Executive Director, Emission Control Technologies, was appointed Executive Director, Environmental Technologies with effect from 1st April 2009.

In accordance with the company's Articles of Association, all directors submit themselves for re-election at least once every three years. The board composition allows for changes to be made with minimum disruption.

The board has undertaken a formal evaluation of its performance and the performance of its committees and the individual directors. During the year, the Company Secretary conducted face to face interviews with each individual director. The interviews focused on the operation of the board and its committees and on individual directors' contributions. A summary of the responses was prepared by the Company Secretary and discussed at a board meeting.

One area covered by the board evaluation related to the training needs of the executive and non-executive directors. Regular business presentations from senior managers at board meetings assist the non-executive directors in familiarising themselves with the group's businesses. The board also usually holds at least one board meeting per year at one of the group's operational sites and takes the opportunity to tour the site and discuss issues with local senior and middle management. Individual non-executive directors also undertake site visits. Such presentations, meetings and site visits help to give a balanced overview of the company. They enable the non-executive directors to build an understanding of the company's businesses, the markets in which the company operates and its main relationships and to build a link with the company's employees. This is important in helping the non-executive directors to continually develop and refresh their knowledge and skills to ensure that their contribution to the board remains informed and relevant. Account is taken of environmental, social and governance matters in the training of directors.

Led by the Senior Independent Director, the non-executive directors met without the Chairman present to consider evaluation of the Chairman's performance.

Committees of the Board

The Chief Executive's Committee is responsible for the recommendation to the board of strategic and operating plans and on decisions reserved to the board where appropriate. It is also responsible for the executive management of the group's business. The Committee is chaired by the Chief Executive and meets monthly (except in August). During the year it comprised the executive directors and five senior executives of the company.

The Audit Committee is a sub-committee of the board whose purpose is to assist the board in the effective discharge of its responsibilities for financial reporting and corporate control. The Audit Committee meets quarterly and is chaired by Mr A M Thomson. It comprises all the independent non-executive directors with the group Chairman, the Chief Executive, the Group Finance Director and the external and internal auditors attending by invitation. A report from the Audit Committee on its activities is given on page 46. Mr Thomson has recent and relevant financial experience as former Finance Director of Smiths Group plc and currently as Senior Vice President of the Institute of Chartered Accountants of Scotland.

The Nomination Committee is a sub-committee of the board responsible for advising the board and making recommendations on the appointment of new directors. The Nomination Committee is chaired by Sir John Banham, the group Chairman, and also comprises all the independent non-executive directors. A report from the Nomination Committee on its activities is given on page 45.

The Management Development and Remuneration Committee (MDRC) is a sub-committee of the board which determines on behalf of the board the remuneration of the executive directors. Mr R J W Walvis was appointed Chairman of the MDRC on 1st April 2008 following the retirement of Mr C D Mackay on 31st March 2008. The MDRC comprises all the independent non-executive directors of the company together with the group Chairman. The Chief Executive and the Director of Human Resources attend by invitation except when their own performance and remuneration are discussed. Further details are set out in the Remuneration Report on pages 47 to 53.

Committees of the Board (continued)

Attendance at the board and board committee meetings in 2008/09 was as follows:

Director	Full Board Eligible to attend	Full Board Attended	MDRC Eligible to attend	MDRC Attended	Nomination Committee Eligible to attend	Nomination Committee Attended	Audit Committee Eligible to attend	Audit Committee Attended
Sir John Banham	8	8	4	4	6	6	–	4[1]
N A P Carson	8	8	–	4[1]	–	6[1]	–	4[1]
P N Hawker	8	8	–	–	–	–	–	–
D W Morgan	8	8	–	–	–	–	–	–
L C Pentz	8	8	–	–	–	–	–	–
M J Roney	8	8	4	4	6	5	4	4
J N Sheldrick	8	8	–	–	–	–	–	4[1]
I C Strachan	8	6	4	3	6	3	4	4
D C Thompson	8	8	4	4	6	6	4	4
A M Thomson	8	8	4	4	6	6	4	4
R J W Walvis	8	8	4	4	6	6	4	4

[1] Includes meetings attended by invitation for all or part of meeting.

Directors' Remuneration

The Remuneration Report on pages 47 to 53 includes details of remuneration policies and of the remuneration of the directors.

Relations with Shareholders

The board considers effective communication with shareholders, whether institutional investors, private or employee shareholders, to be extremely important.

The company reports formally to shareholders when its full year results are announced and a half-yearly report and a full report are published. These reports are posted on Johnson Matthey's website (www.matthey.com). At the same time, executive directors give presentations on the results to institutional investors, analysts and the media in London and other international centres. Copies of major presentations are also posted on the company's website.

The company's Annual General Meeting takes place in London and formal notification is sent to shareholders at least 20 working days in advance of the meeting. The directors are available for questions, formally during the Annual General Meeting and informally afterwards. Details of the 2009 Annual General Meeting are set out in the notice of the meeting accompanying this Annual Report.

Contact with major shareholders is principally maintained by the Chief Executive and the Group Finance Director, who ensure that their views are communicated to the board as a whole. The Chairman also discusses governance and other matters directly with major shareholders. The board believes that appropriate steps have been taken during the year to ensure that the members of the board, and in particular the non-executive directors, develop an understanding of the issues and concerns of major shareholders about the company. The board is provided with brokers' reports and feedback from shareholder meetings on a six-monthly basis. The canvassing of major shareholders' views for the board in a detailed investor survey is usually conducted every two years by external consultants. The board has taken the view that these methods, taken together, are a practical and efficient way both for the Chairman to keep in touch with major shareholder opinion on governance and strategy and for the Senior Independent Director to learn the views of major shareholders and to develop a balanced understanding of their issues and concerns. The Senior Independent Director and other non-executive directors are available to attend meetings with major shareholders if requested, however no such meetings were requested during the year.

Accountability, Audit and Control

The statement of the Responsibility of Directors for the preparation of the Annual Report and Accounts is set out on page 54.

In its reporting to shareholders, the board aims to present a balanced and understandable assessment of the group's financial position and prospects.

The group's organisational structure is focused on its three divisions. These are all separately managed but report to the board through a board director. The executive management team receives monthly summaries of financial results from each division through a standardised reporting process.

The group has in place a comprehensive annual budgeting process including forecasts for the next two years. Variances from budget are closely monitored.

The board has overall responsibility for the group's systems of internal control and for reviewing their effectiveness. The internal control systems are designed to meet the group's needs and address the risks to which it is exposed. Such systems can provide reasonable but not absolute assurance against material misstatement or loss.

There is a continuous process for identifying, evaluating and managing the significant risks faced by the company which has been in place during the financial year and up to the date of approval of the Annual Report and Accounts. The board regularly reviews this process.

The assessment of group and strategic risks is reviewed by the board and updated on an annual basis. At the business level, the processes to identify and manage the key risks are an integral part of the control environment. Key risks and internal controls are the subject of regular reporting to the Chief Executive's Committee.

The Group Control Manual, which is distributed to all group operations, clearly sets out the composition, responsibilities and authority limits of the various board and executive committees and also specifies what may be decided without central approval. It is supplemented by other specialist policy and procedures manuals issued by the group, divisions and individual business units or departments. The high intrinsic value of many of the metals with which the group is associated necessitates stringent physical controls over precious metals held at the group's sites.

The internal audit function is responsible for monitoring the group's systems of internal financial controls and the control of the integrity of the financial information reported to the board. The Audit Committee approves the plans for internal audit reviews and receives the reports produced by the internal audit function on a regular basis. Actions are agreed with management in response to the internal audit reports produced.

In addition, significant business units provide assurance on the maintenance of financial and non-financial controls and compliance with group policies. These assessments are summarised by the internal audit function and a report is made annually to the Audit Committee.

The directors confirm that the system of internal control for the year ended 31st March 2009 and the period up to 3rd June 2009 has been established in accordance with the Turnbull Guidance included with the Code and that they have reviewed the effectiveness of the system of internal control.

CORPORATE GOVERNANCE

Corporate Social Responsibility

Measures to ensure responsible business conduct and the identification and assessment of risks associated with social, ethical and environmental matters are managed in conjunction with all other business risks and reviewed at regular meetings of the board, the Audit Committee and the Chief Executive's Committee.

A review of the group's policies and targets for corporate social responsibility (CSR) is set out in the Sustainability section of the Business Review on pages 29 to 37. A full version of the Sustainability Report is available on the company's website.

The identification and monitoring of environment, health and safety (EHS), social and governance risks are the responsibility of the CSR Compliance Committee, which is a sub-committee of the Chief Executive's Committee. It comprises the division directors, the Director of EHS, the Company Secretary and senior representatives of Group Legal, Internal Audit and Group EHS. The Committee has specific responsibility for setting and overseeing compliance with the standards for group CSR performance through the development, dissemination, adoption and implementation of appropriate group policies and other operational measures.

EHS performance is monitored using monthly statistics and detailed site audit reports. EHS performance is reviewed on a regular basis by the Chief Executive's Committee and an annual review is undertaken by the board.

Risks from employment and people issues are identified and assessed by the Chief Executive's Committee and reported to the board.

Employment contracts, handbooks and policies specify acceptable business practices and the group's position on ethical issues. The Group Control Manual and security manuals provide further operational guidelines to reinforce these.

The Audit Committee reviews risks associated with corporate social responsibility on an annual basis and monitors performance through the annual control self-assessment process conducted by the internal audit function.

OTHER STATUTORY INFORMATION

Dividends

The interim dividend of 11.1 pence per share (2008 10.6 pence) was paid in February 2009. The directors recommend a final dividend of 26.0 pence per share in respect of the year ended 31st March 2009 (2008 26.0 pence), making a total for the year of 37.1 pence per share (2008 36.6 pence), payable on 4th August 2009 to shareholders on the register at the close of business on 12th June 2009.

A Dividend Reinvestment Plan is in place which allows shareholders to purchase additional shares in the company with their dividend payment. Further information and a mandate can be obtained from the company's registrars, Equiniti, whose details are set out on page 112.

Share Capital

As at 31st March 2009, the company's authorised share capital was £291,550,000 divided into 291,550,000 ordinary shares of £1.00 each. The issued share capital of the company at 31st March 2009 was 214,675,736 ordinary shares of £1.00 each, excluding 5,997,877 shares held as treasury shares.

There were no share allotments during the year.

At the 2008 Annual General Meeting, shareholders renewed the company's authority to make market purchases of up to 21,467,573 ordinary shares (representing 10% of the issued share capital of the company (excluding treasury shares) as at 30th May 2008).

The company did not make any purchases of its own shares during the year. Authority to purchase up to 21,467,573 shares remained in place at 31st March 2009. At the forthcoming Annual General Meeting the board will again seek shareholders' approval to renew the annual authority for the company to make purchases of its own shares through the market.

Rights and Obligations Attaching to Shares

The holders of ordinary shares are entitled to receive dividends when declared, to receive the company's report and accounts, to attend and speak at general meetings of the company, to appoint proxies and to exercise voting rights.

There are no restrictions on transfer or limitations on the holding of ordinary shares and no requirements to obtain prior approval to any transfers except where the company has exercised its right to suspend their voting rights, withhold a dividend or prohibit their transfer following the failure by the member or any other person appearing to be interested in the shares to provide the company with information requested under section 793 of the Companies Act 2006. The directors may, in certain circumstances, also refuse to register the transfer of a share in certificated form which is not fully paid up, where the instrument of transfer does not comply with the requirements of the Articles of Association, or if entitled to do so under the Uncertificated Securities Regulations 2001. No ordinary shares carry any special rights with regard to control of the company and there are no restrictions on voting rights except that a shareholder has no right to vote in respect of a share unless all sums due in respect of that share are fully paid. There are no known agreements between holders of securities that may result in restrictions on the transfer of securities or on voting rights and no known arrangements under which financial rights are held by a person other than the holder of the shares.

Shares acquired by employees through the Johnson Matthey employee share schemes rank equally with the other shares in issue and have no special rights.

Annual General Meeting

The notice of the 2009 Annual General Meeting of the company to be held on Tuesday 21st July 2009 at 11.00 am at The Institution of Engineering and Technology (The Lecture Theatre), 2 Savoy Place, London, WC2R 0BL is contained in the circular accompanying this Annual Report, together with an explanation of the resolutions to be considered at the meeting.

Employee Share Schemes

At 31st March 2009 4,456 current and former employees, representing approximately 52.2% of employees worldwide, were shareholders in Johnson Matthey through the group's employee share schemes, which held 3,774,061 shares (1.76% of issued share capital, excluding treasury shares). A total of 661 current and former executives held options over 4,476,662 shares through the company's executive share option schemes.

OTHER STATUTORY INFORMATION

Directors

The names and biographical details of the directors of the company are shown on pages 38 and 39.

On 31st March 2009, Mr I C Strachan retired as a non-executive director of the company. On 1st April 2009, Sir Thomas Harris was appointed a non-executive director of the company. On 22nd June 2009, Mr R J MacLeod will be appointed an executive director and Group Finance Director designate. It is intended that Mr MacLeod will take over the role of Group Finance Director from Mr J N Sheldrick when he retires at age 60 on 7th September 2009.

As announced on 26th February 2009, Mr D W Morgan, Executive Director, Group Corporate Development, has decided to stand down from the board at the forthcoming Annual General Meeting on 21st July 2009. As announced on 1st April 2009, Dr P N Hawker, Executive Director, Process Technologies and Fine Chemicals & Catalysts, has decided to retire and will also stand down from the board at the forthcoming Annual General Meeting. Also as announced on 1st April 2009, Mr W F Sandford, Division Director, Precious Metal Products, has been appointed an executive director and will join the board with effect from the end of the forthcoming Annual General Meeting. Mr L C Pentz, previously Executive Director, Emission Control Technologies, was appointed Executive Director, Environmental Technologies with effect from 1st April 2009.

In accordance with the provisions for retirement by rotation in the company's Articles of Association, Sir John Banham, Mr N A P Carson and Mr Pentz will retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election. Also in accordance with the provisions of the company's Articles of Association, Sir Thomas Harris and Mr MacLeod will retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for election.

Details of the constitution of the board and its committees are set out on pages 40 and 41.

Appointment and Replacement of Directors

The Articles of Association provide that the number of directors is not subject to any maximum but must not be less than six, unless otherwise determined by the company by ordinary resolution. Directors may be appointed by an ordinary resolution of the members or by a resolution of the directors. A director appointed by the directors must retire at the next following Annual General Meeting and is not taken into account in determining the directors who are to retire by rotation at the meeting.

At every Annual General Meeting at least one third of directors must retire by rotation. The directors to retire by rotation must include any director who has not been subject to election or re-election at the time of the two preceding Annual General Meetings, and (if so required to constitute one third of directors) those directors who have been longest in office since their last appointment or re-appointment.

A director may be removed by a special resolution of the company. In addition, a director must automatically cease to be a director if (i) he ceases to be a director by virtue of any provision of the Companies Act 1985 or Companies Act 2006 or he becomes prohibited by law from being a director, or (ii) he becomes bankrupt or makes any arrangement or composition with his creditors generally, or (iii) he is suffering from a mental disorder, or (iv) he resigns from his office by notice in writing to the company, or in the case of an executive director, his appointment is terminated or expires and the directors resolve that his office be vacated, or (v) he is absent for more than six consecutive months without permission of the directors from meetings of the directors and the directors resolve that his office be vacated or (vi) he is requested in writing, or by electronic form, by all the other directors to resign.

Powers of the Directors

The powers of the directors are determined by the company's Memorandum and Articles of Association, the Companies Act 1985 and Companies Act 2006 and any directions given by the company in general meeting. The directors have been authorised by the Articles of Association to issue and allot ordinary shares and to make market purchases of shares. These powers are referred to shareholders at the Annual General Meeting for renewal. Any shares purchased may be cancelled or held as treasury shares.

Directors' Interests

Details of directors' remuneration, service contracts and interests in the shares of the company are set out in the Remuneration Report on pages 47 to 53.

Other than service contracts, no director had any interest in any material contract with any group company at any time during the year.

During the year procedures were put in place to ensure compliance with the directors' conflict of interest duties set out in the Companies Act 2006. All directors were asked to submit details to the Company Secretary of any current situations (appointments or otherwise) which may give rise to a conflict, or potential conflict, of interest. Notifications were received from all directors. These were reviewed by the board and the board identified those which required further consideration and, if appropriate, approval. Following consideration, the board approved the conflict or potential conflict matters, subject to the condition that the directors concerned abstain from participating in any discussion or decision affected by the conflict matter. In each case, authorisation was given by directors who were genuinely independent of the conflict matter. A record of all authorisations is maintained by the Company Secretary and will be reviewed by the board on an annual basis.

In addition, the board approved a procedure in respect of the ongoing authorisation of directors' conflicts of interests and directors' duty to declare interests in proposed and existing transactions and arrangements.

The above conflicts procedures have operated effectively since their implementation.

Major Shareholders

As at 31st May 2009, the following information had been disclosed to the company under the Financial Services Authority's Disclosure and Transparency Rules in respect of holdings exceeding the 3% notification threshold:

	Nature of holding	Total voting rights	% of total voting rights[1]
Prudential plc	Direct	17,835,901	8.31
Vanguard Precious Metals & Mining Fund	Direct	10,850,000	5.05
BlackRock, Inc.	Indirect	10,677,567	4.97
Lloyds TSB Group plc	Indirect	10,490,545	4.89
Aviva plc	Direct	6,192,018	2.88
	Indirect	2,867,283	1.34
Legal & General Group Plc	Direct	8,879,144	4.13

(1) Total voting rights attaching to the issued ordinary share capital of the company (excluding treasury shares) at the date of disclosure.

Change of Control

The company and its subsidiaries are party to a number of commercial agreements that may allow the counterparties to alter or terminate the arrangements on a change of control of the company following a takeover bid. Other than the matters referred to below, these are not deemed by the company to be significant in terms of their potential effect on the group as a whole.

Change of Control (continued)

The group has a number of loan notes and borrowing facilities which may require prepayment of principal and payment of accrued interest and breakage costs if there is change in control of the company. The group has also entered into a series of financial instruments to hedge its currency, interest rate and metal price exposures which provide for termination or alteration if a change of control of the company materially weakens the creditworthiness of the group.

The company is party to a marketing agreement with a subsidiary of Anglo Platinum Limited, originally entered into in 1992, under which the company was appointed as sales and marketing agent for refined platinum group metals worldwide excluding the US and the company agreed to provide certain marketing services. The agreement contains provisions under which the counterparty may have the right to terminate the agreement on a change of control of the company.

The rules of the company's employee share schemes set out the consequences of a change of control of the company on participants' rights under the schemes. Generally such rights will vest and become exercisable on a change of control subject to the satisfaction of relevant performance conditions.

The executive directors' service contracts each contain a provision to the effect that if the contract is terminated by the company within one year after a change of control of the company, the company will pay to the director as liquidated damages an amount equivalent to one year's gross basic salary and other contractual benefits less the period of any notice given by the company to the director.

Other than the marketing agreement with a subsidiary of Anglo Platinum Limited referred to above, the group does not have any contractual or other arrangements with any persons which the directors consider are essential to the business of the company.

Disabled Persons

Details of the company's policy relating to the employment and training of disabled persons can be found on pages 32 and 33.

Use of Financial Instruments

Information on the company's financial risk management and policies and its exposure to price risk, credit risk, liquidity risk and cash flow risk can be found on pages 90 to 94.

Employee Involvement

Information on the action taken by the company during the year relating to employee involvement can be found on pages 29 to 37.

Policy on Payment of Commercial Debts

The group's policy in relation to the payment of all suppliers (set out in its Group Control Manual, which is distributed to all group operations) is that payment should be made within the credit terms agreed with the supplier, subject to the supplier having performed its obligations under the relevant contract. At 31st March 2009, the company's aggregate level of 'creditor days' amounted to 6 days. Creditor days are calculated by dividing the aggregate of the amounts which were outstanding as trade payables at the end of the year by the aggregate of the amounts the company was invoiced by suppliers during the year and multiplying by 365 to express the ratio as a number of days.

Charitable Donations

During the year the group donated £495,000 (2008 £415,000) to charitable organisations worldwide, of which £366,000 (2008 £264,000) was in the UK.

Further details of contributions made by the group worldwide are given on pages 35 and 36 and in the Sustainability Report which can be found on the company's website at www.matthey.com.

Political Donations and Expenditure

It is the policy of the group not to make political donations. During the year to 31st March 2009, no donations were made to EU political organisations (2008 £ nil), no EU political expenditure was incurred (2008 £ nil) and no contributions to political parties outside the EU were made within the meaning of Part XA of the Companies Act 1985 or Part 14 of the Companies Act 2006 (2008 £ nil).

Directors' Indemnities

The company has granted indemnities in favour of all directors under Deed Polls. These provisions were in force during the year ended 31st March 2009 and remain in force as at the date of this report. Copies of the Deed Polls and the company's Articles of Association are available for inspection during normal business hours at the company's registered office and will be available for inspection at the forthcoming Annual General Meeting.

Corporate Governance and Remuneration

The board's statement on corporate governance matters is given on pages 40 to 42 and its report on directors' remuneration is set out on pages 47 to 53.

Auditors and Disclosure of Information to Auditors

In accordance with section 489 of the Companies Act 2006, a resolution is to be proposed at the forthcoming Annual General Meeting for the reappointment of KPMG Audit Plc as auditors of the company and to authorise the directors to determine their remuneration.

So far as each person serving as a director of the company at the date this Annual Report was approved by the board is aware, there is no relevant information needed by the company's auditors in connection with preparing its report set out on page 55 (audit information) of which the company's auditors are unaware. Each director hereby confirms that he or she has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

The Report of the Directors was approved by the Board of Directors on 3rd June 2009 and is signed on its behalf by:

S. Farrant

Simon Farrant
Company Secretary

NOMINATION COMMITTEE REPORT

Role of the Nomination Committee

The Nomination Committee is a sub-committee of the board whose purpose is to advise the board on the appointment and, if necessary, dismissal of executive and non-executive directors. The full terms of reference of the Nomination Committee are provided on the company's website at www.matthey.com.

Composition of the Nomination Committee

The Nomination Committee comprises all the independent non-executive directors together with the group Chairman. The quorum necessary for the transaction of business is two, each of whom must be an independent non-executive director. Biographical details of the independent directors and the group Chairman are set out on pages 38 and 39. Their remuneration is set out on page 50.

The group Chairman acts as the Chairman of the Nomination Committee, although the group Chairman may not chair the Nomination Committee when it is dealing with the matter of succession to the Chairmanship of the company. A non-executive director may not chair the Nomination Committee when it is dealing with a matter relating to that non-executive director.

Only members of the Nomination Committee have the right to attend Nomination Committee meetings. However, other individuals, such as the Chief Executive, the Director of Human Resources and external advisers, may be invited to attend for all or part of any meeting as and when appropriate.

The Company Secretary is secretary to the Nomination Committee.

The Nomination Committee has the authority to seek any information that it requires from any officer or employee of the company or its subsidiaries. In connection with its duties, the Nomination Committee is authorised by the board to take such independent advice (including legal or other professional advice, at the company's expense) as it considers necessary, including requests for information from or commissioning investigations by external advisers.

Main Activities of the Nomination Committee

The Nomination Committee met six times during the financial year ended 31st March 2009; on 1st and 29th April, 3rd June and 24th November 2008 and on 3rd February and 31st March 2009.

The Nomination Committee met on 1st April 2008 to discuss and make recommendations to the board for the appointments of a Senior Independent Director and Chairman of the Management Development and Remuneration Committee following the retirement of Mr C D Mackay from the board on 31st March 2008. After full discussion, taking into account all relevant factors and considering the corporate governance and Combined Code background to the proposed appointments (including the role of the Senior Independent Director under the Combined Code), the Nomination Committee agreed to recommend to the board that Mr A M Thomson be appointed Senior Independent Director and that Mr R J W Walvis be appointed Chairman of the Management Development and Remuneration Committee. The board approved the recommendations at its meeting on 1st April 2008.

At its meeting on 1st April 2008, the Nomination Committee went on to discuss and agree the process for the selection and appointment of a non-executive director to replace Mr I C Strachan, who would be retiring from the board on 31st March 2009. The Nomination Committee evaluated the balance of skills, knowledge and experience on the board and, in the light of this evaluation, prepared a description of the role and capabilities required for the appointment. At its meetings between 1st April 2008 and 3rd February 2009 the Nomination Committee agreed the appointment of an external search consultant, formed an interview panel comprising the Chairman, Senior Independent Director and the Chief Executive and considered a shortlist of candidates. The suitability of each proposed candidate was carefully considered, including whether they could devote sufficient time to the role. At its meeting on 3rd February 2009, the Nomination Committee agreed to recommend the appointment of Sir Thomas Harris with effect from 1st April 2009, following the retirement of Mr Strachan. The board accepted the recommendation at its meeting later that day.

Also at its meeting on 1st April 2008, the Nomination Committee began consideration of the process for the selection and appointment of a new Group Finance Director to replace Mr J N Sheldrick on his proposed retirement from the board on 7th September 2009. The Nomination Committee took further steps in the selection and appointment process at its meetings between 1st April 2008 and 3rd February 2009. The Nomination Committee considered the skills, knowledge and experience which the role demanded and a specification was drawn up. An external search consultant was appointed to assist in the process. A sub-committee of the Nomination Committee, comprising the Chairman and the Senior Independent Director, assisted by the Chief Executive, was appointed to take the selection process forward. Several candidates were interviewed by the sub-committee. At its meeting on 3rd February 2009, following feedback from its sub-committee, the Nomination Committee agreed to recommend to the board the appointment of Mr R J MacLeod as an executive director and Group Finance Director designate with effect from 22nd June 2009. The board approved the appointment of Mr MacLeod at its meeting on 3rd February 2009.

At its meeting on 31st March 2009, the Nomination Committee considered and recommended to the board the proposed appointment of Mr W F Sandford as an executive director following Dr P N Hawker's decision to retire from the board at the forthcoming Annual General Meeting on 21st July 2009. It also considered and recommended to the board the proposed change in responsibilities of Mr L C Pentz to Executive Director, Environmental Technologies. Proposals for new appointments to the Chief Executive's Committee with effect from 1st April 2009 were also discussed. The board approved the appointment of Mr Sandford and the change in responsibilities of Mr Pentz at its meeting on 31st March 2009.

On behalf of the Nomination Committee:

Sir John Banham
Chairman of the Nomination Committee

AUDIT COMMITTEE REPORT

Role of the Audit Committee

The Audit Committee is a sub-committee of the board whose responsibilities include:

- Reviewing the half-yearly and full year accounts and results announcements of the company and any other formal announcements relating to the company's financial performance and recommending them to the board for approval.
- Reviewing the group's systems for internal financial control and risk management.
- Monitoring and reviewing the effectiveness of the company's internal audit function and considering regular reports from internal audit on internal financial controls and risk management.
- Considering the appointment of the external auditors, overseeing the process for their selection and making recommendations to the board in relation to their appointment to be put to shareholders for approval at a general meeting.
- Monitoring and reviewing the effectiveness and independence of the external auditors, agreeing the nature and scope of their audit, agreeing their remuneration, and considering their reports on the company's accounts, reports to shareholders and their evaluation of the systems of internal financial control and risk management.

The full terms of reference of the Audit Committee are provided on the company's website at www.matthey.com.

Composition of the Audit Committee

The Audit Committee comprises all the independent non-executive directors. Biographical details of the independent directors are set out on pages 38 and 39. Their remuneration is set out on page 50. The Chairman of the Audit Committee is Mr A M Thomson, who was formerly Finance Director of Smiths Group plc and is currently Senior Vice President of the Institute of Chartered Accountants of Scotland. The group Chairman, Chief Executive, Group Finance Director, Head of Internal Audit and external auditors (KPMG Audit Plc) attend Audit Committee meetings by invitation. The Committee also meets separately with the Head of Internal Audit and with the external auditors without management being present. The Company Secretary is secretary to the Audit Committee.

Main Activities of the Audit Committee

The Audit Committee met four times during the financial year ended 31st March 2009. At its meeting on 29th May 2008 the Committee reviewed the company's preliminary announcement of its results for the financial year ended 31st March 2008, and the draft report and accounts for that year. The Committee received reports from the external auditors on the conduct of their audit, their review of the accounts, including accounting policies and areas of judgment, and their comments on risk management and control matters. The Committee also reviewed shareholder resolutions to be proposed at the forthcoming Annual General Meeting.

The Audit Committee met on 21st July 2008 to receive reports on internal controls from both the internal and external auditors. The external auditors also presented their proposed fees and scope for the forthcoming year's audit. The Committee also reviewed the performance of both the internal and external auditors. The review of the external auditors was used to confirm the appropriateness of their reappointment and included assessment of their independence, qualification, expertise and resources, and effectiveness of their audit process. The group's Sustainability Report 2007/08 was also reviewed, which is available on the company's website at www.matthey.com.

At its meeting on 24th November 2008 the Audit Committee reviewed the company's half-yearly results, the half-yearly report and the external auditors' review.

At its meeting on 3rd February 2009 the Audit Committee reviewed management's and internal audit's reports on the effectiveness of the company's systems for internal financial control and risk management. The Committee reviewed the group's credit control procedures and risks, controls over precious metals and IT controls. The group's corporate social responsibility reporting arrangements and whistleblowing procedures were also reviewed. Changes to the Group Control Manual were ratified. The Committee also reviewed the governance procedures of the external auditors and considered the risk of their failure to operate as a going concern.

Since the year end the Committee has met to review the company's preliminary announcement of its results and draft report for the financial year ended 31st March 2009, and also the company's assessment of going concern for the period to 30th June 2010.

Independence of External Auditors

Both the board and the external auditors have for many years had safeguards in place to avoid the possibility that the auditors' objectivity and independence could be compromised. Our policy in respect of services provided by the external auditors is as follows:

- Audit related services – the external auditors are invited to provide services which, in their position as auditors, they must or are best placed to undertake. This includes formalities relating to borrowings, shareholders' and other circulars, various other regulatory reports and work in respect of acquisitions and disposals.
- Tax consulting – in cases where they are best suited, we use the external auditors. All other significant tax consulting work is put out to tender.
- General consulting – in recognition of public concern over the effect of consulting services on auditors' independence, our policy is that the external auditors are not invited to tender for general consulting work.

The split between audit and non-audit fees for the year ended 31st March 2009 and information on the nature of non-audit fees appear in note 5 on the accounts.

Internal Audit

During the year the Audit Committee reviewed the performance of the internal audit function, the findings of the audits completed during the year and the department's resource requirements and also approved the internal audit plan for the year ending 31st March 2010.

Internal audit independently reviews the risks and control processes operated by management. It carries out independent audits in accordance with an internal audit plan which is agreed with the Audit Committee before the start of the financial year.

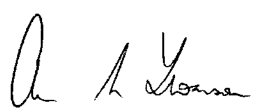
The plan provides a high degree of financial and geographical coverage and devotes significant effort to the review of the risk management framework surrounding the major business risks.

Internal audit reports include recommendations to improve internal controls together with agreed management action plans to resolve the issues raised. Internal audit follows up the implementation of recommendations and reports progress to senior management and the Audit Committee.

The Audit Committee receives reports from the Head of Internal Audit on the department's work and findings.

The effectiveness of the internal audit function is reviewed and discussed on an annual basis with the Head of Internal Audit.

On behalf of the Committee:



Alan Thomson
Chairman of the Audit Committee

Remuneration Report to Shareholders

Management Development and Remuneration Committee and its Terms of Reference

The Management Development and Remuneration Committee of the board comprises all the independent non-executive directors of the company as set out on pages 38 and 39 and the group Chairman. The Chairman of the Committee throughout the year was Mr R J W Walvis who was appointed Chairman of the Committee on 1st April 2008 following the retirement of Mr C D Mackay on 31st March 2008.

The Committee's terms of reference include determination on behalf of the board of fair remuneration for the Chief Executive, the other executive directors and the group Chairman (in which case the group Chairman does not participate), which, while set in the context of what the company can reasonably afford, recognises their individual contributions to the company's overall performance. In addition, the Committee assists the board in ensuring that the senior management of the group are recruited, developed and remunerated in an appropriate fashion. The Director of Human Resources, Mr I F Stephenson, acts as secretary to the Committee. The full terms of reference of the Committee are available on the company's website at www.matthey.com.

Non-executive directors' remuneration is determined by the board, within the limits prescribed by the company's Articles of Association. The remuneration consists of fees, which are set following advice taken from independent consultants and are reviewed at regular intervals.

Executive Remuneration Policy

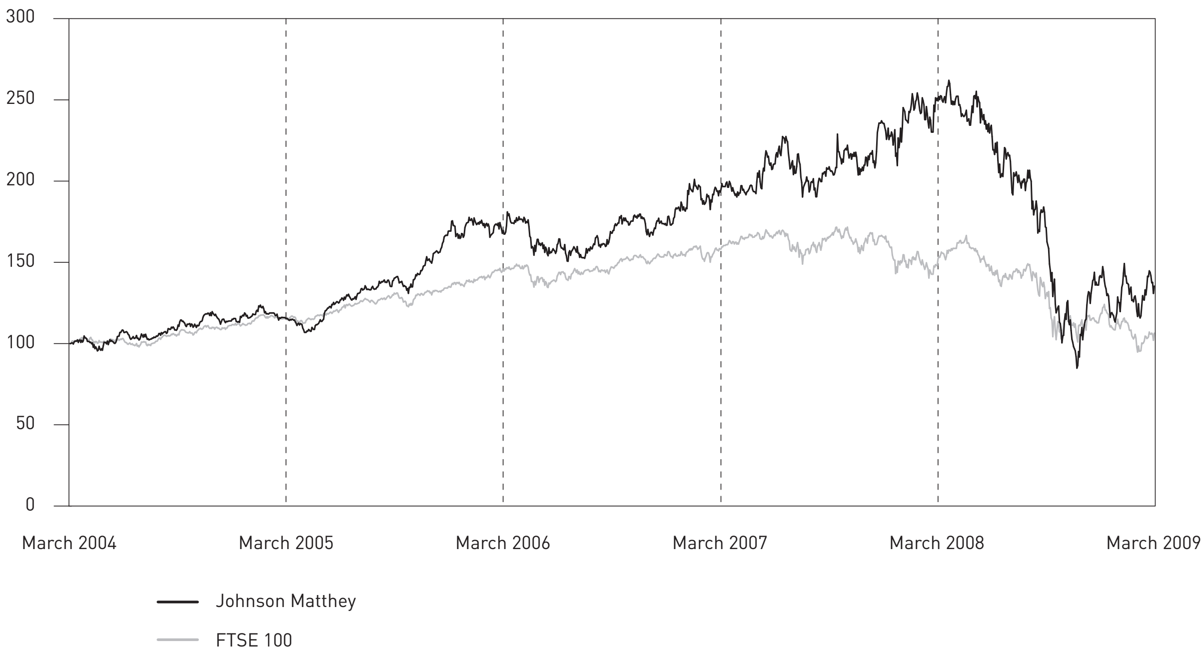
The Committee believes strongly that remuneration policy should be closely aligned with shareholder interests. The Committee recognises that, in order to maximise shareholder value, it is necessary to have a competitive pay and benefits structure. The Committee also recognises that there is a highly competitive market for successful executives and that the provision of appropriate rewards for superior performance is vital to the continued growth of the business. To assist with this, the Committee appoints and receives advice from independent remuneration consultants on the pay and incentive arrangements prevailing in comparably sized industrial companies in each country in which Johnson Matthey has operations. During the year, such advice was received from the Hay Group, which also provided advice on job evaluation, and PricewaterhouseCoopers LLP. PricewaterhouseCoopers LLP also provided expatriate tax advice, tax audit work, completion of overseas tax returns, advice on set up of new overseas operations and some overseas payroll services. A statement regarding the use of remuneration consultants for the year ended 31st March 2009 is available on the company's website at www.matthey.com. The Committee also receives recommendations from the Chief Executive on the remuneration of those reporting to him as well as advice from the Director of Human Resources. Total potential rewards are earned through the achievement of demanding performance targets based on measures that represent the best interests of shareholders.

The remuneration policy is reviewed by the Committee annually and a formal review is undertaken every three years. Remuneration consists of basic salary, annual bonus, long term incentives and other benefits. Salaries are based on median market rates with incentives providing the opportunity for upper quartile total remuneration, but only for achieving outstanding performance.

To ensure the interests of the executive directors remain aligned with those of the shareholders, they are encouraged to build up over time and hold a shareholding in the company equal to at least their basic salary.

Johnson Matthey and FTSE 100 Total Shareholder Return rebased to 100

The following graph charts total cumulative shareholder return of the company for the five year period from 31st March 2004 to 31st March 2009 against the FTSE 100 as the most appropriate comparator group, rebased to 100 at 1st April 2004. Johnson Matthey was ranked 71st by market capitalisation in the FTSE 100 as at 31st March 2009.



Executive Remuneration

During 2006/07 the Committee undertook a formal comprehensive triennial review of the executive director and senior management incentive arrangements within the group, which included advice from independent external consultants PricewaterhouseCoopers LLP and consultation with the company's major institutional shareholders and representative organisations.

Through that review the Committee sought to ensure that the incentive arrangements within the group support the objectives of the business, based on the following principles:

- Motivation of management – by having performance measures with strong line of sight to their performance and targets that are realistically achievable.
- Simplicity – through a single long term incentive plan with easily understood performance targets.
- Close alignment with shareholders – by requiring outstanding performance for full vesting and encouraging share ownership.
- Cohesion within the organisation – through the participation of all 800 of the group's senior and middle management in the same programme and by maintaining fair and appropriate reward differentials throughout the business.

Under the arrangements resulting from the review, which were approved at the company's Annual General Meeting in 2007, those principles were all achieved within the Committee's objective not to increase the overall expected accounting costs of the remuneration arrangements.

The Committee reviewed the total value and structure of remuneration for all executive directors and senior management and also considered the objectives of the business going forward. Overall, the Committee found that the potential value of remuneration and the proportion of fixed and variable pay were appropriate. Accordingly, the arrangements proposed by the Committee broadly maintained the levels of overall remuneration and the balance between fixed and variable remuneration. However, the Committee considered that improvements could be made to the structure and performance measures of both the short and long term incentives in order to align them with Johnson Matthey's objective of delivering consistent and above average earnings per share growth over the long term. As a result of the review, changes were proposed to remuneration relating to annual bonus, long term incentive plan and share options. Proposals in respect of the introduction of a new long term incentive plan and the cessation of the granting of share options were submitted to and approved by shareholders at the company's Annual General Meeting in 2007.

Executive directors' remuneration consists of the following:

- **Basic Salary** – which is in line with the median market salary for each director's responsibilities as determined by independent surveys. The remuneration comparator used by the Committee for executive directors other than the Chief Executive is the industrial and service sectors (excluding the oil and financial services sectors). In the case of the Chief Executive, the remuneration comparator group used by the Committee is based on FTSE 100 and 250 industrial companies (excluding the oil and financial services sectors) with market capitalisation of around £3 billion and with over 45% of revenue coming from overseas. Basic salary is normally reviewed on 1st August each year and the Committee takes into account individual performance and promotion during the year. Where an internal promotion takes place, the median salary relative to the market would usually be reached over a period of a few years, which can give rise to higher than normal salary increases while this is being achieved.
- **Annual Bonus** – which is paid as a percentage of basic salary under the terms of the company's Executive Compensation Plan (which also applies to the group's 170 or so most senior executives). The executive directors' bonus award is based on consolidated underlying profit before tax (PBT) compared with the annual budget. The board of directors rigorously reviews the annual budget to ensure that the budgeted PBT is sufficiently stretching. An annual bonus payment of 50% of basic salary (prevailing at 31st March) is paid if the group meets the annual budget. This bonus may rise on a straight line basis to 75% of basic salary if the group achieves PBT of 105% of budget and a maximum 100% of basic salary may be paid if 110% of budgeted PBT is achieved. PBT must reach 95% of budget for a minimum bonus of 15% to be payable. The Committee has discretion to vary the awards made. The Committee has discretion in awarding annual bonuses and is able to consider corporate performance on environmental, social and governance issues when awards are made to executive directors. The Committee ensures that the incentive structure for senior management does not raise environmental, social and governance risks by inadvertently motivating irresponsible behaviour. The bonus awarded to executive directors for 2008/09 was 15% of salary at 31st March 2009 based on an achieved PBT of 95.0% of budget.
- **Long Term Incentive Plan (LTIP)** – which is designed to achieve above average performance and growth.

  Share allocations made in 2007 and onwards – share allocations made in 2007 and onwards, under the terms of the Johnson Matthey Long Term Incentive Plan 2007 (which also applies to the group's 800 senior and middle managers), are subject to an earnings per share (EPS) performance target. Although the plan allows share allocations of up to a maximum of 200% of basic annual salary each year (to take account of evolution of market practice if required), it is the Committee's current intention that allocations will be no higher than 150% of basic salary each year, which is considered appropriate based on current market conditions. It is intended that this level of allocation should normally only be made to the Chief Executive. The Committee will not seek to make awards above 150% of basic salary without first consulting major shareholders.

  The allocations in 2007 and in 2008 were 150% for the Chief Executive and 120% of basic annual salary for executive directors. The release of the share allocation is subject to the achievement of a performance target measured over a three year performance period commencing in the year of allocation. The performance target is based on the compound annual growth in the company's EPS. The minimum release, of 15% of the allocation, will commence at EPS growth of 6% compound per annum over the three year period, with no retesting of the performance target. For the maximum release of 100% of the allocation, EPS must have grown by at least 15% compound per annum over the three year performance period. The number of allocated shares released will vary on a straight line basis between these points. Allocations will lapse if EPS growth is less than 6% compound per annum over the three year performance period.

  Although growth in EPS is the primary financial measure, it is also a key objective of the company to achieve earnings growth only in the context of a good performance on return on invested capital (ROIC). Accordingly, the Committee is required to make an assessment of the company's ROIC over the performance period to ensure EPS growth has been achieved with ROIC in line with the company's planned expectations. The Committee may scale back vesting to the extent that ROIC has not developed appropriately.

Executive Remuneration (continued)

Share allocations made prior to 2007 – Share allocations made prior to 2007 were made under the Johnson Matthey Long Term Incentive Plan which was established in 1998. The last allocation of shares under this plan was made in 2006. No further allocations will be made under this plan. The outstanding allocations under this plan are subject to a relative total shareholder return (TSR) performance target. This compares the company's TSR over a three year performance period commencing in the year of allocation with that of a comparator group which comprises those companies placed 51-150 in the FTSE Index. All of the allocated shares are released if the company ranks in the 76th percentile or above. None of the shares are released if the company ranks in the 50th percentile or below. If the company ranks between these percentiles, 35% to 100% of the shares are released on a straight line basis. In addition, the company's EPS must be at least equal to the increase in UK RPI plus 2% per annum over the three year performance period before any release is made.

- **Share Options** – the Johnson Matthey Long Term Incentive Plan 2007 is now the company's single means for the provision of long term awards and from 2007 replaced the granting of share options under the Johnson Matthey 2001 Share Option Scheme (the 2001 Scheme). From 2001 to 2006 options were granted each year under the 2001 Scheme. There have been no option grants since 2006. Options were granted at the market value of the company's shares at the time of grant and are subject to performance targets over a three year period. Options may be exercised upon satisfaction of the relevant performance targets. Approximately 800 employees were granted options under the 2001 Scheme each year.

  Options granted from 2004 to 2006 – Grants made in 2004, 2005 and 2006 are subject to a three year performance target of EPS growth of UK RPI plus 3% per annum. If the performance target is not met at the end of the three year performance period, the options will lapse. There is no retesting of the performance target. In addition, to reduce the cost calculated under the International Financial Reporting Standard IFRS 2 – 'Share-based Payment', gains made on the exercise of options are capped at 100% of the grant price.

  The Committee had the discretion to award grants greater than 100% of basic annual salary. Grants which have been made above this threshold are, however, subject to increasingly stretching performance targets. Grants between 100% and 125% of basic annual salary are subject to EPS growth of UK RPI plus 4% per annum and grants between 125% and 150% of basic annual salary are subject to EPS growth of UK RPI plus 5% per annum. The executive directors were granted options equal to 150% of basic annual salary.

  Options granted prior to 2004 – Prior to 2004, options granted to the executive directors under the 2001 Scheme were up to a maximum of 100% of basic annual salary each year. Such options were subject to a performance target of EPS growth of UK RPI plus 4% per annum over any three consecutive years during the life of the option. The performance target was subject to annual retesting until the lapse of the options on the tenth anniversary of grant. All of these options have met their performance targets.

  There are also options outstanding under the Johnson Matthey 1995 UK and Overseas Executive Share Option Scheme. The last option grant under this scheme was made in 2000. All options were granted in annual tranches up to the maximum permitted of four times earnings and were subject to a performance target of EPS growth of UK RPI plus 2% over the three year performance period. Option grants were not made to executive directors in the years 1998, 1999 and 2000.

- **Pensions** – all the executive directors are members of the Johnson Matthey Employees Pension Scheme (JMEPS) in the UK. Mr N A P Carson and Dr P N Hawker ceased to accrue pensionable service in JMEPS on 31st March 2006 and Mr J N Sheldrick ceased to accrue pensionable service in JMEPS on 31st March 2008. Mr L C Pentz, a US citizen, joined JMEPS on 1st January 2006. Prior to this he was a member of the Johnson Matthey Inc. Salaried Employees Pension Plan in the US. None of the non-executive directors are members of JMEPS.

  Under JMEPS, members are entitled to a pension based on their pensionable service and final pensionable salary. JMEPS also provides life assurance cover of four times annual salary. The normal scheme pension age for directors is 60. Details of the individual arrangements for executive directors are given on pages 52 and 53.

- **Other Benefits** – Other benefits available to the executive directors are private medical insurance, a company car and membership of the group's employee share incentive plans which are open to all employees in the countries in which the group operates such schemes.

- **Service Contracts** – The executive directors are employed on contracts subject to one year's notice at any time. On early termination of their contracts the directors would normally be entitled to 12 months' salary and benefits. The contracts of service of the executive directors and the terms and conditions of appointment of the non-executive directors are available for inspection at the company's registered office during normal business hours and at the forthcoming Annual General Meeting.

Directors' Emoluments 2008/09

	Date of service agreement	Date of appointment	Base salary £'000	Payment in lieu of pension[1] £'000	Annual bonus £'000	Benefits £'000	Total excluding pension £'000	Total prior year excluding pension £'000
Executive								
N A P Carson	1.8.99	1.8.99	680	170	105	24	979	1,389
P N Hawker	1.8.03	1.8.03	332	83	51	21	487	688
D W Morgan	1.8.99	1.8.99	328	–	50	27	405	618
L C Pentz [2]	1.1.06	1.8.03	332	–	51	51	434	774
J N Sheldrick [3]	24.11.97	3.9.90	435	109	67	15	626	795
Total			**2,107**	**362**	**324**	**138**	**2,931**	**4,264**

Directors' Emoluments 2008/09 (continued)

	Date of letter of appointment	Date of appointment	Fees £'000	Total excluding pension £'000	Total prior year excluding pension[7] £'000
Non-Executive [4]					
Sir John Banham (Chairman)	10.12.05	1.1.06	270	270	250
M J Roney	29.3.07	1.6.07	45	45	38
I C Strachan	10.12.01	23.1.02	45	45	45
D C Thompson	22.5.07	1.9.07	45	45	26
A M Thomson	1.8.02	24.9.02	50[5]	50	50
R J W Walvis	1.8.02	24.9.02	50[6]	50	45
Total			**505**	**505**	**454**

Notes

(1) Mr Carson and Dr Hawker ceased to accrue pensionable service in the Johnson Matthey Employees Pension Scheme with effect from 31st March 2006 and Mr Sheldrick did so with effect from 31st March 2008. They receive an annual cash payment in lieu of pension equal to 25% of basic salary. This is taxable under the PAYE system.

(2) Mr Pentz's benefits include a transitional housing allowance, which ceased on 31st August 2008, associated with his relocation to the UK and the purchase of a UK residence. Mr Pentz was appointed a non-executive director of Victrex plc on 28th July 2008. His fees for the year were £27,317. This amount is excluded from the table above and retained by him.

(3) Mr Sheldrick is a non-executive director of GKN plc. His fees for the year were £62,750. This amount is excluded from the table above and retained by him.

(4) Non-executive fees (other than for the Chairman) were reviewed on 1st May 2007 for the period from 1st April 2007 to 31st March 2010. The fees are £45,000 per annum, with the fee for chairmanship of committees being £5,000 per annum. The Chairman and the non-executive directors do not receive any pension benefits, LTIP allocations, share option grants or bonus payments. The Chairman's fees include £25,000 per annum to cover his administrative and secretarial support costs.

(5) Includes £5,000 per annum for chairmanship of the Audit Committee.

(6) Includes £5,000 per annum for chairmanship of the Management Development and Remuneration Committee.

(7) Excludes the emoluments of Mr Dearden and Mr Mackay who retired on 31st March 2008. Their emoluments were £45,000 and £50,000 respectively, bringing the total to £549,000.

Directors' Interests

The interests (in respect of which transactions are notifiable to the company under the Financial Services Authority's Disclosure and Transparency Rules) of the directors as at 31st March 2009 in the shares of the company were:

1. Ordinary Shares

	31st March 2009	31st March 2008
Sir John Banham	18,400	8,000
N A P Carson	143,258	95,710
P N Hawker	16,085	15,635
D W Morgan	43,905	40,843
L C Pentz	19,464	18,914
M J Roney	3,000	1,000
J N Sheldrick	119,652	97,195
I C Strachan	6,800	1,000
D C Thompson	9,721	3,721
A M Thomson	2,323	2,256
R J W Walvis	1,000	1,000

All of the above interests were beneficial. The executive directors are also deemed to be interested in shares held by an employee share ownership trust (see note 32 on page 96).

Directors' interests as at 31st May 2009 were unchanged from those listed above, other than that the trustees of the Johnson Matthey Share Incentive Plan have purchased on behalf of the executive directors a further 63 shares each.

Directors' Interests (continued)

2. Share Options

As at 31st March 2009, individual holdings under the company's executive share option schemes were as set out below. Options are not granted to non-executive directors.

	Date of grant	Ordinary shares under option	Exercise price (pence)	Date from which exercisable[(1)]	Expiry date	Total number of ordinary shares under option
N A P Carson						
	22.7.99	18,035	585.50	22.7.02	22.7.09	
	18.7.01	19,391	1,083.00	18.7.04	18.7.11	
	17.7.02	28,901	865.00	17.7.05	17.7.12	
	17.7.03	33,407	898.00	17.7.06	17.7.13	
	20.7.05	77,102	1,070.00	20.7.08	20.7.15	
	26.7.06	71,378	1,282.00	26.7.09	26.7.16	248,214
						(2008 264,178)
P N Hawker	20.7.05	37,850	1,070.00	20.7.08	20.7.15	
	26.7.06	34,518	1,282.00	26.7.09	26.7.16	72,368
						(2008 72,368)
D W Morgan	18.7.01	18,098	1,083.00	18.7.04	18.7.11	
	17.7.02	25,433	865.00	17.7.05	17.7.12	
	17.7.03	26,726	898.00	17.7.06	17.7.13	
	20.7.05	39,252	1,070.00	20.7.08	20.7.15	
	26.7.06	35,104	1,282.00	26.7.09	26.7.16	144,613
						(2008 144,613)
L C Pentz	22.7.99	12,158	585.50	22.7.02	22.7.09	
	19.7.00	8,224	942.00	19.7.03	19.7.10	
	18.7.01	12,952	1,083.00	18.7.04	18.7.11	
	17.7.02	17,730	865.00	17.7.05	17.7.12	
	17.7.03	22,185	898.00	17.7.06	17.7.13	
	20.7.05	37,850	1,070.00	20.7.08	20.7.15	
	26.7.06	34,518	1,282.00	26.7.09	26.7.16	145,617
						(2008 145,617)
J N Sheldrick	18.7.01	25,854	1,083.00	18.7.04	18.7.11	
	17.7.02	34,682	865.00	17.7.05	17.7.12	
	17.7.03	36,191	898.00	17.7.06	17.7.13	
	20.7.05	52,570	1,070.00	20.7.08	20.7.15	
	26.7.06	46,804	1,282.00	26.7.09	26.7.16	196,101
						(2008 196,101)

(1) Subject to meeting the relevant performance targets.

Between 1st April 2008 and 31st March 2009 the following options were exercised:

	Date of grant	Date of exercise	Options exercised	Exercise price (pence)	Market price on exercise (pence)
N A P Carson	14.07.98	26.06.08	15,964	524.0	1,830.04

Gains made on exercise of options by directors during the year totalled £208,496 (2008 £2,571,737).

The closing market price of the company's shares at 31st March 2009 was 1,053 pence. The highest and lowest closing prices during the year ended 31st March 2009 were 2,093 pence and 668.5 pence respectively.

Directors' Interests (continued)

3. LTIP Allocations

Share allocations made prior to 2007

Number of allocated shares:

	As at 31st March 2008	Shares released during the year	As at 31st March 2009
N A P Carson	124,726	68,578	56,148
P N Hawker	48,655	26,932	21,723
D W Morgan	50,021	27,930	22,091
L C Pentz	48,655	26,932	21,723
J N Sheldrick	66,861	37,406	29,455

On 1st August 2008 the 2005 LTIP allocation was released to participants. The release of this allocation was subject to the achievement of a relative TSR performance target, further details of which can be found on page 49. The company's TSR performance relative to the comparator group qualified for a release of 100% of the allocated shares. This resulted in the following gains:

	Number of shares released	Share price when released (pence)	Gain £
N A P Carson	68,578	1,619.2208	1,110,429
P N Hawker	26,932	1,619.2208	436,089
D W Morgan	27,930	1,619.2208	452,248
L C Pentz	26,932	1,619.2208	436,089
J N Sheldrick	37,406	1,619.2208	605,686

Share allocations made under the Johnson Matthey Long Term Incentive Plan 2007

Number of allocated shares:

	As at 31st March 2008	Allocations during the year	Market price at date of allocation (pence)	As at 31st March 2009
N A P Carson	56,704	56,239	1,867.0	112,943
P N Hawker	22,327	21,853	1,867.0	44,180
D W Morgan	22,327	21,531	1,867.0	43,858
L C Pentz	22,327	21,853	1,867.0	44,180
J N Sheldrick	29,415	28,602	1,867.0	58,017

Pensions

Pensions and life assurance benefits for the executive directors are provided through the company's final salary occupational pension scheme for UK employees – the Johnson Matthey Employees Pension Scheme (JMEPS) – which is constituted under a separate Trust Deed. JMEPS is an exempt approved scheme under Chapter I of Part XIV of the Income & Corporation Taxes Act 1988. It is a registered scheme for the purposes of the Finance Act 2004.

Under the provisions of the Finance Act 2004, benefits from a registered pension scheme that exceed the Life Time Allowance will be subject to an additional tax charge of 25%. Any such tax charge arising out of membership of JMEPS will be paid by the JMEPS Trustees at the point of retirement and the member's benefits will be reduced accordingly. Executive directors whose retirement benefits are valued in excess of the Life Time Allowance may withdraw from pensionable service in JMEPS and receive instead a supplemental payment of 25% of their basic salary each year. Mr Carson and Dr Hawker withdrew from JMEPS and ceased paying member contributions on 31st March 2006 and Mr Sheldrick did so on 31st March 2008. No pensionable service in JMEPS has been accrued by these directors since those dates. The increase in accrued pension in the tables below is attributable to the increase in basic salaries. The supplemental payments to Mr Carson, Dr Hawker and Mr Sheldrick are reflected in the table on page 49.

The Finance Act 2004 also enables registered schemes to remove the restriction imposed by the 'earnings cap' under the Finance Act No. 2, 1989. As a result, the accrued pensions for Messrs Morgan and Sheldrick for service from 6th April 2006 are calculated by reference to normal JMEPS rules and actual basic salary. Their accrued pensions in respect of service prior to that date remain restricted by reference to the 'earnings cap' (see note 5 below).

Member contributions paid by executive directors to JMEPS increased from 4% to 5% of pensionable pay (i.e. basic salary) on 1st April 2007 and then from 5% to 6% on 1st April 2008. There was a further increase to 7% of pensionable pay on 1st April 2009.

Disclosure of directors' pension benefits has been made under the requirements of the United Kingdom Listing Authority Listing Rules and in accordance with the Directors' Remuneration Report Regulations 2002. The information below sets out the disclosures under the two sets of requirements.

Pensions (continued)

a. United Kingdom Listing Authority Listing Rules

	Age at 31st March 2009	Years of JMEPS pensionable service at 31st March 2009	Directors' contributions to JMEPS in the year[1] £'000	Increase in accrued pension during the year (net of inflation)[2] £'000 pa	Total accrued pension at 31st March 2009[3] £'000 pa	Total accrued pension at 31st March 2008 £'000 pa	Transfer value of increase in accrued pension (less directors' contributions)[4] £'000
N A P Carson	51	25	–	13	329	301	157
P N Hawker	55	20	–	4	160	148	66
D W Morgan[5]	51	20	20	7	65	55	56
L C Pentz[6]	53	24	20	8	76	52	91
J N Sheldrick[5]	59	17	–	–	69	66	–

b. Directors' Remuneration Report Regulations 2002

	Directors' contributions to JMEPS in the year[1] £'000	Increase in accrued pension in the year £'000 pa	Total accrued pension at 31st March 2009[3] £'000 pa	Transfer value of accrued pension at 31st March 2009[4] £'000	Transfer value of accrued pension at 31st March 2008[4] £'000	Increase in transfer value (net of directors' contributions) £'000
N A P Carson	–	28	329	3,921	3,368	553
P N Hawker	–	12	160	2,421	2,177	244
D W Morgan[5]	20	10	65	730	582	128
L C Pentz[6]	20	9	76	805	497	288
J N Sheldrick[5]	–	3	69	1,310	1,235	75

Notes

(1) Member contributions were paid at the general scheme rate of 6% of pensionable pay. This general rate increased to 7% with effect from 1st April 2009.

(2) The increase in accrued pension during the year is net of any increase for inflation. For these purposes, the UK Listing Authority Listing Rules define inflation as the change in RPI over 12 months ending on 30th September 2008. This was 5%.

(3) The entitlement shown under 'Total accrued pension at 31st March 2009' is the pension which would be paid annually on retirement, based on completed pensionable service to 31st March 2009 (except in the case of Mr Carson and Dr Hawker whose pensionable service ceased on 31st March 2006 and Mr Sheldrick whose pensionable service ceased on 31st March 2008). The accrued pension would, however, be subject to an actuarial reduction of 0.3% per month for each month that retirement precedes age 60.

(4) The transfer values have been calculated on the basis of actuarial advice in accordance with the new transfer value regulations. No allowance has been made in the transfer values for any discretionary benefits that have been or may be awarded under JMEPS. The transfer values in the United Kingdom Listing Authority Listing Rules are the values of the increases (net of inflation) in the directors' accrued pensions as at 31st March 2009. The transfer values in the Directors' Remuneration Report Regulations 2002 have been calculated at the start and end of the year and, therefore, take account of market movements over the year.

(5) The JMEPS' benefits and contributions for Messrs Morgan and Sheldrick, in respect of pensionable service up to 5th April 2006, are restricted by reference to the 'earnings cap' imposed by the Finance Act No. 2, 1989. Between 1st April 2000 and 31st March 2006, contributions were paid to Funded Unapproved Retirement Benefit Schemes (FURBS) to provide retirement and death benefits in relation to their basic salaries in excess of the 'earnings cap'. FURBS were not exempt approved under Chapter I of Part XIV of the Income & Corporation Taxes Act 1988 and so payments were also made to meet the tax liabilities in respect of these contributions. No FURBS payments have been made since 31st March 2006. Benefits and contributions in respect of service from 6th April 2006 have been provided by JMEPS in accordance with the normal scheme rules.

(6) Mr Pentz is a US citizen but became a member of JMEPS on 1st January 2006. Prior to that he was a member of the Johnson Matthey Inc. Salaried Employees Pension Plan (a non-contributory defined benefit arrangement) and also of a US savings plan (401k). He also has benefits in a Senior Executive Retirement Plan. The pension values reported above are the aggregate for his separate membership of the UK and US pension schemes and the Senior Executive Retirement Plan. US entitlements have been converted to sterling by reference to exchange rates on 31st March 2008 and 31st March 2009. Mr Pentz's US pension was fixed on 31st December 2005. The sterling equivalent of this pension has fluctuated over the year as a result of exchange rate movements. This is reflected in the transfer values.

The Remuneration Report was approved by the Board of Directors on 3rd June 2009 and signed on its behalf by:

Robert Walvis
Chairman of the Management Development and Remuneration Committee

RESPONSIBILITY OF DIRECTORS

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

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

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

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

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

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

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

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

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

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

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

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

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

Sir John Banham
Chairman

INDEPENDENT AUDITORS' REPORT

to the members of Johnson Matthey Public Limited Company

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

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

Respective Responsibilities of Directors and Auditors

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

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

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

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

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

Basis of Audit Opinion

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

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

Opinion

In our opinion:

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

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

CONSOLIDATED INCOME STATEMENT

for the year ended 31st March 2009

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

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

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

CONSOLIDATED AND PARENT COMPANY BALANCE SHEETS

as at 31st March 2009

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

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

N A P Carson
J N Sheldrick Directors

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

CONSOLIDATED AND PARENT COMPANY CASH FLOW STATEMENTS

for the year ended 31st March 2009

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

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

CONSOLIDATED AND PARENT COMPANY STATEMENTS OF RECOGNISED INCOME AND EXPENSE

for the year ended 31st March 2009

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

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

ACCOUNTING POLICIES

for the year ended 31st March 2009

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

Basis of accounting and preparation

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

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

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

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

Basis of consolidation

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

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

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

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

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

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

Revenue

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

Construction contracts

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

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

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

Finance costs and finance income

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

Research and development

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

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

Foreign currencies

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

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

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

Other exchange differences are taken to operating profit.

Property, plant and equipment

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

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

Goodwill

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

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

Intangible assets

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

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

Investments in subsidiaries

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

Leases

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

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

Grants

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

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

Precious metal inventories

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

Other inventories

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

Cash and cash equivalents

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

Derivative financial instruments

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

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

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

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

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

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

Other financial instruments

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

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

Taxation

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

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

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

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

Provisions and contingencies

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

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

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

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

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

Pensions and other post-employment benefits

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

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

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

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

Standards and interpretations adopted in the year

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

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

Standards and interpretations issued but not yet applied

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 Segmental information

By business segment

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

Year ended 31st March 2009

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

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

Year ended 31st March 2008 (restated)

	Environmental Technologies £ million	Precious Metal Products £ million	Fine Chemicals & Catalysts £ million	Eliminations £ million	Total £ million
Sales to external customers	2,289.7	4,688.1	520.9	–	7,498.7
Inter-segment sales	6.6	1,170.3	101.3	(1,278.2)	–
Total revenue	2,296.3	5,858.4	622.2	(1,278.2)	7,498.7
External sales excluding the value of precious metals	1,139.6	307.4	303.2	–	1,750.2
Underlying segment result	147.3	102.1	67.1	–	316.5
Amortisation of acquired intangibles (note 4)	(3.1)	–	–	–	(3.1)
Segment result	144.2	102.1	67.1	–	313.4
Unallocated corporate expenses					(19.7)
Operating profit					293.7
Net finance costs					(30.3)
Share of loss of associate		(1.1)			(1.1)
Profit before tax					262.3
Income tax expense					(77.2)
Profit for the year from continuing operations					185.1
Profit for the year from discontinued operations					0.3
Profit for the year					185.4
Segment assets	1,487.8	281.4	543.9	(78.1)	2,235.0
Investment in associate		3.7			3.7
Cash, deposits and swaps related to borrowings					114.7
Current and deferred income tax assets					28.5
Post-employment benefits net assets					68.5
Assets classified as held for sale					30.2
Unallocated corporate assets					112.6
Total assets					2,593.2
Segment liabilities	347.4	111.5	63.0	(78.1)	443.8
Borrowings, finance leases and related swaps					725.1
Current and deferred income tax liabilities					125.6
Employee benefits obligations					52.1
Liabilities classified as held for sale					7.1
Unallocated corporate liabilities					79.2
Total liabilities					1,432.9
Segment capital expenditure	105.8	12.0	25.0	–	142.8
Corporate capital expenditure					2.2
Total capital expenditure					145.0
Segment depreciation and amortisation	47.6	13.5	17.3	–	78.4
Corporate depreciation					2.0
Total depreciation and amortisation					80.4
Significant non-cash expenses other than depreciation	–	–	–	–	–

1 Segmental information (continued)

By geographical segment

All the divisions of the group have a presence in each of the geographical segments.

Year ended 31st March 2009

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

Year ended 31st March 2008 (restated)

	Europe £ million	North America £ million	Asia £ million	Rest of the World £ million	Eliminations £ million	Total £ million
External sales by geographical destination	3,070.1	2,325.9	1,408.9	693.8	–	7,498.7
Carrying value of segment assets by location	1,525.9	418.6	254.3	171.1	(134.9)	2,235.0
Capital expenditure by location of assets	88.4	32.2	16.5	7.9	–	145.0

2 Revenue

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

3 Restructuring charge

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

4 Amortisation of acquired intangibles

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

5 Fees payable to auditors

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

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

ACCOUNTS

6 Operating profit

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

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

7 Finance costs

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

8 Finance income

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

9 Taxation

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

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

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

10 Dividends

	2009 £ million	2008 £ million
2006/07 final ordinary dividend paid – 23.7 pence per share	**–**	50.0
2007/08 interim ordinary dividend paid – 10.6 pence per share	**–**	22.3
2007/08 final ordinary dividend paid – 26.0 pence per share	**54.7**	–
2008/09 interim ordinary dividend paid – 11.1 pence per share	**23.4**	–
Total dividends	**78.1**	72.3

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

11 Earnings per ordinary share

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

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

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

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

Underlying earnings per ordinary share are calculated as follows:

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

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

12 Employee and key management personnel costs

12a Employee numbers

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

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

The actual number of group employees was:

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

12b Employee benefits expense

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

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

12 Employee and key management personnel costs (continued)

12c Key management personnel

The key management of the group and parent company consist of the board of directors and the members of the Chief Executive's Committee (CEC). During the year ended 31st March 2009 the CEC had ten members (2008 ten members). Their compensation charged in the year was:

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

In the year ended 31st March 2009 Mr N A P Carson, Chief Executive, bought his company car from the company for £8,500, which was its current market price at the time of the sale. This transaction was settled during the year. Other than this and the compensation above there were no transactions with any key management personnel. There were no balances outstanding at the year end.

Information on the directors' remuneration is given in the Remuneration Report on pages 47 to 53.

13 Share-based payments

Share options

Equity settled share options were granted to employees at the average of the market value of the company's shares over the three days prior to the date of grant and are subject to performance targets over a three year period and have a maximum life of ten years. The number of shares over which options were granted was based on a percentage of the employee's salary and from 2001 to 2006 approximately 800 employees were granted options each year. In 2007 a new long term incentive plan was introduced and allocations of shares under this plan replaced the granting of share options. No share options were granted in the years ended 31st March 2008 and 2009.

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

Options granted in 2001 to 2003 can only be exercised if the normalised EPS has grown by at least UK RPI plus 4% per annum over any three consecutive years during the life of the options. They are subject to annual retesting until they lapse on the tenth anniversary of grant. Since the targets have been met all these options are exercisable.

Some options granted in 2000 and before are still outstanding. These were subject to a performance target of EPS growth of UK RPI plus 2% over the three year performance period. Since that target has been met all these options are exercisable.

Long Term Incentive Plan (LTIP)

The new LTIP also replaced share allocations made under the previous LTIP. Under the new LTIP, shares are allocated to approximately 800 employees based on a percentage of salary and are subject to performance targets over a three year period. At 31st March 2009, shares allocated in 2007 and 2008 (at 31st March 2008, shares allocated in 2007) were outstanding in respect of which the performance period has not expired. The minimum release of 15% of the allocation is subject to the achievement of a EPS growth of 6% compound per annum over the three year period. For the maximum release of 100% of the allocation, EPS must have grown by at least 15% compound per annum. The number of allocated shares released will vary on a straight line basis between these points. Allocations will lapse if the EPS growth is less than 6% compound per annum over the three year performance period.

Under the previous LTIP, shares were allocated to directors and certain key executives of the group based upon a percentage of salary and are subject to performance conditions over a three year period. At 31st March 2009, shares allocated in 2006 (at 31st March 2008, shares allocated in 2005 and 2006) were outstanding in respect of which the performance period has not expired. The release of shares is subject to a relative total shareholder return (TSR) compared to those companies ranked 51 to 150 in the FTSE index over a three year period. All shares are released if the company ranks in the 76th percentile or above. None of the shares are released if the company ranks in the 50th percentile or below. If the company ranks between these percentiles 35% to 100% of the shares are released on a straight line basis. In addition EPS growth must be at least equal to UK RPI plus 2% per annum over the three year performance period before any release is made.

Share Incentive Plan (SIP) – UK and overseas

Under the SIP, all employees with at least one year of service with the group and who are employed by a participating group company are entitled to contribute up to 2.5% of basic pay each month, subject to a £125 per month limit. The SIP trustees buy shares (partnership shares) at market value each month with the employees' contributions. For each partnership share purchased, the group purchases two shares (matching shares) which are allocated to the employee. In the UK SIP, if the employee sells or transfers partnership shares within three years from the date of allocation, the linked matching shares are forfeited. In the Overseas SIP, partnership shares and matching shares are subject to a three year holding period and cannot be sold or transferred during that time.

13 Share-based payments (continued)

401k approved savings investment plans (401k plans)

In the US there are two 401k plans, one for salaried employees and one for hourly employees. Salaried employees may contribute up to 50% of their base pay and hourly employees up to 20% of their base pay, both subject to a statutory limit. Salaried employees choosing Johnson Matthey Plc shares matching are matched 100% of the first 4% contributed and hourly employees are matched 50% of the first 2% contributed. Employees may contribute after one month of service and are eligible for matching after one year of service.

Further details of the directors' remuneration under share-based payment plans are given in the Remuneration Report on pages 47 to 53.

Activity relating to share options was:

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

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

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

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

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

Activity relating to the LTIP was:

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

367,674 (2008 223,335) matching shares under the SIP and 97,235 (2008 58,876) shares under the 401k plans were allocated to employees during the year. They are nil cost awards on which performance conditions are substantially completed at the date of grant. Consequently the fair value of these awards is based on the market value of the shares at that date.

The total expense recognised during the year in respect of equity settled share-based payments, taking into account expected lapses due to leavers and the probability that EPS performance conditions will not be met, was £5.6 million (2008 £9.8 million).

14 Post-employment benefits

14a Group

The group operates a number of post-employment benefits plans around the world, the forms and benefits of which vary with conditions and practices in the countries concerned. The majority of the plans are defined benefit which require contributions to be made into separately administered funds and retirement benefits are based on factors such as employees' pensionable salary and length of service. Some of the plans are defined contribution, where the retirement benefits are determined by the value of funds arising from contributions paid in respect of each employee. The group also makes payments to employees' personal pension plans. The amount recognised as an expense for defined contribution plans was £2.5 million (2008 £3.1 million).

The major defined benefit plans are pension plans and post-retirement medical plans in the UK and the US. The pension plans are final salary plans except for the new section of the UK plan which is a career average salary plan and the US hourly plan which is a fixed benefit based upon years of service. Full actuarial valuations were carried out at 1st April 2006 for the main UK pension plan and 30th June 2008 for the US pension plans and the valuations of all of the UK and US plans were updated to 31st March 2009 by qualified independent actuaries.

The main assumptions were:

	2009 UK plans %	2009 US plans %	2009 Other plans %	2008 UK plans %	2008 US plans %	2008 Other plans %
Rate of increase in salaries	**4.00**	**3.75**	**2.88**	5.00	4.25	2.91
Rate of increase in pensions in payment	**3.00**	**–**	**2.04**	3.50	–	2.20
Discount rate	**6.50**	**6.40**	**5.87**	6.50	6.50	5.45
Inflation	**3.00**	**2.75**	**2.02**	3.50	2.75	1.57
Current medical benefits cost trend rate	**7.00**	**9.00**	**4.00**	7.50	8.00	4.00
Ultimate medical benefits cost trend rate	**7.00**	**5.00**	**4.00**	7.50	5.00	4.00

The group uses certain mortality assumptions when calculating plan obligations. The current mortality assumptions for all major plans retain prudent allowance for future improvements in longevity and take account of experience.

The mortality tables used for the group's largest plan, which is in the UK, at its last full actuarial valuation were PMA92C2006 with a one and a half years positive age rating for male members retiring in normal health and PFA92C2006 with a one and a half years positive age rating for female members retiring in normal health. Allowance for future mortality improvements was made in line with the medium cohort versions of these tables. Shorter longevity assumptions are used for members who retire on grounds of ill-health. These tables have been carried through into the 31st March 2009 update, except that the age rating of one and a half years has been removed reflecting the recent plan experience, and allowing for the expected improvements over the three intervening years. This increased longevity assumption has added £21.5 million to the liabilities of the UK plan. The expected future lifetime of average members currently at age 63 (the plan's normal retirement age for the majority of its members) and 65 and average members at age 63 and 65 in 23 and 25 years time (i.e. members who are currently aged 40 years) is respectively:

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

The mortality tables used for the other larger plans were:

US	RP-2000 projected to 2010 using Scale AA
Netherlands	GXAG0550, set back by one year for males and one year for females
Canada	UP 94 generational (including allowance for future mortality improvements)
South Africa	PA(90), rates down two years

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

	One percentage point increase		One percentage point decrease	
	UK plan £ million	US plan £ million	UK plan £ million	US plan £ million
At 31st March 2009				
Post-retirement medical plan expense	**0.1**	**0.3**	**(0.1)**	**(0.3)**
Post-retirement medical plan defined benefit obligation	**1.8**	**4.5**	**(1.5)**	**(3.8)**
At 31st March 2008				
Post-retirement medical plan expense	0.1	0.3	(0.1)	(0.2)
Post-retirement medical plan defined benefit obligation	1.7	2.7	(1.4)	(2.2)

A 0.1% change in the discount rate and rate of increase in salaries would have the following effects on the UK pension plan's defined benefit obligation at 31st March 2009:

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

14 Post-employment benefits (continued)

14a Group (continued)

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

	UK pensions		US pensions		Other	
	Expected rate of return %	Value £ million	Expected rate of return %	Value £ million	Expected rate of return %	Value £ million
At 31st March 2009						
Equities	**8.25**	**351.2**	**8.40**	**52.2**	**8.66**	**7.2**
Bonds	**5.50**	**286.7**	**4.80**	**25.7**	**5.26**	**5.8**
Property	**6.75**	**32.5**	**–**	**–**	**–**	**–**
Insurance policies	**–**	**–**	**–**	**–**	**5.49**	**16.4**
	7.00	**670.4**	**7.21**	**77.9**	**6.22**	**29.4**
At 31st March 2008						
Equities	8.00	397.2	8.00	55.7	8.79	8.6
Bonds	5.75	364.1	4.80	22.8	4.99	5.1
Property	6.75	48.2	–	–	–	–
Insurance policies	–	–	–	–	5.11	13.4
	6.91	809.5	7.07	78.5	6.26	27.1

The defined benefit pension plans do not invest directly in Johnson Matthey Plc shares and no property or other assets owned by the pension plans is used by the group. The overall expected rate of return is determined on a country by country basis by reference to market expectations for each class of asset. It is based upon the forecasts of actuaries and market professionals.

Movements in the defined benefit obligation during the year were:

	UK pensions £ million	UK post-retirement medical benefits £ million	US pensions £ million	US post-retirement medical benefits £ million	Other £ million	Total £ million
At 1st April 2007	(801.0)	(11.6)	(87.4)	(16.5)	(33.5)	(950.0)
Current service cost – in operating profit	(24.2)	(0.2)	(4.1)	(0.6)	(1.7)	(30.8)
Current service cost – capitalised	(0.1)	–	–	–	–	(0.1)
Past service cost – vested	(0.7)	–	–	–	(0.1)	(0.8)
Interest cost	(42.5)	(0.6)	(5.1)	(1.0)	(1.5)	(50.7)
Employee contributions	(4.1)	–	–	–	(0.2)	(4.3)
Actuarial gain	99.5	1.2	6.3	1.8	5.1	113.9
Acquisitions (restated)	–	–	–	–	(4.9)	(4.9)
Benefits paid	28.7	0.3	2.8	0.4	2.2	34.4
Exchange adjustments	–	–	1.1	0.3	(4.4)	(3.0)
At 31st March 2008 (restated)	(744.4)	(10.9)	(86.4)	(15.6)	(39.0)	(896.3)
Current service cost – in operating profit	(19.7)	(0.2)	(4.8)	(0.6)	(1.9)	(27.2)
Current service cost – capitalised	(0.1)	–	–	–	–	(0.1)
Past service cost – vested	(0.2)	–	–	–	(0.1)	(0.3)
Interest cost	(47.4)	(0.7)	(6.4)	(1.1)	(2.1)	(57.7)
Employee contributions	(4.7)	–	–	–	(0.3)	(5.0)
Actuarial gain / (loss)	70.4	(0.7)	0.7	(3.0)	2.8	70.2
Curtailment gains	–	–	–	–	0.8	0.8
Transfer of employees from discontinued operations	–	–	–	–	(1.2)	(1.2)
Benefits paid	30.5	0.5	3.4	0.5	2.4	37.3
Exchange adjustments	–	–	(34.8)	(6.9)	(6.7)	(48.4)
At 31st March 2009	**(715.6)**	**(12.0)**	**(128.3)**	**(26.7)**	**(45.3)**	**(927.9)**

14 Post-employment benefits (continued)

14a Group (continued)

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

	UK pensions £ million	UK post-retirement medical benefits £ million	US pensions £ million	US post-retirement medical benefits £ million	Other £ million	Total £ million
At 1st April 2007	846.5	–	79.5	–	26.3	952.3
Expected return on plan assets	54.6	–	5.6	–	1.5	61.7
Actuarial loss	(87.7)	–	(6.9)	–	(2.8)	(97.4)
Employee contributions	4.1	–	–	–	0.2	4.3
Company contributions	20.7	0.3	4.1	0.4	1.6	27.1
Benefits paid	(28.7)	(0.3)	(2.8)	(0.4)	(2.2)	(34.4)
Exchange adjustments	–	–	(1.0)	–	2.5	1.5
At 31st March 2008	809.5	–	78.5	–	27.1	915.1
Expected return on plan assets	55.8	–	6.4	–	1.8	64.0
Actuarial loss	(191.2)	–	(32.4)	–	(3.8)	(227.4)
Employee contributions	4.7	–	–	–	0.3	5.0
Company contributions	22.1	0.5	3.6	0.5	2.1	28.8
Benefits paid	(30.5)	(0.5)	(3.4)	(0.5)	(2.4)	(37.3)
Exchange adjustments	–	–	25.2	–	4.3	29.5
At 31st March 2009	**670.4**	**–**	**77.9**	**–**	**29.4**	**777.7**

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

Movements in the reimbursement rights during the year were:

	UK pensions £ million	UK post-retirement medical benefits £ million	US pensions £ million	US post-retirement medical benefits £ million	Other £ million	Total £ million
At 1st April 2007	–	–	–	2.8	–	2.8
Expected return	–	–	–	0.2	–	0.2
Actuarial loss	–	–	–	(0.3)	–	(0.3)
Exchange adjustments	–	–	–	(0.1)	–	(0.1)
At 31st March 2008	–	–	–	2.6	–	2.6
Expected return	–	–	–	0.3	–	0.3
Actuarial gain	–	–	–	0.5	–	0.5
Exchange adjustments	–	–	–	1.1	–	1.1
At 31st March 2009	**–**	**–**	**–**	**4.5**	**–**	**4.5**

14 Post-employment benefits (continued)

14a Group (continued)

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

	UK pensions £ million	UK post-retirement medical benefits £ million	US pensions £ million	US post-retirement medical benefits £ million	Other £ million	Total £ million
At 31st March 2009						
Present value of funded obligations	**(715.6)**	**–**	**(128.3)**	**–**	**(34.9)**	**(878.8)**
Present value of unfunded obligations	**–**	**(12.0)**	**–**	**(26.7)**	**(10.4)**	**(49.1)**
Defined benefit obligation	**(715.6)**	**(12.0)**	**(128.3)**	**(26.7)**	**(45.3)**	**(927.9)**
Fair value of plan assets	**670.4**	**–**	**77.9**	**–**	**29.4**	**777.7**
Reimbursement rights	**–**	**–**	**–**	**4.5**	**–**	**4.5**
Unrecognised past service credit – non-vested	**–**	**–**	**–**	**(3.2)**	**–**	**(3.2)**
Net post-employment benefits assets and liabilities	**(45.2)**	**(12.0)**	**(50.4)**	**(25.4)**	**(15.9)**	**(148.9)**
At 31st March 2008 (restated)						
Present value of funded obligations	(744.4)	–	(86.4)	–	(30.4)	(861.2)
Present value of unfunded obligations	–	(10.9)	–	(15.6)	(8.6)	(35.1)
Defined benefit obligation	(744.4)	(10.9)	(86.4)	(15.6)	(39.0)	(896.3)
Fair value of plan assets	809.5	–	78.5	–	27.1	915.1
Reimbursement rights	–	–	–	2.6	–	2.6
Unrecognised past service credit – non-vested	–	–	–	(2.5)	–	(2.5)
Net post-employment benefits assets and liabilities	65.1	(10.9)	(7.9)	(15.5)	(11.9)	18.9

These are included in the balance sheet as:

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

14 Post-employment benefits (continued)

14a Group (continued)

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

	UK pensions £ million	UK post-retirement medical benefits £ million	US pensions £ million	US post-retirement medical benefits £ million	Other £ million	Total £ million
Year ended 31st March 2009						
Current service cost	**(19.7)**	**(0.2)**	**(4.8)**	**(0.6)**	**(1.9)**	**(27.2)**
Interest on plan liabilities	**(47.4)**	**(0.7)**	**(6.4)**	**(1.1)**	**(2.1)**	**(57.7)**
Expected return on plan assets	**55.8**	**–**	**6.4**	**–**	**1.8**	**64.0**
Expected return on reimbursement rights	**–**	**–**	**–**	**0.3**	**–**	**0.3**
Curtailment gains	**–**	**–**	**–**	**–**	**0.8**	**0.8**
Past service cost – vested	**(0.2)**	**–**	**–**	**–**	**(0.1)**	**(0.3)**
Past service cost – non-vested	**–**	**–**	**–**	**0.3**	**–**	**0.3**
Charge to income	**(11.5)**	**(0.9)**	**(4.8)**	**(1.1)**	**(1.5)**	**(19.8)**
Year ended 31st March 2008						
Current service cost	(24.2)	(0.2)	(4.1)	(0.6)	(1.7)	(30.8)
Interest on plan liabilities	(42.5)	(0.6)	(5.1)	(1.0)	(1.5)	(50.7)
Expected return on plan assets	54.6	–	5.6	–	1.5	61.7
Expected return on reimbursement rights	–	–	–	0.2	–	0.2
Past service cost – vested	(0.7)	–	–	–	(0.1)	(0.8)
Past service cost – non-vested	–	–	–	0.3	–	0.3
Charge to income	(12.8)	(0.8)	(3.6)	(1.1)	(1.8)	(20.1)

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

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

	UK pensions £ million	UK post-retirement medical benefits £ million	US pensions £ million	US post-retirement medical benefits £ million	Other £ million	Total £ million
At 1st April 2007	(19.9)	(0.8)	(4.0)	(0.9)	(3.2)	(28.8)
Recognised in year	11.8	1.2	(0.6)	1.5	2.3	16.2
At 31st March 2008	(8.1)	0.4	(4.6)	0.6	(0.9)	(12.6)
Recognised in year	(120.8)	(0.7)	(31.7)	(2.5)	(1.0)	(156.7)
At 31st March 2009	**(128.9)**	**(0.3)**	**(36.3)**	**(1.9)**	**(1.9)**	**(169.3)**

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

14 Post-employment benefits (continued)

14a Group (continued)

History of the plans and experience adjustments are:

	UK pensions £ million	UK post-retirement medical benefits £ million	US pensions £ million	US post-retirement medical benefits £ million	Other £ million	Total £ million
Year ended 31st March 2009						
Present value of defined benefit obligation	**(715.6)**	**(12.0)**	**(128.3)**	**(26.7)**	**(45.3)**	**(927.9)**
Fair value of plan assets	**670.4**	**–**	**77.9**	**–**	**29.4**	**777.7**
Reimbursement rights	**–**	**–**	**–**	**4.5**	**–**	**4.5**
Deficit in the plan	**(45.2)**	**(12.0)**	**(50.4)**	**(22.2)**	**(15.9)**	**(145.7)**
Experience adjustments arising on plan liabilities	**24.4**	**(0.6)**	**0.9**	**(1.0)**	**0.3**	**24.0**
Experience adjustments arising on plan assets	**(191.2)**	**–**	**(32.4)**	**–**	**(3.8)**	**(227.4)**
Year ended 31st March 2008 (restated)						
Present value of defined benefit obligation	(744.4)	(10.9)	(86.4)	(15.6)	(39.0)	(896.3)
Fair value of plan assets	809.5	–	78.5	–	27.1	915.1
Reimbursement rights	–	–	–	2.6	–	2.6
Surplus / (deficit) in the plan	65.1	(10.9)	(7.9)	(13.0)	(11.9)	21.4
Experience adjustments arising on plan liabilities	(3.0)	–	5.9	1.8	(0.4)	4.3
Experience adjustments arising on plan assets	(87.7)	–	(6.9)	–	(2.8)	(97.4)
Year ended 31st March 2007						
Present value of defined benefit obligation	(801.0)	(11.6)	(87.4)	(16.5)	(33.5)	(950.0)
Fair value of plan assets	846.5	–	79.5	–	26.3	952.3
Reimbursement rights	–	–	–	2.8	–	2.8
Surplus / (deficit) in the plan	45.5	(11.6)	(7.9)	(13.7)	(7.2)	5.1
Experience adjustments arising on plan liabilities	(44.4)	0.5	(1.0)	(0.8)	2.8	(42.9)
Experience adjustments arising on plan assets	(8.3)	–	2.3	–	0.3	(5.7)
Year ended 31st March 2006						
Present value of defined benefit obligation	(736.4)	(11.9)	(90.4)	(20.2)	(30.9)	(889.8)
Fair value of plan assets	805.1	–	79.0	–	25.1	909.2
Reimbursement rights	–	–	–	2.6	–	2.6
Surplus / (deficit) in the plan	68.7	(11.9)	(11.4)	(17.6)	(5.8)	22.0
Experience adjustments arising on plan liabilities	0.7	1.7	(1.2)	0.3	(1.0)	0.5
Experience adjustments arising on plan assets	79.7	–	1.0	–	(0.2)	80.5
Year ended 31st March 2005						
Present value of defined benefit obligation	(613.6)	(10.0)	(75.7)	(17.9)	(21.3)	(738.5)
Fair value of plan assets	657.4	–	64.1	–	14.9	736.4
Reimbursement rights	–	–	–	2.0	–	2.0
Surplus / (deficit) in the plan	43.8	(10.0)	(11.6)	(15.9)	(6.4)	(0.1)
Experience adjustments arising on plan liabilities	0.8	0.4	(0.6)	(0.9)	(1.1)	(1.4)
Experience adjustments arising on plan assets	26.0	–	(1.1)	–	0.4	25.3

14 Post-employment benefits (continued)

14b Parent company

The parent company is the sponsoring employer of the group's UK defined benefit pension plan and the UK post-retirement medical benefits plan. There is no contractual agreement or stated policy for charging the net defined benefit cost for the plan to the individual group entities. The main assumptions used for these plans are disclosed in note 14a.

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

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

The defined benefit pension plan does not invest directly in Johnson Matthey Plc shares and no property or other assets owned by the pension plan is used by the company. The overall expected rate of return is determined by reference to market expectations for each class of asset. It is based upon the forecasts of actuaries and market professionals.

Movements in the defined benefit obligation during the year were:

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

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

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

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

14 Post-employment benefits (continued)
14b Parent company (continued)

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

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

These are included in the balance sheet as:

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

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

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

History of the plans and experience adjustments are:

	Present value of defined benefit obligation £ million	Fair value of plan assets £ million	Surplus / (deficit) in plan £ million	Experience adjustments arising on plan liabilities £ million	Experience adjustments arising on plan assets £ million
Year ended 31st March 2009					
Pension	**(715.6)**	**670.4**	**(45.2)**	**24.4**	**(191.2)**
Post-retirement medical benefits	**(12.0)**	**–**	**(12.0)**	**(0.6)**	**–**
Year ended 31st March 2008					
Pension	(744.4)	809.5	65.1	(3.0)	(87.7)
Post-retirement medical benefits	(10.9)	–	(10.9)	–	–
Year ended 31st March 2007					
Pension	(801.0)	846.5	45.5	(41.0)	(6.5)
Post-retirement medical benefits	(11.6)	–	(11.6)	0.5	–
Year ended 31st March 2006					
Pension	(703.3)	773.9	70.6	0.8	75.2
Post-retirement medical benefits	(11.9)	–	(11.9)	1.7	–
Year ended 31st March 2005					
Pension	(613.6)	657.4	43.8	0.8	26.0
Post-retirement medical benefits	(10.0)	–	(10.0)	0.4	–

15 Property, plant and equipment

15a Group

	Freehold land & buildings £ million	Long & short leasehold £ million	Plant & machinery £ million	Assets in the course of construction £ million	Total £ million
Cost					
At 1st April 2007	237.0	17.3	756.7	38.0	1,049.0
Additions	13.0	0.2	75.0	45.1	133.3
Acquisitions (restated) (note 40)	27.4	–	11.5	3.9	42.8
Reclassifications	4.9	(0.3)	26.9	(31.5)	–
Disposals	(1.8)	–	(17.5)	–	(19.3)
Exchange adjustments	6.4	2.0	12.2	1.6	22.2
At 31st March 2008 (restated)	286.9	19.2	864.8	57.1	1,228.0
Additions	15.8	0.7	81.4	78.1	176.0
Acquisitions (note 40)	–	–	0.5	–	0.5
Reclassifications	7.2	1.4	51.5	(60.1)	–
Disposals	(0.1)	(0.4)	(14.2)	–	(14.7)
Exchange adjustments	52.5	3.4	147.1	16.6	219.6
At 31st March 2009	362.3	24.3	1,131.1	91.7	1,609.4
Accumulated depreciation and impairment					
At 1st April 2007	62.9	7.6	377.8	–	448.3
Charge for the year	8.0	0.8	59.5	–	68.3
Reclassifications	–	(0.3)	0.3	–	–
Disposals	(1.1)	–	(15.6)	–	(16.7)
Exchange adjustments	1.7	0.9	7.9	–	10.5
At 31st March 2008	71.5	9.0	429.9	–	510.4
Charge for the year	10.4	3.5	74.8	–	88.7
Disposals	(0.1)	(0.3)	(12.7)	–	(13.1)
Exchange adjustments	15.7	1.9	81.1	–	98.7
At 31st March 2009	97.5	14.1	573.1	–	684.7
Carrying amount at 31st March 2009	**264.8**	**10.2**	**558.0**	**91.7**	**924.7**
Carrying amount at 31st March 2008 (restated)	215.4	10.2	434.9	57.1	717.6
Carrying amount at 1st April 2007	174.1	9.7	378.9	38.0	600.7

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

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

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

15 Property, plant and equipment (continued)

15b Parent company

	Freehold land & buildings £ million	Long & short leasehold £ million	Plant & machinery £ million	Assets in the course of construction £ million	Total £ million
Cost					
At 1st April 2007	84.3	1.9	325.7	12.0	423.9
Additions	8.7	–	46.0	11.1	65.8
Reclassifications	0.2	(0.3)	10.9	(10.8)	–
Disposals	(1.1)	–	(7.4)	–	(8.5)
At 31st March 2008	92.1	1.6	375.2	12.3	481.2
Additions	7.5	–	35.2	6.6	49.3
Reclassifications	–	–	12.0	(12.0)	–
Disposal of business to subsidiary	(7.7)	–	(55.4)	(5.8)	(68.9)
Disposals	–	–	(9.3)	–	(9.3)
At 31st March 2009	91.9	1.6	357.7	1.1	452.3
Accumulated depreciation and impairment					
At 1st April 2007	25.3	1.8	147.6	–	174.7
Charge for the year	3.4	–	26.0	–	29.4
Reclassifications	–	(0.3)	0.3	–	–
Disposals	(0.6)	–	(5.6)	–	(6.2)
At 31st March 2008	28.1	1.5	168.3	–	197.9
Charge for the year	2.7	–	26.6	–	29.3
Disposal of business to subsidiary	(1.2)	–	(23.2)	–	(24.4)
Disposals	–	–	(8.5)	–	(8.5)
At 31st March 2009	29.6	1.5	163.2	–	194.3
Carrying amount at 31st March 2009	**62.3**	**0.1**	**194.5**	**1.1**	**258.0**
Carrying amount at 31st March 2008	64.0	0.1	206.9	12.3	283.3
Carrying amount at 1st April 2007	59.0	0.1	178.1	12.0	249.2

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

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

16 Goodwill

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

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

Goodwill arising on the acquisition of businesses is allocated, at acquisition, to the cash-generating units (CGUs) that are expected to benefit from that business combination. As a result of integration of various businesses the CGUs have been revised and this is explained in more detail below. Goodwill is allocated as follows:

	Group		Parent company	
	2009 £ million	2008 restated £ million	**2009 £ million**	2008 £ million
Environmental Technologies				
Emission Control Technologies – Non-light Duty Catalysts	**90.7**	77.8	**–**	–
Process Technologies	**231.9**	223.0	**132.4**	132.4
Precious Metal Products	**5.3**	4.2	**–**	–
Fine Chemicals & Catalysts				
Macfarlan Smith	**117.1**	117.1	**–**	117.1
Catalysts and Chemicals	**26.9**	19.6	**–**	–
Pharmaceutical Materials and Services	**22.8**	17.4	**–**	–
Research Chemicals	**21.3**	21.3	**–**	–
	516.0	480.4	**132.4**	249.5

The group and parent company test goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. The recoverable amounts of the CGUs are determined using value in use calculations which use cash flow projections based on financial budgets and plans approved by management, generally covering a three year period except as discussed below. The budgets and plans are based on a number of key assumptions. Assumptions on the likelihood and timing of new product launches are based on management's best estimate of what may happen. Foreign exchange rates are based on actual rates at the time the budgets were prepared and are held constant over the budget and plan years. Other assumptions such as market share, expected changes to selling prices, product profitability, precious metal prices and other direct input costs are based on past experience and management's expectations of future changes in the markets using external sources of information where appropriate. These cash flows are then extrapolated using the long term average growth rates for the relevant products, industries and countries in which the CGUs operate. The cash flows are discounted at the group's estimated pre-tax weighted average cost of capital adjusted for the tax rate and risk applicable to each CGU.

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

16 Goodwill (continued)

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

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

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

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

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

17 Other intangible assets

17a Group

	Customer contracts and relationships £ million	Computer software £ million	Patents, trademarks and licences £ million	Acquired research and technology £ million	Development expenditure £ million	Total £ million
Cost						
At 1st April 2007	7.2	30.8	2.6	–	32.4	73.0
Additions	–	2.5	0.2	–	9.0	11.7
Acquisitions (note 40)	35.1	0.4	7.9	16.6	5.4	65.4
Disposals	–	(0.8)	(0.6)	–	–	(1.4)
Exchange adjustments	2.3	1.1	0.5	1.2	1.1	6.2
At 31st March 2008	44.6	34.0	10.6	17.8	47.9	154.9
Additions	–	6.4	8.0	–	13.1	27.5
Acquisitions (note 40)	0.3	–	–	–	–	0.3
Disposal to subsidiaries classified as held for sale	–	(0.1)	–	–	–	(0.1)
Disposals	–	(0.4)	–	–	–	(0.4)
Exchange adjustments	6.3	5.5	1.5	2.8	11.3	27.4
At 31st March 2009	51.2	45.4	20.1	20.6	72.3	209.6
Accumulated amortisation and impairment						
At 1st April 2007	3.9	21.5	0.3	–	7.2	32.9
Charge for the year	2.6	3.2	1.0	–	5.3	12.1
Disposals	–	(0.8)	(0.6)	–	–	(1.4)
Exchange adjustments	0.2	0.7	–	–	0.1	1.0
At 31st March 2008	6.7	24.6	0.7	–	12.6	44.6
Charge for the year	5.5	3.6	3.2	–	7.7	20.0
Disposals	–	(0.1)	–	–	–	(0.1)
Exchange adjustments	1.1	3.9	0.3	–	4.0	9.3
At 31st March 2009	13.3	32.0	4.2	–	24.3	73.8
Carrying amount at 31st March 2009	**37.9**	**13.4**	**15.9**	**20.6**	**48.0**	**135.8**
Carrying amount at 31st March 2008	37.9	9.4	9.9	17.8	35.3	110.3
Carrying amount at 1st April 2007	3.3	9.3	2.3	–	25.2	40.1

The carrying amount of development expenditure includes £34.6 million (2008 £23.9 million) which is not yet being amortised as the assets are not yet available for use. The acquired research and technology is not yet being amortised as it is not yet available for use. These assets are tested for impairment annually and no impairment has been found.

17 Other intangible assets (continued)

17b Parent company

	Computer software £ million	Development expenditure £ million	Total £ million
Cost			
At 1st April 2007	13.4	4.0	17.4
Additions	0.9	0.8	1.7
At 31st March 2008	14.3	4.8	19.1
Additions	0.9	1.6	2.5
Disposal of business to subsidiary	(0.6)	–	(0.6)
At 31st March 2009	14.6	6.4	21.0
Accumulated amortisation and impairment			
At 1st April 2007	9.4	2.5	11.9
Charge for the year	1.3	0.4	1.7
At 31st March 2008	10.7	2.9	13.6
Charge for the year	1.2	0.5	1.7
Disposal of business to subsidiary	(0.6)	–	(0.6)
At 31st March 2009	11.3	3.4	14.7
Carrying amount at 31st March 2009	**3.3**	**3.0**	**6.3**
Carrying amount at 31st March 2008	3.6	1.9	5.5
Carrying amount at 1st April 2007	4.0	1.5	5.5

The carrying amount of development expenditure includes £1.6 million (2008 £1.4 million) which is not yet being amortised as the assets are not yet available for use. These assets are tested for impairment annually and no impairment has been found.

18 Investments in subsidiaries

	Cost of investments in subsidiaries £ million	Accumulated impairment £ million	Carrying amount £ million
At 1st April 2007	498.6	(149.5)	349.1
Additional shares issued by subsidiary	39.4	–	39.4
At 31st March 2008	538.0	(149.5)	388.5
Additional shares issued by subsidiary	951.5	–	951.5
Dividends received out of pre-acquisition profits of subsidiary	(2.2)	–	(2.2)
Impairment loss	–	(34.0)	(34.0)
At 31st March 2009	**1,487.3**	**(183.5)**	**1,303.8**

The principal subsidiaries are shown on page 105.

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

19 Investment in associate

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

The group's associate is AGR Matthey, which is a partnership operating in Australia in which the group has a 20% interest.

Summarised financial information in respect of the group's associate is:

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

20 Non-current available-for-sale investments

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

21 Inventories

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

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

22 Construction contracts

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

23 Trade and other receivables

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

24 Trade and other payables

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

25 Assets and liabilities classified as held for sale

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

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

26 Net debt

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

Of the 4.95% US Dollar Bonds 2015, US $35.0 million have been swapped into sterling at 5.15% and US $165.0 million have been swapped into floating rate US dollars. All the 4.25% US Dollar Bonds 2010 have been swapped into sterling at 4.93%. All the 5.67% US Dollar Bonds 2016 have been swapped into floating rate US dollars. The interest rate implicit in the finance leases is 5.9% and the lease term ends in 2017. Apart from the bonds, EIB loans and finance leases shown separately above, all the loans, overdrafts and bank deposits are denominated in various currencies and bear interest at commercial floating rates.

27 Other financial assets

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

28 Other financial liabilities

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

29 Financial risk management

The group's and parent company's activities expose them to a variety of financial risks including market risk, liquidity risk and credit risk. Market risk includes currency risk, interest rate risk and price risk. The main financial risks managed by the group and parent company, under policies approved by the board, are foreign currency risk, interest rate risk, liquidity risk and credit risk. The group and parent company use derivative financial instruments, in particular forward currency contracts and currency swaps, to manage their financial risks associated with their underlying business activities and the financing of those activities. Some derivative financial instruments used to manage financial risk are not designated as hedges and so are classified as 'held for trading'. The group and parent company do not undertake any trading activity in financial instruments.

29a Interest rate risk

The group's and parent company's interest rate risk arises from their fixed rate borrowings (fair value risk) and floating rate borrowings (cash flow risk). Their policy is to optimise interest cost and reduce volatility in reported earnings and equity. They manage their risk by reviewing the profile of their debt regularly and by selectively using interest rate and cross currency swaps to maintain borrowings in appropriate currencies and at competitive rates. The group and parent company have designated the US dollar fixed rate to US dollar floating rate swaps as fair value hedges as they hedge the changes in fair value of bonds attributable to changes in interest rates. The group and parent company have designated the US dollar fixed interest rate to sterling fixed interest rate cross currency swaps as cash flow hedges as they hedge the movement in the cash flows of the hedged bonds attributable to changes in the US dollar / sterling exchange rate. The cash flows are expected to occur in 2010 and 2015 when the respective bonds which they hedge mature. The interest element of the cash flow hedges is realised in the income statement each year and the exchange effect is expected to be realised in the income statement in 2010 and 2015. At 31st March 2009, 63% (2008 30%) of the group's net debt and 55% (2008 30%) of the parent company's net debt were at fixed rates with an average interest rate of 5.13% (2008 5.20%). The remaining debt is funded on a floating rate basis. Based on the group's net debt funded at floating rates, after taking into account the effect of the swaps, a 1% change in all interest rates would have a £2.0 million (2008 £4.3 million) impact on the group's profit before tax. This is within the range the board regards as acceptable.

29b Liquidity risk

The group's and parent company's policy on funding capacity is to ensure that they always have sufficient long term funding and committed bank facilities in place to meet foreseeable peak borrowing requirements. At 31st March 2009 the group and parent company had borrowings under committed bank facilities of £ nil (2008 £230.7 million). The group and parent company also have a number of uncommitted facilities, including metal leases, and overdraft lines at their disposal.

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

29 Financial risk management (continued)

29b Liquidity risk (continued)

The maturity analyses for financial liabilities showing the remaining contractual undiscounted cash flows, including future interest payments but excluding unamortised transaction costs, were:

Group as at 31st March 2009	**Within 1 year £ million**	**1 to 2 years £ million**	**2 to 5 years £ million**	**After 5 years £ million**	**Total £ million**
Bank overdrafts	**15.4**	**–**	**–**	**–**	**15.4**
Bank and other loans – principal	**35.8**	**88.6**	**267.5**	**244.4**	**636.3**
Bank and other loans – interest payments	**29.8**	**28.3**	**69.5**	**24.7**	**152.3**
Interest rate swaps – payments	**7.6**	**6.7**	**20.1**	**12.4**	**46.8**
Interest rate swaps – receipts	**(13.7)**	**(12.8)**	**(38.5)**	**(24.7)**	**(89.7)**
Finance lease obligations	**0.5**	**0.4**	**1.3**	**1.5**	**3.7**
Financial liabilities in trade and other payables	**337.4**	**–**	**–**	**–**	**337.4**
Foreign exchange forwards, options and swaps – payments	**1,251.8**	**27.8**	**–**	**–**	**1,279.6**
Foreign exchange forwards, options and swaps – receipts	**(1,190.5)**	**(27.8)**	**–**	**–**	**(1,218.3)**
	474.1	**111.2**	**319.9**	**258.3**	**1,163.5**

Group as at 31st March 2008 (restated)	Within 1 year £ million	1 to 2 years £ million	2 to 5 years £ million	After 5 years £ million	Total £ million
Bank overdrafts	63.6	–	–	–	63.6
Bank and other loans – principal	258.5	15.3	113.9	251.7	639.4
Bank and other loans – interest payments	21.8	19.9	50.4	31.7	123.8
Interest rate swaps – payments	9.0	28.1	24.3	47.2	108.6
Interest rate swaps – receipts	(9.9)	(25.0)	(27.8)	(44.7)	(107.4)
Finance lease obligations	0.5	0.4	1.3	1.9	4.1
Financial liabilities in trade and other payables	315.4	–	–	–	315.4
Foreign exchange forwards, options and swaps – payments	955.2	112.4	–	–	1,067.6
Foreign exchange forwards, options and swaps – receipts	(948.3)	(112.4)	–	–	(1,060.7)
	665.8	38.7	162.1	287.8	1,154.4

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

Parent company as at 31st March 2008	Within 1 year £ million	1 to 2 years £ million	2 to 5 years £ million	After 5 years £ million	Total £ million
Bank overdrafts	20.1	–	–	–	20.1
Bank and other loans – principal	234.7	15.1	108.8	251.5	610.1
Bank and other loans – interest payments	21.8	19.9	50.4	31.7	123.8
Interest rate swaps – payments	9.0	28.1	24.3	47.2	108.6
Interest rate swaps – receipts	(9.9)	(25.0)	(27.8)	(44.7)	(107.4)
Finance lease obligations	0.4	0.4	1.3	1.9	4.0
Financial liabilities in trade and other payables	1,076.5	3.3	10.0	148.2	1,238.0
Foreign exchange forwards, options and swaps – payments	1,109.6	112.4	–	–	1,222.0
Foreign exchange forwards, options and swaps – receipts	(1,103.9)	(112.4)	–	–	(1,216.3)
	1,358.3	41.8	167.0	435.8	2,002.9

29 Financial risk management (continued)

29c Credit risk

Within certain businesses, the group and parent company derive a significant proportion of their revenue from sales to major customers. Sales to individual customers are frequently high if the value of precious metals is included in the price. The failure of any such company to honour its debts could materially impact the group's and parent company's results. The group and parent company derive significant benefit from trading with their large customers and manage the risk at many levels. Each business and division has a credit committee that regularly monitors its exposure. The Audit Committee receives a report every six months that details all significant credit limits, amounts due and amounts overdue within the group and the relevant actions being taken. At 31st March 2009 trade receivables for the group amounted to £408.2 million (2008 £568.9 million) (parent company £160.4 million (2008 £234.1 million)). £224.8 million (2008 £382.5 million) of these receivables at group level (£106.1 million (2008 £161.5 million) at parent company level) arose in Emission Control Technologies (ECT) which is part of Environmental Technologies Division and mainly supplies the automotive industry including car and truck manufacturers and component suppliers. Although ECT has a wide spread of the available customers the concentrated nature of this industry means that amounts owed by individual customers can be large. The group's exposure to Chrysler LLC, which filed under Chapter 11 in the US Bankruptcy Court on 30th April 2009, was less than US $5 million, some of which was covered by insurance and indemnities from other suppliers. The group's exposure to General Motors Corporation in the USA is very small. Other parts of the group tend to sell to a larger number of customers and amounts owed tend to be lower. As at 31st March 2009 (and at 31st March 2008) for the group as a whole, no single outstanding balance exceeded 1% of the group's revenue. No assets have been taken possession of as collateral.

The credit profiles of the group's and parent company's customers are obtained from credit rating agencies and closely monitored. The scope of these reviews includes amounts overdue and credit limits. Generally, payments in the automotive industry and in the other markets in which the group operates are made promptly.

Trade receivables are considered impaired when the amount is in dispute, customers are in financial difficulty or for other reasons which imply there is doubt over the recoverability of the debt. Trade receivables can be analysed as:

	Group		Parent company	
	2009 £ million	2008 £ million	**2009 £ million**	2008 £ million
Amounts neither past due nor impaired	**333.3**	494.7	**143.7**	210.8
Amounts past due but not impaired				
less than 30 days	**52.7**	53.0	**14.3**	16.0
30 – 90 days	**12.8**	13.3	**2.9**	5.4
more than 90 days	**8.2**	8.4	**0.1**	2.0
Total past due but not impaired	**73.7**	74.7	**17.3**	23.4
Amounts impaired	**12.2**	5.7	**2.8**	1.2
Specific allowances for bad and doubtful debts	**(9.2)**	(5.5)	**(2.2)**	(1.1)
Carrying amount of impaired receivables	**3.0**	0.2	**0.6**	0.1
General allowances for bad and doubtful debts	**(1.8)**	(0.7)	**(1.2)**	(0.2)
Trade receivables net of allowances	**408.2**	568.9	**160.4**	234.1

Movements in the allowances for impairments were:

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

Financial assets included in sundry receivables are all current and not impaired.

The credit risk on cash and deposits and derivative financial instruments is limited because the counterparties with significant balances are banks with high credit ratings. As at 31st March 2009, the maximum exposure with a single bank for deposits was £18.9 million (2008 £36.3 million) for the group and £9.8 million (2008 £13.0 million) for the parent company, whilst the largest mark to market exposure for derivative financial instruments to a single bank was £16.5 million (2008 £1.8 million) for the group and parent company. The amounts on deposit at the year end represent the group's and parent company's maximum exposure to credit risk on cash and deposits.

The group guarantees its share of the borrowings and precious metal leases of its associate and its exposure at 31st March 2009 was £ nil (2008 £1.1 million). The parent company also guarantees some of its subsidiaries' borrowings, partly through interest netting arrangements, and precious metal leases and its exposure at 31st March 2009 was £20.9 million (2008 £62.1 million).

29 Financial risk management (continued)

29d Fair value of financial instruments

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

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

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

The fair values are calculated by discounting future cash flows to net present values using appropriate market interest rates prevailing at the year end. It is not possible to determine reliably the fair value of the group's unquoted available-for-sale investments which have a book value of £6.3 million (2008 £5.2 million) as there is no active market. These are investments in a company that is in the start up phase and in an investment vehicle that invests in start up companies and so there is a wide range of possible values. Given their size it would be overly onerous to provide additional detail.

29e Foreign currency risk

The group operates globally with the majority of its profits earned outside the UK. In order to protect the group's sterling balance sheet and reduce cash flow risk the group has financed most of its investment in the USA, Europe and Japan (2008 USA, Europe, Japan and China) by borrowing US dollars, euros and yen (2008 and renminbi) respectively. Although much of this funding is obtained by directly borrowing the relevant currency, a part is achieved through currency swaps which can be more efficient and reduce costs and credit exposure. The group has designated the currency swaps, one euro loan and some of the US dollar bonds (fair value of the loan and bonds was £298.5 million (2008 £18.1 million)) as hedges of net investments in foreign operations as they hedge the changes in values of the subsidiaries' net assets against movements in exchange rates.

The main currencies of the net debt after taking into account the effect of the currency swaps were:

	Group Borrowings 2009 £ million	Group Borrowings 2008 £ million	Group Cash 2009 £ million	Group Cash 2008 £ million	Parent company Borrowings 2009 £ million	Parent company Borrowings 2008 £ million	Parent company Cash 2009 £ million	Parent company Cash 2008 £ million
Sterling	**120.6**	130.7	**184.5**	177.5	**120.7**	126.8	**183.6**	173.3
US dollar	**288.7**	166.7	**39.2**	13.9	**285.0**	157.5	**22.1**	5.6
Euro	**411.5**	421.6	**–**	–	**442.1**	446.9	**–**	–
Japanese yen	**48.4**	58.3	**–**	–	**50.7**	61.8	**–**	–
South African rand	**–**	48.5	**7.5**	–	**5.9**	5.5	**–**	–
Hong Kong dollar	**–**	–	**56.1**	26.2	**–**	–	**47.9**	11.8
Canadian dollar	**–**	–	**25.4**	7.3	**–**	–	**23.3**	7.1
Chinese renminbi	**0.8**	16.0	**6.3**	2.1	**–**	6.0	**–**	–
Swiss franc	**–**	–	**11.4**	7.3	**–**	–	**9.4**	0.9
Other currencies	**10.4**	17.9	**15.6**	15.0	**1.6**	9.4	**2.8**	0.8
	880.4	859.7	**346.0**	249.3	**906.0**	813.9	**289.1**	199.5

The group and parent company use forward exchange contracts, and occasionally currency options, to hedge foreign exchange exposures arising on forecast receipts and payments in foreign currencies. These are designated and accounted for as cash flow hedges. The majority of the cash flows are expected to occur and the hedge effect realised in the income statement in the year ending 31st March 2010.

The main impact of movements in exchange rates on the group's results arises on translation of overseas subsidiaries' profits into sterling. The group's largest exposure is to the US dollar and a 5% (8.6 cent (2008 10.0 cent)) movement in the average exchange rate for the US dollar against sterling would have had a £3.2 million (2008 £3.6 million) impact on operating profit. The group is also exposed to the euro and a 5% (6.0 cent (2008 7.1 cent)) movement in the average exchange rate for the euro against sterling would have had a £1.3 million (2008 £1.7 million) impact on operating profit. This exposure is part of the group's economic risk of operating globally which is essential to remain competitive in the markets in which the group operates.

29 Financial risk management (continued)

29e Foreign currency risk (continued)

For financial instruments the main exposures are to the US dollar and euro and are due to loans, swaps and cash flow hedges on forecast receipts and payments. A 5% (7.2 cent (2008 9.9 cent)) movement in the closing exchange rate for the US dollar against sterling would have had a £3.7 million (2008 £1.9 million) impact on operating profit and a £19.1 million (2008 £11.4 million) impact on equity for these instruments. A 5% (5.4 cent (2008 6.3 cent)) movement in the closing exchange rate for the euro against sterling would have had a £6.7 million (2008 £2.4 million) impact on operating profit and a £28.8 million (2008 £28.0 million) impact on equity for these instruments. However, the impact in operating profit relates primarily to the cash flow hedging instruments hedging the forecast receipts and payments whose cash flows have occurred in the year and so would be offset by similar movements in the hedged items. Similarly, the impact on equity relates primarily to foreign exchange positions used to hedge the subsidiaries' net assets and so would be offset by an equal and opposite movement in the value of the relevant subsidiaries' net assets. The remaining impact on equity of £6.6 million (2008 £3.7 million) for the US dollar and £8.1 million (2008 £6.7 million) for the euro relates to cash flow hedging instruments hedging the forecast receipts and payments whose cash flows have yet to occur.

29f Capital management

The group's policy for managing capital is to maintain a strong balance sheet to ensure that the group always has sufficient resources to be able to invest in future growth. The group has a long term target range for gearing (net debt / equity) of 50% to 60% although in any given year gearing may fall outside this range depending on future plans. See the section on capital structure in the Financial Review on page 14 for more information.

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

30 Provisions and contingent liabilities

30a Group

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

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

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

The warranty and technology provisions represent management's best estimate of the group's liability under warranties granted and remedial work required under technology licences, based on past experience in Environmental Technologies Division. Warranties generally cover a period up to three years.

The other provisions include environmental, onerous leases and legal provisions. Amounts provided reflect management's best estimate of the expenditure required to settle the obligations at the balance sheet date. It is possible that these and further contingent environmental and legal liabilities may give rise to expenditure above that provided. Further details of environmental and legal provisions and contingent liabilities are not provided to avoid the potential of seriously prejudicing the group's stance in law.

Details of guarantees given by the group are disclosed in note 29c.

30 Provisions and contingent liabilities (continued)

30b Parent company

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

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

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

The warranty provisions represent management's best estimate of the parent company's liability under warranties granted, based on past experience in Environmental Technologies Division.

The other provisions include onerous leases and legal provisions and provisions to buy metal to cover positions created by the parent company selling metal belonging to subsidiaries. Amounts provided reflect management's best estimate of the expenditure required to settle the obligations at the balance sheet date.

Details of guarantees given by the parent company are disclosed in note 29c.

31 Deferred taxation

31a Group

	Property, plant & equipment £ million	Post-employment benefits £ million	Translation differences on foreign currency loans £ million	Inventories £ million	Other £ million	Total £ million
At 1st April 2007	59.9	2.6	(16.0)	(35.1)	16.2	27.6
Charge / (credit) to income	5.3	0.4	1.7	(24.4)	(3.3)	(20.3)
Tax on items taken directly to or transferred from equity	–	4.3	(8.0)	–	(0.1)	(3.8)
Acquisitions (restated)	1.5	0.1	–	(1.6)	21.7	21.7
Exchange adjustments	0.1	(0.2)	0.5	(0.2)	1.4	1.6
At 31st March 2008 (restated)	66.8	7.2	(21.8)	(61.3)	35.9	26.8
Charge / (credit) to income	0.6	2.9	(6.5)	32.0	3.0	32.0
Tax on items taken directly to or transferred from equity	–	(47.7)	20.1	–	7.1	(20.5)
Exchange adjustments	11.2	(6.7)	0.6	(1.8)	1.2	4.5
At 31st March 2009	**78.6**	**(44.3)**	**(7.6)**	**(31.1)**	**47.2**	**42.8**

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

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

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

31 Deferred taxation (continued)

31b Parent company

	Property, plant & equipment £ million	Post-employment benefits £ million	Translation differences on foreign currency loans £ million	Inventories £ million	Other £ million	Total £ million
At 1st April 2007	30.7	13.7	(0.7)	(32.1)	2.5	14.1
Charge / (credit) to income	1.0	0.9	(10.1)	(23.4)	(0.1)	(31.7)
Tax on items taken directly to or transferred from equity	–	3.5	–	–	(0.9)	2.6
At 31st March 2008	31.7	18.1	(10.8)	(55.5)	1.5	(15.0)
Charge / (credit) to income	0.8	3.0	11.2	32.4	(12.5)	34.9
Disposal of business to subsidiary	(6.1)	–	0.1	–	0.1	(5.9)
Tax on items taken directly to or transferred from equity	–	(33.8)	(5.5)	–	7.1	(32.2)
At 31st March 2009	**26.4**	**(12.7)**	**(5.0)**	**(23.1)**	**(3.8)**	**(18.2)**

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

32 Share capital

	Authorised Number	Authorised £ million	Issued and fully paid Number	Issued and fully paid £ million
Ordinary shares of £1 each				
At 1st April 2007	291,550,000	291.6	220,477,283	220.5
Share options exercised	–	–	196,330	0.2
At 31st March 2008 and at 31st March 2009	**291,550,000**	**291.6**	**220,673,613**	**220.7**

Details of outstanding share options and allocations under the company's long term incentive plan which have yet to mature are disclosed in note 13.

At the last annual general meeting on 22nd July 2008 shareholders approved a resolution for the company to make purchases of its own shares up to a maximum number of 21,467,573 shares. The resolution remains valid until the conclusion of this year's annual general meeting. The company will purchase its own shares when the board believes it to be in the best interests of the shareholders generally and will result in an increase in earnings per share.

The group's employee share ownership trust (ESOT) also buys shares on the open market and holds them in trust for employees participating in the group's executive share option schemes and long term incentive plan. At 31st March 2009 the group's ESOT held 3,689,274 shares (2008 4,265,151 shares) which had not yet vested unconditionally in employees. Computershare Trustees (CI) Limited, as trustee for the ESOT, has waived its dividend entitlement. At 31st March 2009 the parent company's ESOT held 3,689,274 shares (2008 4,241,462 shares) which had not yet vested unconditionally in employees.

33 Other reserves

33a Group

	Capital redemption reserve £ million	Foreign currency translation £ million	Available-for-sale reserve £ million	Hedging reserve £ million	Total other reserves £ million
At 1st April 2007	6.5	(20.3)	0.1	0.8	(12.9)
Cash flow hedges:					
Losses taken to equity	–	–	–	(12.2)	(12.2)
Transferred to income statement	–	–	–	(0.1)	(0.1)
Fair value of available-for-sale assets transferred to profit on sale	–	–	(0.1)	–	(0.1)
Fair value losses on net investment hedges	–	(37.5)	–	–	(37.5)
Currency translation differences on foreign currency net investments and related loans	–	30.7	–	–	30.7
Tax on items taken directly to or transferred from equity	–	8.4	–	3.1	11.5
At 31st March 2008	6.5	(18.7)	–	(8.4)	(20.6)
Cash flow hedges:					
Losses taken to equity	–	–	–	(45.0)	(45.0)
Transferred to income statement	–	–	–	24.9	24.9
Fair value losses on net investment hedges	–	(146.9)	–	–	(146.9)
Currency translation differences on foreign currency net investments and related loans	–	191.8	–	–	191.8
Currency translation differences transferred to profit on sale of discontinued operations	–	(2.4)	–	–	(2.4)
Tax on items taken directly to or transferred from equity	–	11.2	–	5.5	16.7
At 31st March 2009	**6.5**	**35.0**	**–**	**(23.0)**	**18.5**

33b Parent company

	Capital redemption reserve £ million	Foreign currency translation £ million	Hedging reserve £ million	Total other reserves £ million
At 1st April 2007	6.5	1.0	0.9	8.4
Cash flow hedges:				
Losses taken to equity	–	–	(11.9)	(11.9)
Transferred to income statement	–	–	0.1	0.1
Currency translation differences on foreign operations	–	0.1	–	0.1
Tax on items taken directly to or transferred from equity	–	–	2.9	2.9
At 31st March 2008	6.5	1.1	(8.0)	(0.4)
Cash flow hedges:				
Losses taken to equity	–	–	(46.0)	(46.0)
Transferred to income statement	–	–	27.4	27.4
Disposal of business to subsidiary	–	–	0.6	0.6
Currency translation differences on foreign operations	–	(6.6)	–	(6.6)
Tax on items taken directly to or transferred from equity	–	–	5.5	5.5
At 31st March 2009	**6.5**	**(5.5)**	**(20.5)**	**(19.5)**

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

34a Group

	Share capital £ million	Share premium account £ million	Shares held in ESOTs £ million	Other reserves £ million	Retained earnings £ million	Equity attributable to equity holders of parent company £ million
At 1st April 2007	220.5	146.3	(61.9)	(12.9)	783.7	1,075.7
Profit for the year	–	–	–	–	186.2	186.2
Actuarial gain on post-employment benefits assets and liabilities	–	–	–	–	16.2	16.2
Dividends paid	–	–	–	–	(72.3)	(72.3)
New share capital subscribed	0.2	2.0	–	–	–	2.2
Purchase of shares for ESOTs	–	–	(45.9)	–	–	(45.9)
Purchase of treasury shares	–	–	–	–	(39.1)	(39.1)
Share-based payments	–	–	–	–	9.8	9.8
Cost of shares transferred to employees	–	–	39.2	–	(6.5)	32.7
Cash flow hedges:						
Losses taken to equity	–	–	–	(12.2)	–	(12.2)
Transferred to income statement	–	–	–	(0.1)	–	(0.1)
Fair value of available-for-sale assets transferred to profit on sale	–	–	–	(0.1)	–	(0.1)
Fair value losses on net investment hedges	–	–	–	(37.5)	–	(37.5)
Currency translation differences on foreign currency net investments and related loans	–	–	–	30.7	–	30.7
Tax on items taken directly to or transferred from equity	–	–	–	11.5	1.1	12.6
At 31st March 2008	220.7	148.3	(68.6)	(20.6)	879.1	1,158.9
Profit for the year	–	–	–	–	174.1	174.1
Actuarial loss on post-employment benefits assets and liabilities	–	–	–	–	(156.7)	(156.7)
Dividends paid	–	–	–	–	(78.1)	(78.1)
Purchase of shares for ESOTs	–	–	(2.6)	–	–	(2.6)
Share-based payments	–	–	–	–	5.6	5.6
Cost of shares transferred to employees	–	–	9.4	–	(11.6)	(2.2)
Cash flow hedges:						
Losses taken to equity	–	–	–	(45.0)	–	(45.0)
Transferred to income statement	–	–	–	24.9	–	24.9
Fair value losses on net investment hedges	–	–	–	(146.9)	–	(146.9)
Currency translation differences on foreign currency net investments and related loans	–	–	–	191.8	–	191.8
Currency translation differences transferred to profit on sale of discontinued operations	–	–	–	(2.4)	–	(2.4)
Purchase of minority interest (note 40)	–	–	–	–	(4.6)	(4.6)
Tax on items taken directly to or transferred from equity	–	–	–	16.7	41.8	58.5
At 31st March 2009	**220.7**	**148.3**	**(61.8)**	**18.5**	**849.6**	**1,175.3**

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

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

34b Parent company

	Share capital £ million	Share premium account £ million	Shares held in ESOTs £ million	Other reserves £ million	Retained earnings £ million	Equity attributable to equity holders of parent company £ million
At 1st April 2008	220.5	146.3	(61.5)	8.4	702.8	1,016.5
Profit for the year	–	–	–	–	44.9	44.9
Actuarial gain on post-employment benefits assets and liabilities	–	–	–	–	13.0	13.0
Dividends paid	–	–	–	–	(72.3)	(72.3)
New share capital subscribed	0.2	2.0	–	–	–	2.2
Purchase of shares for ESOTs	–	–	(46.1)	–	–	(46.1)
Purchase of treasury shares	–	–	–	–	(39.1)	(39.1)
Share-based payments	–	–	–	–	9.8	9.8
Cost of shares transferred to employees	–	–	39.2	–	(7.1)	32.1
Cash flow hedges:						
Losses taken to equity	–	–	–	(11.9)	–	(11.9)
Transferred to income statement	–	–	–	0.1	–	0.1
Currency translation differences on foreign operations	–	–	–	0.1	–	0.1
Tax on items taken directly to or transferred from equity	–	–	–	2.9	(1.3)	1.6
At 31st March 2008	220.7	148.3	(68.4)	(0.4)	650.7	950.9
Profit for the year	–	–	–	–	12.7	12.7
Actuarial loss on post-employment benefits assets and liabilities	–	–	–	–	(121.5)	(121.5)
Dividends paid	–	–	–	–	(78.1)	(78.1)
Purchase of shares for ESOTs	–	–	(2.6)	–	–	(2.6)
Share-based payments	–	–	–	–	3.4	3.4
Cost of shares transferred to employees	–	–	9.2	–	(9.2)	–
Cash flow hedges:						
Losses taken to equity	–	–	–	(46.0)	–	(46.0)
Transferred to income statement	–	–	–	27.4	–	27.4
Disposal of business to subsidiary	–	–	–	0.6	(0.6)	–
Currency translation differences on foreign operations	–	–	–	(6.6)	–	(6.6)
Tax on items taken directly to or transferred from equity	–	–	–	5.5	27.7	33.2
At 31st March 2009	**220.7**	**148.3**	**(61.8)**	**(19.5)**	**485.1**	**772.8**

35 Minority interests

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

36 Gross cash flows

36a Purchases of non-current assets and investments

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

36b Purchases of businesses and minority interests

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

36c Net proceeds from sale of businesses and minority interests

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

36d Net purchase of own shares

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

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

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

37 Cash and cash equivalents

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

38 Precious metal operating leases

The group leases precious metals from banks for specified periods (typically a few months) and for which the group pays a fee. These arrangements are classified as operating leases. The group holds sufficient precious metal inventories to meet all the obligations under these lease arrangements as they fall due. At 31st March 2009 precious metal leases were £68.2 million (2008 £86.1 million).

39 Commitments

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

40 Acquisitions

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

BASF automotive and silver paste business

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

Alfa Aesar China Limited's minority interest

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

40 Acquisitions (continued)

Argillon Group acquired in the year ended 31st March 2008

On 6th February 2008 the group acquired 100% of the issued share capital of Argillon Group (Argillon). Argillon specialises in catalysts and advanced ceramic materials and sells a range of products into a number of different industries.

The goodwill arising was attributable to the synergistic opportunity to take the existing Argillon technology together with Johnson Matthey's capital resources, technological expertise and commercial teams in businesses across the world, to develop new products to service new markets. There have also been synergies in combining the group and Argillon's complementary catalyst operations. The acquisition of Argillon adds valuable technology to Johnson Matthey's existing emission control capabilities for controlling oxides of nitrogen (NOx). As well as products for the heavy duty diesel (HDD) truck market, Argillon manufactures catalysts for power plants, industrial applications and waste incineration plants. These products have application in coal fired power stations to reduce harmful NOx emissions. This could become a major market in a few years' time as coal is increasingly used to produce electricity and people around the world become more concerned about air quality. The acquisition of Argillon also adds to Emission Control Technologies' existing business selling NOx control systems for large stationary engines and in marine applications. Johnson Matthey estimates that the HDD catalyst market for mobile applications will grow from approximately US $600 million of sales excluding precious metals in 2008 to US $2.5 billion by the end of 2014 driven by legislation requiring much reduced levels of emissions which is due to come into force over the next five years. Argillon's products can be used to meet some of these legislative standards but they are more likely to be used in combination with other technology which has been developed by Johnson Matthey. By combining Argillon's and Johnson Matthey's technology, testing facilities and global sales capability sales of Argillon's products are likely to be significantly higher than Argillon could achieve on its own. In addition, in the next decade the board believes there will be significant opportunities for new products for NOx control to meet standards yet to be promulgated given global concerns about air quality and global warming. The combination of Argillon's and Johnson Matthey's technology and research and development capabilities should provide significantly better opportunities for developing successful products for these markets than the sum of the two businesses on a stand alone basis.

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

The net assets acquired were:

	Original carrying amounts under IFRS immediately prior to acquisition £ million	Original fair value adjustments made in the year ended 31st March 2008 £ million	Correction to fair value and to 31st March 2008 For lease £ million	Other £ million	Total £ million	Revised fair value at time of acquisition £ million
Property, plant and equipment	21.5	9.9	7.6	3.7	11.3	42.7
Intangible assets – capitalised software	0.4	–	–	–	–	0.4
Intangible assets – patents and trademarks	1.6	6.3	–	–	–	7.9
Intangible assets – customer contracts and relationships	–	35.0	–	–	–	35.0
Intangible assets – research and technology	–	16.6	–	–	–	16.6
Intangible assets – capitalised development	0.4	5.0	–	–	–	5.4
Assets classified as held for sale (note 41)	39.6	(0.6)	(7.6)	(6.8)	(14.4)	24.6
Liabilities classified as held for sale (note 41)	(16.0)	(8.1)	7.6	6.8	14.4	(9.7)
Inventories	11.5	–	–	–	–	11.5
Trade and other receivables	22.4	7.7	(7.6)	–	(7.6)	22.5
Cash and cash equivalents	2.3	–	–	–	–	2.3
Current other borrowings	(3.6)	–	–	–	–	(3.6)
Trade and other payables	(26.0)	–	–	(0.8)	(0.8)	(26.8)
Current income tax liabilities	(4.8)	–	–	–	–	(4.8)
Deferred income tax liabilities	(1.1)	(20.9)	–	0.3	0.3	(21.7)
Employee benefit obligations	(5.1)	–	–	(0.8)	(0.8)	(5.9)
Provisions	(2.8)	(1.8)	–	–	–	(4.6)
Total net assets acquired	40.3	49.1	–	2.4	2.4	91.8
Goodwill on acquisition						70.1
						161.9

Satisfied by:

	£ million
Purchase consideration – cash	159.4
Costs incurred	2.5
	161.9

40 Acquisitions (continued)

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

Net cash outflow arising on acquisition was:

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

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

	2008 £ million
Operating profit before amortisation of intangible assets recognised on acquisition by Johnson Matthey	2.9
Amortisation of intangible assets recognised on acquisition by Johnson Matthey	(1.8)
Profit before tax	1.1
Income tax expense	(0.4)
Net profit	0.7

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

In September 2007 the group acquired 49% of Qingdao Johnson Matthey Hero Catalyst Company Limited (Hero), a Chinese catalyst company, for £0.2 million and incurred costs of £0.2 million. The group controls Hero and so it is accounted for as a subsidiary. The fair value of the assets acquired were £0.1 million for a customer contract, £0.1 million for plant and equipment and £0.3 million for cash. The minority interest was £0.2 million, giving goodwill of £0.1 million. From acquisition to 31st March 2008 it contributed £0.1 million to the group's profit for the year and its results are included in Environmental Technologies.

41 Discontinued operations

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

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

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

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

42 Transactions with related parties

Transactions between the parent company and its subsidiaries, which are related parties, have been eliminated on consolidation and so are only disclosed for the parent company's accounts. The group's associate, as described in note 19, is a related party. Guarantees of subsidiaries' and associate's borrowings are disclosed in note 29c.

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

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

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

43 Post balance sheet events

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

44 Key sources of estimation uncertainty

Determining the carrying amounts of some assets and liabilities requires estimation of the effects of uncertain future events on those assets and liabilities at the balance sheet date. The group and parent company have made appropriate estimates when applying the accounting policies, but the actual outcome may differ from those calculated.

The key sources of estimation uncertainty at the balance sheet date which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

Post-employment benefits

The group's and parent company's defined benefit plans are assessed annually by qualified independent actuaries. The details of the plans and assumptions used are described in note 14.

Goodwill

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

Other intangible assets

Other intangible assets which are not yet being amortised (note 17) are also subject to annual impairment reviews based on discounted cash flow projections. No impairment has been found.

Provisions and contingent liabilities

As described in note 30 and the accounting policies, the group and parent company measure provisions and contingent liabilities at management's best estimate of the expenditure required to settle the obligations at the balance sheet date.

Taxation

The tax payable on profits is determined based on tax laws and regulations that apply in each of the numerous jurisdictions in which the group operates. Where the precise impact of these laws and regulations is unclear then reasonable estimates may be used to determine the tax charge included in the accounts. If the tax eventually payable or reclaimable differs from the amounts originally estimated then the difference will be charged or credited in the accounts for the year in which it is determined.

PRINCIPAL SUBSIDIARIES AND ASSOCIATES

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

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

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

FIVE YEAR RECORD

	2005 £ million	2006 £ million	2007 £ million	2008 £ million	**2009 £ million**
Revenue	4,626.2	4,755.9	6,151.7	7,498.7	**7,847.8**
Sales excluding the value of precious metals	1,187.7	1,341.2	1,454.2	1,750.2	**1,796.9**
EBITDA	284.2	305.5	329.9	374.1	**398.1**
Depreciation	(62.7)	(64.7)	(68.6)	(68.3)	**(88.7)**
Amortisation	(4.9)	(5.3)	(6.1)	(9.0)	**(10.9)**
Underlying operating profit	216.6	235.5	255.2	296.8	**298.5**
Amortisation of acquired intangibles	–	(0.8)	(2.8)	(3.1)	**(9.1)**
Impairment and restructuring charges	(36.7)	(6.0)	–	–	**(9.4)**
Operating profit	179.9	228.7	252.4	293.7	**280.0**
Net finance costs	(13.0)	(14.7)	(26.8)	(30.3)	**(32.6)**
Share of profit / (loss) of associates	0.5	(0.2)	0.9	(1.1)	**2.0**
Profit before tax	167.4	213.8	226.5	262.3	**249.4**
Income tax expense	(46.5)	(62.5)	(64.7)	(77.2)	**(76.7)**
Profit after taxation	120.9	151.3	161.8	185.1	**172.7**
(Loss) / profit for the year from discontinued operations	(6.4)	–	43.7	0.3	**1.2**
Minority interests	1.0	0.8	1.0	0.8	**0.2**
Profit attributable to equity holders of the parent company	115.5	152.1	206.5	186.2	**174.1**
Underlying earnings per ordinary share	67.0p	73.0p	82.2p	89.5p	**89.6p**
Earnings per ordinary share	53.2p	70.8p	96.9p	88.5p	**82.6p**
Dividend per ordinary share	27.7p	30.1p	33.6p	36.6p	**37.1p**
Summary Balance Sheet					
Assets employed:					
Goodwill	375.1	402.4	399.2	480.4	**516.0**
Property, plant and equipment / other intangible assets	620.4	702.4	640.8	827.9	**1,060.5**
Non-current investments / associates / joint ventures	6.7	10.2	9.6	8.9	**12.1**
Inventories	307.3	345.8	362.7	380.4	**371.7**
Receivables / current investments / tax assets / financial assets	375.3	497.1	549.2	712.4	**585.9**
Payables / provisions / tax liabilities / financial liabilities	(382.3)	(520.2)	(519.5)	(655.7)	**(684.1)**
Post-employment benefits net assets / employee benefits obligations	(3.0)	18.8	0.9	16.4	**(151.6)**
	1,299.5	1,456.5	1,442.9	1,770.7	**1,710.5**
Financed by:					
Net borrowings and finance leases	369.6	412.0	364.8	610.4	**534.4**
Retained earnings	594.5	708.0	783.7	879.1	**849.6**
Share capital, share premium, shares held in ESOTs and other reserves	327.9	330.1	292.0	279.8	**325.7**
Minority interests	7.5	6.4	2.4	1.4	**0.8**
Capital employed	1,299.5	1,456.5	1,442.9	1,770.7	**1,710.5**
Return on invested capital (Underlying operating profit / average capital employed)	16.7%	17.1%	17.6%	18.5%	**17.1%**

Figures for 2006 onwards have been prepared under IFRS. Figures for 2005 have been restated for IFRS. The balance sheet for 2008 has been restated for the changes to Argillon Group's fair value at acquisition and goodwill on acquisition.

SHAREHOLDER INFORMATION

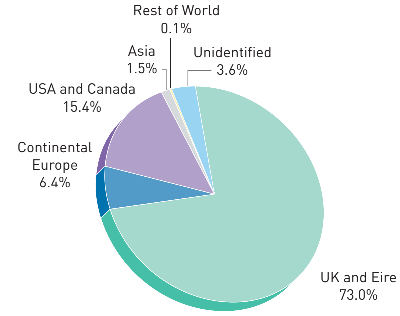
Johnson Matthey Share Price Five Year Performance versus FTSE 100 and FTSE 350

Johnson Matthey Share Price as at 31st March

2004	2005	2006	2007	2008	2009
879.5p	989p	1,396p	1,576p	2,005p	1,053p

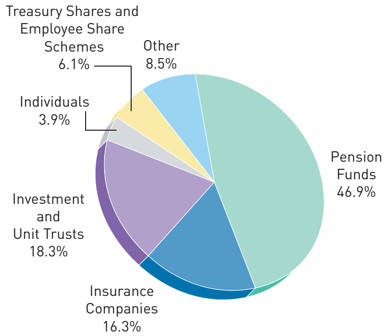
Analysis of Ordinary Shareholders as at 30th April 2009

By Location



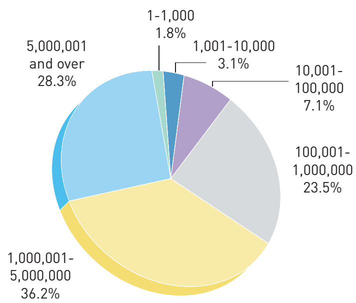
By location	Number of shares	Percentage
UK and Eire	161,159,416	73.0
Continental Europe	13,972,324	6.4
USA and Canada	34,004,497	15.4
Asia	3,374,779	1.5
Rest of World	244,807	0.1
Unidentified	7,917,790	3.6
	220,673,613	100.0

By Category



By category	Number of shares	Percentage
Pension Funds	103,494,135	46.9
Insurance Companies	36,080,685	16.3
Investment and Unit Trusts	40,390,947	18.3
Individuals	8,534,780	3.9
Treasury Shares and Employee Share Schemes	13,437,463	6.1
Other	18,735,603	8.5
	220,673,613	100.0

By Size of Holding



By size of holding	Number of holdings	Percentage	Number of shares	Percentage
1 – 1,000	10,067	74.6	4,038,226	1.8
1,001 – 10,000	2,770	20.5	6,848,402	3.1
10,001 – 100,000	433	3.2	15,532,766	7.1
100,001 – 1,000,000	180	1.3	51,884,461	23.5
1,000,001 – 5,000,000	34	0.3	79,841,575	36.2
5,000,001 and over	8	0.1	62,528,183	28.3
	13,492	100.0	220,673,613	100.0

SHAREHOLDER INFORMATION

Share Dealing Services

A telephone and internet dealing service for UK shareholders is provided by the company's registrars, Equiniti. For further details, including Equiniti's terms and conditions, log on to www.shareview.co.uk/dealing or call 08456 037 037.

Dividend History – Pence per Share

	2005	2006	2007	2008	2009
Interim	8.7	9.1	9.9	10.6	11.1
Final	19.0	21.0	23.7	26.0	26.0
Total	27.7	30.1	33.6	36.6	37.1

Dividend Policy

It is Johnson Matthey's policy to grow dividends in line with underlying earnings while maintaining dividend cover at about two and a half times to ensure sufficient funds are retained to support organic growth. Dividend cover may vary from the long term target to enable the group to maintain dividends at a consistent level. The board is proposing an unchanged final dividend for 2008/09 of 26.0 pence to take the total for the year to 37.1 pence, which is 1% up on the previous year. The dividend will be covered 2.4 times by underlying earnings. For further discussion of the group's financial objectives see the Strategy and Objectives section of the Business Review on page 7 of this Annual Report.

Dividend Payments and DRIP

Dividends can be paid directly into shareholders' bank or building society accounts. Shareholders wishing to take advantage of this facility should contact the company's registrars, Equiniti, or complete the dividend mandate form attached to their dividend cheque. A Dividend Reinvestment Plan (DRIP) is also available which allows shareholders to purchase additional shares in the company. Further information can be obtained from Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA. Telephone 0871 384 2268*. They can also be contacted via their website at www.shareview.co.uk.

American Depositary Receipts

Johnson Matthey has a sponsored Level 1 American Depositary Receipt (ADR) programme which The Bank of New York Mellon administers and for which it acts as Depositary. Each ADR represents two Johnson Matthey ordinary shares. The ADRs trade on the US over-the-counter (OTC) market under the symbol JMPLY. When dividends are paid to shareholders, the Depositary converts such dividends into US dollars, net of fees and expenses, and distributes the net amount to ADR holders. For enquiries, The Bank of New York Mellon can be contacted on 1-888-BNY-ADRS (1-888-269-2377) toll free if you are calling from within the United States. Alternatively, they can be contacted by e-mail at shrrelations@bnymellon.com or via their website at www.adrbnymellon.com.

Share Price and Group Information

Information on the company's current share price together with copies of the group's annual and half-yearly reports and major presentations to analysts and institutional shareholders are available on the Johnson Matthey website: www.matthey.com.

The website's Investor Centre contains extensive information and a number of tools which will be of assistance to investors including historic share price information downloads and a share price charting facility.

For capital gains tax purposes the mid-market price of the company's ordinary shares on 31st March 1982 was 253 pence.

Enquiries

Shareholders who wish to contact Johnson Matthey Plc on any matter relating to their shareholding are invited to contact the company's registrars, Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA. Telephone 0871 384 2344* or via their website www.shareview.co.uk.

Shareholders may also telephone the company on +44 (0)20 7269 8400 or write to:

The Company Secretary
Johnson Matthey Plc
40-42 Hatton Garden
London
EC1N 8EE

For other enquiries shareholders may contact the Director, Investor Relations and Corporate Communications at the above address and telephone number.

* Calls to these numbers are charged at 8p per minute from a BT landline. Other telephony providers' costs may vary.

GLOSSARY OF TERMS

ADDERALL XR®	An extended release product used in the treatment of Attention Deficit Hyperactivity Disorder
ADR	American Depositary Receipt
AGM	Annual general meeting
Alfa Aesar	Brand name of Johnson Matthey's Research Chemicals business
AMOG	Ammonia, Methanol, Oil and Gas
API	Active pharmaceutical ingredient
CEC	Chief Executive's Committee
Cefic	European Chemical Industry Council
CGU	Cash-generating unit
CIA	Chemical Industries Association
CO_2	Carbon dioxide
Codeine phosphate	Analgesic of moderate potency and antitussive
CSR	Corporate Social Responsibility
CWA	Clean Water Act (US)
DPF	Diesel particulate filter
DPT	Davy Process Technology
DMFC	Direct methanol fuel cell
DRIP	Dividend Reinvestment Plan
EBITDA	Earnings before interest, tax, depreciation and amortisation
ECT	Emission Control Technologies
EHS	Environment, health and safety
EIB	European Investment Bank
EPS	Earnings per share
ESOT	Employee Share Ownership Trust
EU	European Union
Fuel Cell	Technology which converts hydrogen or other fuels (methanol, natural gas) into clean electricity
FURBS	Funded Unapproved Retirement Benefit Scheme
Galantamine	An alkaloid used in the treatment of mild to moderate Alzheimer's disease
Gearing	Net debt / equity
GHS	Globally Harmonised System of Classification and Labelling of Chemicals
GWP	Global warming potential
HDD	Heavy duty diesel
IAS	International Accounting Standard
ICE	Internal combustion engine
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IGCC	Integrated gasification combined cycle
ISO 14000	Internationally recognised series of standards which specify the requirements for an environmental management system
ISO 9000	Internationally recognised series of standards which specify the requirements for a quality management system
JMEPS	Johnson Matthey Employees Pension Scheme
JMI	Johnson Matthey Inc.
JMTC	Johnson Matthey Technology Centre
KPI	Key performance indicator
LBG	London Benchmarking Group
LTIP	Long term incentive plan
MDRC	Management Development and Remuneration Committee
Methylphenidate	Synthetic controlled drug used in the treatment of narcolepsy and Attention Deficit Hyperactivity Disorder
NETL	National Energy Technology Laboratory (US)
NOx	Nitrogen oxides
Oxaliplatin	A platinum anticancer drug
Oxycodone	An opiate used to relieve medium to severe pain
PBT	Underlying profit before tax
Pgm	Platinum group metal
Prostaglandin	Synthetic analogues of hormone-like substances
R&D	Research and development
Razadyne®	Drug used to treat the symptoms of Alzheimer's disease, active ingredient galantamine
REACH	Registration, Evaluation and Authorisation of Chemicals. EU chemical control legislation which came into force in June 2007
ROIC	Return on invested capital
ROS	Return on sales
RPI	Retail price index
SEC	Stationary emissions control
SCR	Selective catalytic reduction
SIC	Standing Interpretations Committee
SIP	Share incentive plan
SO_2	Sulphur dioxide
Syngas	A mixture of hydrogen and carbon oxides
TSR	Total shareholder return
USW	United Steelworkers union

INDEX

FINANCIAL CALENDAR 2009/10

2009

10th June
Ex dividend date

12th June
Final dividend record date

21st July
118th Annual General Meeting (AGM)

4th August
Payment of final dividend subject to declaration at the AGM

25th November
Announcement of results for the six months ending 30th September 2009

2nd December
Ex dividend date

4th December
Interim dividend record date

2010 (provisional)

2nd February
Payment of interim dividend

3rd June
Announcement of results for the year ending 31st March 2010

9th June
Ex dividend date

11th June
Final dividend record date

20th July
119th Annual General Meeting (AGM)

3rd August
Payment of final dividend subject to declaration at the AGM

COMPANY DETAILS

Registered Office

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E-mail: jmpr@matthey.com

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London EC4Y 8BB

Brokers

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One Cabot Square
London E14 4QJ

Merrill Lynch International
Merrill Lynch Financial Centre
2 King Edward Street
London EC1A 1HQ

Lawyers

Herbert Smith LLP
Exchange House
Primrose Street
London EC2A 2HS

Taylor Wessing LLP
5 New Street Square
London EC4A 3TW

Registrars

Equiniti
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Lancing
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Telephone: 0871 384 2344*
Internet address: www.shareview.co.uk

* Calls to this number are charged at 8p per minute from a BT landline. Other telephony providers' costs may vary.

Johnson Matthey is grateful to the following for their help in providing illustrations:

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Power station, page 28 – ©Carolecastelli
Platinum rings, back cover – Cendres & Métaux SA, Switzerland

The paper in this report is produced with FSC mixed sources pulp which is fully recyclable, biodegradable, pH Neutral, heavy metal absent and acid-free. It is manufactured within a mill which complies with the international environmental ISO 14001 standard.

This has been printed using an alcohol free process and the printing inks are made from vegetable oil and are non-hazardous from renewable sources. Over 90% of solvents and developers are recycled for further use and recycling initiatives are in place for all other waste associated with this production. The printers are FSC and ISO 14001 certified with strict procedures in place to safeguard the environment through all their processes and are working on initiatives to reduce their Carbon Footprint.

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