2014

ANNUAL REPORT & ACCOUNTS

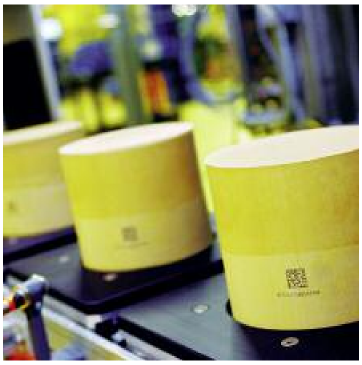
JM
Johnson Matthey

SUSTAINABLE TECHNOLOGIES

for today and for the future

Johnson Matthey at a Glance

Johnson Matthey is organised into five global divisions:



Emission Control Technologies

Key Statistics

Light Duty Catalysts / Heavy Duty Diesel Catalysts

Emission Control Technologies (ECT) comprises our light duty and heavy duty diesel catalyst businesses. A leading global manufacturer of catalysts and catalyst systems for vehicles and industry, its products reduce emissions and improve air quality. Emission control catalysts from ECT are fitted to about one in three cars around the world.

Return on sales excluding precious metals	12.4%
Return on invested capital (ROIC)	21.0%
Capital expenditure	£72.1m
Capex / depreciation	1.3
Average invested capital	£970m
Employees	4,334

Process Technologies

Key Statistics

Chemicals / Oil and Gas

Process Technologies is a global supplier of catalysts, licensing technologies and other services to the syngas, oleo/biochemical, petrochemical, oil refining and gas processing industries. The division has manufacturing sites in Europe, the USA and Asia, technology development facilities in the UK and USA and technical offices all over the world.

Return on sales excluding precious metals	18.0%
Return on invested capital (ROIC)	15.3%
Capital expenditure	£59.5m
Capex / depreciation	2.4
Average invested capital	£664m
Employees	2,095

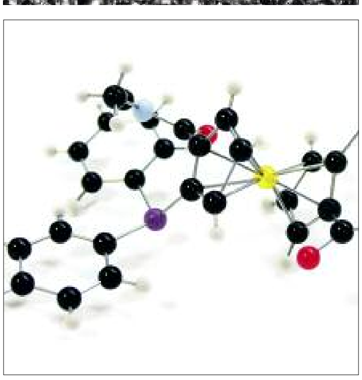
Precious Metal Products

Key Statistics

Services / Manufacturing

Precious Metal Products adds value through applying expertise in precious metal and related materials science. It is organised into our Services businesses which includes management, distribution, refining and recycling of precious metals and our Manufacturing businesses, which fabricate products using precious metals or related materials, platinum group metal catalysts and platinum group metal chemicals.

Return on sales excluding precious metals	30.5%
Return on invested capital (ROIC)	36.6%
Capital expenditure	£40.0m
Capex / depreciation	2.1
Average invested capital	£357m
Employees	2,615



Fine Chemicals

Key Statistics

API Manufacturing / Catalysis and Chiral Technologies / Research Chemicals

Fine Chemicals is a global supplier of active pharmaceutical ingredients (APIs), fine chemicals and other speciality chemical products and services to a wide range of pharmaceutical and chemical industry customers and industrial and academic research organisations. Its products include those used in applications that provide pain relief, treat cancer and alleviate other medical conditions, together with products used in the development and manufacture of APIs and other chemical products.

Return on sales excluding precious metals	26.1%
Return on invested capital (ROIC)	18.8%
Capital expenditure	£26.2m
Capex / depreciation	1.4
Average invested capital	£447m
Employees	1,341

New Businesses

Key Statistics

Battery Technologies / Fuel Cells / New Business Development

New Businesses focuses on areas peripheral to our current interests that build on our core technology competences. It comprises our Battery Technologies and Fuel Cells businesses, together with our new business development programmes.

Return on sales excluding precious metals	-24.2%
Return on invested capital (ROIC)	-23.5%
Capital expenditure	£8.0m
Capex / depreciation	2.6
Average invested capital	£78m
Employees	637

Performance Highlights

Progress Towards Sustainability 2017

SUSTAINABILITY 2017, WHICH WE LAUNCHED IN 2007, IS JOHNSON MATTHEY'S VISION FOR BUILDING A SUSTAINABLE BUSINESS. IT INCLUDES CHALLENGING TARGETS TO SUPPORT FUTURE GROWTH.

We aim to double our underlying earnings per share while cutting carbon intensity by half, achieving zero waste to landfill and halving the key resources that we consume per unit of output by 2017, the 200th anniversary of the company's foundation. We also aim to eliminate accidents and occupational illness cases across the group.

Sustainability 2017 Target	Sustainability 2017 Key Performance Indicators	Baseline 2007	**2014**[1]	Target	Progress
At least double earnings per share	Underlying earnings per share (pence)	82.2[2]	**170.6**	164.4	
Halve carbon intensity	Global warming potential (tonnes CO_2 eq / £ million sales)	294[3]	**149**	147	
Achieve zero waste to landfill	Waste to landfill (tonnes)	16,555[3]	**3,819**	0	
Halve key resources per unit of output	Electricity consumption (GJ / £ million sales)	1,098[3]	**610**	549	
	Natural gas consumption (GJ / £ million sales)	1,604[3]	**941**	802	
	Water consumption (m^3 '000 / £ million sales)	1.426[3]	**0.860**	0.713	
Achieve zero greater than three day accidents	Annual greater than three day accident rate per 1,000 employees	4.09[4]	**2.68**	0	
Achieve zero occupational illness cases	Annual incidence of occupational illness cases per 1,000 employees	5.3[5]	**2.2**	0	

[1] Data presented is for the period 1st April 2013 to 31st March 2014.
[2] Data presented is for the period 1st April 2006 to 31st March 2007.
[3] Data presented is for the period 1st January 2006 to 31st December 2006.
[4] At 31st March 2007.
[5] Baseline is incidence of occupational illness cases per 1,000 employees in calendar year 2008.

- Continued progress towards Sustainability 2017 targets this year.
- Underlying earnings per share (EPS) target exceeded – good financial performance and also helped by favourable tax rate. Read more on pages 24 to 48.
- Well on track to halve carbon intensity boosted by continued initiatives to reduce carbon emissions. Read more on pages 71 to 72.
- Good progress being made to improve resource efficiency and reduce waste to landfill supported by efforts from our Manufacturing Excellence programme. Read more on pages 70 to 73.
- Rate of greater than three day accidents remained steady. Read more on pages 64 and 65.
- Incidence of occupational illness cases continued to fall. Read more on pages 62 and 63.

Further details of the group's performance towards its Sustainability 2017 targets are explained in the Health and Safety section on pages 62 to 67, the Environment section on pages 70 to 73 and on our website at www.matthey.com/sustainability.

Johnson Matthey

performed well in 2013/14

We have continued to invest in R&D, our manufacturing capabilities and the development of our people to support the future growth of the group.

		Year to 31st March		
		2014	2013	% change
Financial				
Revenue	£ million	**11,155**	10,729	+4
Sales excluding precious metals (sales)[1]	£ million	**2,981**	2,676	+11
Profit before tax	£ million	**406.6**	348.6[3]	+17
Earnings per share	pence	**167.7**	132.3[3]	+27
Underlying[2]:				
Profit before tax	£ million	**427.3**	382.9[3]	+12
Earnings per share	pence	**170.6**	147.7[3]	+16
Dividend per share	pence	**62.5**	57.0	+10
Social				
Average number of employees		**11,331**	10,498	+8
Voluntary employee turnover	%	**5.6**	6.5	-1
Training spend per employee	£	**465**	433	+7
Charitable donations	£ thousands	**626**	615	+2
Health and Safety				
Greater than three day accidents	per 1,000 employees	**2.68**	2.98[4]	-10
Total accident rate	per 1,000 employees	**6.09**	5.37[4]	+13
Occupational illness cases	per 1,000 employees	**2.2**	2.7	-19
Environment				
Energy consumption	thousands GJ	**4,915**	4,648	+6
Global warming potential	thousand tonnes CO_2 equivalent	**444**	413	+7
Total waste	tonnes	**121,594**	110,448	+10
Water consumption	thousands m^3	**2,564**	2,444	+5
Total acid gas emissions	tonnes SO_2 equivalent	**405**	334	+21

1 We believe that sales excluding precious metals is a better measure of the growth of the group than revenue. Total revenue can be heavily distorted by year on year fluctuations in the market prices of precious metals. In addition, in many cases, the value of precious metals is passed directly on to our customers.

2 Before amortisation of acquired intangibles, major impairment and restructuring charges, profit or loss on disposal of businesses, significant tax rate changes and, where relevant, related tax effects.

3 Restated for new accounting standards (note 40) on page 175.

4 Restated to include four lost time accidents that occurred during 2012/13 but that were not declared as having resulted in lost time until after year end.

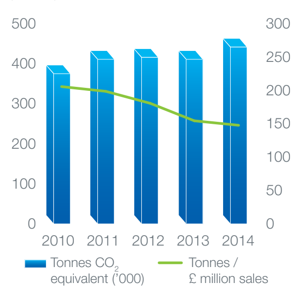
Delivering Superior Value

pence

¹ Restated.

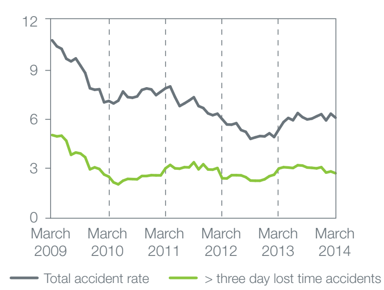
Reducing Carbon Intensity

Tonnes CO_2 equivalent ('000) | Tonnes / £ million sales



Safety is a Priority

per 1,000 employees



SUSTAINABLE TECHNOLOGIES

for today and for the future

JOHNSON MATTHEY IS A LEADING SPECIALITY CHEMICALS COMPANY.

As a business, we always aim to deliver what we promise. We work together, applying our expertise in advanced materials and technology to innovate and improve solutions that:

- are valued by our customers;
- optimise the use of natural resources; and
- enhance the quality of life for the people of the world, both today and for the future.

To us, good performance is not just about profit. It's about running our business in the most sustainable way and we have five elements of sustainability which have a material impact on our business. In this report we will update you on our progress.

BUILDING A SUSTAINABLE BUSINESS

CAUTIONARY STATEMENT

The Strategic Report 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.

Contents

This annual report combines our financial, social, health and safety, environmental and governance performance into one document and reflects the five elements of sustainability which we believe have a material impact on our business. It is divided into eight sections over four main chapters:

Go Online
www.matthey.com/AR14

In addition to this integrated Annual Report and Accounts we publish case studies and further information on sustainability online. Links to this supplementary information are highlighted in the relevant chapter of this report with the symbol.

SUSTAINABLE TECHNOLOGIES

for today and for the future

1. OVERVIEW

CASE STUDY

Four Decades of Emissions Control

It is 40 years since Johnson Matthey's first autocatalysts rolled off the production line at our Royston plant in the UK. Since then, this technology to control emissions from vehicles has had a major impact on improving air quality around the world, preventing many millions of tonnes of harmful pollutants from entering our air.

Back in the late 1960s scientists at Johnson Matthey were developing platinum group metal catalysts to control gaseous pollutants in chemical and food processing applications. With the Clean Air Act requiring emissions from car exhausts to be reduced by 90%, we switched the focus of our research. By 1972 we had successfully developed and demonstrated the positive benefits of platinum containing catalysts to clean up car exhausts. As a result, catalytic converters containing an emission control catalyst became the preferred technology for reducing car emissions.

From 1975 all new models of car in the US had to be fitted with a catalyst to meet the new legislation so we continued our research to deliver a commercially viable product.

Key scientific developments, including the use of a monolith support and the formulation of an effective catalyst coating, underpinned the successful delivery. By late 1973 Johnson Matthey had completed construction of its first catalyst line in Royston and by the end of April 1974, our first autocatalyst production pieces were being made for Volkswagen. Construction of a very large plant in Pennsylvania followed to enable us to supply the US market. We also invested heavily in testing facilities for evaluating autocatalysts on engines.

Since this pioneering work, Johnson Matthey has continued to invest in research, development, testing and manufacturing facilities all around the world. As legislation continues to tighten globally, we continue to develop more efficient, higher performance emission control catalysts and manufacturing processes.

Today our autocatalysts are fitted to one in three cars around the world and we are a major supplier of catalysts for trucks and buses too. Our emission control catalysts, developed over many decades, exemplify how science and innovation can be applied to create value adding sustainable technologies for today and for the future.

Contents

Chairman's Statement

In Summary

- **Underlying earnings per share of 170.6 pence, 16% ahead of last year.**
- **Dividend per share increased by 10% from 57.0 pence to 62.5 pence.**
- **Board succession effectively managed with a number of changes announced during the year.**

Tim Stevenson
Chairman

I am pleased to report that Johnson Matthey performed well in 2013/14. The group has made good progress in all of its main markets, benefiting from our commitment to long term investment in research and development and our strategy of organic growth complemented by targeted acquisitions. As a result, we have seen underlying earnings per share increase by 16% to 170.6 pence.

However, it has not all been plain sailing. The well publicised change to our long term contracts with Anglo American Platinum Limited came into effect on 1st January this year. Whilst this has impacted revenue and profit in our Precious Metal Products Division in the final quarter of the year, and will continue to do so in 2014/15, Johnson Matthey has weathered the change well; the rebasing is understood by our shareholders, the effect on employees has been kept to a minimum and the company's share price has remained robust during 2013/14. The change has released a strategic constraint. It coincided with our review of group strategy towards the end of 2013 and provided an opportunity for Johnson Matthey to think more broadly about how best to apply its expertise. Whilst concluding that our strategy was sound, we considered that going forward we could embrace a wider range of advanced materials and technology and increase our emphasis on collaboration, customer focus and creating value.

A key role of your board is to ensure successful succession planning. This is fundamental to board effectiveness and is integral to the delivery of Johnson Matthey's strategy. During the year we announced a number of executive level changes.

Neil Carson has decided, after a highly successful decade as Chief Executive, to retire in 2014 and in January we announced that Robert MacLeod will succeed Neil as our Chief Executive. Neil has made an outstanding contribution in his 34 years at Johnson Matthey, including as Chief Executive since 2004. He has been the architect of the successful company that is Johnson Matthey today, not only in its financial performance, but also its culture, style, integrity and business approach.

Neil will step down from his role on 5th June 2014 and will retire from the company at the end of September. I'd like to personally thank him for his support and remarkable commitment to the good of our business. On behalf of the board, I wish him all the very best for the future.

The board is extremely pleased to have a very able and natural successor in Robert MacLeod. Robert has served as Group Finance Director alongside Neil, developing a knowledge and experience of Johnson Matthey, its culture and markets. Since joining the company in 2009 Robert has played a key role in the group's strategy and new business development as well as in introducing more robust business processes across the company. My board colleagues and I are confident that Robert will be a highly successful Chief Executive, bringing the ability to combine recent outside experience with an understanding of the legacy he is taking over. This combination will enable him to implement a proven strategy that will deliver further growth.

In addition, I am delighted to welcome Den Jones to Johnson Matthey. Den will succeed Robert as Group Finance Director and joins the board on 5th June 2014. Den joins us from BG Group and brings a blend of strong financial leadership credentials, international experience and highly developed commercial awareness to Johnson Matthey.

In April 2014 we announced that Michael Roney, a non-executive director, Senior Independent Director and Chairman of our Management Development and Remuneration Committee, has decided to retire from the board at the close of our annual general meeting on 23rd July 2014. Michael has been a strong and very effective non-executive director during his seven years of service. His deep commercial experience and pragmatic approach will be much missed by his colleagues on the board and we all wish him well for the future.

Following Michael's retirement, Alan Ferguson, a non-executive director and Chairman of our Audit Committee, will be appointed to the role of Senior Independent Director. Dorothy Thompson, a non-executive director, will be appointed as chair of our Management Development and Remuneration Committee.

Diversity in the boardroom, in its broadest sense, is vital to ensuring board effectiveness. During the year we welcomed two new members to the board: Odile Desforges, who brings deep experience of the global automotive industry, joined us in July 2013 as a non-executive director and John Walker joined us in October 2013 as Executive Director for Emission Control Technologies, having been with Johnson Matthey since 1984. Both Odile and John have enhanced the board's mix, balance of experience and skills. As we seek to appoint a new non-executive director following Michael's retirement, we are looking closely at how to optimise further the diversity of the board across all areas, including technical experience that is relevant to our Process Technologies Division.

It is Johnson Matthey's people who, more than any other factor, make the company special; investing in their development is without doubt one of the key investments that we can make in the future of our business. We've reviewed our human resources strategy this year and have identified talent management as a key priority. Work is underway to help accelerate the development of our people with increased emphasis on important growth regions for our business.

It is the responsibility of everyone in Johnson Matthey to ensure the safety, health and wellbeing of our colleagues across the globe. This is an area to which the board has given particular and detailed attention over the course of the year. Whilst we have continued to make progress in some areas this year we recognise the need to reinvigorate our approach. Work is underway to refresh our programmes and processes to drive further improvement in performance.

Over the last 12 months I have had the pleasure of meeting many of our employees around the world and continue to be impressed by their professionalism, competence and the pride they feel in working for Johnson Matthey. On behalf of our stakeholders, I'd like to thank all our people for their hard work and contribution to our performance this year.

And so to conclude, Johnson Matthey has continued to make good progress in building a sustainable business that delivers superior value for its shareholders. The long term drivers for our company remain firmly in place and I am confident that this, together with our robust strategy, should support the continued growth of Johnson Matthey over the years ahead.

Tim Stevenson
Chairman

Chief Executive's Statement

In Summary

- Group performed well in 2013/14.
- Sales excluding precious metals up 11% to £3.0 billion.
- Underlying profit before tax 12% ahead at £427.3 million.
- Strategy review confirmed direction and identified areas of focus.
- Continued investment in R&D and expansion of capabilities.
- Group remains well positioned to deliver long term growth.

Neil Carson
Chief Executive

Johnson Matthey performed well in 2013/14, delivering growth through value adding sustainable technologies. The group has made progress this year, not only in its financial results, but across the broader areas of health and safety, environment and governance, and in the social contribution it has made.

We grew our revenue by 4% to £11.2 billion and our sales excluding precious metals (sales) of £3.0 billion were 11% up on last year. Underlying operating profit increased by 13% to £468.9 million and underlying profit before tax grew by a similar amount, up 12% at £427.3 million. Our underlying return on sales remained in line with last year at 15.7% whilst our return on invested capital increased to 20.8% from 19.8% as a result of our higher profitability and good working capital management across the group.

We saw growth in all of our main markets and our Emission Control Technologies Division (ECT), in particular, had a very strong year. The division benefited from growth in all its regions and from the introduction of new legislation to control emissions from heavy duty diesel (HDD) vehicles.

Johnson Matthey has a strong position in HDD catalysts. This is a result of our commitment to invest in R&D in this area many years ahead of the introduction of the first legislation back in 2006. We invested early and, by bringing together our talented people, focusing on R&D, committing to capex at the right time, making targeted acquisitions and building relationships with our customers, we were well positioned to supply the market with high technology solutions to meet the first legislation.

At Johnson Matthey we invest for the long term and the success of the company is founded on this conviction. In addition, the work of our New Businesses Division today will fuel our growth into the future. R&D is where it all begins and we increased our gross R&D spend again this year. We have expanded our central R&D facilities, adding further capability and geographical reach. We have a new centre in South Africa, which is focused on computational modelling, and have recently opened laboratory facilities in Singapore to support Johnson Matthey's expanding Asian businesses.

It is just over three years since we set out our ten year strategy and during the autumn we undertook a detailed review. This proved timely, given the change in our contracts with Anglo American Platinum Limited (Anglo Platinum), and allowed us to consider how best to apply our broad expertise. We concluded that our strategy remained sound and agreed that going forward we could embrace a wider range of advanced materials and technology. We also identified three key areas of focus which will deliver top line growth for the group in the longer term: collaboration; customer focus; and creating value. These areas complement our groupwide Manufacturing Excellence and Sustainability 2017 programmes where we are working to improve profitability and deliver new products and technology. Both programmes have made further progress this year, thanks to the efforts of our employees around the world, and I am pleased to report that this year we have beaten our Sustainability 2017 ambition to double underlying earnings per share – three years ahead of our target date.

The health, safety and wellbeing of our employees are always a priority. Our performance in these areas this year has been steady and so we feel that refreshing our approach is required. We've already started to address this and efforts will continue during the year ahead which I hope will accelerate a reduction in our accident and incident rates.

Johnson Matthey has a proven strategy but making sure our people understand it and how they are contributing to it is something we feel we could do better at as an organisation. Following our strategy review we have developed a more engaging way to help our employees connect with the strategy and this will be introduced across the group from the end of June.

Outlook

In 2014/15 continued growth across the group will be offset by the adverse impact of the loss of commission revenue from Anglo Platinum, approximately £30 million compared with 2013/14, and by the effect of foreign currency translation which, if today's exchange rates prevail, could reduce reported underlying profit before tax by over £20 million. Consequently, we currently expect that the group's performance in 2014/15 will be broadly in line with 2013/14.

On a reported currency basis the outlook for the divisions is as follows:

Emission Control Technologies

ECT outperformed the underlying growth rate in many of its markets in 2013/14. The outlook for the division remains positive as it will benefit from the tighter truck legislation in the EU (Euro VI) and China (Euro IV), as well as a recovery in the European car market which appears more positive than in recent years. We therefore expect some further progress from ECT in 2014/15.

Process Technologies

Performance in our Oil and Gas businesses is expected to be robust, driven primarily by stronger demand from our North American refinery customers. The long term outlook of our Chemicals businesses is also good, but the short term is more dependent upon a small number of high value projects. Whilst we are confident that we are well placed to win our share of new projects, the exact timing of their go ahead is hard to predict. Notwithstanding that, we expect that the division will make progress in 2014/15, but given the size of individual orders, the quarter on quarter performance may be quite variable. The long term drivers for Process Technologies remain positive.

Precious Metal Products

The performance of Precious Metal Products will be adversely impacted by the expiry of our old Anglo Platinum contracts. Excluding this change, the outlook for the division is steady. Our Platinum Group Metal (Pgm) Refining and Recycling business is currently benefiting from slightly higher precious metal prices and volumes are stable. The outlook for our Manufacturing businesses is mixed, with growth in our medical business expected to offset the weaker industrial markets.

Fine Chemicals

In Fine Chemicals, we expect steady growth in our Active Pharmaceutical Ingredient (API) Manufacturing business, particularly in the US, some further progress in Catalysis and Chiral Technologies and modest growth in Research Chemicals as its new warehouses become fully operational.

New Businesses

New Businesses made some progress in 2013/14 but it will take time before this is translated into an operating profit for the division as a whole. In 2014/15, sales will benefit from the acquisition of certain battery material manufacturing assets from A123, but we expect that the level of investment in the division will be similar to 2013/14.

Closing Remarks

As you will know, I have decided to retire from Johnson Matthey and will step down as Chief Executive on 5th June. Johnson Matthey is a wonderful company full of talented and dedicated people and it has been a real privilege to have been Chief Executive for the last ten years. During that time, the management team and I have continued the transformation of Johnson Matthey into a world leading speciality chemicals company. The business is in excellent shape and I am very pleased to be handing it over to such a competent and able team led by Robert MacLeod, who will make an excellent Chief Executive and under whom the company will continue to thrive.

As Johnson Matthey approaches its 3rd century of operation, the company continues to apply its expertise in advanced materials and technology to innovate and improve solutions for customers in new and existing markets. It is committed to investing in R&D, its manufacturing capabilities and the development of its people to support the future growth of the group. The long term drivers remain in place and Johnson Matthey is well positioned to deliver growth for its shareholders through the creation of value adding sustainable technologies.

Neil Carson
Chief Executive

Our Business

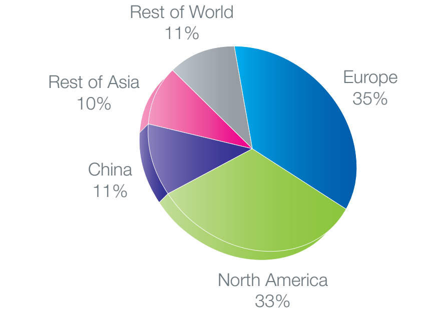
KEY FACTS

Johnson Matthey is a leading speciality chemicals company. We have operations in over 30 countries and employ around 12,000 people worldwide.

We are organised into five global divisions:

- **Emission Control Technologies**
  Read more on pages 26 to 29
- **Process Technologies**
  Read more on pages 30 to 33
- **Precious Metal Products**
  Read more on pages 34 to 37
- **Fine Chemicals**
  Read more on pages 38 to 40
- **New Businesses**
  Read more on pages 41 to 43

Sales by Region



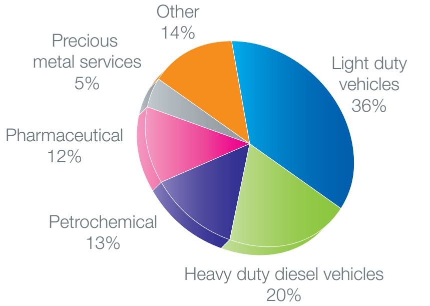
21%

Sales in Asia in 2013/14.

A Truly Global Company
Johnson Matthey sells its products globally which provides stability in times of regional market uncertainty. Year on year we are increasing our sales to developing markets and expanding our operations to support this global growth.

Read more on pages 24 to 43.

Sales by Key Market



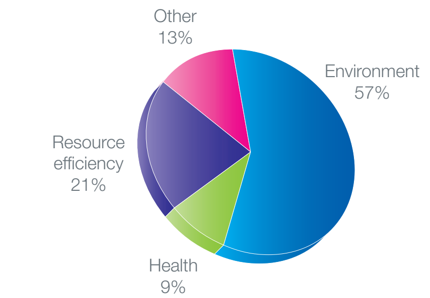
20%

Growth in heavy duty diesel catalyst sales in 2013/14.

Focused on Key Markets
Johnson Matthey is focused on its key markets where we can innovate and improve solutions for our customers through applying our expertise in advanced materials and technology. This enables us to differentiate ourselves from our competitors and achieve leading industry positions with high margin products.

Read more on pages 24 to 43.

Sales by Area of Beneficial Impact



87%

Sales from products providing sustainability benefits in 2013/14.

A Leader in Sustainable Technologies
Johnson Matthey is focused on developing value adding sustainable technologies to our customers and to society. Today, some 87% of the group's sales represent products and services which provide sustainability benefits i.e. through the positive impact they have on the environment, resource efficiency or human health.

Read more on pages 5, 23, 51, 61, 69, 75, 129 and 181.

WHAT **WE DO**

AT JOHNSON MATTHEY
WE ALWAYS AIM TO… deliver what we promise. We work together, applying our expertise in advanced materials and technology to innovate and improve solutions that:

- **are valued by our customers;**
- **optimise the use of natural resources; and**
- **enhance the quality of life for the people of the world, both for today and for the future.**

Delivering what we Promise

Whether it's dealing with customers, shareholders or each other, we take pride in delivering what we promise. Integrity is one of our core values which we have built upon since the company's foundation in 1817.

Working Together

In Johnson Matthey we have around 12,000 people working in different fields and it's their contribution across a variety of functions that makes us indispensable to our customers. We need to continue to work smarter, closer and more collaboratively to ensure our organisation is fit for the future.

Experts in Advanced Materials and Technology

Whether it is harnessing chemical properties at an atomic scale or applying our engineering skills to create new solutions, developing advanced materials and technology is what we do best. We continue to invest in R&D to make sure we stay ahead of the game.

Innovating and Improving Solutions

Johnson Matthey is in the business of developing new solutions for our customers. We also apply our innovative approach to improve the performance of the products we already have and to optimise the way we manufacture them. This is how we can continue to offer our customers real differentiation in the marketplace.

Valued by our Customers

We always want to deliver the best solution we can for our customers. It has been in our DNA since the beginning. But 'the best' can mean different things in different markets for different customers. To remain competitive we need to look consistently to add value for our customers by understanding what 'the best' looks like for each and every market they are working in – and then delivering it.

Optimise the use of Natural Resources

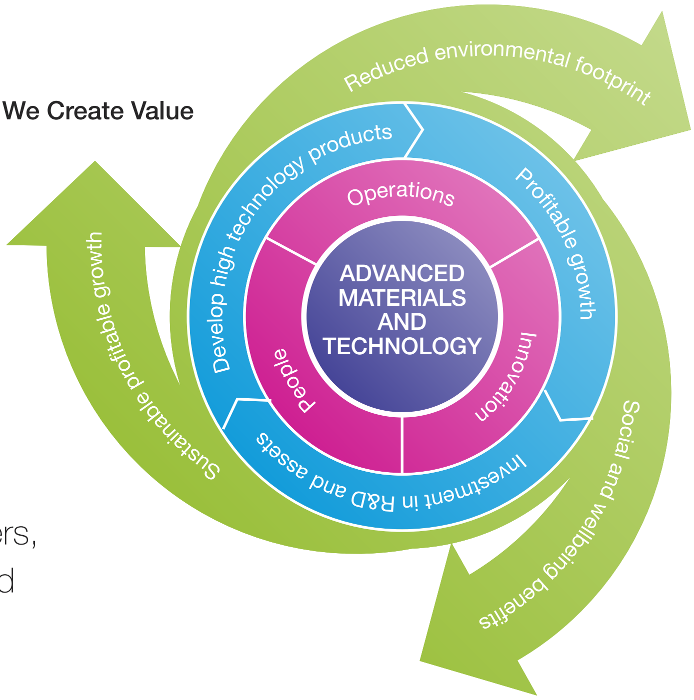
We utilise our expertise to promote the most efficient use of the world's natural resources. We apply this to the way we run our own facilities and through the action of our products and services at our customers' operations.

Enhancing Quality of Life

Our goal at Johnson Matthey is to grow our business – but to grow it sustainably. As a leader in sustainable technologies, we are proud of the fact that many of our products enhance the quality of life for millions of people around the world. In our 3rd century we will continue to strive to do the right thing by the planet – and improve the lives of the people and communities we share it with.

Building Our 3rd Century

How We Create Value



OUR BUSINESS MODEL…

is to create value from applying our expertise in advanced materials and technology to innovate and improve solutions that are valued by our customers, optimise the use of natural resources and enhance quality of life.

There are three inputs to our business model:

→ Our people
→ Our operations
→ Innovation

These align with the nine aspects of our strategy (page 14) and support the long term creation of value adding sustainable technologies.

→ Our People

We rely on the ability of our people to innovate and to collaborate with each other and our customers to develop and bring value adding sustainable technologies to market. We hire the best people with the right skills and support them with a culture that engenders innovation and encourages them to develop and grow. Our people are motivated by working for a company that is ‘doing the right thing’ – and this is an important differentiator in attracting and retaining top talent in an increasingly diverse business.

→ Our Operations

Around three quarters of the value we create comes from physical products, such as our emission control catalysts or active pharmaceutical ingredients, which we manufacture at our facilities around the world.

Efficient and responsible manufacturing is critical to our economic and environmental performance and we have programmes in place to optimise our operations. Our Manufacturing Excellence programme is driving efficiency improvements and innovation in manufacturing. This is complemented by Sustainability 2017 which is focused on reducing emissions and minimising resource use. We invest in our manufacturing capacity to ensure we can meet customer demand and have the ability to flex our cost base if our markets slow. We demand high returns from our investments, with a target of at least 20%, which drives continued improvement in operational efficiency.

Approximately one quarter of the value we create comes from the provision of specialist services such as the refining and recycling of precious metals, process technology used to design chemical plants or diagnostics that improve efficiency in the oil and gas industry. Collaboration and strong relationships with our customers are crucial in providing a high quality tailored service. Know-how and a strong reputation underpin success and we perpetually build on these through continued investment in R&D and our people.

→ Innovation

Innovation fuels the continuous development of new and higher performance products and this, together with our know-how in advanced materials and, where appropriate, intellectual property protection, underpins our ability to maintain technology leadership positions. We partner with our customers, industry experts and academics to spark further ideas. Innovation isn’t just confined to new product development; it is harnessed throughout our business processes. Our values encourage collaboration and innovation amongst our people, whilst continued investment in R&D provides them with the infrastructure and resources to realise the potential of their innovative ideas.

The outputs of our model are threefold:

→ Sustainable profitable growth
→ Reduced environmental footprint – of our customers’ operations, as well as our own
→ Social and wellbeing benefits – from the action of our products

These all directly align with our vision and support our strategy.

OUR VISION…

At Johnson Matthey it is our vision to build our 3rd century through value adding sustainable technologies.

In our 1st century we **built a reputation**, not just for expertise in precious metals, but for real **integrity**, and for being a company our **customers could trust.**

In our 2nd century we developed our **expertise** in the engineering and refining of metals. We also began our **environmental journey** – a journey that continues to this day.

For our 3rd century, we have developed a business model and strategy that, when underpinned by our company values, will drive our next century of growth.

OUR VALUES…

Our values highlight what is important to us, what makes us distinctive and what it's like to work at Johnson Matthey. They describe how we do things when we are at our best.

Integrity

Doing the right thing is important to us

At Johnson Matthey we are proud of our reputation for integrity, built over 200 years, and as our business grows we will continue to follow our predecessors' honest, safe and successful way of working.

Ability and Innovation

We seek and value talented people

We need talented people to deliver the scientific, technical and business innovations that continue to fuel our growth. We develop and draw on each other's talents and collaborate to create value for ourselves and our stakeholders.

Recognition and Development

Anyone from anywhere can progress

We want to ensure that doing a good job and delivering results with a commitment to our company values are recognised and rewarded, whoever you are and wherever you are in the company. We provide opportunities for personal growth and career development in a successful company.

Freedom to Act

Anyone with a good business case can realise their ideas

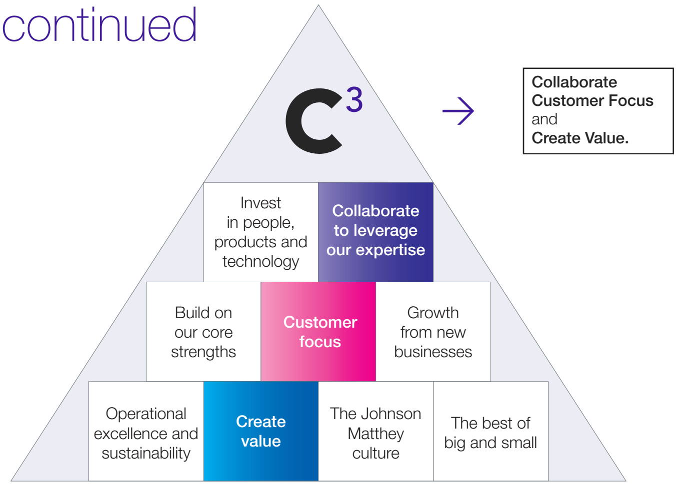
We genuinely give people the freedom to take action, obtain resources and implement ideas. This helps the company, and our people, grow through encouraging innovation and leadership. We trust and respect each other's judgment and expertise and support those who act and deliver.

The Best of Big and Small

We have big company resources but apply small company methods

We keep it simple, straightforward and personal, but have the stability and support that comes with being a successful global organisation. We treat our customers as people and they find us easy to work with.

Building Our 3rd Century continued



OUR STRATEGY...

Our '3C' strategy will enable us to build our 3rd century of value adding sustainable technologies. In doing this we are focusing on three powerful themes: Collaborate, Customer Focus and Create Value.

WE HAVE NINE BUILDING BLOCKS THAT MAKE UP OUR STRATEGY PYRAMID:

INVEST IN PEOPLE, PRODUCTS AND TECHNOLOGY
Invest in our people to develop the best talent across our business; also invest in our products and technology. In doing this we can differentiate ourselves from our competitors.

COLLABORATE TO LEVERAGE OUR EXPERTISE
Collaborate more, for smarter, closer working, with even greater flexibility so we can better leverage our expertise across the company.

BUILD ON OUR CORE STRENGTHS
Build on our core strengths in advanced materials and technology to develop the next generation of sustainable technologies.

CUSTOMER FOCUS
Focus on our customers. Target those who value technology and ensure we select attractive markets with strong external drivers.

GROWTH FROM NEW BUSINESSES
Develop new businesses that fit our technology competences and can provide the next material growth engines for the group.

OPERATIONAL EXCELLENCE AND SUSTAINABILITY
Be the best we can be, pursuing operational excellence and sustainable business practices to enhance our operations, keep our people safe, protect our reputation and make a positive contribution to the world around us.

CREATE VALUE
Create value from strategic investments that accelerate and enhance our growth.

THE JOHNSON MATTHEY CULTURE
Evolve our culture through living our values by applying what has made us successful and unique in the past to the challenges of today's complex and global marketplace.

BEST OF BIG AND SMALL
Marry our 'small company' flexibility with our 'large company' global strengths to ensure we can be both nimble and competitive as we continue to grow.

Johnson Matthey's Technology Competences

Applying Our Expertise in Advanced Materials and Technology to Innovate and Improve Solutions

Johnson Matthey provides solutions to difficult real life problems for our customers and, in most cases, we achieve this through the design and application of **advanced materials**. Not all of our products are materials, but most of our businesses supply products that contain or incorporate an advanced material in some way, whether it is a powdered or coated catalyst, a coated component or a fully functional device. So designing advanced materials is at the centre of much of what we do.

Whatever the material, the ability to develop and supply the best performing product comes from being able to design at the molecular or atomic scale exactly what we want and then manufacture it at scale. **Synthetic chemistry** is a core competence for Johnson Matthey and we excel in both organic and inorganic chemistry and in the application of predictive computational **modelling** to accelerate the evaluation of new structures. We also have an unrivalled knowledge of **platinum group metal (pgm) chemistry** and a deep understanding of **surface science**, particularly of the properties of coatings and coated surfaces.

We need to be able to verify that what we have made is what we wanted. Evaluating materials, once synthesised, is critical and Johnson Matthey has world leading characterisation and analytical capabilities and experts to support this.

Research and Development

CONTINUED INVESTMENT IN R&D UNDERPINS THE FUTURE GROWTH OF JOHNSON MATTHEY. It is this investment, together with our ability to recruit the most talented and creative scientists, that will ensure we maintain the expertise and leadership in advanced materials that drive the development of value adding sustainable technologies and improved manufacturing processes.

Around 1,400 of our employees work in R&D representing around 12% of the total workforce and include many highly skilled scientists and engineers. Around 80% of our R&D staff work within the group's divisions in dedicated R&D and technical centres around the world. In our divisions, work is mainly focused on delivery of shorter term business specific projects or to address particular market developments or customer needs.

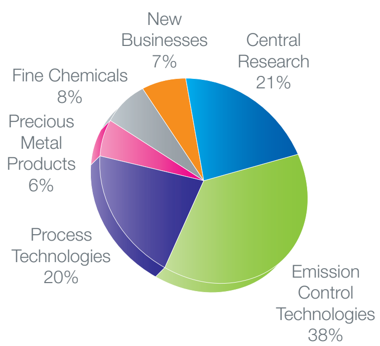
Alongside these activities, Johnson Matthey also has central capability on strategic R&D, located at five technology centres, which works on behalf of all of the group's businesses.

We maintain a close link between our central R&D activities and the development work carried out directly by our divisions. This interaction is key in ensuring the rapid transfer of technology to support the continued development of innovative new products and services for our customers.

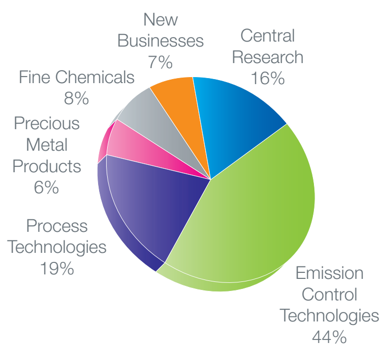
In 2013/14 Johnson Matthey increased its gross investment in R&D by 12% to £152.3 million.

Read more on R&D at Johnson Matthey at www.matthey.com/innovation.

Research and Development Employees

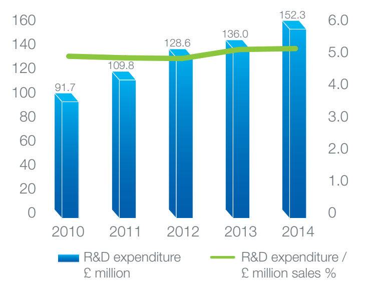


Distribution of Research and Development Expenditure



Research and Development Expenditure

£ million | £ million / sales %



The materials we make not only have a specific chemical structure, they also have defined functionalities – it's what they do that gives them value rather than what they are chemically. Designing functional materials requires **specialist technology expertise** and a good understanding of applied disciplines such as catalysis, electrochemistry and pharmacology.

The performance of a functional material is affected hugely by the environment that the material sees during its life. A key skill of ours is that of taking a material and customising and **integrating it into a specific application** based upon the environment in which it will operate. This involves a deep understanding of how the material will interact with its environment, including with other components in the system, and the conditions (such as the temperature and / or pressure) that it will see during its lifetime.

Longevity and life of the material are vital too and we typically need to provide our customers with data that proves the durability or performance of our products over their design life. Many of our products last for years and so our ability to design and carry out accelerated lifetime **testing** and, critically, to interpret the results is a key strength. The results from real life testing are used to inform and refine the overall design of new materials as part of our development processes.

Once we have optimised a material and proven it as a prototype we need to be able to **manufacture it at scale** for our customers. This could be anything from a few kilograms through to thousands of tonnes of a material, or hundreds through to millions of units of a discrete component or system. Taking prototypes rapidly into full scale production and maintaining functionality and system behaviour is another critical element of the mix. Understanding scale up requirements often informs the whole process, right back to the initial material design.

Many disciplines contribute to successful manufacturing scale up and our understanding of how to generate defined surface structures is a particular strength of Johnson Matthey. Our ability to design **coatings**, such as catalyst washcoats and inks, that self assemble into the required structure during manufacture, underpins many of our businesses.

Completing the cycle is our ability to **characterise** production of both our final product and the manufacturing process used to make it, and is a key requirement for a materials supplier.

Each competence contributes to the process of developing and supplying advanced and highly functional materials and technology that give the best performance in specific applications. These competences are interconnected and knowledge from each informs the others. It is the combination of these skills and capabilities which we believe sets Johnson Matthey's technology apart from that of our competitors.

Group Key Performance Indicators

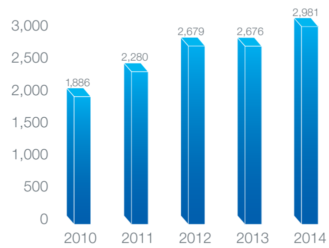
JOHNSON MATTHEY USES A RANGE OF KEY PERFORMANCE INDICATORS (KPIs) TO MONITOR THE GROUP'S PERFORMANCE OVER TIME IN LINE WITH ITS STRATEGY.

These include key measures of our financial performance as well as indicators to monitor ongoing investment in facilities and in R&D. In addition, we also use KPIs to track the carbon footprint of our operations and to measure and drive continuous improvement in the safety, wellbeing and development of our people.

→ These principal KPIs, together with the group's performance against them in 2013/14, are described below:

Sales Excluding Precious Metals

£ million



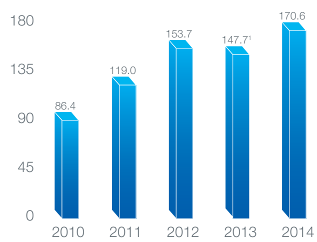
Monitoring sales provides a measure of the growth of the business. In measuring the growth of the group, we focus on sales excluding the value of precious metals because total revenue can be heavily distorted by year on year fluctuations in precious metal prices. In addition, in many cases, variations in the value of the precious metals contained within our products are passed directly on to our customers.

Performance in 2013/14

In 2013/14 sales excluding precious metals increased by 11% with particularly good growth in Emission Control Technologies as described in the Financial section on pages 24 to 48.

Underlying Earnings per Share

pence



¹ Restated (note 40).

Underlying earnings per share is the principal measure used to assess the overall profitability of the group. The following items are excluded from underlying earnings because they can distort the trend in results:

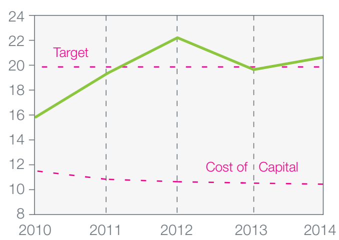
- Amortisation and impairment of intangible assets arising on acquisition of businesses (acquired intangibles).
- Major impairment or restructuring charges.
- Profit or loss on disposal of businesses.
- Tax on the above and major tax items arising from changes in legislation.

Performance in 2013/14

This year underlying earnings per share increased by 16% to 170.6 pence supported by the group's strong performance and by a lower effective tax rate for the year. Further details are provided on pages 24 to 48 and a reconciliation from earnings per share is given in note 11 on page 144.

Return on Invested Capital

%



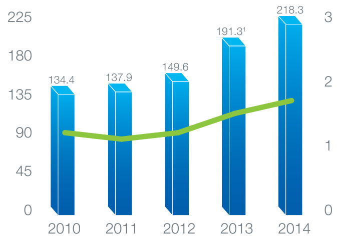
In a business as capital intensive as Johnson Matthey's, profitability alone is a poor measure of performance; it is possible to generate good operating margins but poor value for shareholders if assets are not used efficiently. Return on invested capital (ROIC) is therefore used alongside profit measures to ensure focus upon the efficient use of the group's assets. ROIC is defined for the group as underlying operating profit divided by average capital employed (equity plus net debt). ROIC for individual divisions is calculated using average segmental net assets as the denominator.

Performance in 2013/14

The group's ROIC increased from 19.8% to 20.8%. Further details are provided on page 46.

Capital Expenditure

£ million capex / depn (times)



¹ Restated.

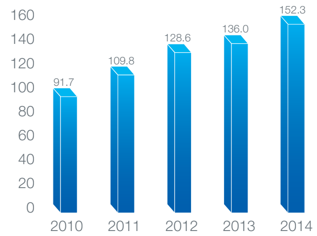
To enable the group to continue to grow, Johnson Matthey invests significant amounts in maintaining and improving our existing plants and in adding new facilities to provide additional capacity where necessary. All new capital expenditure is subject to detailed review to ensure that its investment case passes internal hurdles. Annual capital expenditure is measured as the cost of property, plant and equipment and intangible assets purchased during the year. The ratio of capital expenditure to depreciation gives an indication of the relative level of investment.

Performance in 2013/14

In 2013/14 the group's capital expenditure was £218.3 million which represented 1.7 times depreciation (2012/13 1.5).

Gross Research and Development Expenditure

£ million



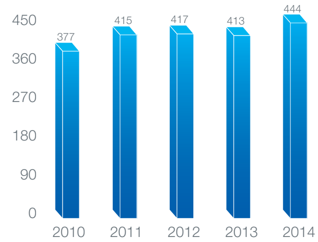
Johnson Matthey's strategy is focused on delivering superior long term growth from value adding sustainable technologies. To maintain our competitive position, we need to keep investing in research and development. Whilst absolute levels of research and development expenditure do not necessarily indicate how successful we are, that success rapidly feeds through to higher sales as lead times in our business can be quite short.

Performance in 2013/14

The group increased its research and development expenditure this year by 12% to £152.3 million. Further details of the group's research and development activities are described on page 15, throughout the Strategic Report and on our website.

Sustainability – Global Warming Potential

thousand tonnes CO_2 equivalent



We measure our progress towards reducing the carbon footprint of our operations and improving our energy efficiency by looking at the group's total global warming potential (GWP). Total GWP is based on our direct and indirect energy usage and CO_2 equivalence which provide a strong platform for monitoring the impacts associated with energy use in our operations. We are working to broaden the scope of our GWP measurement to include all aspects of our business and to consider the beneficial impacts of our products and services.

Performance in 2013/14

This year the group's GWP increased from 413,000 tonnes to 444,000 tonnes CO_2 equivalent. Further information on the group's GWP is given in the Environment section on pages 70 to 73.

Safety – Annual Rate of Greater than Three Day Accidents

per 1,000 employees

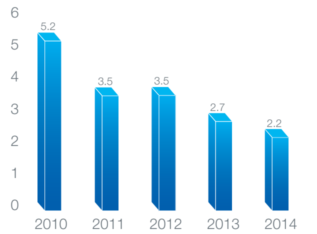
Johnson Matthey is a manufacturing business and a significant proportion of our employees work in production environments with chemicals and process machinery. Rigorous safety systems apply across all facilities and are essential if the group is to avoid accidents which could cause injury to people or damage to our property, both of which can impact the group's performance. We actively manage our safety performance through monitoring the incidence and causes of accidents that result in more than three days' lost time.

Performance in 2013/14

The group's annual rate of greater than three day accidents decreased this year to 2.68 per 1,000 employees. Further details of our safety improvement programmes are provided in the Health and Safety section on pages 62 to 67.

Health Management – Annual Incidence of Occupational Illness

cases per 1,000 employees



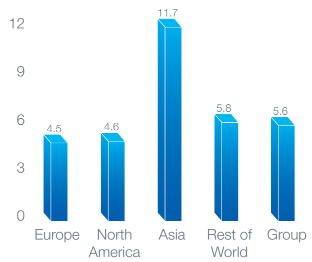
The health and wellbeing of our employees is a priority for Johnson Matthey and we are working hard to minimise workplace related negative health effects. We manage our performance in this area by measuring the number of occupational illness cases arising as a result of exposure to workplace health hazards.

Performance in 2013/14

The annual incidence of occupational illness cases reduced this year to 2.2 per 1,000 employees as a result of our initiatives to promote employee wellbeing across the group. Further details are provided in the Health and Safety section on pages 62 to 67.

Voluntary Employee Turnover

%



The success of Johnson Matthey is partly dependent upon our ability to attract and retain talented employees. This means that being an attractive employer is a prerequisite in a competitive environment. We monitor our success in retaining our staff using voluntary employee turnover statistics.

Performance in 2013/14

In 2013/14 the group's voluntary employee turnover decreased to 5.6% from 6.5% in 2012/13. Further details of our programmes to attract, retain and develop our people are provided in the Social section on pages 52 to 59.

Risks and Uncertainties

THE EFFECTIVE IDENTIFICATION AND MANAGEMENT OF RISKS AND OPPORTUNITIES ACROSS THE GROUP ARE INTEGRAL TO THE DELIVERY OF THE GROUP'S STRATEGIC OBJECTIVES.

The group's approach to risk management is aimed at monitoring material issues to enable the early identification of key risks and the taking of action to remove or reduce the likelihood of those risks occurring and their effect. The board has overall responsibility for ensuring that risk is effectively managed across the group and the Audit Committee is responsible for reviewing the effectiveness of the group's system of internal control. This includes the approach to risk management and procedures for the identification, assessment, management, mitigation, reporting of risk and assurance of mitigating actions. The group has a process in place for the continuous review of its risks. As part of the risk management process, each division reviews its risks and its mitigation strategies and actions and discusses relevant risks with each business as necessary. As part of that process, the most significant risks identified are collated into a Group Risk Register. The Group Risk Register is reviewed by the Chief Executive's Committee (CEC) and the board. Each individual risk is considered, together with the effectiveness of current controls and the status and progression of mitigation actions and plans are monitored.

The diagram on the right outlines our approach to risk management.

The table below sets out what the board believes to be the principal risks and uncertainties facing the group, the mitigating actions for each and an update on any change in the profile of each risk during the course of 2013/14. The board considers that the risk identified last year associated with pension scheme funding has reduced. This has therefore been removed from the principal risks and uncertainties. More detail of the group's pension schemes is included in note 14 on pages 147 to 154.

	Risk and impact
STRATEGIC Responding to, identifying or capitalising on appropriate new or growth opportunities.	The group's existing activities are well placed to deliver good growth over the coming years. New business areas will help to sustain the group's growth beyond that period. Failure to identify new business areas or extend the group's portfolio could impact the ability of the group to achieve its strategy and / or maintain growth and / or market share.
Technological change.	Johnson Matthey operates in highly competitive markets in which technology is key to success. Constant product innovation is critical to maintain competitive advantage. Failure to keep up with changes in the market place and to maintain our technology pipeline could result in a lack of competitive products and erosion of margins and / or loss of market share.
MARKET Responding to changes in global political and economic conditions or future environmental legislation.	The global nature of the group's business exposes it to risk arising from economic, political and legislative change in the countries in which it operates. Failure to respond to sudden short and medium term changes in the market or economy or a sustained period of economic weakness in our markets could have a material adverse effect on the group's results. The group has no influence upon changes in inflation, interest rates or other economic factors affecting its business. In addition, the possibility of political unrest and legal or regulatory changes also exists in countries in which the group operates. Over 50% of the group's sales are driven by environmental legislation, particularly legislation over emissions from light and heavy duty vehicles. Further tightening of global emissions legislation generally requires improved technological solutions and the extension of emissions legislation to new applications can create opportunities for the group. A curtailment in environmental legislation around the world could limit the group's growth potential and undermine profit margins.

Mitigation	Changes since 2013 annual report
• The group and each business prepares a strategic plan to review demand in existing markets and potential new opportunities. These plans are regularly monitored and challenged. • The group continues to invest in new business development and to identify and convert targets for acquisition.	No change. We continue to target potential new markets and develop new businesses, both organically and through acquisition. The progress of our new business development activities, including the integration of our battery systems business (formerly Axeon), is described on pages 41 to 43.
• The group continues to invest in existing and new products and technologies through R&D (including through its technology centres around the world) and as part of our ten year technology plan. • There is constant innovation and development in cooperation with our key customers. • The group invests in its people to ensure that it maintains a high level of relevant scientific expertise.	No change. Our commitment to innovation, research and development is described throughout this annual report. As set out on page 15 we have a network of technology centres. During the year we established a centre in South Africa and a further new technology centre in Singapore was officially opened in April 2014. We invested £152.3 million in R&D in the year (2012/13 £136.0 million).
• The group maintains a balanced portfolio of products and businesses and serves a wide range of diverse customers which reduces the impact of a change to any one market. • Management continuously monitors the performance of our businesses across the world at both business and group level. • Our cost base contains a significant variable element and is flexible to changing political and economic conditions. • Forthcoming changes in emissions legislation are well understood and our products are designed to meet these increased requirements. • Profit margins can be maintained with continuous improvements in technology to reduce the cost and improve the effectiveness of our products. • Regular reviews are undertaken to monitor areas of new potential legislation. • Lobbying activities are undertaken where appropriate to improve the understanding of regulatory and legislative bodies.	No change. We performed well in 2013/14 and are well positioned to respond to and benefit from legislation changes in both light and heavy duty catalyst markets over the years ahead as detailed on pages 26 to 29.

Increased risk   No change   Reduced risk

Risks and Uncertainties continued

	Risk and impact
OPERATIONAL	
Operating safely, including in line with changes in health, safety, environmental and other regulations and standards.	In common with similar manufacturing companies, the group operates in a challenging safety environment that is subject to numerous health, safety and environmental laws, regulations and standards. Failure to operate safely and respond to changes made to applicable laws, regulations or standards could adversely impact the group's employees or other stakeholders, our manufacturing capability or the marketability of our products.
Availability of strategic materials.	The group uses many raw materials within its manufacturing processes. Several raw materials are available from only a limited number of countries and / or suppliers. Disruption to the supply or a change in the group's ability to access sufficient stocks of these raw materials, most notably platinum group metals, rare earth materials or narcotic raw materials, could adversely affect the group's operations. This may be due to increased prices or because our ability to manufacture and supply products to customers may be impacted.
The effective recruitment, retention and development of high quality staff to support the growth of our business.	The group relies upon its ability to recruit, retain and develop employees around the world with the necessary range of skills and experience to meet its stated objectives, including in relation to business growth. The existing management team has many years of experience at Johnson Matthey, operating in the markets and developing the technologies in which the group maintains a presence. Ineffective succession on the departure of senior management or the lack of an appropriately skilled workforce could adversely impact the group's ability to perform in line with expectations.
Security of assets.	On any given day the group has significant quantities of high value precious metals or highly regulated substances on site and in transit, the security of which is critical. A material loss due to a breach in the group's security measures, including theft or fraud, could be significant to the group's performance.
Intellectual property (IP) and know-how.	The group operates in markets in which the generation and application of technology know-how and IP allows an advantage to be maintained. Careful monitoring of competitors' IP is required to ensure that breaches of their rights are not made by the group. Failure to establish the group's IP rights or to identify third parties' IP rights could undermine the group's competitive advantage particularly given the group's expansion into new markets. Alternatively, not noting the expiration of patents held by third parties could mean the loss of potential business opportunities. Protecting our broader know-how is equally important to ensure that we maintain this advantage.
Systems failure.	The group uses a significant number of complex IT systems in its operational and supporting activities, some of which are starting to see the end of their useful life. Failure of one or more of our major IT systems over an extended period could impact our ability to manufacture or to report our operational performance.
Failure of significant sites.	While the group operates from a variety of locations, certain sites are critical to the group due to their scale or the specific nature of their production activities. Failure of one of our critical sites could significantly impact the performance of the group.

Mitigation	Changes since 2013 annual report
• Detailed health, safety and environmental processes are documented in our operating manuals, communicated and reviewed regularly and used as the basis for continuous training and development. • Robust maintenance programmes are undertaken in order to ensure that our facilities and assets meet the applicable group and legislative standards. • The group carries out regular internal audits to ensure compliance with current group policies and applicable laws, regulations and standards such as ISO 14001 and OHSAS 18001. Our quality standards are also scrutinised externally by customers, suppliers and the relevant authorities. • Changes in legislation are carefully monitored and, if required, the composition of our products is amended to comply with the latest legislation. • We are committed to proactive communication and to building open relationships with the authorities and relevant legislative bodies, both directly and through the relevant trade associations.	No change. Our health and safety and environmental performance is described on pages 62 to 67 and 70 to 73 respectively.
• Although most of the world's platinum is mined in South Africa, the group has access to world markets for platinum and other precious metals and is not dependent on any one source for obtaining supplies. • Appropriate sourcing arrangements are in place for other key raw materials to ensure that the group is not dependent on any one supplier. • Where possible the group enters into fixed price contracts for key raw materials. • We work closely with key suppliers to ensure availability, including through audits, benchmarking and specific risk reviews. • We regularly monitor forecast requirements and hold buffer stocks. • We look to identify alternative raw materials where appropriate.	In light of the change in the nature of our contracts with Anglo American Platinum Limited (effective 1st January 2014) and continued labour unrest in South Africa, we have concluded that this risk has increased since last year. We are actively managing this risk, partly through higher metal inventory holdings.
• Global employee development programmes are in place. These include training of manufacturing leaders to run our operations in a consistent and efficient way. • Regular reviews of management succession plans are carried out and are closely monitored by the Nomination Committee and Management Development and Remuneration Committee. • Global remuneration policies are in place to ensure appropriate rewards to motivate and retain staff. • We undertake a continuous assessment of the skills required within the group and action plans are put in place to address identified gaps.	Although our senior management succession has been successfully managed, such a change at the top of the group must inherently increase risk.
• The group has well developed security, assay and other process controls. • We complete security checks to safeguard both our tangible and intangible assets. • Annual security audits are carried out across the group. • Insurance cover is maintained for losses from theft or fraud.	No change.
• The group has established policies and procedures for registering patents and for monitoring its existing patent portfolio and those of third parties. • We defend infringement claims and challenge new patents where appropriate. • We continuously evaluate operating restrictions and opportunities available to us through the use of our IP and know-how. • Know-how is protected by non-disclosure agreements and legal measures. • We restrict internal and external access to IP and know-how as necessary. • We complete security checks to safeguard our intangible assets, including cyber checks. • Our investment in technical developments partially mitigates the risks to our IP and know-how.	No change.
• We continuously review our IT infrastructure and environment and make short and long term investments where these are deemed necessary and appropriate. • We identify and implement other systems based or manual work arounds where these are identified as necessary. • IT disaster recovery and general business continuity plans are in place and are regularly tested and reviewed. • A number of systems are bespoke to specific businesses or locations which reduces the impact to the group of a failure in any one system.	There are a number of systems initiatives being undertaken which will result in significant change. We have therefore concluded that the level of associated risk has increased and we are using external expertise to help to mitigate this.
• Business continuity plans include consideration and testing of circumstances in which alternative back up locations may be required. • Capacity and demand planning includes consideration of the site's significance. • Given the nature of the group's operating activities, these can be replicated at other locations with reasonable ease and in a short time frame.	No change.

Increased risk   No change   Reduced risk

SUSTAINABLE TECHNOLOGIES

for today and for the future

2. FINANCIAL

CASE STUDY

Maximising Plant Performance; Minimising Natural Resources

Methanol is an important chemical building block that is used to produce a wide range of everyday products from plastics and particle board to synthetic fibres and adhesives. In addition, around 10% of the world's methanol is used as a clean fuel, such as in China where it is blended with gasoline and used to power vehicles.

Johnson Matthey is the leader in catalysts and technology for producing methanol. We've built over 70 years of experience in the industry and established a deep and extensive knowledge in catalysis science, plant design and plant operation know-how.

Our catalysts are intrinsically sustainable, accelerating the rate of the chemical reactions to make methanol without being consumed themselves. In combination with our methanol process technology, they allow our customers to operate their plants with high efficiency to produce an optimum amount of desired product with the minimum use of natural resources.

The formulation of the catalyst is crucial – it must deliver high activity, selectivity, robustness and stability to ensure highly efficient production of methanol. Over the years, our R&D has delivered continued incremental improvements in catalyst performance and, today, Johnson Matthey continues to hold a leading position with nearly half of the world's methanol being produced using our catalysts and technology.

Our unique catalyst formulation is based on a copper containing mineral in which a controlled proportion of the copper atoms have been replaced by zinc atoms. These are supported on a specifically designed zinc aluminate compound which gives the catalyst good mechanical strength and also allows reactant gases access to the active copper atoms. Microcrystalline zinc oxide is also present to protect the copper atoms from poisons such as sulphur and chlorine compounds.

Our scientists continue to develop the formulation of our methanol synthesis catalysts and their production routes to ensure that our catalysts can deliver the maximum activity and selectivity at all times. With an integrated approach, we continue to enhance our process technology too. Together these ensure we can provide methanol customers around the world with leading edge catalysts, technology and technical service that enables them to optimise their plants and their use of natural resources.

Contents

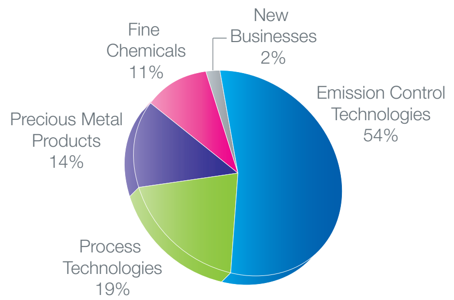
Group Performance Review

		Year to 31st March 2014	2013	% change
Revenue	£ million	**11,155**	10,729	+4
Sales excluding precious metals (sales)	£ million	**2,981**	2,676	+11
Operating profit	£ million	**448.2**	381.8[1]	+17
Profit before tax	£ million	**406.6**	348.6[1]	+17
Earnings per share	pence	**167.7**	132.3[1]	+27
Underlying[2]:				
Operating profit	£ million	**468.9**	416.1[1]	+13
Profit before tax	£ million	**427.3**	382.9[1]	+12
Earnings per share	pence	**170.6**	147.7[1]	+16

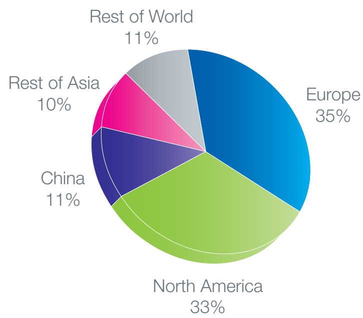
[1] Restated (note 40).

[2] Before amortisation of acquired intangibles, major impairment and restructuring charges, profit or loss on disposal of businesses, significant tax rate changes and, where relevant, related tax effects.

Sales by Division



Sales by Destination

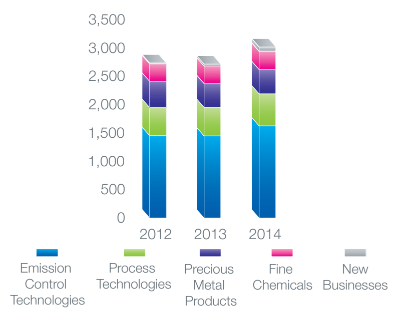


2013/14 in Summary

- Revenue up 4% to £11.2 billion.
- Sales 11% ahead at £3.0 billion.
- Profit before tax and earnings per share increased by 17% and 27% respectively.
- Underlying profit before tax and underlying earnings per share increased by 12% and 16% respectively.
- Investment in R&D of £152 million, up 12%, and total capital expenditure of £218 million, 1.7 times depreciation.
- Cash flow conversion of 82% (2012/13 85%).
- Balance sheet remains strong with net debt (including post tax pension deficits) / EBITDA of 1.3 times.
- Return on invested capital (ROIC) 20.8%, ahead of our long term target of 20%.
- Final dividend of 45.5 pence recommended resulting in full year dividend up 10% at 62.5 pence.

Divisional Sales

£ million



Underlying Operating Profit

	2012* £ million	2013 £ million	**2014 £ million**
Emission Control Technologies	157.3	163.5	**203.6**
Process Technologies	74.9	92.4	**101.9**
Precious Metal Products	185.7	124.4	**130.9**
Fine Chemicals	73.6	76.6	**84.1**
New Businesses	(12.6)	(16.0)	**(18.3)**
Corporate	(28.8)	(24.8)	**(33.3)**
Total	450.1	416.1	**468.9**

* Not restated for IAS 19 revised.

Performance in 2013/14

Johnson Matthey performed well in 2013/14. Emission Control Technologies exceeded our expectations, benefiting from growth across all regions and from the introduction of new heavy duty diesel legislation, particularly in Europe. Process Technologies also grew strongly, helped by the acquisition of Formox at the end of last year. Precious Metal Products' sales were in line with last year. The division was impacted by the change to our long term contracts with Anglo American Platinum Limited which came into force on 1st January 2014. Fine Chemicals grew its sales with a good year in its Active Pharmaceutical Ingredient Manufacturing business, and New Businesses made further progress.

Overall, sales were up by 11% to £3.0 billion and underlying operating profit grew by 13% to £468.9 million. Underlying return on sales was in line with last year at 15.7% and ROIC increased to 20.8%, from 19.8%, as a result of the higher underlying operating profit and good working capital management across the group.

Underlying profit before tax was 12% ahead at £427.3 million and profit before tax was 17% higher at £406.6 million.

Helped by a lower effective tax rate for the year, underlying earnings per share increased by 16% to 170.6 pence. A deferred tax credit of £9.5 million, which is due to the reduction in headline rates of UK corporation tax from 23% to 20%, has been excluded from underlying tax. Earnings per share were 167.7 pence, 27% above last year.

Dividend

The board is recommending a 10% increase in the total dividend for the year. This comprises a final dividend of 45.5 pence which, together with the interim dividend of 17.0 pence, gives a total ordinary dividend for the year of 62.5 pence (2012/13 57.0 pence). At this level, the dividend would be covered 2.7 times by underlying earnings per share. Subject to approval by shareholders, the final dividend will be paid on 5th August 2014 to ordinary shareholders on the register as at 13th June 2014, with an ex dividend date of 11th June 2014.

The board's objective remains to grow the company's ordinary dividend over time, broadly in line with underlying earnings per share, with the dividend covered approximately 2.5 times.

The performance of our five divisions is explained in more detail in the Financial Review of Operations section on pages 26 to 43.

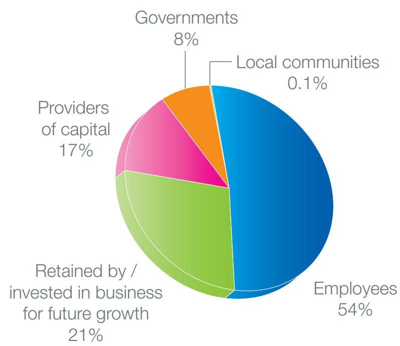
Economic Impact and Distribution of Value to Stakeholders

In 2013/14 the group generated an underlying operating profit of £468.9 million and revenue of £11.2 billion. Of this revenue, £8.2 billion represents the value of precious metals in our products which in many cases is passed directly on to our customers. As a result, we may see quite large year on year swings in the revenue line depending on the movements in the market prices of precious metals during the year. Sales excluding the value of precious metals is therefore a better measure of the sales growth in our business.

Of the £11.2 billion revenue, the costs of goods and services were £10.1 billion (including £8.2 billion for precious metals) while our own operations created an estimated £1.0 billion in underlying added value.

Employees received the largest share of this underlying added value (54% of the total), reflecting the fact that Johnson Matthey is a high technology company employing many highly skilled employees across the globe. Amounts payable to providers of capital, i.e. our shareholders and financiers, were 17% of the total, and corporate income taxes of 8% were payable to governments. In 2013/14 we retained / invested 21% in the business for future growth and £0.6 million was invested in our local communities. This community investment represents cash donations made by Johnson Matthey and does not include the value of employee time donated during working hours. We are continuing to develop our systems to capture further information on our contribution to local communities. This is outlined further in the Social section on pages 58 and 59.

Johnson Matthey – Distribution of Underlying Added Value 2013/14



Financial Review of Operations

EMISSION CONTROL TECHNOLOGIES

HIGH TECHNOLOGY CATALYSTS FOR EMISSION CONTROL

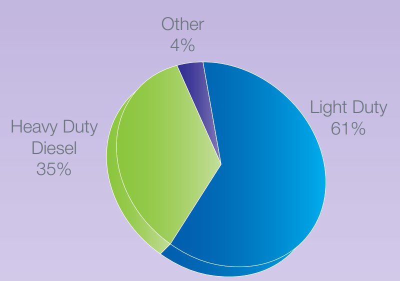
KEY STATISTICS

Capital expenditure	£72.1 million
Capex / depreciation	1.3
R&D expenditure	£67.8 million
Average invested capital	£970 million
Employees	4,334

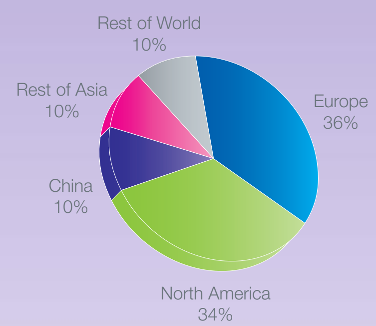
	Year to 31st March 2014 £ million	2013 £ million	% change	% at constant rates
Revenue	**2,996**	2,557	+17	+19
Sales excluding precious metals (sales)	**1,645**	1,461	+13	+14
Underlying operating profit	**203.6**	163.5[1]	+25	+25
Return on sales	**12.4%**	11.2%[1]		
Return on invested capital (ROIC)	**21.0%**	16.4%[1]		

[1] Restated.

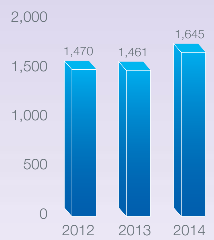
Sales



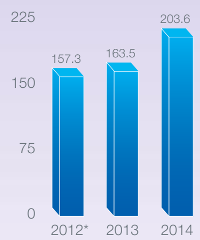
Sales by Destination



Divisional Sales
£ million



Divisional Underlying Operating Profit
£ million



* Not restated for IAS 19 revised.

STRATEGY

- Maintain differentiation through technology by investing in R&D
- A deep understanding of markets and customers
- Manufacturing Excellence
- Deliver superior growth

The division is focused on **maintaining differentiation through technology by investing in R&D**. This investment is vital to ensure Emission Control Technologies can continue to develop high performance leading edge catalysts for its customers.

A deep understanding of markets and customers enables the division to provide the right solutions for its customers in evolving markets driven by tightening legislation. Strong relationships and a good understanding of customers' needs are crucial to the division's success.

Manufacturing Excellence is an important element of the strategy. The division's activities involve manufacturing products for its customers. It is focused on optimising raw materials and plant efficiency to produce the best quality products at minimum operating cost and ensuring the highest standards of environmental, health and safety performance.

The division aims to **deliver superior growth** in markets that are driven by global trends, such as environmental regulation and increasing wealth, and where applying its expertise in leading edge catalysis can generate growth at rates ahead of industry baselines.

DIVISIONAL SUMMARY

Business	Light Duty Vehicle Catalysts	Heavy Duty Diesel Catalysts
What We Do	Manufacture catalysts which control harmful emissions from cars and other light duty vehicles powered by all types of fuel	Manufacture catalysts which control harmful emissions from diesel powered trucks, buses and non-road machinery
How We Add Value	Develop high technology catalyst formulations and systems to meet legislated limits for emissions around the world	
Societal Benefits	• Improved air quality and fuel efficiency • Respiratory health benefits	
Global Drivers	Environmental Factors Climate Change Regulation · Population Growth Urbanisation Increasing Wealth · Health and Nutrition Ageing Population	
Customer Profile	• Car companies • Global customer base	• Heavy duty truck and engine manufacturers • Local Chinese producers • Global customer base
Major Competitors	• BASF • Umicore • Cataler	• BASF • Umicore • Haldor Topsøe
Employees	4,334	
Locations	• 15 manufacturing facilities in 13 countries • Nine technical centres in seven countries	
2013/14 Sales	£1,009 million	£573 million

Financial Review of Operations continued

EMISSION CONTROL TECHNOLOGIES continued

Performance in 2013/14

Emission Control Technologies (ECT) had a very strong year benefiting from an improved product mix in our European light duty vehicle (LDV) catalyst business, continued growth in our Asian business and a good performance in our heavy duty diesel (HDD) catalyst business in Europe driven by the introduction of new legislation. Sales increased by 13% to £1,645 million and underlying operating profit was up 25% at £203.6 million.

ECT's return on sales for the year increased by 1.2% to 12.4% due to higher plant utilisation and further process efficiency improvements. ROIC improved significantly, from 16.4% to 21.0%, driven mainly by the increase in underlying operating profit but also by some good successes from a number of working capital management initiatives.

Estimated Light Duty Vehicle Sales and Production

		2014 million	2013 million	% change
		Year to 31st March		
North America	Sales	**18.3**	17.4	+5.2
	Production	**16.2**	15.4	+5.2
Europe	Sales	**17.7**	17.8	-0.6
	Production	**19.1**	19.0	+0.5
Asia	Sales	**36.3**	34.6	+4.9
	Production	**43.0**	40.8	+5.4
Global	Sales	**84.1**	81.5	+3.2
	Production	**83.6**	80.9	+3.3

Source: LMC Automotive

Light Duty Vehicle Catalysts

Sales in our LDV catalyst business increased by 8% to £1,009 million (61% of ECT's sales in the year) and underlying operating profit was well ahead.

In the year to 31st March 2014, global LDV sales grew by 3% to 84.1 million vehicles and global production also increased by 3%, with continued growth in North America and Asia throughout the year and some recovery in Europe in our second half. Within Asia, vehicle production in China and Japan grew by 11% and 4% respectively although production in India continued to decline and was 8% down on prior year.

Johnson Matthey's Light Duty Vehicle Catalyst Sales by Region

	2014 £ million	2013 £ million	% change
Europe	**571**	543	+5
Asia	**255**	214	+19
North America	**183**	181	+1
Total	**1,009**	938	+8

Our LDV catalyst sales in Europe outperformed the market and grew by 5% to £571 million, benefiting from an improved product mix as we replaced some lower value catalyst sales with higher value diesel filter business. The proportion of diesel vehicles produced in Western Europe remained relatively steady at 51%.

Legislation in Europe continues to tighten and, as a result, we estimate that catalyst value for light duty diesel vehicles will increase by around 20% with the introduction of Euro 6b light duty diesel emission standards in September 2014 for new models and September 2015 for all production. This will require additional catalyst fitment to meet tighter NOx standards.

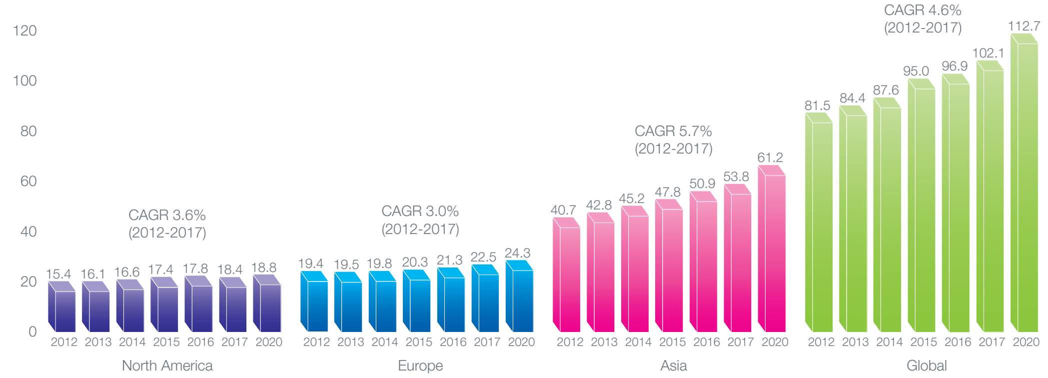
New, more efficient petrol engines, such as those using direct injection technologies, also offer opportunities for additional catalyst sales with the introduction of Euro 6c emission standards starting from September 2017.

Our sales of LDV catalysts in Asia grew strongly, up 19% to £255 million, and were well ahead of the 5% growth in vehicle production. Our business in China performed very well as a result of continued demand for cars and some new business wins with both local and global car companies. Our sales in South East Asia were also well ahead, benefiting from the good growth in vehicle production in Indonesia and Malaysia, despite an overall decline in vehicle production in the region. In Japan our sales grew slightly; however, demand for our products in India remained subdued in the face of continued weakness in the country's car market.

In North America our volumes grew broadly in line with the 5% growth in vehicle production. However, our sales of £183 million grew slightly below the market rate, primarily due to lower prices for rare earth materials (which are used in catalyst manufacturing), the cost of which is passed on to our customers.

Light Duty Vehicle Production Outlook – 2012-2020 (calendar years)

million



Source: LMC Automotive

Estimated HDD Truck Sales and Production

		Year to 31st March 2014 thousand	2013 thousand	% change
North America	Sales	**452.4**	426.2	+6.1
	Production	**468.4**	438.1	+6.9
EU	Sales	**299.0**	263.1	+13.6
	Production	**413.9**	375.3	+10.3

Source: LMC Automotive

Heavy Duty Diesel Catalysts

Our HDD catalyst business performed very well with sales up 20% to £573 million and operating profit grew similarly. Tightening legislation in Europe and China, together with increased truck production, helped to grow our on road HDD catalyst sales by 20% to £514 million. Sales to non-road applications accounted for nearly £60 million of our 2013/14 HDD catalyst sales.

Sales and production of HDD trucks in North America grew by more than 6% helped by the continued recovery in the US economy. In Europe the market grew strongly, supported by a pre-buy ahead of the new Euro VI legislation which came into force on 1st January 2014.

Johnson Matthey's Heavy Duty Diesel Catalyst Sales by Region

	2014 £ million	2013 £ million	% change
North America	**355**	331	+7
Europe	**173**	118	+47
Asia	**45**	28	+61
Total	**573**	477	+20

In North America our sales grew in line with truck production, up 7% to £355 million. The business benefited from a recent upturn in demand for larger 'Class 8' trucks which supported our sales in the final quarter. Sales of catalysts for non-road applications, such as agricultural, construction and mining equipment, continued to grow and accounted for approximately 9% (£33 million) of our total North American HDD catalyst sales.

Our European HDD catalyst business grew significantly with sales up 47% to £173 million, of which £21 million were for non-road applications, up 44% on last year. During the first nine months of the year, our sales were boosted by truck and engine manufacturers pre-buying Euro V systems to meet orders placed ahead of the new legislation. We estimate that this added around £10 million to our sales in that period.

On 1st January 2014 tighter Euro VI legislation came into force which requires the addition of particulate filter catalysts to all trucks sold in the EU. However, some Euro VI compliant trucks were sold in the first nine months of the year which also boosted our sales in that period. In the fourth quarter, the combination of the full implementation of Euro VI and pipeline filling of our customers' inventory of Euro VI parts also had a positive impact on our sales.

Euro VI represents, on average, a close to three times increase in catalyst sales value per vehicle compared to their Euro V equivalent. In a few cases, where customers were fitting higher value Euro V systems, the increase is less marked. In the transition to Euro VI systems, Johnson Matthey's share in the European HDD sector has fallen slightly but we remain well positioned for growth in this market.

By the year end, Euro VI systems accounted for some 60% of ECT's European HDD sales, Euro V systems (to Brazil and to non-EU countries) accounted for around a quarter of our sales and the remainder were to non-road applications and retrofit systems.

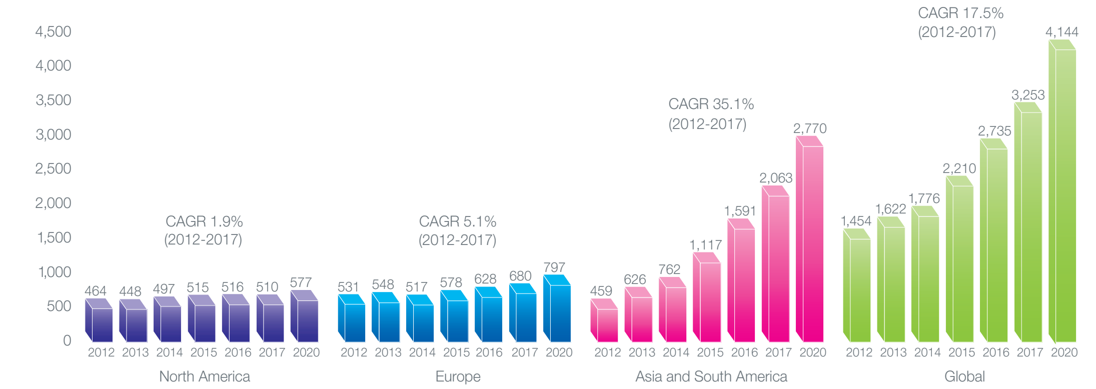
Our HDD catalyst business in Asia continued to progress, growing its sales by 61% to £45 million, supported by the introduction of Euro IV equivalent emissions standards for buses and trucks in China from July 2013. Although this legislation has been enacted, we anticipate that it will take at least five to six years before full fitment will be in place across the country. To date, the legislation has mainly been applied to systems for buses in large cities which represents approximately 10% of the potential market. As we have said before, although China is a large market in terms of vehicle numbers (China produces more trucks than both North America and the EU combined), the cost of a truck is markedly lower, engine sizes are smaller and the Euro IV legislation requires relatively simple non-platinum group metal catalyst technology. Consequently, the market in China is more competitive than those in North America and Europe with a number of global and local competitors able to meet the technology requirements.

Key Investments and Developments

During the year, ECT continued work to double capacity at its facility in Macedonia and to expand filter production in the UK. These provide the capacity needed to meet our customers' requirements for tighter European light and heavy duty diesel legislation. In addition, work is underway to increase our light duty testing capabilities in China and Japan to provide a more local service for our customers.

Heavy Duty Diesel Vehicle Production Outlook (Regulated Engines) – 2012-2020 (calendar years)

thousand



Source: LMC Automotive; Johnson Matthey estimates for proportion regulated.

Financial Review of Operations continued

PROCESS TECHNOLOGIES

SPECIALITY CATALYSTS, PROCESS TECHNOLOGIES AND SERVICES FOR THE CHEMICALS AND OIL AND GAS INDUSTRIES

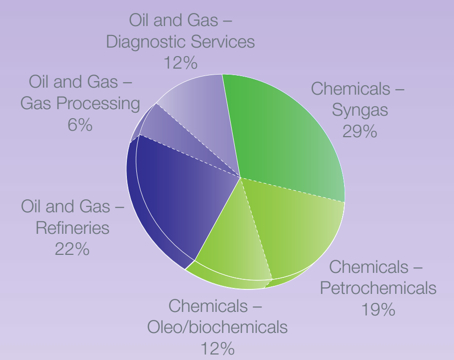
KEY STATISTICS

Capital expenditure	£59.5 million
Capex / depreciation	2.4
R&D expenditure	£29.6 million
Average invested capital	£664 million
Employees	2,095

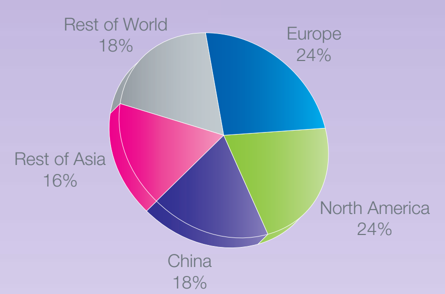
	Year to 31st March 2014 £ million	2013 £ million	% change	% at constant rates
Revenue	**580**	515	+13	+13
Sales excluding precious metals (sales)	**565**	509	+11	+12
Underlying operating profit	**101.9**	92.4[1]	+10	+11
Return on sales	**18.0%**	18.2%[1]		
Return on invested capital (ROIC)	**15.3%**	15.9%[1]		

[1] Restated.

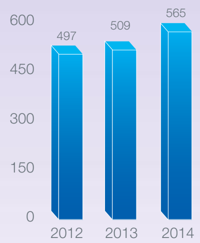
Sales



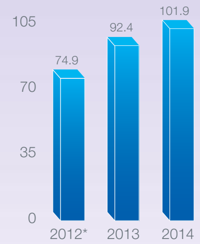
Sales by Destination



Divisional Sales
£ million



Divisional Underlying Operating Profit
£ million



* Not restated for IAS 19 revised.

STRATEGY

- → Maintain leading positions in catalysts and process technologies for chemicals markets
- → Develop larger presence in oil and gas markets
- → Invest for growth
- → Expand capabilities

The division is focused on **maintaining leading positions in catalysts and process technologies for chemicals markets**. Through combining its expertise in catalysts and process technology to create value and new opportunities, the division aims to deliver superior growth in existing and new markets.

Developing a larger presence in oil and gas markets is a key part of the strategy. Exploiting existing technology advantages and developing process technology to complement our catalysts will enable the division to access larger markets within the oil and gas sector.

The division will **invest for growth**. This will allow Process Technologies to continue to develop high performance leading edge catalysts, technologies and services for its customers. It will also invest in its people, manufacturing and technology to capitalise on opportunities in its markets.

The division aims to **expand capabilities** through focused research and development, external partnerships and targeted acquisitions in order to provide value adding solutions for its customers.

DIVISIONAL SUMMARY

	CHEMICALS MARKETS			OIL AND GAS MARKETS		
Business	**Syngas**	**Oleo/ biochemicals**	**Petrochemicals**	**Refineries**	**Gas Processing**	**Diagnostic Services**
What We Do	Manufacture catalysts, license process technology and deliver services to the chemical industry			Manufacture catalysts, additives and absorbents, and deliver services to the oil and gas industry		
How We Add Value	Innovate and develop products, process technologies and services to enable customers to operate their processes at optimum efficiency and with reduced environmental impact					
Societal Benefits	• More efficient use of natural resources • Lower energy use • Biorenewables / low carbon technology			• Improved fuel quality • More efficient use of natural resources • Lower energy use • Improved environmental performance of refineries	• Removal of harmful impurities from gas • Improved environmental performance for our customers	• Improved asset performance and integrity
Global Drivers	Natural Resource Constraints	Environmental Factors Climate Change Regulation		Population Growth Urbanisation Increasing Wealth	Health and Nutrition Ageing Population	
Customer Profile	• Chemical companies	• Engineering contractors		• Refineries • Industrial gas companies	• Gas producers	• Oil and gas companies
Major Competitors	• Haldor Topsøe • Clariant	• BASF • Lurgi		• Clariant • Albemarle	• Grace • UOP	
Employees	2,095					
Locations	• Nine manufacturing facilities in six countries • Ten technical centres in four countries • Sales offices in key markets					
2013/14 Sales	£166 million	£66 million	£107 million	£124 million	£34 million	£68 million

Financial Review of Operations continued

PROCESS TECHNOLOGIES continued

Performance in 2013/14

Process Technologies' sales of its catalysts, technology licences and services were £565 million, 11% ahead of prior year and underlying operating profit grew by 10% to £101.9 million, supported by a good performance in its Oil and Gas businesses and the contribution of Formox which was acquired at the end of last year. Excluding Formox, the division's sales would have been 2% ahead. Return on sales fell slightly to 18.0% as a result of a reduced contribution from our higher margin licensing business. ROIC was also lower at 15.3%, impacted by the Formox acquisition.

Chemicals

The performance of Process Technologies' Chemicals businesses was mixed as lower revenues from technology licensing were more than offset by good growth in syngas catalysts and the contribution from Formox. Overall, sales were 13% ahead at £339 million, of which £82 million (2012/13 £100 million) was derived from licensing, engineering and related activities and eight new licences were secured in the year. Underlying operating profit grew at a lower rate as a result of the reduction in licensing income.

Process Technologies – Chemicals Businesses' Sales

	2014 £ million	2013 £ million	% change
Syngas	166	111	+50
Oleo/biochemicals	66	63	+5
Petrochemicals	107	127	-16
Total	339	301	+13

Syngas

Sales of catalysts and licences in our Syngas business, which supplies products to manufacturers of methanol, ammonia, formaldehyde and substitute natural gas (SNG), increased by 50% to £166 million; excluding Formox, sales were up 8%. As predicted, demand for methanol catalysts increased due to the timing of customer refills and consequently our sales were 47% up at £56 million. Sales of ammonia catalysts were down 12% at £46 million following a strong year in 2012/13. Formox, which supplies catalysts and licenses technology for the manufacture of formaldehyde, had a good first year under Johnson Matthey's ownership. The business performed well, reporting £47 million of sales, and we have already identified a number of opportunities through further R&D to create value across the chemicals flowsheet for our customers. In the year we secured a further three new SNG licences, all in China, which brings our total SNG licences to nine. These new licences all require our catalysts and this will boost our sales over the coming years as the plants come on stream.

Oleo/biochemicals

Our Oleo/biochemicals business grew its sales by 5% to £66 million. Demand for its nickel based catalysts, which are used by our customers in the manufacture of food and personal care products, was robust but our sales were held back by lower average nickel prices; nickel is a key component in a number of our catalysts and is a pass through cost. The business also benefited from four new licences for its biochemical based technologies.

Petrochemicals

Sales in our Petrochemicals business fell 16% to £107 million. Our catalyst volumes slightly increased although sales were down due to the lower average nickel price. As expected, our licensing income was lower this year after several years of strong growth supported by the expanding petrochemical industry in China. The number of new Chinese plants requiring our existing technology has reduced as capacity for petrochemicals, such as oxo alcohols and butanediol, is in line with current levels of demand.

CASE **STUDY**

→ Building Our Bio Based Technologies

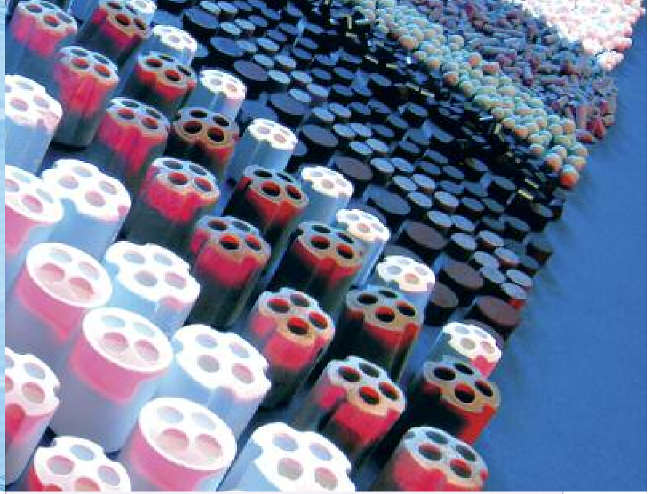
Building on Johnson Matthey's portfolio of bio based sustainable technologies, we have recently embarked on a collaboration with Rennovia, Inc. to develop, demonstrate and commercialise catalytic process technologies for the production of bio based glucaric acid (an emerging platform chemical with wide applications) and adipic acid.

Adipic acid is an industrial chemical conventionally derived from petroleum with a multi billion dollar global market and its major applications include nylon-6,6 fibres, engineering resins and polyester polyols for polyurethanes.

We are working on developing technology capable of producing a bio based adipic acid equivalent to the petroleum based product, at a lower cost, and with a significantly improved environmental footprint.

Johnson Matthey has already licensed 1.5 million tonnes of bio based chemical product utilising catalytic chemical transformations. The collaboration with Rennovia offers new opportunities for us to expand our bio based process technology portfolio.

▪ Process Technologies designs and develops processes to enable customers to operate their plants at optimum efficiency.



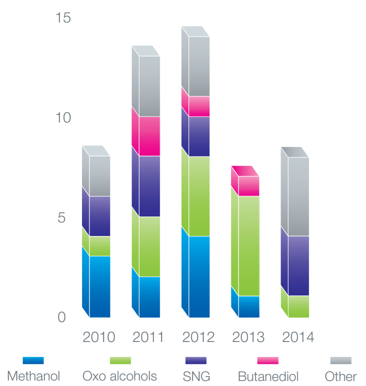
▪ Johnson Matthey produces a wide range of process catalysts.

During the year we continued to invest in developing new technologies to expand our existing portfolio in the longer term. As previously announced, new technology, developed in conjunction with Eastman Chemical Company, for the production of mono ethylene glycol (MEG) from coal became available for licence this year. Discussions with potential customers are underway as we seek our first commercial references.

We have also developed a catalyst that contains no mercury for the manufacture of vinyl chloride monomer (VCM) from acetylene and the intellectual property associated with this catalyst was co-owned by Johnson Matthey and Jacobs Engineering Group Inc. (Jacobs). In March 2014, we acquired full and sole ownership of the catalyst patents together with Jacob's process technology for building VCM plants.

The manufacture of VCM is an important step in the production of poly vinyl chloride (PVC) from coal and in China around 80% of PVC production uses the coal based route. Current technology employs a mercury based catalyst but legislation is in place to phase out mercury catalysts for VCM manufacture from 2017 providing there is an economically available alternative. Our VCM catalyst should allow customers to meet this new legislation.

Technology Licensing – Projects Awarded 2010 – 2014



Process Technologies – Oil and Gas Businesses' Sales

	2014 £ million	2013 £ million	% change
Refineries	**124**	118	+5
Gas Processing	**34**	30	+15
Diagnostic Services	**68**	60	+14
Total	**226**	208	+9

Oil and Gas

Process Technologies' Oil and Gas businesses performed well across all sectors with sales up 9% at £226 million and operating profit was further ahead.

Refineries

Sales of catalysts and additives in our Refineries business grew by 5% to £124 million benefiting from a general increase in refining activity, particularly in North America. Catalyst sales for hydrogen manufacture were up 5% to £58 million. We also saw good demand for our speciality additives, which help to improve the efficiency and environmental performance of the refinery fluid catalytic cracking (FCC) process, and sales were ahead by 5% at £66 million.

Gas Processing

In the Gas Processing business, demand for our purification products, which are used to remove harmful impurities such as sulphur and mercury from gas streams, made progress with sales up 15% to £34 million.

Diagnostic Services

Sales in our Diagnostic Services business (Tracerco) also increased and were up 14% to £68 million. During the year, demand increased in North America for reservoir studies which are used by our customers to better understand and optimise their shale gas production processes. This represents a growing market for our Diagnostic Services business.

Key Investments and Developments

We completed projects to expand our manufacturing facilities in the UK and India in the first half of the year. We are also in the process of acquiring land in China and have commissioned design work with the intention of building a plant to manufacture SNG catalysts for the Chinese market. Construction of the new facility is expected to commence in 2014.

Work is underway at our petrochemical catalyst manufacturing plants in Germany to expand capacity to meet future demand and we have commenced construction of a technology centre in the UK to support the development of new diagnostic services. We have also recently completed the major expansion of our additives plant in the USA.

The further expansion of petrochemical manufacturing capacity and utilisation of coal as a feedstock in China continue to offer opportunities for growth in Process Technologies over the next few years through the provision of both catalysts and technology licensing, although exact timings and pace of development is difficult to predict. Longer term, the division is also well placed to benefit from an increase in the use of unconventional (shale) gas for chemical applications in North America.

Financial Review of Operations continued

PRECIOUS METAL PRODUCTS

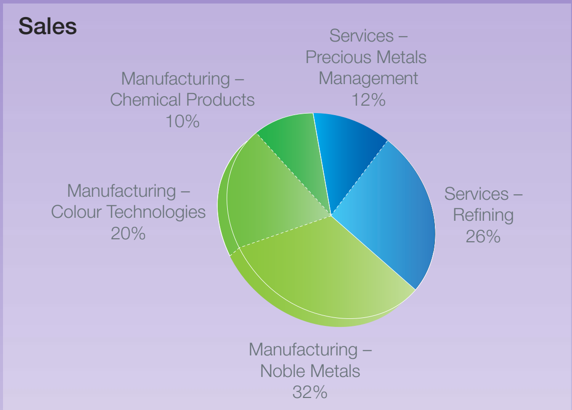
ADDING VALUE THROUGH APPLYING EXPERTISE IN PGM AND RELATED MATERIALS SCIENCE

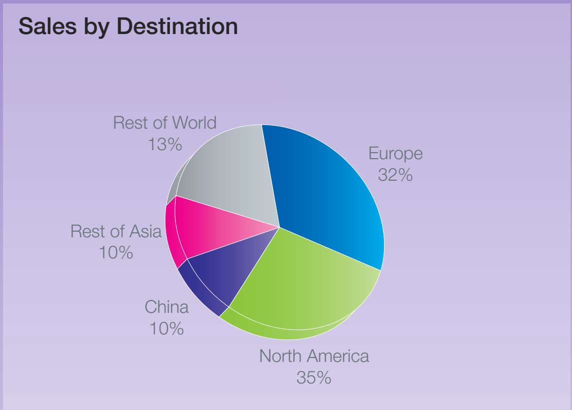
KEY STATISTICS

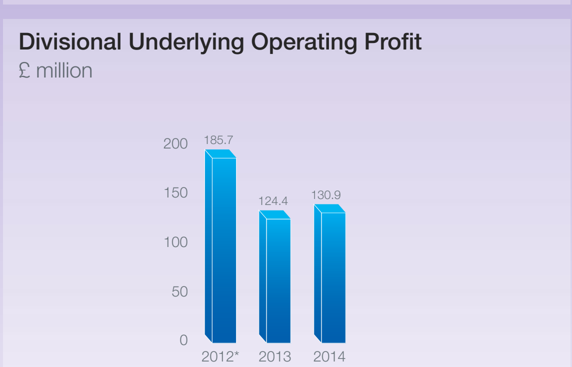
Capital expenditure	£40.0 million
Capex / depreciation	2.1
R&D expenditure	£8.8 million
Average invested capital	£357 million
Employees	2,615

	Year to 31st March 2014 £ million	2013 £ million	% change	% at constant rates
Revenue	**8,421**	8,373	+1	+1
Sales excluding precious metals (sales)	**430**	424	+1	+2
Underlying operating profit	**130.9**	124.4[1]	+5	+5
Return on sales	**30.5%**	29.4%[1]		
Return on invested capital (ROIC)	**36.6%**	44.3%[1]		

[1] Restated.







* Not restated for IAS 19 revised.

STRATEGY

→ Leverage our deep understanding of platinum group metal (pgm) chemistry, materials science and manufacturing

→ Provide customer solutions through investment in R&D

→ Offer first class services to our external and internal customers

→ Deliver superior growth

Through **leveraging its deep understanding of pgm chemistry, materials science and manufacturing**, Precious Metal Products can apply expertise to ensure it continues to develop leading edge products and manufacturing routes.

The division is focused on **providing customer solutions through investment in R&D**. Although the division contains a mix of newer and more mature businesses, constant innovation means that a high proportion of its products were developed within the last decade.

Offering first class services to external and internal customers is an important element of the strategy. The division serves external customers and also provides vital services to other Johnson Matthey businesses, either through the provision of precious metals or through refining and recycling spent process or customer material. Investing in the business and focusing on the quality and scope of the services it offers is key to maintaining a competitive position.

The division aims to **deliver superior growth** by targeting higher technology areas where its expertise in adding value to precious metals and related materials can generate growth at rates ahead of industry baselines.

DIVISIONAL SUMMARY

	SERVICES		MANUFACTURING		
Business	**Precious Metals Management**	**Refining**	**Noble Metals**	**Colour Technologies**	**Chemical Products**
What We Do	Global management and distribution of pgms	Refining and recycling of seven precious metals from a wide range of inputs	Develop and fabricate a wide range of products from precious metals and other speciality materials	Develop functional coatings and conductive inks	Manufacture pgm chemicals for a broad range of markets including automotive and chemical
How We Add Value	Ensure Johnson Matthey's operations have metal to meet their customers' orders	Ensure optimal recovery of precious metals for external customers and Johnson Matthey's businesses	R&D to find new applications which use the unique properties of pgms and other materials	R&D in material technologies to provide high performance solutions	R&D to develop products that provide unique solutions for our customers
Societal Benefits	• Enable the production of pgm containing products that deliver environmental, health and social benefits	• More efficient use of natural resources	• Enhanced health and wellbeing • Greenhouse gas abatement	• Enhance lifestyle • Some environmental benefits	• Our customers' work underpins a broad range of environmental and other societal benefits
Global Drivers	Natural Resource Constraints	Environmental Factors Climate Change Regulation	Population Growth Urbanisation Increasing Wealth	Health and Nutrition Ageing Population	
Customer Profile	• Johnson Matthey's businesses and their customers • Other industrial pgm users	• End of life autocatalyst collectors • Industrial pgm users • Johnson Matthey's businesses and their customers • Miners	• Customers from a wide range of industries including medical, chemical and automotive	• Automotive glass manufacturers • Electronic component manufacturers	• Chemical / pharma manufacturers • Emission control catalyst manufacturers
Major Competitors	• BASF • Heraeus • Umicore • Bullion banks	• Heraeus • Umicore • BASF • Metalor	• Heraeus • Umicore	• Ferro • DuPont • Heraeus	• Heraeus • Umicore
Employees	2,615				
Locations	• UK, USA and Hong Kong	• Pgm refining in UK, China and USA • Gold and silver refining in USA and Canada	• Manufacturing sites in Europe, USA and Australia; support centres in Asia	• Six manufacturing sites and three support centres in Europe, US and Asia	• Manufacturing sites and technical centres in Europe, US and Asia
2013/14 Sales	£51 million	£111 million	£138 million	£86 million	£44 million

Strategic Report
Governance
Accounts
Other Information

Financial Review of Operations continued

PRECIOUS METAL PRODUCTS continued

Performance in 2013/14

The performance of Precious Metal Products (PMP) was impacted by the change in our contracts with Anglo American Platinum Limited (Anglo Platinum), lower average precious metal prices and continued weakness in some of its Manufacturing businesses' markets. Sales were in line with last year at £430 million as we transferred a small business into this division from ECT; excluding that, sales would have been 4% lower. Performance in the year was mixed as detailed below and, overall, underlying operating profit was 5% ahead of last year at £130.9 million. Return on sales improved from 29.4% to 30.5% whilst ROIC reduced by 7.7% to 36.6% due to higher year end metal inventories as a result of the South African supply disruption.

Services

Sales in the division's Services businesses, which comprise its Precious Metals Management and Refining activities and represent 38% of PMP's sales, fell by 12% to £162 million, principally because of the expiry of our previous contracts with Anglo Platinum on 31st December 2013 and the lower average precious metal prices. However, underlying operating profit was ahead of last year which was impacted by operational issues in our Gold and Silver Refining business.

Precious Metals Management (PMM)

Sales in our PMM business fell by 12% to £51 million and operating profit was also down. Whilst the business benefited from higher production volumes at Anglo Platinum in the first nine months of the year, sales in the final quarter fell by £10 million following the expiry of our previous Anglo Platinum contracts. In the year platinum and palladium prices averaged $1,441/oz (down 8%) and $729/oz (up 11%) respectively.

With effect from 1st January 2014, we have agreed a new metal supply agreement with Anglo Platinum and a contract for us to provide them with market research services. However, the new metal supply agreement will attract no discounts and we will be paid a fixed fee for our market research. We have resized our team accordingly, mainly through internal moves within the group.

Refining

Sales in our Refining businesses were down 12% at £111 million but underlying operating profit was ahead.

In our Pgm Refining and Recycling business sales decreased by 12% and operating profit was also down, partly as a result of lower average prices for the basket of pgms. Refining volumes were relatively steady throughout the year although our results were impacted by a less favourable intake mix. Intakes of end of life autocatalysts, which accounted for around 40% of pgm refining volumes, continued to grow and we signed a number of long term contracts with collector companies during the year. However, we have started to see increased competition in this sector which may impact prices and volumes in the future. The prolonged strikes at a number of South African platinum mines, which commenced in January 2014, have had a limited impact on our business. In recent weeks there have been some early signs of an increase in secondary volumes (recycling) although this is currently being matched by a corresponding reduction in our primary volumes from mines.

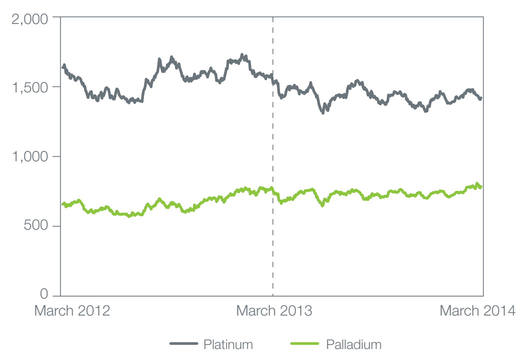
Our Gold and Silver Refining business had another challenging year with sales down 10%. However, the operational issues at our Salt Lake City refinery in the first half of last year did not recur and the business returned to profit in 2013/14. Intakes of primary material, where we have long term contracts with well established mines, increased slightly this year despite lower average metal prices. On the other hand, volumes of secondary material remained weak, impacted by falling gold and silver prices and the continued recovery in the US economy. The average price of gold was down 20% at $1,325/oz in 2013/14, whilst silver was down over 30% year on year at $21/oz.

Precious Metal Products – Services Businesses' Sales

	2014 £ million	2013 £ million	% change
Precious Metals Management	**51**	58	-12
Refining	**111**	125	-12
Total	**162**	183	-12

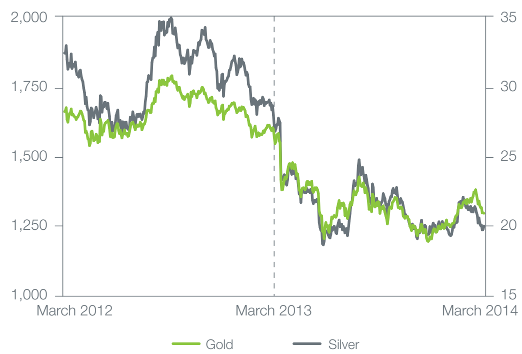
Platinum and Palladium Prices

US$/oz



Gold and Silver Prices

gold US$/oz silver US$/oz



Manufacturing

Sales in our Manufacturing businesses, comprising the division's Noble Metals, Colour Technologies and Chemical Products activities, which represent 62% of PMP's sales, were up 11% to £268 million. Operating profit was broadly flat.

Noble Metals

Our Noble Metals business supplies high technology products to the industrial, automotive and medical device sectors. In 2013/14, whilst sales increased by 14% to £138 million and operating profit was also ahead, performance within the business was mixed.

Sales of industrial products, which represent 69% of Noble Metals' sales, were 17% higher at £95 million. Demand for pgm alloy catalysts used in fertiliser manufacture remained poor. In Europe, our customers felt the effects of high natural gas prices which, together with increased competition in China, impacted their production volumes. As we expected, sales of our nitrous oxide (N_2O) abatement technology were also lower this year as, following the collapse of the carbon price, N_2O abatement in developing countries became uneconomic. Sales of other industrial products were slightly down.

During the year we transferred a small business from ECT into Noble Metals. The business, which supplies high technology components into a range of industrial and medical applications, is more closely aligned with Noble Metals' markets. The business contributed sales of £24 million in the year.

Sales of medical components (31% of Noble Metals' sales) grew by 6% to £43 million supported by strong demand for components used in devices to treat heart rhythm disorders. These devices, which contain our high precision platinum alloy components, deliver an energy burst which heats and destroys small areas of heart tissue which cause the rhythm disorder. These treatments are being increasingly used as they provide a less invasive, lower cost alternative to those using permanent implantable devices.

Colour Technologies

Colour Technologies' sales grew by 5% to £86 million, benefiting from strong demand across all regions for obscuration enamels and silver paste used in automotive glass applications. In recent years, the business has focused on the manufacture of these high performance functional materials and they now represent around 70% of sales compared with 45% five years ago.

Demand for colour products, which are used in the decorative ceramics industry, continued its long term decline. Consequently we have decided to exit this market and this has resulted in a charge to underlying operating profit of £8.2 million in 2013/14.

Chemical Products

Sales in our Chemical Products business were up 17% on last year at £44 million supported by increased demand for pgm chemicals used in the automotive and petrochemical sectors.

Key Investments and Developments

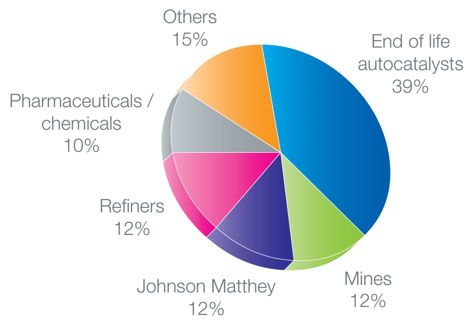
We have continued to invest in a number of R&D projects which are targeting an improvement in the efficiency of our pgm refining process. Early stage pilot tests are being trialled before any further investment is proposed.

During the year we have completed the expansion of silver refining capacity at our facility in Canada. This investment was originally made to support demand from an anticipated new primary refining contract in 2014/15. Unfortunately the development of the mine to which that contract related has been deferred for the time being and therefore our anticipated increase in refining volumes will now no longer be realised in the near term. However, the new equipment is allowing us to enhance the operational efficiency of our Gold and Silver Refining business.

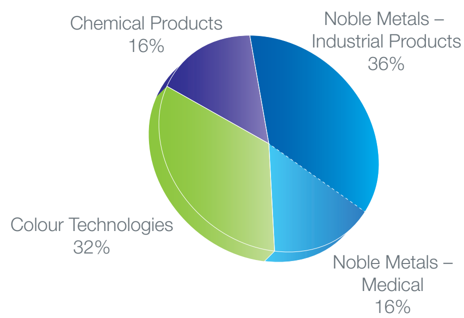
Precious Metal Products – Manufacturing Businesses' Sales

	2014 £ million	2013 £ million	% change
Noble Metals	**138**	122	+14
Colour Technologies	**86**	82	+5
Chemical Products	**44**	37	+17
Total	**268**	241	+11

Pgm Refining Throughput by Market Sector



Manufacturing Businesses' Sales



Financial Review of Operations continued

FINE CHEMICALS

SPECIALITY PRODUCTS FOR THE PHARMACEUTICAL INDUSTRY

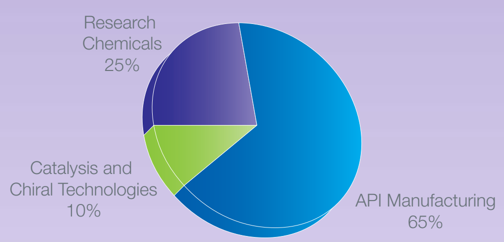
KEY STATISTICS

Capital expenditure	£26.2 million
Capex / depreciation	1.4
R&D expenditure	£11.6 million
Average invested capital	£447 million
Employees	1,341

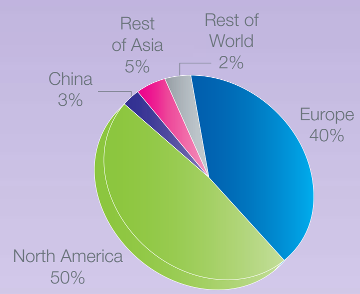
	Year to 31st March 2014 £ million	2013 £ million	% change	% at constant rates
Revenue	**371**	345	+8	+8
Sales excluding precious metals (sales)	**322**	308	+5	+5
Underlying operating profit	**84.1**	76.6[1]	+10	+10
Return on sales	**26.1%**	24.9%[1]		
Return on invested capital (ROIC)	**18.8%**	17.5%[1]		

[1] Restated.

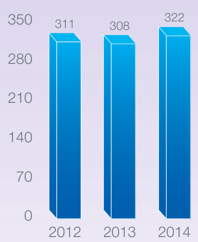
Sales



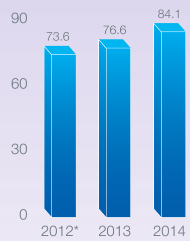
Sales by Destination



Divisional Sales
£ million



Divisional Underlying Operating Profit
£ million



* Not restated for IAS 19 revised.

STRATEGY

→ Deliver niche products and services to pharmaceutical markets

→ Leverage synergies between research, development and manufacturing

→ Increase market share of established products

→ Deliver superior growth

Fine Chemicals is focused on **delivering niche products and services to pharmaceutical markets** where it can apply its speciality and expertise in research, development and manufacturing to deliver existing and new products. Differentiation through technology while delivering on speed to market and quality is a key value proposition we offer to both branded and generic pharmaceutical customers.

By **leveraging synergies between research, development and manufacturing** across the division, we maintain a robust portfolio of new products and customers. Vertical integration and close collaboration between its Research Chemicals, Catalysis and Chiral Technologies and Active Pharmaceutical Ingredient (API) Manufacturing businesses are key advantages the division offers to customers through providing a broad technical offering.

Building upon its reputation as a premier API development business that can reliably stand out against its competition, Fine Chemicals aims to **increase market share** further by diversifying its portfolio of products and customers through its strengths and specialities in technology.

The division aims to **deliver superior growth** in markets that are driven by global trends towards the increased use of pharmaceutical products. Its strong position in niche areas and its development and manufacturing infrastructure position it well for growth at rates ahead of industry baselines.

DIVISIONAL SUMMARY

Business	API Manufacturing	Catalysis and Chiral Technologies	Research Chemicals
What We Do	Develop and manufacture complex active APIs for a variety of treatments, including for pain management and attention deficit hyperactivity disorders	Supply a range of speciality chemical, chiral and biocatalytic technologies and products	Supply speciality inorganic and organic chemicals and biochemicals under the Alfa Aesar brand name
How We Add Value	Use our unique technology position and expertise to develop and manufacture APIs, enabling first to market commercialisation opportunities for our branded and generic customers	Use our unique catalysis technology position to develop and manufacture products for customers in the pharmaceutical and agrochemical sectors	Support the research and development activities of our customers around the world
Societal Benefits	• Improved quality of life for an ageing global population • Treats critical conditions e.g. cancer, chronic pain, neurodegenerative diseases	• Enhances life science development	• Our customers' work underpins a broad range of health and other societal benefits
Global Drivers	Health and Nutrition Ageing Population Population Growth Urbanisation Increasing Wealth		
Customer Profile	• Multiple small and large branded and generic pharmaceutical companies	• Pharmaceutical, fine chemical and agrochemical companies	• Academic and industrial research organisations • Global customer base, expanding in Asia
Major Competitors	• Covidien • Noramco • Francopia • Siegfried • Cambrex • AMRI	• Evonik • BASF	• Sigma Aldrich
Employees	1,341		
Locations	• Three sites in the US and two in the UK	• UK, USA, Germany, India and China	• UK, USA, Germany, China, India and Korea
2013/14 Sales	£211 million	£32 million	£79 million

Financial Review of Operations continued

FINE CHEMICALS continued

Performance in 2013/14

In 2013/14, Fine Chemicals performed steadily with sales 5% ahead of last year at £322 million and underlying operating profit 10% ahead at £84.1 million. The division's return on sales improved by 1.2% to 26.1% benefiting from increased sales in the higher margin API Manufacturing business, and consequently ROIC also increased by 1.3% to 18.8%.

Fine Chemicals – Sales by Business

	2014 £ million	2013 £ million	% change
API Manufacturing	**211**	198	+6
Catalysis and Chiral Technologies	**32**	31	+4
Research Chemicals	**79**	79	+1
Total	**322**	308	+5

API Manufacturing

The division's API Manufacturing business, which represents 65% of Fine Chemicals' sales, grew its sales by 6% to £211 million and underlying operating profit was further ahead.

Sales of our opiate based APIs grew, partly driven by the launch of a new generic product by one of our customers for the treatment of drug addiction. The business benefited from strong demand for APIs used for the treatment of attention deficit hyperactivity disorder. This included additional revenue following some supply shortages for one generic product that resulted in an increase in its prices. At this stage, it is unclear how long these higher prices will continue. The business also continued to benefit from oxymorphone patent revenue from Endo, the US based healthcare company.

The UK government has yet to confirm its future intentions on the importation of controlled substances. However, we have completed the restructuring at our UK API manufacturing operation, which represents around 40% of our API Manufacturing business, and the business is now better positioned to compete in today's more open market.

Catalysis and Chiral Technologies (CCT)

CCT's sales grew slightly this year at £32 million and operating profit grew well. During the year demand was good for CCT's range of heterogeneous and homogeneous catalyst products which are used by customers in the fine chemical and pharmaceutical industries.

Research Chemicals

In 2013/14 the sales of Research Chemicals, which operates globally under the Alfa Aesar brand name, were in line with last year at £79 million. The business saw some sales growth in its European and Asian markets. However, sales in North America were down due to increased competition.

The business continued to expand its range and during the year nearly 4,000 new products were added. Its new catalogue, launched in April 2013, now offers over 45,000 products.

Key Investments and Developments

During the year, we have continued to invest in the development of APIs to ensure a steady pipeline of new products. We are focusing on complex, typically smaller volume, APIs and are working with a number of customers to help them develop new generic drugs in anticipation of the expiry of existing branded drug patents.

We also completed construction of new warehouses for Research Chemicals in China and on the west coast USA, although both projects took slightly longer than expected to complete. These new warehouses provide us with better access to our customers and will enhance service levels in those regions.

CASE **STUDY**

→ Manufacturing Excellence

Manufacturing Excellence
Johnson Matthey

Manufacturing is the way we bring our science to life and the group's Manufacturing Excellence programme is focused on ensuring we run our manufacturing operations with the highest efficiency. Through Manufacturing Excellence we aim to boost efficiency, reduce manufacturing costs, develop our people and support delivery of our Sustainability 2017 targets.

Efficient manufacturing is a key contributor to value creation in Johnson Matthey and will underpin our growth in the future. It is a major part of our business in terms of the group's global spend and provides jobs for around 60% of our employees. Improving our manufacturing performance can therefore have a significant impact on our business.

Our Manufacturing Excellence programme is a long term investment in our people, manufacturing processes, engineering and technology across the group. Learning and development modules are in place to support our manufacturing employees whilst lean principles are becoming integrated at all sites to increase manufacturing efficiency and improve overall performance. Technical centres of excellence provide opportunities for manufacturing teams around the world to trial and test new equipment and engineering teams are working to identify and develop best practice for our key processes.

Read more about our Manufacturing Excellence programme in the case studies on our website at www.matthey.com/sustainability.

NEW BUSINESSES

INVESTING IN NEW OPPORTUNITIES THAT PLAY TO OUR STRENGTHS

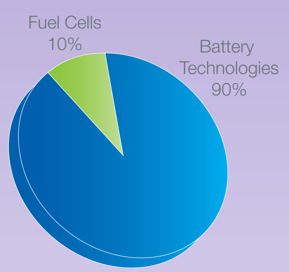
KEY STATISTICS

Capital expenditure	£8.0 million
Capex / depreciation	2.6
R&D expenditure	£10.4 million
Average invested capital	£78 million
Employees	637

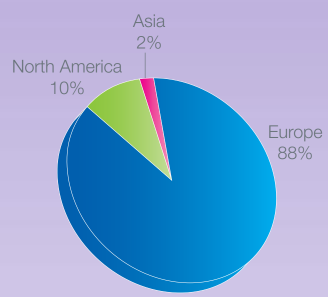
	Year to 31st March **2014** **£ million**	2013 £ million
Revenue	**79**	39
Sales excluding precious metals (sales)	**76**	37
Underlying operating profit / (loss)	**(18.3)**	(16.0)[1]

[1] Restated.

Sales



Sales by Destination



STRATEGY

- Targeting opportunities with sales potential of around £200 million per annum by 2020
- Develop new business areas
- Invest in R&D to drive organic growth
- Make targeted acquisitions to accelerate progress

We are targeting opportunities with sales potential of around £200 million per annum by 2020. We will focus on areas peripheral to our current businesses and that build on our core technology competences.

The division is focused on **developing new business areas**. Potential areas must show a good fit with our key global drivers, offer strong market growth and present the opportunity for new market entry positions through a new technology solution.

We will **invest in R&D to drive organic growth** through developing technology for new markets. Through an ongoing process, we will simultaneously identify and evaluate new areas whilst developing and filtering out those already in our pipeline.

Alongside organic development and the evolution of our business plans, we anticipate the need to fill gaps in our experience and **make targeted acquisitions to accelerate progress**. These are likely to be relatively small scale, up to the value of around £100 million.

Financial Review of Operations continued

NEW BUSINESSES continued

DIVISIONAL SUMMARY

Business	Battery Technologies		Fuel Cells
What We Do	Research and development of battery materials, design and supply of high performance battery systems		Develop and manufacture catalysts and components for emerging fuel cell markets
How We Add Value	Research into improved next generation battery materials, development of advanced battery systems		Leverage expertise in advanced materials to develop more economically viable fuel cell components
Societal Benefits	• Alternative energy • Low carbon, zero emission transport / power		
Global Drivers	Environmental Factors Climate Change Regulation	Natural Resource Constraints	
Customer Profile	• High performance cordless tool and niche transport manufacturers • Automotive and heavy duty vehicle customers		• Manufacturers of fuel cells for portable, automotive and stationary applications
Major Competitors	Systems: • LG • BMZ	Materials: • BASF • Umicore	• W L Gore • 3M • Solivcore
Employees	637		
Locations	• Materials R&D in Sonning Common, UK • Systems design, development and manufacture in Dundee, UK and Poland		• Headquartered in Swindon, UK • R&D capability in Swindon and Sonning Common, UK
2013/14 Sales	£69 million		£7 million

CASE STUDY

→ Is This the Bus of the Future?

Together with UK based manufacturer Alexander Dennis Limited, Johnson Matthey has developed a high capacity and performance battery to power an Enviro350H. The bus is currently a hybrid diesel with a lower capacity battery; the advantage of the new battery is that it lasts for significantly longer periods and a stop of just five or ten minutes at a charger point allows for a partial recharge.

In city centres, the bus would run in 'electric vehicle' mode and switch to hybrid (using diesel) in suburban areas. The bus would use GPS to identify when it was entering the outer area.

Buses powered like this would produce zero emissions in city centres and be less polluting than traditional vehicles while operating companies could reduce emissions related charges.

In short, there would be business, social and environmental benefits for all.

Read the full case study at www.matthey.com/sustainability.

▪ Membrane electrode assemblies, the component found at the heart of a fuel cell.

▪ Johnson Matthey Battery Systems specialises in the design, development and manufacture of integrated battery systems.

Performance in 2013/14

New Businesses made progress in the year benefiting from growing sales in Battery Technologies. Overall, sales increased from £37 million to £76 million, boosted by a full year's contribution from Johnson Matthey Battery Systems (formerly Axeon). We have continued to invest in R&D to support the development of this and other long term new business areas, including water purification, air purification and advanced packaging. As a result, the underlying operating loss was £18.3 million.

Battery Technologies

Our Battery Technologies business comprises Johnson Matthey's R&D programmes in advanced battery materials and Johnson Matthey Battery Systems which specialises in the design, development and manufacture of integrated battery systems. The business made steady progress in its first full year with sales of £69 million (2012/13 sales of £31 million following acquisition in October 2012), primarily as a result of robust demand for battery systems for high performance power tools and e-bikes. We have also grown sales to customers in the automotive sector. In addition, we have continued to invest in battery materials R&D, expanding our current programmes and developing relationships with key partners in the supply chain. Battery Technologies broke even for the year, if acquisition costs are excluded.

Our focus is on the development of battery materials for highly demanding applications such as for the automotive sector. On 3rd June 2014 we agreed to purchase certain battery material manufacturing assets from A123 Systems LLC, a leading lithium-ion battery manufacturer that is part of the Wangxiang Group, for US $26 million. In this transaction, Johnson Matthey will purchase A123's cathode material manufacturing facility in China; the facility employs around 80 people who will transfer to Johnson Matthey. The deal also includes a long term agreement where Johnson Matthey will supply all of A123's lithium iron phosphate requirements.

The acquisition of the assets from A123 and the supply agreement will complement our battery systems expertise and battery materials research programmes. It will further support development of the next generation of high performance products to meet the challenging energy storage requirements of batteries for the automotive sector.

Fuel Cells

Sales in our Fuel Cells business increased slightly this year to £7 million.

Fuel cell technology for transport applications, especially cars, remains an important opportunity for Johnson Matthey. The phased emissions regulation in California, USA starting from 2017 provides a driver for car companies to bring small numbers of fuel cell powered vehicles to market. We have continued to invest in developing our membrane electrode assemblies (MEAs) and manufacturing technology in order to provide products with cost and performance characteristics in line with the needs of car manufacturers. Given the upcoming legislation in California we should, in the next year or so, get much greater clarity from the original equipment manufacturers (OEMs) on how they will meet the new legislative requirements.

A significant proportion of our sales in 2013/14 were of MEAs for stationary applications such as combined heat and power units. Since the year end our principal customer for these MEAs, who is based in the USA, has entered Chapter 11. Although it is too early to assess what will happen to that customer, we are considering what possible cost saving actions we may need to take in response to this development.

The net expense of our Fuel Cells business was broadly in line with last year at £10.8 million.

New Business Development

We invested just under £7 million on other new opportunities. Of these, the development of a new water purification business is the most advanced, albeit still at a very early stage.

Financial Review

In Summary

- Underlying profit before tax and underlying earnings per share increased by 12% and 16% respectively
- Return on invested capital (ROIC) 20.8%, ahead of our long term target of 20%
- Final dividend of 45.5 pence recommended resulting in full year dividend up 10% at 62.5 pence

Robert MacLeod
Group Finance Director

Johnson Matthey performed well in 2013/14. Underlying profit before tax increased by 12% to £427.3 million and underlying earnings per share increased by 16% to 170.6 pence, helped by a lower effective tax rate for the year. Further aspects of the group's financial performance in 2013/14 are outlined below.

Corporate Costs

Corporate costs increased in the year from £24.8 million to £33.3 million which represents just over 1.1% of sales. The principal reasons for this increase were higher performance related bonus and share-based payments and the need for additional resources to support the continuing growth in the business; corporate costs in 2012/13 were lower than in previous years as the group failed to meet its in-year performance targets. Going forward, as we continue to grow, we expect that corporate costs will average just over 1% of sales.

Operating Profit

The operating profit for the year increased by 17% to £448.2 million. Underlying operating profit increased by 13% to £468.9 million which in 2013/14 excluded the amortisation of acquired intangibles of £20.7 million. Included within underlying operating profit are pension settlement and curtailment gains of £10.8 million (as described in detail on page 47) and the cost of closure of our decorative ceramic colour products business of £8.2 million. These items are allocated across the divisions as follows:

	Underlying operating profit £ million	Pension gains £ million	Closure costs £ million	Underlying operating profit excl. these items £ million
Emission Control Technologies	203.6	3.5	–	200.1
Process Technologies	101.9	1.0	–	100.9
Precious Metal Products	130.9	3.5	(8.2)	135.6
Fine Chemicals	84.1	2.1	–	82.0
New Businesses	(18.3)	0.1	–	(18.4)
Corporate	(33.3)	0.6	–	(33.9)
Total group	**468.9**	**10.8**	**(8.2)**	**466.3**

Operating profit includes gross expenditure on R&D of £152.3 million, an increase of 12% compared with 2012/13. In line with previous years, this represents just over 5% of group sales. R&D expenditure in ECT and Process Technologies accounted for just under 65% of total spend.

Profit Before Tax

The group's underlying profit before tax increased by 12% to £427.3 million (2012/13 £382.9 million). Profit before tax was 17% higher at £406.6 million (2012/13 £348.6 million).

Underlying Profit Reconciliation

	Year ended 31st March 2014			Year ended 31st March 2013		
	Profit before tax £ million	Income tax expense £ million	Profit for the year £ million	Profit before tax restated £ million	Income tax expense restated £ million	Profit for the year restated £ million
Underlying basis	427.3	(82.7)	344.6	382.9	(80.1)	302.8
Amortisation of acquired intangibles	(20.7)	5.3	(15.4)	(16.9)	5.4	(11.5)
Major impairment / restructuring	–	–	–	(17.4)	(2.8)	(20.2)
Tax effect of UK corporation tax rate change	–	9.5	9.5	–	–	–
Reported basis	406.6	(67.9)	338.7	348.6	(77.5)	271.1

Exchange Rates

The main impact of exchange rate movements on the group's results comes from the translation of foreign subsidiaries' profit into sterling as the group does not hedge the impact on the income statement or balance sheet of these translation effects. The group's underlying operating profit at constant exchange rates is shown in the table below:

Underlying Operating Profit

	Year ended 31st March 2014 £ million	Year ended 31st March 2013 restated £ million	% change	2013 at 2014 exchange rates restated £ million	% change
Emission Control Technologies	203.6	163.5	+25	163.4	+25
Process Technologies	101.9	92.4	+10	91.8	+11
Precious Metal Products	130.9	124.4	+5	124.1	+5
Fine Chemicals	84.1	76.6	+10	76.4	+10
New Businesses	(18.3)	(16.0)	-14	(16.0)	-14
Corporate	(33.3)	(24.8)		(25.2)	
Total group	468.9	416.1	+13	414.5	+13

The average exchange rates during the year ended 31st March 2014 were only slightly different from those of the previous financial year, with sterling strengthening slightly against the US dollar but weakening against the euro and Chinese renminbi. Overall, the impact of exchange rates decreased reported group underlying operating profit for the year by £1.6 million.

Of the group's underlying operating profit that is denominated in the group's principal overseas currencies, the average exchange rates during 2013/14 were:

	Share of 2013/14 non-sterling denominated underlying operating profit	Average exchange rate 2013/14	Average exchange rate 2012/13
US dollar	45%	1.591	1.580
Euro	24%	1.186	1.228
Chinese renminbi	12%	9.73	9.93

However, whilst the average exchange rates for the year were very similar to 2012/13, since the summer of 2013 sterling has appreciated against almost all currencies.

At 31st March 2014, the exchange rate of sterling against the US dollar, euro and Chinese renminbi was $1.667, €1.210 and ¥10.37 respectively and since then sterling has strengthened even further. If these current exchange rates are maintained throughout 2014/15, this will adversely impact reported underlying operating profit. Each one cent change in the average US dollar and euro exchange rates has approximately a £1.2 million and £0.8 million effect respectively on underlying operating profit in a full year; a ten fen change in the average rate of the Chinese renminbi has around a £0.5 million impact on underlying operating profit in a full year.

Whilst these currencies represent about 80% of the group's non-sterling denominated underlying operating profit, the group is also exposed to other foreign currencies. Some of those currencies have depreciated dramatically against sterling, for example the Argentinian peso which has depreciated by more than 50% in the last year.

If current exchange rates are used to re-translate the underlying operating profit for the group in 2013/14, the reported result would have been over £20 million lower.

Financial Review continued

Return on Sales

The group's return on sales was in line with last year at 15.7%.

Return on Sales

	Sales excluding precious metals 2014 £ million	2013 £ million	Return on sales[1] 2014 %	2013[2] %
Emission Control Technologies	**1,645**	1,461	**12.4**	11.2
Process Technologies	**565**	509	**18.0**	18.2
Precious Metal Products	**430**	424	**30.5**	29.4
Fine Chemicals	**322**	308	**26.1**	24.9
New Businesses	**76**	37	**n/a**	n/a
Less inter-segment sales	**(57)**	(63)	**n/a**	n/a
Total group	**2,981**	2,676	**15.7**	15.6

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

[2] Restated.

Return on Invested Capital

The group's return on invested capital (ROIC) increased from 19.8% to 20.8%. This increase was driven in particular by a substantial improvement in ECT's ROIC, as described on page 28.

Underlying operating profit for the group was £52.8 million higher than last year at £468.9 million, and average invested capital was £148 million higher at £2,254 million.

Going forward, the group's ROIC will be adversely impacted by approximately 1.5% as a result of the new Anglo Platinum contracts. Notwithstanding this, we remain committed to our 20% ROIC target. While seeking to continually improve the group's returns, we will not do this at the expense of the long term future of the group. We will continue to invest in our businesses across the world, both in capital expenditure and in research and development. We will also target appropriate acquisitions that accelerate the delivery of the group's strategy which, in the short term at least, may depress ROIC. At 20.8%, the group's ROIC is well ahead of our pre-tax cost of capital, which we estimate to be 10.4% (2012/13 10.5%).

Return on Invested Capital

	Average invested capital[1] 2014 £ million	2013[3] £ million	Return on invested capital[2] 2014 %	2013[3] %
Emission Control Technologies	**970**	997	**21.0**	16.4
Process Technologies	**664**	581	**15.3**	15.9
Precious Metal Products	**357**	281	**36.6**	44.3
Fine Chemicals	**447**	439	**18.8**	17.5
New Businesses	**78**	55	**n/a**	n/a
Corporate / other	**(262)**	(247)	**n/a**	n/a
Total group	**2,254**	2,106	**20.8**	19.8

[1] Average of opening and closing segmental net assets as shown in note 1 on the accounts on pages 139 and 140. For the group, the average of opening and closing equity plus net debt.

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

[3] Restated.

Interest

The group's net finance costs increased substantially in the year, from £33.2 million last year, to £42.1 million in 2013/14. This increase was due to a number of factors, the most important being an increase in average gross debt as we took advantage of the low interest rate environment in June 2013 to refinance some of our long term debt facilities ahead of their expiry later on in the year. This added approximately £2.1 million to our interest charge for the year but will benefit the group in the longer term.

Approximately 88% of the group's net debt at 31st March 2014 has fixed interest rates averaging approximately 3.1%.

Taxation

The group's total tax charge for the year was £67.9 million, a tax rate of 16.7% on profit before tax (2012/13 22.2%).

On underlying profit before tax of £427.3 million, the tax charge was £82.7 million, which represents an effective tax rate of 19.4%, down from 20.9% last year. This decrease was primarily due to the reduction in the headline rate of corporation tax in the UK and the commencement of the 'patent box' legislation in the UK, which reduces the tax charged on profit earned from qualifying patented technologies in the UK.

The group will benefit from the continued reduction in the headline UK corporation tax rate. That rate was 23% for the year ended 31st March 2014. We can never be entirely certain of the geographic mix of profit in any given year, but we anticipate that, like this year, the rate of tax on the group's underlying profit should average at least 3% lower than the headline rate for UK corporation tax.

The total tax charge for the year includes a deferred tax credit of £9.5 million which is due to the reduction in headline rates of UK corporation tax from 23% to 20% that was enacted in July 2013. The one-off credit has been excluded from underlying tax because of its size.

Tax Strategy

Johnson Matthey has operations in over 30 countries across the world. For each country in which we have operations, we organise them to pay the correct and appropriate amount of tax at the right time according to the laws of the relevant country and ensure compliance with the group's tax policies and guidelines.

The group's tax strategy is regularly reviewed and endorsed by the board. This strategy is executed by a global team of tax professionals, assisted by external advisers where appropriate.

Our tax strategy covers the application of all taxes, both direct and indirect, to our business including corporation tax, payroll taxes, value added tax and customs and excise duties. The tax strategy also covers our approach to any tax planning required by the business and key policy areas such as transfer pricing.

Earnings per Share

The combination of higher underlying profit before tax and a lower effective tax rate meant that underlying earnings per share increased by 16% to 170.6 pence. Earnings per share rose by 27% to 167.7 pence.

Dividend

If the proposed final dividend of 45.5 pence per share is approved, the group's ordinary dividend for the full year will be 62.5 pence (2012/13 57.0 pence). At this level, the dividend would be covered 2.7 times by underlying earnings per share.

Pensions

Actuarial – Funding Basis

UK Scheme

The latest actuarial valuation of the UK scheme, effective as at 1st April 2012, estimated that the scheme deficit was £214 million (1st April 2009 £173 million). The next actuarial valuation will take place with effect from 1st April 2015. Since 1st April 2012 a number of actions have been taken to reduce the deficit as described in last year's annual report. A curtailment gain of £1.3 million is included within underlying operating profit for the year in respect of the option given to UK employees to switch from the defined benefit pension scheme into the new UK pension scheme with effect from 1st April 2013.

During 2013/14, to reduce the volatility in the actuarial deficit, we have continued our liability driven approach to investing the scheme's assets, in particular a hedging programme was undertaken to reduce the scheme's exposure to adverse movements in interest rates and inflation.

In the year we made deficit funding cash contributions of £23.1 million.

US Scheme

The latest actuarial valuations of our two US pension schemes estimated that their deficits had decreased from £39 million at 30th June 2012 to £26 million at 30th June 2013. During the year, we took a number of actions to reduce the risk of any future increase in the schemes' deficit as follows:

- Deficit funding contributions of £3.8 million were made into the schemes.
- The schemes were closed to new entrants with effect from 1st October 2013, with new employees being offered a defined contribution pension benefit. At the same time, existing active members were asked to either make contributions to maintain their defined benefit pension benefit or were given the opportunity to switch to the new defined contribution pension plan for future service. Approximately 40% of active members opted to switch to the defined contribution scheme and this yielded a curtailment gain of £6.8 million which is included within underlying operating profit for the year.
- Deferred members were given an option to take a cash lump sum in lieu of their deferred pension benefit. Deferred members representing over 50% of the estimated deferred pension liability elected to take this cash benefit and this resulted in a settlement gain of £2.5 million which is also included within underlying operating profit for the year.
- The schemes increased the proportion of assets that better match the schemes' liabilities and this now stands at around 61%, up from 43% at 31st March 2013.

For each of its pension schemes worldwide, the group continues to take steps to reduce its pension risk exposure and work with their fiduciary committees and trustee boards to ensure an appropriate investment strategy is in place, which includes better matching of the schemes' assets to their liabilities as funding levels improve. Currently, 55% of the group's total pension assets are held in government and corporate bonds.

IFRS – Accounting Basis

The group's net liabilities associated with the pension and post-retirement medical benefit schemes are:

	31st March 2014 £ million	31st March 2013 £ million
UK pension scheme		
Scheme deficit	**(78.6)**	(115.6)
SPV assets	**49.1**	49.7
Net deficit[1]	**(29.5)**	(65.9)
US pension schemes	**(14.1)**	(55.4)
Other pension schemes[2]	**(23.1)**	(23.2)
	(66.7)	(144.5)
Post-retirement medical schemes	**(47.0)**	(47.6)[3]
Total[1]	**(113.7)**	(192.1)

1 After taking account of the assets held on behalf of the UK pension scheme by the SPV.

2 Deficits of £26.4 million and surplus of £3.3 million.

3 Restated.

The deficits in the group's principal UK and US defined benefit pension schemes decreased by £78.3 million partly due to deficit funding contributions of approximately £27 million made in the year. This decrease was principally caused by increases in the discount rates used to value the schemes' liabilities.

The cost of providing post-employment benefits decreased from £54.2 million in 2012/13 to £51.5 million in 2013/14, but excluding the curtailment and settlement gains increased to £62.3 million. This charge was included, in full, within underlying profit before tax.

Cash Flow

During the year ended 31st March 2014 net cash inflow from operating activities was £476.9 million (2012/13 £396.6 million). The group's total working capital was in line with last year but excluding the element that relates to precious metals, working capital decreased by £39.8 million, from 53 days last year to 45 days; another good performance. Working capital in respect of precious metals, however, grew by £41.2 million as a result of increased levels of metal inventories held at the year end as a result of the South African supply disruption and higher precious metal receivables.

The group's free cash flow was £231.4 million (2012/13 £136.5 million). Adjusting for the effect of movements in precious metal working capital balances, the group's free cash flow was £272.6 million compared with £220.5 million last year.

The group's cash flow conversion (adjusting for the effect of movements in precious metal working capital) was 82% (2012/13 85%), reflecting the continued capital investment across the group.

Financial Review continued

Capital Expenditure

Capital expenditure was £218.3 million (of which £213.5 million was cash spent in the year) which equated to 1.7 times depreciation. In the year, £72.1 million and £59.5 million were incurred by ECT and Process Technologies respectively. The principal investments were projects to:

- add further autocatalyst manufacturing capacity in Europe ahead of the new light duty and heavy duty legislation; and
- expand our additives plant in the USA to meet the growing demand for its products.

We anticipate that capital expenditure will be around £240 million per annum for the next few years. This will be in the range of 1.6 to 1.8 times depreciation. However, there are a number of potential opportunities for Process Technologies which, if realised, will require additional capital investment.

Depreciation, which was £127.4 million in 2013/14 (2012/13 £126.6 million), will rise as a consequence of this increased investment to around £140 million in 2014/15 and then further, to around £170 million, by 2016/17.

Capital Structure

In the year ended 31st March 2014 net debt decreased by £106.4 million to £729.2 million, although when the post tax pension deficits and bonds purchased to fund pensions of £54.0 million are included, net debt rises to £783.2 million.

During the year, the group's EBITDA (on an underlying basis) increased by 10% to £596.3 million (2012/13 £542.7 million). As a result, net debt (including post tax pension deficits) / EBITDA decreased from 1.7 last year to 1.3 times.

Borrowings

	31st March 2014		31st March 2013	
	£ million	%	£ million	%
Over five years	**649.6**	**68**	352.8	39
Two to five years	**89.9**	**10**	99.3	11
One to two years	**0.4**	**–**	131.1	14
Within one year	**211.1**	**22**	322.0	36
Gross borrowings (net of swaps)	**951.0**	**100**	905.2	100
Less: cash and deposits	**221.8**		69.6[1]	
Net debt	**729.2**		835.6[1]	

[1] Restated.

Treasury Policies and Going Concern

Treasury Policies and Financial Risk Management

Group treasury is a centralised function within Johnson Matthey based in the UK and USA. The role of group treasury is to secure funding for the group, manage financial risks and provide treasury services to the group's operating businesses. Group treasury is run as a service centre rather than a profit centre. The group does not undertake any speculative trading activity in financial instruments.

Funding and Liquidity Risk

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. On 5th June 2013 the group completed the issue of $475.0 million and €20.0 million of funding in the private placement market with maturities out to 15 years at fixed rates ranging from 2.44% to 3.39%.

At 31st March 2014 the group had cash and deposits of £221.8 million and £270.2 million of undrawn committed bank facilities available to meet future funding requirements. The group also has a number of uncommitted facilities, including overdrafts and metal lease lines, at its disposal. The maturity dates of the group's debt and borrowing facilities are illustrated in the table on page 48 and the chart below.

Of the committed facilities, £165.2 million falls due to be repaid in the 15 months to 30th June 2015 (the going concern period). £41.3 million of this was refinanced in May 2014 for a further two years with a long term relationship bank.

Going Concern

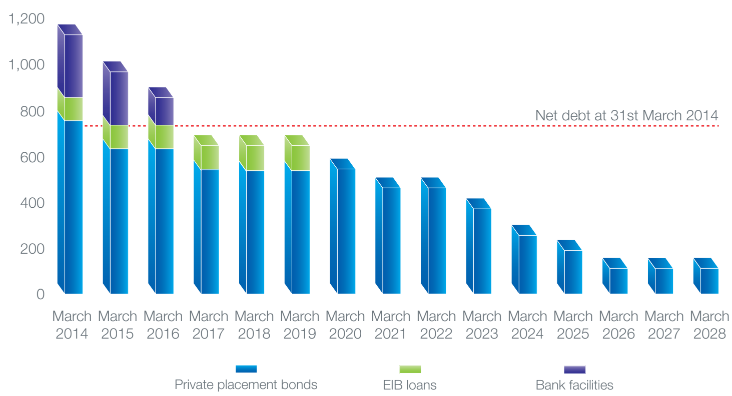
The directors have assessed the future funding requirements of the group and the company and compared it to the level of long term debt and committed bank facilities for the 15 months from the balance sheet date. The assessment included a sensitivity analysis on the key factors which could affect future 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.

Interest Rate Risk

At 31st March 2014 the group had net borrowings of £729.2 million of which 88% was at fixed rates with an average interest rate of 3.1%. The remaining 12% of the group's net borrowings was funded on a floating rate basis. A 1% change in all interest rates would have a 0.2% impact on underlying profit before tax. This is within the range the board regards as acceptable.

Maturity Profile of Debt Facilities

At 31st March 2014 exchange rates
£ million



Foreign Currency Risk

Johnson Matthey's operations are located in over 30 countries, providing global coverage. A significant amount of profit is earned outside the UK. In order to protect the group's sterling balance sheet and reduce cash flow risk the group has financed a significant portion of its investment in the USA and Europe by borrowing US dollars and euros respectively. Additionally the group uses foreign currency swaps to hedge a significant portion of its assets in Japan, South Africa and Sweden. 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 in a bid situation. Details of the contracts outstanding on 31st March 2014 are shown on page 161.

Precious Metal Prices

Fluctuations in precious metal prices have an 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 inventories of gold and silver are fully hedged by leasing or forward sales. Currently the majority of the group's platinum inventories are unhedged because of the lack of liquidity in the platinum market.

Credit Risk

The group is exposed to credit risk on its commercial activities and treasury risk management activities. In both cases counterparties are assessed against the appropriate credit ratings, trading experience and market position. Credit limits are then defined and exposures monitored against these limits. In treasury and precious metal management, these exposures include the mark to market of outstanding transactions and potential settlement risks.

SUSTAINABLE TECHNOLOGIES

for today and for the future

3. SOCIAL

CASE STUDY

New Catalyst Removes Toxic Mercury From VCM Manufacturing

As our population continues to grow and urbanisation increases, demand for key chemical intermediates which are used as building blocks to make everyday items is set to rise. In tandem, increased emphasis on environmental responsibility is prompting legislation to control and reduce emissions in some chemical manufacturing processes.

An example of this is in the manufacture of a chemical called vinyl chloride monomer (VCM). The manufacture of VCM, from either coal or natural gas, is an important intermediate step in the production of poly vinyl chloride (PVC). In China, 80% of PVC production utilises the coal based route and employs a mercury containing catalyst. Coal based VCM production using these catalysts is used outside China too. In October 2013, 90 countries signed the Minamata Convention on Mercury, a binding international treaty which aims to control and reduce emissions of toxic mercury compounds. The treaty contains a specific clause relating to VCM which states that after 2017 new VCM plants will not be allowed to use a mercury catalyst and that after 2022 all VCM plants have to switch to a mercury-free catalyst, providing there is an economically available alternative.

Johnson Matthey has successfully developed a catalyst which does not contain any mercury for the manufacture of VCM. The catalyst, which includes gold in its formulation, is now ready for commercialisation. It is economically viable and can be used as a direct replacement for catalysts in existing VCM reactors.

Our new catalyst should allow customers to meet the forthcoming legislation and is a further addition to Johnson Matthey's portfolio of sustainable technologies.

Contents

Social

Performance Summary

		2014	2013
Average number of employees		**11,331**	10,498
Total employee turnover[1]	%	**9.0**	9.1
Voluntary employee turnover[1]	%	**5.6**	6.5
Employee gender (female)[2]	%	**24**	25
Gender of new recruits (female)	%	**27**	25
Trade union representation	%	**29**	31
Training days per employee		**3.3**	2.7
Training spend per employee[3]	£	**465**	433
Internal promotions	% of all recruitment in year	**26**	36
Attendance	days lost per employee	**5.3**	5.2
Charitable donations	£ thousands	**626**	615

1 Employee turnover is calculated by reference to the total number of leavers during the year expressed as a percentage of the average number of people employed during the year. The analysis does not include agency workers not directly employed by Johnson Matthey.

2 At 31st March.

3 Training spend does not include the cost of in house training or the cost of employees' wages during training.

AS PART OF OUR SUSTAINABILITY 2017 VISION, our social goals cover good practices in employee development, positive relationships with our stakeholders and active involvement in the communities where we operate. We want to excel as an employer, corporate citizen and local neighbour, justifying the reputation we have earned.

Building a Sustainable Workforce

As Johnson Matthey continues to expand it is essential that we have a sustainable workforce.

Recruiting the right staff is vital to support business development and growth, whether we are seeking to identify graduates with the greatest potential or experienced candidates. We provide training and career opportunities to develop our people so that they are motivated to contribute and stay with the group.

We start from an excellent base, as our staff turnover has remained low. However, we cannot be complacent; the world is changing, recruitment practices are evolving and many companies face demands for a globally mobile workforce. We must keep up.

Human Resources (HR) Strategic Priorities

In 2013 the company reviewed and redefined its HR strategy as 'attracting, engaging and growing our people to enable the effective delivery of the strategy over the long term'. A five pronged approach was developed to meet this aim.

Talent Management

The first of the priorities is talent management. A more consistent and systematic way of identifying and developing our best talent is needed and we are introducing new tools and systems to help accelerate the development of key people. Beginning in 2014 we will undertake regular talent reviews within each division, together with cross divisional reviews for different functions. We will be aiming to enhance our programmes to develop our high potential employees globally, and will continue to develop leaders at all levels.

Growth areas, including China, are a strategic priority for our talent management activities. We have regional leadership programmes in place in the major centres of our operations and are taking a global approach towards developing our middle and senior leadership populations.

Global Recruitment and Opportunities

Our second priority is to develop a global approach to graduate recruitment. We have boosted our social media presence to build awareness of what Johnson Matthey has to offer and have reached thousands of followers so far.

As an innovative and progressive technology company we are well placed to attract and retain the best graduates globally and we are working to raise our employer profile around the world to position ourselves as an employer of choice.

We plan to build on our successful local and divisional graduate programmes by developing a groupwide global graduate development scheme. Selected new recruits will have opportunities to move internationally and work in different parts of the business early on in their career. Challenging assignments will help them gain breadth of knowledge and accelerate their development to kick start their careers with Johnson Matthey.

We also partner with universities to support our recruitment processes. Looking longer term we believe it is important to engage with our scientists of the future and encourage them to think about a career in our industry. 'Promoting science education' is the flagship theme of our Community Investment Policy (see pages 58 and 59) and our employees around the world work with local schools, host pupil visits to sites and provide financial and in kind support to a range of science education organisations.

CASE **STUDY**

→ Developing Local Leaders in China

China is an expanding market for Johnson Matthey in the area of catalysts for vehicles and technologies that enable coal to be converted to chemicals and clean burning fuel. Expansion across the region means strong leaders with the right skills and values are essential for the sustainability of the business. Our China Leadership Development initiative is meeting this need.

Interpersonal and leadership skills are learnt – building trust, coaching, communicating with others, team building, giving feedback effectively and ensuring that performance, whether their own or that of others, aligns with the company's values, goals and strategy.

This is a great opportunity to become a leader in a global company with world class experience of producing sustainable technologies. For Johnson Matthey, the initiative is building a pipeline of future leaders with a sound understanding of the culture both of their own country and of a company that is serving China's increasing demands for clean technology.

Read the full case study at www.matthey.com/sustainability.

Effective Mobility

Improving mobility across countries and divisions is our third priority. Increased mobility benefits both the company and the individual. Employees gain breadth and depth of experience while the company benefits from their enhanced knowledge. We believe it will also improve collaboration across the group which is a key focus of our business strategy. We will be developing our suite of policies to better facilitate the movement of people and their families, including international assignments.

Developing Capabilities for the Long Term

The fourth priority is to identify and evolve the capabilities we will need to ensure we deliver our long term strategy. To meet future needs, we are undertaking strategic resource planning which will drive recruitment and development plans. Based on the group's ten year strategic plans, we are identifying critical skill requirements and working out proactive methods to close gaps.

Fair Reward for Sustained Performance

To make Johnson Matthey an employer of choice and support employee retention we must provide employees with fair rewards. This is the fifth priority of our HR strategy. In the past year we have started to review our pay and employment packages, starting with the pay scales for critical roles, to ensure that we remain competitive in the job market. Work is also underway to better communicate with employees on the full range of benefits we provide as well as the value of these benefits through providing information on their 'Total Reward'.

A Growing Workforce

In 2013/14, employee numbers increased by 8%, compared to a growth rate of 6% in 2012/13. The higher growth rate is the result of rising recruitment to meet the needs of our growing businesses and the acquisition of Formox in March 2013. The strongest growth was in Europe at 13%. In line with our culture of encouraging our people to build their careers with the company, we filled 26% of our roles internally.

CASE **STUDY**

→ Building a Sustainable Workforce in India

As our business expands, Johnson Matthey is committed to attracting and retaining the most talented people globally.

To help build a long term sustainable workforce our Indian businesses recently launched a number of initiatives. Undergraduates can join as an intern for two months working on stimulating and challenging projects.

We also launched a comprehensive graduate induction programme. Graduates are rotated between four sites, gaining experience of different divisions within the company. Buddies are assigned to each graduate to help them integrate into the business and our HR team supports them and their line managers in the transition from university to working life.

Our Leadership Development Programme develops leadership and business skills. Graduates learn about the business and receive training in key competencies. Project work and exposure to senior Johnson Matthey leaders form part of the programme. Participants are also matched with a mentor – a senior colleague – to assist their career development.

Attracting the most talented graduates from the best universities and investing in their career development gives our business a competitive edge as we continue to grow.

Read the full case study at www.matthey.com/sustainability.

Social continued

In return, we have a high level of employee commitment and loyalty. Voluntary staff turnover fell in 2013/14 to 5.6%, a decrease of 0.9% compared to 2012/13. The total employee turnover figure remained steady at 9%.

The tables below set out the average number of people, the net change in the number of people employed and employee turnover during 2013/14 by geographical region and by employment contract.

Employee turnover is calculated by reference to the total number of leavers during the year expressed as a percentage of the average number of people employed during the same period. The analysis does not include agency workers not directly employed by Johnson Matthey.

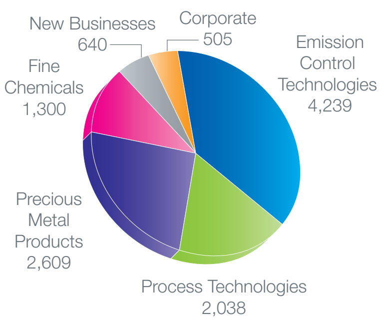
Average Number of People Employed
Average headcount 2013/14

	Permanent employees	Temporary contract employees	Total
Europe	5,777	335	6,112
North America	3,064	42	3,106
Asia	1,509	48	1,557
Rest of World	551	5	556
Total group	**10,901**	**430**	**11,331**

Annual Change in People Employed
Net change between average headcount 2012/13 and 2013/14

	Permanent employees	Temporary contract employees	Total net change
Europe	+593	+103	+696
North America	+106	-5	+101
Asia	+93	-11	+82
Rest of World	-50	+4	-46
Total group	**+742**	**+91**	**+833**

Total Employees by Division
Average headcount for 2013/14



Employee Turnover by Region
2013/14

	Total leavers	Employee turnover	Voluntary employee turnover
Europe	363	6.3%	4.5%
North America	290	9.5%	4.6%
Asia	244	16.2%	11.7%
Rest of World	79	14.3%	5.8%
Total group	**976**	**9.0%**	**5.6%**

The corporate sickness absence rate has remained steady. The average number of days lost per employee in 2013/14 through sickness absence was 5.3 days (2012/13 5.2 days). This represents 2.0% of lost time per employee in the working year (2012/13 2.2%). We continue to invest in sustainable health and wellness programmes to support the longer term health, wellbeing and performance of our employees. Many of our businesses have made arrangements for employees to have access to flu vaccinations, discounted rates at local gyms, stress awareness training and arranged other wellness initiatives.

Training and Development
Training and development remains attractive to employees, current and prospective. We place a strong emphasis on developing our talent globally and across our divisions and businesses.

Our success in developing our people is grounded in finding the right blend of learning on the job through engaging and challenging tasks, learning from colleagues through collaboration, coaching and mentoring, as well as formal learning through structured training, education and development programmes. We believe that it is the right combination of learning experiences that accelerates personal development, and we communicate this as the 70:20:10 approach (70% from experience, 20% from colleagues, 10% from formal learning).

Our divisions continue to provide tailored initiatives to meet their business needs, including graduate programmes, health and safety training, leadership skills, technical training and apprenticeships which Johnson Matthey strongly supports as a valuable route for cultivating new talent.

CASE STUDY

→ Vitality at Germiston

Each year our Germiston, South Africa site organises employee 'Wellness Days' including health screenings, fitness classes, HIV tests, onsite podiatrist, dietician and optometrist to promote wellbeing.

Employees are also challenged to take up exercise and eat a balanced diet. 75 people signed up and received guidance from a dietician and plenty of motivation. Employees also took part in the 'Big Walk', while regular Zumba classes were also on offer to participants.

Mandela Day falls on 18th July, when South Africans can volunteer 67 minutes of their time to commemorate the 67 years that Nelson Mandela spent fighting for social justice. In 2013, the site made education related donations and staff gave new school shoes and socks, second hand clothes and healthy snacks to local families. A presentation on bullying was given to senior pupils to educate them on its effects.

These activities help make Germiston an attractive place to work, forging long term links with the community and building a loyal and sustainable workforce.

Read the full case study at www.matthey.com/sustainability.

▪ Active breaks at our manufacturing plant in Redwitz, Germany.

▪ Collaborating at our chemicals manufacturing site in Shanghai, China.

We have continued to expand our employee development activities and resources globally. For example, we have introduced mentoring to support graduates as well as managers moving into new roles. In North America we have established new training processes, while across Europe we have increased the number of development programmes offered in order to meet increased demand.

We are in the process of developing a community of learning and development professionals across the world, with the aim of increasing collaboration between divisions and regions. We have started to see benefits from improved networking opportunities and relationships within this community, with best practices being shared and increasingly common themes underpinning our global activities. Going forward, we plan to develop some more common solutions, in particular in the area of accelerated development for high potential employees and talent / learning systems.

We aim to achieve greater consistency in our approach to developing our people so that their experience will be similar around the world – but with local programmes tailored to local business and cultural needs.

Over the past year employees attended an average of 3.3 training days, an increase of 0.6 days per employee on 2012/13.

We remain committed to developing our employees and offering them career opportunities and during 2013/14, 515 internal promotions were made, with 316 of these being moves between businesses. This represents 26% of all the appointments made in the year. In some areas, we have recruited people from the external market to bring in specific skills for example in IT and the supply chain function.

The following table sets out, on a total and on a per employee basis, the days of training and training spend during 2013/14. The average spend per employee has increased to £465. This does not include the cost of in house training or the cost of the employees' wages during training.

Training Days and Spend on Training
2013/14

	Total days / shifts training	Number of days / shifts training per employee	Spend per employee £
Europe	17,008	2.9	593
North America	8,828	2.9	276
Asia	5,202	3.4	351
Rest of World	4,503	8.2	494
Total group	**35,541**	**3.3**	**465**

CASE **STUDY**

→ Inspiring Female Scientists of the Future

Representatives of Johnson Matthey delivered workshops at the 2013 and 2014 fair for girls, Gloucester County College, New Jersey, USA. 'Colour, Candy and Chemistry' explored how colour chemistry plays a role in everyday life and outlined a few tricks used in food science, while 'Build a Boat' explored physics concepts such as buoyancy and the business behind building a profitable boat.

These events aim to encourage students to consider a career in the STEM subjects – science, technology, engineering and maths. The college has found that to encourage girls to take up a scientific or technical career they require motivation early in their education.

Through the creative and well designed workshops, girls understand the attraction, pervasiveness and sheer fun of science. With role models like those from Johnson Matthey they can imagine themselves as scientists making a valuable contribution to society.

Women are under represented in the chemical industry. By contributing, we can encourage gender diversity across the industry.

Read the full case study at www.matthey.com/sustainability.

Social continued

Diversity

At Johnson Matthey we practise equal opportunity and welcome diversity in all its forms. We recognise the value of diversity in the workplace – encouraging creativity, broader cultural understanding and access to a wider pool of talent – and have policies in place to guide our employment decisions.

We have taken, and continue to take, several steps to promote diversity, including gender diversity, both at senior management level and in the boardroom. Our policies and processes prevent bias in relation to recruitment and promotion, and we are working to implement other positive measures to actively promote diversity. These measures include requiring balanced shortlists when recruiting, ensuring diversity mix in company events and conferences, actively discussing diversity in succession planning and talent management, promoting industrial and scientific careers to women and developing family friendly and flexible employment policies. There are challenges to overcome but we are continuing to make good progress.

Gender diversity, in particular, is not always easy to implement. Women are under represented in the chemical industry, as they are in the technology and manufacturing sectors generally, which may originate from the lower popularity of science subjects at school amongst girls. Our answer is to reach out to them early – girls and boys – working with organisations such as STEMnet which promotes the 'STEM' subjects of science, technology, engineering and maths – and demonstrate that a career in a science related industry can be exciting and rewarding. Many of our activities among school students involve both boys and girls but some do specifically target girls on their own.

Gender Diversity Statistics

As at 31st March 2014

	Male	Female	% male	% female
Board	8	2	80%	20% (33% of non-executives)
Chief Executive's Committee	9[1]	1	90%	10%
Subsidiary directors	127[1]	16	89%	11%
Senior managers[2]	178	40	82%	18%
New recruits	1,021	377	73%	27%
Total group	8,736	2,820	76%	24%

[1] Includes four males who are also on the board.

[2] Senior managers who are also subsidiary directors are included in both categories.

Our policies on equal opportunity and diversity are shown on page 81 and on our website. The table above shows the gender breakdown of the group's employees as at 31st March 2014.

Engaging our People

Employee engagement is about making sure that our people feel involved in the company and committed to its goals. If we are to keep them engaged communication must be two way with a culture that encourages employee feedback. There are a number of two way communication processes in place across Johnson Matthey which utilise a wide range of channels.

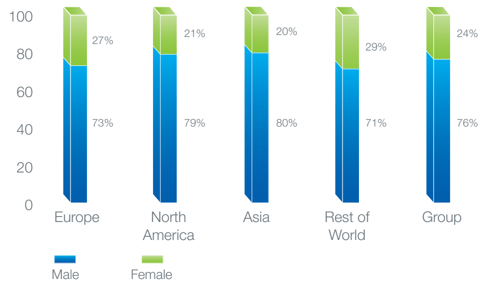
Our group wide intranet, 'myJM', now in its second year, is available to all employees. The platform was designed to promote networking between employees across the world and 70% of people with access to a computer are using the system to link up, share information and collaborate on projects. More than 980 project sites have been set up and many blogs have been used to share information across the group.

Accelerating collaboration is a key theme of both our business strategy and our approach to employee engagement. Alongside the launch of myJM, we introduced the 'Collaboration in Action' awards to recognise the best examples of collaborative working across the company. 103 entries were received, covering a diverse range of topics, countries and businesses. A shortlist of 24 entries split into eight categories was turned over to a group wide vote in April 2014.

We have a strong business strategy process in place. However, feedback from employees has suggested it is not as widely understood internally as we would like. In 2014/15 we aim to strengthen employee engagement and understanding around the group's strategy. As a global company it is important that employees connect with our strategic goals and we are launching a campaign to engage every employee, wherever they are, on what our strategy is, why it is important and how they contribute to it. We will also be doing more to embed our culture and values across the business. Through these efforts we hope to increase employee engagement, promote further collaboration, enhance customer focus and create value to support the future growth of our business.

Employee Gender by Region

%



An employee share ownership scheme gives staff a financial interest in the company and stimulates performance. Employees may participate in share ownership plans, where practicable, under which they can buy shares in Johnson Matthey which are matched by a company funded component. Employees in six countries are able to contribute to a company share ownership plan or a 401k approved savings investment plan. Through these ownership plans, Johnson Matthey's current and former employees collectively held 1.7% of the company's shares at 31st March 2014.

Johnson Matthey also provides pension plans for its employees worldwide. These pension plans are a combination of defined benefit and defined contribution pension arrangements, savings schemes and provident funds designed to provide retirement benefits, based on local laws and practices.

Our Manufacturing Excellence programme, which is improving efficiency and productivity, also has a strong employee engagement component, both through training courses and by encouraging employee contributions to manufacturing improvements. In 2013 we launched the Efficiency Recognition Programme, an internal benchmarking programme that is open to all our manufacturing sites. The programme is made up of three standards – Silver, Gold and Platinum – and recognises locations that achieve and sustain improving levels of efficiency.

Employee Relations

Johnson Matthey maintains good and constructive relations with all recognised trade unions which collectively represent 29% of all group employees worldwide (2012/13 31%). The following table shows the average number and percentage of Johnson Matthey's employees covered by collective bargaining arrangements and represented by trade unions by geographical region in 2013/14.

During 2013/14 some working time was lost within the group as a result of employee action. In January 2014, members of the United Steel Workers (USW) union, employed at the group's gold refining site in Brampton, Canada, embarked on 18 days of strike action in response to our three year wage offer, despite a unanimous recommendation from the union to accept the offer. Non-union employees kept the business running during the strike and after further talks (including mediation), USW members returned to work on 7th February 2014.

Our Emission Control Technologies site at Germiston, South Africa had a five week strike as a result of national wage bargaining in the country.

Trade Union Representation
Average headcount 2013/14

	Permanent employees	Represented	% represented
Europe	5,777	2,298	40%
North America	3,064	603	20%
Asia	1,509	16	1%
Rest of World	551	248	45%
Total group	**10,901**	**3,165**	**29%**

Stakeholder Engagement

Johnson Matthey has a wide network of stakeholders, including communities, customers, employees and their representatives, fund managers, governments, non-governmental organisations, national and international trade associations, shareholders and suppliers.

By engaging with our stakeholders, through consultation or collaboration, we are working with, and not against, the grain of these interest groups, as we make decisions on business development and explore ways of achieving common benefits.

We communicate with stakeholders on an ongoing basis and in a number of ways; these include our website, annual report, surveys, regular dialogue and meetings on specific topics.

We also continue to be actively involved with the key trade associations and industry organisations that are connected with our activities. This provides an effective way of understanding, shaping, participating and contributing to a range of discussion areas that are relevant to our stakeholders, and those of the broader industry and market sectors we operate in. During the year we have participated in a number of trade associations including the UK Chemical Industries Association, the Energy and Resources Institute, the Engineering Employers Federation, the Pgm Health Science Research Group, the International Platinum Group Metals Association and Eurometaux, the association servicing and representing the European non-ferrous metals industry. Neil Carson, our Chief Executive, co-chairs the UK's Chemistry Growth Partnership, a newly formed joint industry / UK government initiative to ensure growth, innovation and export in the UK chemical industry. Whilst much of our engagement in policy development is through trade associations, Johnson Matthey, from time to time, also engages with national and local government to inform the development of policy in areas where our technology or products can play an important role.

For further details on our stakeholder engagement activities, including a stakeholder map, visit our website at www.matthey.com/sustainability.

Shareholders are an important stakeholder group for us. We meet with all of our major shareholders regularly, as described in the Corporate Governance Report on page 94, and sustainability or corporate social responsibility matters may be discussed. A number of our investors are interested in ethical investment and manage socially responsible investment (SRI) funds. We provide these investors with the information they need through regular dialogue with specialists from their organisations and participation in key benchmarking studies (Carbon Disclosure Project, FTSE4Good, London Benchmarking Group). We are a member of the FTSE4Good Index.

Social continued

Communities are another major stakeholder group. They are our neighbours and are affected by how we operate. Our workforce is drawn mainly from local areas. We try to be a good corporate member of the community but from time to time we have to close a facility for business reasons and are aware of the consequent hardships that can arise.

In March 2014 we announced our decision to consult with employees about the closure of our sites at Cresswell and High Carr, UK, which manufacture ceramic colour products. The decision was a result of a trend towards less ornate tableware and a decline in demand for our colour products. Our distribution office in Hong Kong would also close. The consultation period has now ended and employees have accepted our decision to close the three sites. In these situations we set up a consultative committee with employee representatives from all parts of the business to explore the options of outplacement, retraining, redeployment and redundancy, doing everything possible to mitigate any hardship and the difficulty that employees with specialist skills may have in finding other employment.

In January 2014, our new contract with one of our suppliers of platinum group metals, Anglo Platinum, began. This has affected our Precious Metal Products Division where our marketing team now needs fewer personnel and has been restructured. Again, we worked to ensure that the employees affected have the right support in the form of outplacement help, training or redeployment within Johnson Matthey. In the event, two employees took voluntary redundancy, two resigned and ten moved within the company.

As we continue to plan long term for sustainability in our business we are developing more systematic ways to better understand what issues are most material to us and more effectively engage with our stakeholders to help inform this. Further details on our work to define material issues are given in the Sustainability and Governance section on pages 77 and 78.

Community Investment

We have a strong tradition of getting involved with our communities and work hard to build good community relations, with our employees taking part in local programmes.

This contributes powerfully to our goals for social sustainability. 'Social' is one of the five elements of our Sustainability 2017 strategy for building a sustainable business and we believe that investing in our communities is an integral part of that social commitment.

We are investing in our communities:

- To demonstrate our commitment to being a responsible business that provides value beyond our products.
- To make a positive impact in the communities in which we operate.
- To create goodwill and enhance our reputation within our local communities.
- To build our profile as an employer of choice.

As a responsible business we have an important contribution to make to the economic development of our local communities. This can take the form of being a good employer, collaboration with our local communities and neighbours, and investment in the community by giving financial help, providing employee time or making in kind donations.

Most of our sites participate in activities in their communities – giving to local charities and supporting educational projects, as well getting involved in projects to advance science or stimulate economic regeneration. Many also allocate a budget to community investment activities.

Our employees also participate in community activities outside work. Our Community Investment Policy allows all employees two days' paid leave per year for community or charity work, subject to the approval of their manager.

CASE **STUDY**

→ Charity Begins at Home

UK employees donated Christmas gifts and food hampers to 43 families needing support in Royston and the surrounding villages as part of a scheme set up with the local branch of the charity, Home-Start.

Home-Start is a national charity that helps families with young children who are struggling to cope.

The families are experiencing a range of problems such as domestic violence, isolation, post-natal depression, drug dependency and coping with children who have a long term illness or disability.

This campaign gave Johnson Matthey's employees at Royston a fantastic opportunity to give back to their local community while strengthening community relations and, most importantly, helping families in difficult situations have a more enjoyable Christmas.

Read the full case study at www.matthey.com/sustainability.

▪ Charity fundraising at our Edinburgh, UK site.

▪ Local school children on a visit to Royston, UK.

Employees are encouraged to take the opportunity to make a difference to their local area. We are developing processes to collect data on our employees' volunteering efforts to enable us to track our progress.

The communities in which we operate face a wide range of problems and priorities, as they are located in different countries with different needs. We try to ensure that our operations have the resources and support to identify the projects, initiatives and partnerships that can make a real difference in their communities and that mean something to employees and their families. We also aim to support the future growth of our business through the promotion of science education among young people – the flagship theme of our Community Investment Policy.

Johnson Matthey is a member of the London Benchmarking Group (LBG), a global network of companies that share and drive best practice in corporate community investment.

Charitable Donations

Across the globe, Johnson Matthey's sites lend support to many charities locally and nationally through donations, employee time or the loan of company facilities. Examples of these are summarised as case studies in this report with full details and further examples on our website.

Read more online at www.matthey.com/sustainability.

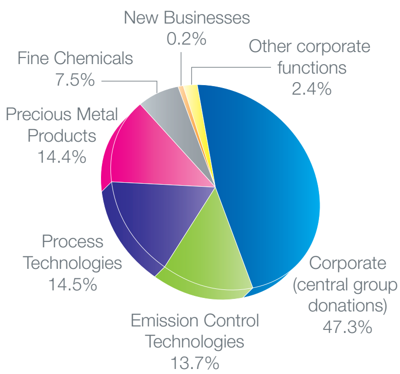
In 2013/14 the company donated £626,000 to charitable organisations, 2% more than last year. This figure only includes donations made by Johnson Matthey and does not include payroll giving, donations made by staff or employee time. The company made no political donations in the year.

At a group level, Johnson Matthey operates a charitable donations programme which represented 47% (£296,000) of total donations in 2013/14. This programme supports organisations working in the areas of environment and sustainability, medical and health, science and education, social welfare and international development.

Our two year partnership with CLIC Sargent ran throughout 2013/14 and came to an end in March 2014. CLIC Sargent is the UK's leading cancer charity for children, young people and their families and throughout the two years our employees, together with a donation from the company, raised £75,000. Our new charity partnership began on 1st April 2014 and this year we took a new approach to selecting which charity to support. We conducted an employee wide vote on the group's networking site, myJM. With 63% of the vote, cancer research was clearly the cause that employees empathise most with. Consequently, from 1st April 2014 to 31st March 2016 we are partnering with Cancer Research UK with our non-UK sites being encouraged to support their national cancer research charities.

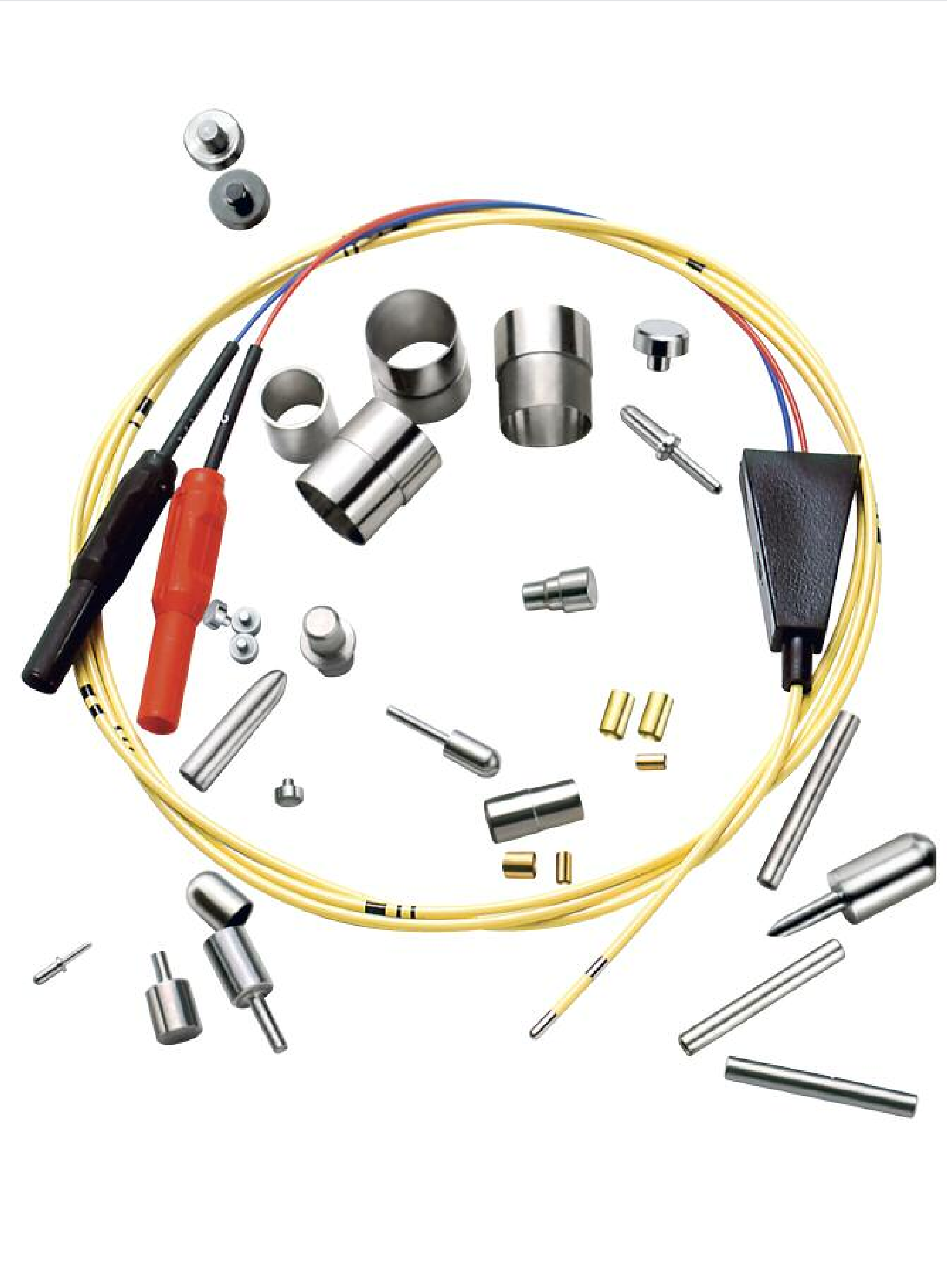
As well as a charitable budget, we also offer matched funding for employees' fundraising. The company will match employees' fundraising in aid of a registered charity. Matching is provided from central group funds up to £1,000 per employee per year, subject to a cap of £50,000 per annum for the group as a whole. During the year, £36,000 in matched contributions were made in relation to 36 employees and 12 employee teams in three countries.

Charitable Donations 2013/14



SUSTAINABLE TECHNOLOGIES

for today and for the future



4. HEALTH AND SAFETY

CASE STUDY

Micromachined Components for Medical Device Applications

Advancements in the use of cardiovascular and minimally invasive surgical devices have transformed the world of medicine. Precision components manufactured by Johnson Matthey are used in a variety of medical device applications ranging from the treatment of heart disorders and stroke therapy to orthopaedic trauma cases.

Abnormalities of the heart's rhythm are common and can be detected and / or treated using a number of techniques which use medical devices containing our precision components. One example is the tiny platinum electrodes we make and which are used in pacemakers – an implantable unit that remains in the body and controls irregular heart rhythms.

Arrhythmias are often caused by abnormal conduction of electricity within the heart. One common type of arrhythmia is called atrial fibrillation where parts of the heart cannot contract in an organised pattern. Electrophysiology treatments have emerged where surgeons can diagnose and repair these heart rhythm problems using a catheter that contains small Johnson Matthey-made electrodes that help restore normal heart rhythm. During the procedure, devices containing our high precision platinum alloy components deliver an energy burst which heats and destroys small areas of heart tissue which cause the rhythm disorder.

The components we manufacture for this application are incredibly small – typically less than 2mm diameter. They are also highly specialised and have features which perform crucial functions during the procedure. The alloy material is suitably conductive to deliver the energy to the area where it is needed. In addition, some electrodes are designed with multiple microscopic size holes which help measure and control the level of heat the surgeon applies from the catheter to the treatment area.

Cardiovascular and minimally invasive surgical procedures offer many benefits – they reduce risk and trauma, as well as cost, time and the need for aftercare. As people live longer and have increasingly unhealthy lifestyles, the use of this type of surgery looks set to grow. High precision precious metal components from Johnson Matthey are an integral part of many medical devices and, every day, our products help bring quality of life benefits for people around the world.

Contents

Health and Safety

Performance Summary

	2014	2013	% change
Incidence of greater than three day accidents per 1,000 employees	**2.68**	2.98[1]	-10
Total number of accidents that resulted in lost time	**68**	54[1]	+26
Total accident rate per 1,000 employees	**6.09**	5.37[1]	+13
Total lost time accident incident rate per 100,000 hours worked	**0.31**	0.27[1]	+15
Total number of accident days lost per 1,000 employees	**122**	147[1]	-17
Incidence of occupational illness cases per 1,000 employees	**2.2**	2.7	-19

[1] Restated due to four lost time accidents that occurred in 2012/13 but that were not declared as having resulted in lost time until after the 2012/13 year end.

JOHNSON MATTHEY IS COMMITTED TO MINIMISING THE HEALTH AND SAFETY RELATED IMPACTS for employees, customers, communities and other stakeholders arising from our operations and from the use of our products.

Many of our products and services make a contribution to enhancing general health and wellbeing or provide safety benefits. We manufacture a range of products used in medical applications. These include opiate based active pharmaceutical ingredients (APIs) for pain relief, such as morphine and codeine, platinum based anticancer compounds for chemotherapy treatments, other controlled substance APIs, components used in medical devices which are used to assist with surgery or treat long term medical conditions and Bitrex®, the world's bitterest substance, which is added to household cleaning products to prevent accidental swallowing by children. Our emission control catalysts, which are used to reduce harmful emissions from vehicles and industrial processes, have a major impact on air quality for millions of people around the world.

Targets to improve health and safety performance are a key part of our Sustainability 2017 programme. The group aims to achieve zero greater than three day lost time accidents and zero cases of occupational illness. In order to meet these aspirations, long term health and safety improvement plans and performance indicators have been established.

Read more on Sustainability 2017 at www.matthey.com/sustainability.

Read more on our progress towards Sustainability 2017 on the inner front cover of this report.

Read more on the health and safety benefits of our products at www.matthey.com/sustainability/products.

Managing Performance and Driving Continuous Improvement

Johnson Matthey is primarily a manufacturing business and a significant proportion of our employees work in production environments with chemicals and process machinery. We apply rigorous policies, systems and processes across all our facilities to monitor and manage health and safety performance and to drive continuous improvement.

Read more in the Governance section on pages 80 and 81.

Read full details of our policies and strategies to manage and drive performance at www.matthey.com/sustainability.

Proactively managing health and safety delivers value for our business in many ways. It can assist in the avoidance or reduction of liability claims, potential legal exposure, concerns over the cost of insurance premiums and external pressures from insurance companies. In addition, it helps to support maintenance of the group's corporate reputation, the expectations of its customers and in meeting government targets. Most importantly it supports our ethical obligations to our employees and other stakeholders and, when effectively managed, can have a positive impact on staff morale, attendance, recruitment and retention and on our productivity, efficiency and quality of service.

Health Performance

During the year we continued to develop our corporate and facility health programmes and have made further good progress towards our long term health improvement goals.

Some 87% of our facilities around the world reported that they had complied with the requirement to conduct an annual sustainable health review and improvement planning process in 2013/14, broadly the same proportion as last year.

All sites completed their health scorecard review during the year. We use a health scorecard system to rate the level of implementation of preventative programmes against our corporate standards. It includes 14 key elements of health programmes that align with our most significant health risks. We saw an increase in the proportion of sites achieving a best practice level of performance for seven of the 14 programme elements. Improvements were seen in scores in the areas of chemical exposure management and ergonomics, both of which were important action areas identified last year.

In 2013/14 we achieved a further reduction in the annual incidence of employee occupational illness cases. The incidence of employee cases reduced from 2.7 cases per 1,000 employees in 2012/13 to 2.2 in 2013/14. This represents a 19% improvement over last year and is a significant step towards our overall target of zero occupational illnesses.

There were two cases of occupational illness affecting contractors working at our sites reported during the year. This is an annual incidence of 1.7 cases per 1,000 contractors.

Supporting Health Performance Improvement
A rolling programme of health management reviews supports our sites in the development and implementation of effective programmes. Performance indicators are used to determine the frequency and type of reviews. In 2013/14 health management reviews at three facilities were conducted by the Director of Group Health and, during these reviews, self assessment of the heath scorecards from those facilities was validated. In future these reviews will be carried out by the recently appointed Occupational Health and Policy Director and will be conducted at the same time as our sites' environment, health and safety (EHS) audits.

The group's Manufacturing Excellence programme, which focuses on improving the performance of our manufacturing operations, further supports the health management initiatives we already have in place. During the year, a seminar on the topic of chemical exposure management was held in the UK. We also completed the global roll out of our ergonomic improvement project.

Johnson Matthey has comprehensive programmes in place to prevent, identify and manage all types of occupational illness conditions at every facility. These include chemical related, musculoskeletal, mental health and physical agent related illnesses (noise and hand-arm vibration). The elements of these programmes are summarised in the table below (based on guidance provided in the Global Reporting Initiative reporting guidelines).

Occupational Illness Assistance Programmes

Programme recipients	Education / training	Counselling	Prevention / risk control	Treatment
Workers	Yes	Yes	Yes	Yes
Workers' families	n/a	n/a	n/a	n/a
Community members	n/a	n/a	n/a	n/a

CASE **STUDY**

Panki Site Promotes Health and Safety

Johnson Matthey has set Sustainability 2017 targets of zero greater than three day accidents and zero occupational illness cases.

Our Process Technologies manufacturing site at Panki, India runs training and awareness activities throughout the year and in September 2013 introduced a new mandatory module, 'Know Your Safety', with refresher courses taking place annually.

'Know your Safety' raises awareness of current safety measures and explores what can be achieved through a 'personal level risk assessment' approach. Seven training sessions have been completed to date, covering 70% of the Panki workforce.

Panki's occupational health function has further improved its services by opening a dedicated centre on site. The centre has audiometry and spirometry facilities (to test hearing and the lungs), Chester Step testing (fitness and heart rate), an ECG unit (recording heart rhythms) and other essential equipment. The centre also offers support on manual handling techniques, industrial hygiene, healthy eating, stress management and mental wellbeing. Staff health camps are held once a year too.

Read the full case study at www.matthey.com/sustainability.

Looking Ahead to 2014/15
Over the next year we will continue to engage with management teams and employees at our sites to drive further improvement towards our zero occupational illness target.

Facilities will be encouraged to review their health scorecard ratings and identify the actions needed to achieve best practice level scores for each programme element. This will be matched by an increased level of auditing. At a group level, we will review all existing health policies and guidance to ensure they remain relevant and pragmatic. Illness categorisation will be reviewed to ensure appropriate occupational illnesses are being reported and we will establish a global network of occupational physicians to improve consistency and provide support to local physicians and our own EHS practitioners.

As we continue to develop our EHS culture programme we will focus on reinforcing and enhancing effective health leadership behaviours and work practices and will revitalise our health review programme, drawing on good practice from our existing group EHS audit process.

Health and Safety continued

Safety Performance

We actively and continuously monitor all accidents and safety related incidents and detailed statistics are prepared on a monthly basis. Our sites also report the total number of EHS learning events reported each month.

These statistics are disseminated across the group and reviewed monthly by the Chief Executive's Committee and the board. All accidents are thoroughly investigated to find out root causes and take corrective action.

Our performance summary of accidents is shown in the table on page 62 and five year performance is given in the graphs below. Accident statistics from 2012/13 have been restated to take into account four lost time accidents that occurred during 2012/13 but were not declared as having resulted in lost time until after the year end. Details of our methodology for calculating accident statistics is described on page 184.

Our safety performance in the year was mixed. Our greater than three lost time day accidents rate (measured per 1,000 employees) improved from 2.98 in 2012/13 to 2.68 this year. There were 30 greater than three day lost time accidents, the same as in 2012/13, but employee numbers this year are higher, thus resulting in the decreased accident rate.

However, the total number of accidents across the group during the year is higher at 68 (2012/13 54). Whilst the number of greater than three day accidents was unchanged, we have seen an increase in the number of lost time accidents that result in just a few days' lost time.

Any accident is unacceptable and our Sustainability 2017 aspiration is to achieve zero greater than three day accidents. In working to meet this zero accidents target, we track the number of hours we work between two consecutive lost time accidents, i.e. the period in which we achieve zero accidents. During 2013/14 we achieved 37 days between two lost time accidents, compared with our best ever of 78 days during 2011/12. Some 74% of our reporting sites achieved zero greater than three day accidents in the year and 64% had an accident free year. These great efforts at some of our sites clearly demonstrates that our zero accident aspirations are achievable; the key is to find sustainable ways to maximise our zero accidents periods.

We have a learning events system in place to identify and learn from near miss events that could result in a health, safety or environmental incident. We are working hard to embed a culture of learning from these near misses.

Contractor Safety

The health, safety and wellbeing of contractors who are working on our sites are of equal importance to those of our employees and the group has safety performance metrics specifically for contractors, similar to those for our employees. These temporary workers are typically engaged to cover periods of long term sickness absence, maternity leave or to manage seasonal variations in workload.

This year we reported nine lost time accidents for contractors (2012/13 nine). Of the nine, five were greater than three day accidents (2012/13 six). This is good progress, as hours worked by contractors this year increased by 17%. This gives an annual total lost time frequency rate of 0.26 accidents per 100,000 hours worked per year (2012/13 0.31 accidents per 100,000 hours worked per year).

Embedding a Health and Safety Culture

During the year we have continued to focus on improving health and safety performance and building the right culture to support this throughout the organisation. We undertook a number of key activities in 2013/14 in the areas of assurance, our EHS culture programme and risk management.

Assurance – under our EHS assurance programme (which is described further on pages 80 and 81), we completed 25 full assurance audits and 23 audit action reviews during the year. All the reports were reviewed by the Chief Executive's Committee and audit actions were tracked by the CSR Compliance Committee.

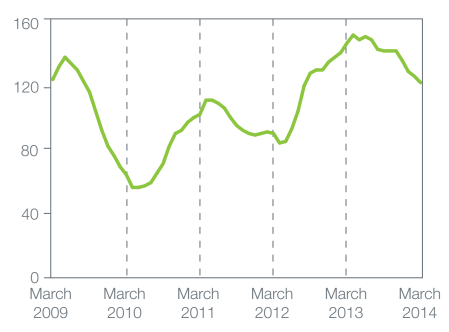
We also conducted two externally assisted compliance audits at selected sites to gauge consistency with legal requirements and with the operating permits and licences they have in place to allow them to manufacture in their particular territory.

Annual Accident Rate

per 1,000 employees

Annual Accident Days Lost

per 1,000 employees



▪ Safety checks at our autocatalyst testing centre in Royston, UK.

▪ Emission control catalyst manufacturing in Smithfield, USA.

We are planning to introduce a system of 'guest auditing', bringing in employees from outside the audit function. As a first step, we have identified 20 key personnel who will be trained for the task by internal and external trainers. The benefits of guest auditing flow both ways: the employees learn more about our central EHS auditing practices while contributing their specialist knowledge of local hazards on their own sites.

'Our EHS culture' – building a culture that is consistently high across the group is an important part of our health and safety work. EHS culture facilitators have been trained in Europe, the US and India and we will complete training in Korea and China during June 2014. Our group EHS policy and guidance will then be amended to include the EHS culture programme.

Health and safety risk management – we published our new group EHS policy and guidance on ergonomics, which forms part of the group EHS management system. We ran three day training programmes in the EU, North America and China to train local staff in how to implement our ergonomic programme toolkit.

We also continued our seminars on how to manage fire risk, one of the most significant health and safety risks across Johnson Matthey, with a focus on platinum group metal (pgm) related fires and pressurised gas safety. During the seminars, attendees examine the systems in place at each facility to prevent, control and mitigate these types of fires and explosions. Over the year, seminars were held in North America and India and the programme will be completed in China in June 2014. In addition, we continued our process risk management programmes, with one audit completed in the UK and one planned and scheduled to take place in the US in June 2014.

Looking Ahead to 2014/15

After a couple of years where performance, in particular safety performance, has plateaued, 2014/15 will mark a reinvigoration in our approach. A variety of work programmes are planned or underway to stimulate further progress, reduce accident and incident rates and align ourselves better with global best practice. In 2014/15 we will focus on enhancing leadership in health and safety across Johnson Matthey and we will continue to build on the behavioural based safety programmes we already have in place. We are assessing our current health and safety metrics with a view to revising and updating them in order to drive performance improvement and provide benchmarking opportunities.

We are introducing a new format for our monthly performance report to provide more focus on our key EHS issues. In addition, we are revising our EHS assurance programme to provide a more comprehensive and rigorous scope in line with how our sites operate, that incorporates new metrics and that focuses more on continuous improvement.

Product Stewardship

The products that leave our sites are only part way through their life cycle. They go on to become part of another product or material which will be used and then disposed of or recycled. All products, not least those with a chemical content, have a potential impact on health and the environment.

Product stewardship is about taking responsibility for the content of a product over its life cycle so that it will not go on to have an adverse impact on the environment or on anyone in contact with the product.

At Johnson Matthey we are committed to responsible management of the chemicals we use and produce. We have created product stewardship systems to ensure the sound management of chemicals throughout their life cycle, and in this we follow a global framework introduced by the Strategic Approach to International Chemicals Management (SAICM) to promote chemical safety around the world.

We carry out rigorous evaluations of our products, both new and existing, assessing any risks associated with product use and determining risk management measures and mechanisms which we communicate to those outside the company. We work in cooperation with industry partners and customers, regulators and non-governmental organisations to strengthen confidence in our products.

Our businesses have management systems to assess the health and safety impacts of products across their life cycle, from product concept and R&D, through manufacturing, distribution, the use phase, to end of life or reuse.

Read more about product stewardship at Johnson Matthey, including our policy on animal testing, at www.matthey.com/sustainability.

Performance in 2013/14 and Strategic Priorities

Johnson Matthey use a systematic product responsibility reporting scheme (conforming to the Global Reporting Initiative Sustainability Reporting Guidelines, G3.1) to monitor the performance of our operations and maintain surveillance of the company's products and services. In 2013/14, there were no notifications of significant end user health effects involving our products and no major incidents or environmental releases during our product distribution were recorded. No product recalls occurred for safety reasons.

Health and Safety continued

During the year we have made good progress in improving our strategic product stewardship systems and performance.

We have continued to encourage the responsible management of substances throughout the supply chain. As part of our ongoing work on product risk assessments, we have evaluated exposure scenarios for our core product areas including our major pgm and base metal catalysts and a number of our APIs. Over the past five years we have committed substantial funding and resources to the Pgm Health Science Research Group, in a project covering pgms in the environment and workplace. The project is now yielding significant new data beneficial to preventing occupational illness amongst workers in the sector and on the fate and behaviour of pgms in the environment.

CASE **STUDY**

→ Managing Substances of Concern

One Path to Greener Chemistry

Across all industries, chemical substances are becoming increasingly regulated in Europe and North America. Chemical controls are rapidly becoming much more stringent in Asia too. Some substances are classed as hazardous and, within that category, those that present more significant hazards may be deemed 'substances of concern' where further control is considered. Although very few of Johnson Matthey's products contain substances of concern, we place considerable emphasis on how we evaluate and manage these substances. This is also a matter of interest to regulators and to all our stakeholders, including our customers, our shareholders and other groups. They need to know that we are active stewards of our products, taking responsibility for identifying hazards and managing the risks over the product life cycle and for the long term.

So how does Johnson Matthey react to potential future requirements and recommendations in relation to substances of concern, including considerations for phasing them out? Firstly, we always comply with our legal obligations. Beyond this we have policies and procedures in place to ensure we operate to the same standards in all countries.

Secondly, we distinguish between hazard and risk, placing most emphasis on risk. A substance may be intrinsically hazardous but when it is produced under strict operating practices in a regulated plant, the risk may be very low indeed. One example where we place a particular focus on risk is that of a chemical intermediate which is a substance of concern but is rigorously contained and then transformed to another chemical. In this case, the actual risk is acceptably low.

Thirdly, as detailed in our policies, when we introduce new products we start by selecting the safest substances. In the words of our new product introduction policy, we promote "the selection and development of inherently sustainable chemistry". We also review the chemical content of existing products to see if there are safer alternatives to the substances we currently use.

Regulations on chemicals are subject to change and we must not be caught unaware. Equally, knowledge of chemical hazards is constantly expanding. To keep up to date with evolving scientific knowledge and regulatory change we have set up tracking IT systems that allow us to maintain our global horizon scanning.

When we assess the risk associated with a substance we consider a number of things: the hazard it presents; the controls in place throughout its life cycle and at its end of life; its potential application (which can range from use under carefully controlled conditions to wide dispersive uses where it comes into contact with many people and / or is dispersed into the environment); and the economics and feasibility of substitution.

It is a fine balancing act. For some substances of concern, such as nickel oxide in well established catalyst applications, substitution could only be done at huge cost or is simply not viable, given the socioeconomic impacts which would result from their use. We must also take our stakeholders, including our customers, with us, working closely with them during our product development. Market drivers are important too; in one example when we have developed a heavy metal free catalyst for use in polyurethane manufacture, the product did not become accepted in the marketplace.

But overall we have a positive record on substitution. When we removed cadmium from our brazing alloys – brazing is a metal joining process – we ran a communications campaign with customers and distributors, which included a 'Cancel the Cadmium' brochure, explaining the health and safety risks of cadmium. Although the reformulated product contained more silver and was more expensive, we took the market with us and succeeded, assuming a leadership position ahead of subsequent regulation.

We have a strong interest in green chemistry. For example, recently we have phased out a lead compound pigment which is designated a substance of very high concern. We are also very close to completing the voluntary phase out of phthalate esters from one of our product lines.

Our commitment to sustainability is inspiring us to find better materials and better technology solutions. Externally, we have a good track record in communicating with customers and stakeholders. Internally, we have strong expertise in advanced materials together with well tried systems of product stewardship and risk assessment in place. The EU list of substances of very high concern is expected to increase dramatically in the coming years and the bar will be raised. We are well placed to develop the materials and the chemistry required to meet higher regulatory standards in a market that needs our products. At the same time, our corporate reputation benefits from our efforts to use the safest feasible substances.

▪ Our Shanghai, China facility for platinum group metal chemicals manufacturing.

▪ Active pharmaceutical ingredient manufacturing.

This information will be shared with external stakeholders and also published in research journals.

Work has also continued to promote systems in our businesses covering all aspects of product sustainability, such as chemical regulation, management of restricted substances and encouraging the use of green chemistry (a type of product design and production that minimises the use of hazardous substances). During the year we brought in an additional member to the group's product stewardship function which has allowed us to put more resources into these activities. We have also instigated a new monitoring and alerting system for our businesses to enable them to better monitor chemical substances considered to be of concern because of their intrinsic hazard.

We remain committed to improving publicly available information on the safe use of chemicals and explanation of their effects on health and the environment. This is part of a broader drive within the chemical industry to be transparent. For example, one valuable industry wide initiative is the Global Product Strategy open database which provides summaries of safety information on chemicals expressed in language that non-scientists can understand. During the year we started to upload product safety summaries to the database. We plan to expand the number of these easy to understand summaries in the future and to keep them updated as new hazard and risk assessments are done on Johnson Matthey's products.

We have also continued to support our businesses as they work towards developing a minimum standard set of EHS data for all bulk products marketed at lower production volumes (i.e. approaching 1 tonne per annum). This is a long term goal aligned with our voluntary commitment to the International Council of Chemical Associations (ICCA) Responsible Care® programme.

Looking Ahead to 2014/15

We plan to upgrade the consultancy service on toxicology and product stewardship that we offer our businesses as they develop new products and technology platforms. We also plan to commit further effort to harmonising chemical classification across the business.

We will be making further improvements to our workplace chemical exposure management programmes and will continue to contribute to industry efforts to develop guidelines on occupational hazard and safety management information for products such as platinum group metals.

Regulatory Matters

Chemical Control Regulations

The EU Regulation on the registration of chemicals – the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) – requires companies dealing with these substances to register them with the European Chemicals Agency. In accordance with the phased implementation of REACH, Johnson Matthey successfully completed all its medium tonnage substance registrations during 2013/14.

Our businesses have submitted a total of 36 new or updated substance dossiers. The programmes to support the final raft of substance registrations (with a 2018 deadline) are making good progress. Thanks to a number of factors, including the efficiency of the industry consortia with whom we have collaborated and the rationalisation of testing programmes, our corporate expenditure committed to the support of REACH programmes was approximately 30% less than originally envisaged.

The Asia Pacific region has seen an upsurge of new or amended chemical control regimes similar to REACH in the UK, notably in China and South Korea.

We have committed further effort to an impact analysis of these regulations and to developing compliance strategies which will enable us to redeploy data sets that we have already developed for our products.

Under the Globally Harmonised System of Classification and Labelling of Chemicals (GHS), recently implemented in the US as the Hazard Communication Standard (HCS) 2012, new chemical information standards are imposed on all companies. To meet this safety regulation, our US sites have completed the mandatory workforce retraining and other facility related requirements on schedule. We are now close to fulfilling HCS product related requirements against the mid 2015 deadline and also anticipate that we will complete our GHS responsibilities in Canada within a similar timescale.

SUSTAINABLE TECHNOLOGIES

for today and for the future

5. ENVIRONMENT

CASE STUDY

The Right Solution for Water Purification

Growth through new businesses is an important element of our strategy. Our focus is on areas that are adjacent to our existing activities and that fit well with our technology competences. Our market led approach combines organic development with targeted acquisitions, where appropriate, to generate the next material growth engines for the group.

Water purification for industrial applications is one of our new business areas. To complement our R&D programmes we have recently acquired new advanced ion exchange technology to strengthen our position in the market and inform our in house developments.

We are especially targeting the mining and chemicals industry where complex problems exist today. Our water technologies team is working closely with customers on new processes from our applications centres in the US, China and Europe. In one example we are working with a major Chinese nickel producer that generates silver as a byproduct of its nickel mining operations. This silver is then refined electrochemically in a liquid phase process to finally produce silver ingots. The customer was experiencing process inefficiencies and effluent issues as some contaminants in its liquid phase were affecting the final quality of the silver product. Using our advanced ion exchange technologies, the customer is now able to selectively remove the contaminants, solving both its quality and effluent issues. Furthermore, our materials can be washed and reused, making them an efficient option that minimises natural resource use.

With strong legislative and environmental drivers to improve water quality, there is demand for more effective solutions for water purification. At Johnson Matthey we are applying our expertise in advanced materials to develop a new generation of sustainable technologies to tackle problematic pollutants in water.

Contents

Environment

Performance Summary

		2014	2013	% change
Energy consumption	thousands GJ	**4,915**	4,648	+6
Total global warming potential	thousand tonnes CO_2 equivalent	**444**	413	+7
Total acid gas emissions	tonnes SO_2 equivalent	**405**	334	+21
Total VOC emissions	tonnes	**209**	186	+12
Total waste	tonnes	**121,594**	110,448	+10
Total waste to landfill	tonnes	**3,819**	3,218	+19
Water consumption	thousands m^3	**2,564**	2,444	+5

JOHNSON MATTHEY 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.

A major part of our business involves applying our scientific knowledge and expertise to turn natural resources into value adding sustainable technologies for our customers. As a result, many of our products, including emission control catalysts for vehicles and process catalysts that improve resource efficiency, have a positive impact on the environment. A significant proportion of our R&D efforts are directed towards developing the next generation of environmentally beneficial products.

Given that we operate in a world where increased demand for key resources and critical raw materials can expose the group to the risk of price volatility or resource availability, we also aim to apply our technical expertise to mitigate these risks. Our efforts are threefold: we develop products which deliver the same performance but with less critical raw material content (such as thrifting rare earth materials from our emission control catalysts and refinery additives); we develop products that can be manufactured via a less resource intense route (such as our compact catalysed soot filter product for diesel cars); or we develop products that enable our customers to lower their environmental footprint (for example our process catalysts).

In addition, our Sustainability 2017 and Manufacturing Excellence programmes both focus on increasing resource efficiency, generating cost savings for our business today and helping to conserve resources for the future.

Read more on the environmental benefits of our products at www.matthey.com/sustainability/products.

Improving Our Processes, Products and Performance

Targets to improve environmental performance are a key part of our Sustainability 2017 programme. The group aims to cut its carbon intensity by half, achieve zero waste to landfill and halve the key resources per unit of output consumed (compared with baseline data from 2007) by 2017. We have identified natural gas, electricity and water as our most significant resources in the current and future context of availability (including accessibility, geopolitical factors and infrastructure), cost and quantities used. In order to meet these aspirations, long term environmental improvement plans and performance indicators have been established.

Read more on Sustainability 2017 at www.matthey.com/sustainability.

Read more on our progress towards Sustainability 2017 on the inner front cover of this report.

Each of our businesses sets internal reduction targets which are formally reviewed as part of the annual budget process to ensure alignment of their Sustainability 2017 and Manufacturing Excellence programme efforts and their contribution towards the group's goals. In addition to process improvement efforts, efficiency and longevity of equipment are considered in purchasing decisions and for large capital expenditure projects.

At group level, we have well established policies, systems and processes in place to manage environmental performance and to drive continuous improvement. All our major manufacturing sites are required to maintain certification to the ISO 14001 environmental management system as a means of setting, maintaining and improving standards. The group also requires new or acquired sites to achieve ISO 14001 certification within two years of beneficial operation or acquisition. Following the acquisition of Johnson Matthey Battery Systems (formerly Axeon) and Formox in 2012/13, work is underway to implement the standard at their major manufacturing sites.

During the year we introduced an enhanced reporting system for environmental data. We also worked to further specify definitions used in our annual data collection processes which resulted in the creation of a 'data dictionary' which was distributed to all sites. Together these will provide greater consistency and clarity of reporting across our global operations.

Read more in the Governance section on pages 80 and 81.

Read full details of our policies and strategies to manage and drive performance at www.matthey.com/sustainability.

Environmental Performance

Johnson Matthey undertakes a comprehensive annual review of group environmental performance which covers all manufacturing and research and development facilities. Data is presented for a five year period for ten environmental indicators on page 183 of this report. Year on year performance is highlighted in the sections below.

The group recorded increases across all ten indicators this year and, unless otherwise stated, this was mainly as a result of higher production levels and also due to a full year's contribution from the two businesses acquired in 2012/13.

Johnson Matthey's sales excluding precious metals (sales) grew by 11% in the year; energy consumption, total global warming potential (GWP), total waste and water consumption reduced relative to the rate of growth of the group's sales, demonstrating the positive impact of our efforts through our Sustainability 2017 and Manufacturing Excellence programmes.

There were no significant fines and no non-monetary sanctions for non-compliance with environmental laws and regulations in the year.

Energy Consumption

The group's total energy consumption increased by 6% to 4,915 thousand GJ but decreased by 5% relative to sales. Of the energy consumed in 2013/14, 63% arose from direct sources (i.e. various fuels and natural gas combusted by the group) and 37% from consumed electricity generated by a supplier.

Global Warming Potential

We report greenhouse gas emissions from process and energy use and convert the total group energy use to tonnes of carbon dioxide (CO_2) equivalent using national and regional conversion factors for each emission source as appropriate. The group's total GWP is based on the following (as defined by the greenhouse gas protocol www.ghgprotocol.org):

- Scope 1 emissions (generated by the direct burning of fuel, predominantly natural gas).
- Scope 2 emissions (generated from grid electricity and steam use at our facilities).
- Scope 3 emissions from the losses associated with transmission and distribution of electricity.

In 2013/14 the group's total GWP increased by 7% to 444 thousand tonnes CO_2 equivalent but decreased by 3% relative to sales. The breakdown of the group's total GWP is shown in the table on page 72.

CASE **STUDY**

→ Benefits of Combined Heat and Power at Redwitz, Germany

When Johnson Matthey's heating system at its Redwitz site needed replacing, thoughts turned to more efficient and sustainable combined heat and power (CHP) systems.

As electricity is generated in a CHP plant, waste heat produced by the system is captured and channelled into a heating system. Energy losses are modest compared to conventional methods of generation and energy produced is used locally.

Energy prices have been rising in Germany and consumption is subject to various taxes – this provided an additional incentive.

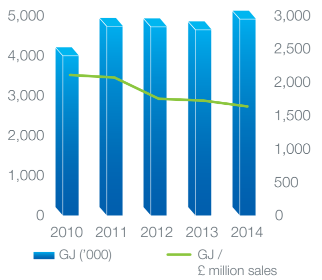
To test the waters, a small CHP unit was installed. This allowed the team to understand the functionality and handling of the system. The next step will be to monitor and assess the benefits and consider recommending a larger installation covering the whole site.

As a cost saving and energy efficient approach to heating and energy generation, CHP will strengthen the sustainability of the business both financially and environmentally. On a site that manufactures environmental technologies, what could be more fitting?

Read the full case study at www.matthey.com/sustainability.

Energy Consumption

GJ ('000) GJ / £ million sales



	GJ ('000)	GJ / £ million sales
2010	4,001	2,121
2011	4,749	2,083
2012	4,726	1,764
2013	4,648	1,737
2014	**4,915**	**1,649**

Total Global Warming Potential

Tonnes CO_2 equivalent Tonnes / £ million sales

	Tonnes CO_2 equivalent ('000)	Tonnes / £ million sales
2010	377	199.9
2011	415	182.0
2012	417	155.7
2013	413	154.3
2014	**444**	**149.0**

Environment continued

Total Global Warming Potential

	2014 thousand tonnes CO_2 equivalent	2014 % of total GWP	2013 thousand tonnes CO_2 equivalent	2013 % of total GWP
Scope 1	**165**	**37%**	158	38%
Scope 2	**253**	**57%**	231	56%
Scope 3 (from electricity transmission and distribution)	**26**	**6%**	24	6%
Total global warming potential	**444**	**100%**	413	100%

Although we consumed more natural gas than electricity, natural gas has a lower carbon intensity than grid electricity and thus represents a lower proportion of GWP.

We do not report fully on our Scope 3 emissions, however, the emissions we report from electricity consumed at our facilities include Scope 2 emissions from electricity generation and Scope 3 emissions caused by transport and distribution losses in electricity grids. In terms of other Scope 3 emissions, those from travel by employees on company business are not material and the majority of our products are high value but low volume and so the carbon produced by transportation is low, relative to other carbon intensity figures. The majority of our Scope 3 emissions relate to the extraction and / or production of purchased materials and outsourced activities such as waste disposal. We continue to quantify these Scope 3 emissions through conducting life cycle analysis studies of our major product categories and by improving our knowledge of our role in the value chain.

Other Emissions

Emissions from our operations are generated from a number of sources including combustion processes, materials handling and chemical reactions and are typically licensed by local regulations. All sites monitor emissions to ensure compliance with these regulations and set their own absolute targets aimed at reducing significant emissions as part of their local environment, health and safety improvement plans.

In 2013/14, our total emissions of acid gases have increased by 21% to 405 tonnes sulphur dioxide (SO_2) equivalent. Emissions relative to sales also increased, by 9%. This is mainly due to increased emissions at our platinum group metal refinery in Brimsdown, UK. As a result of a variation in product mix this year, more intake material has required thermal pre-treatment, as opposed to melting, during the refining process. Thermal pre-treatment generated more SO_2 and NOx. In addition, the site has also improved the accuracy of its acid gas emissions measurements.

In 2013/14, our emissions of oxides of nitrogen (NOx) increased by 15% to 483 tonnes and total SO_2 emissions increased by 68% to 67.0 tonnes.

Emissions of volatile organic compounds (VOCs) have also risen this year by 13% to 209.3 tonnes. Our site in Savannah, USA, has improved the accuracy of its recording, which has led to it reporting a large increase in non-halogenated VOCs. This was partially offset by our other large emitter, in Edinburgh, UK, which reported a reduction due to lower solvent use.

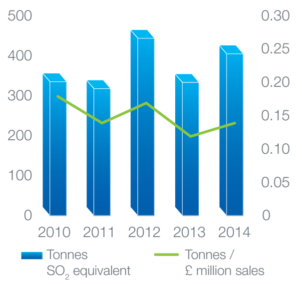
Waste

The group generated 121,594 tonnes of waste during the year, up 10% in absolute terms but slightly lower relative to sales. Waste to landfill also increased in the year, up 19% to 3,819 tonnes as two sites disposed of increased amounts of construction waste which they had stored for a number of years. Our site in Savannah, USA brought a new plant on line this year and production from the new plant has also contributed to the increase in landfilled waste.

Achieving zero waste to landfill by 2017 is one of the group's Sustainability 2017 targets and our focus has been to reduce, reuse and, where possible, recycle. Our sites now evaluate their waste beyond simply a material destined for disposal and increases this year were offset by initiatives, such as waste to energy opportunities, at our facilities worldwide to reduce their landfilled waste.

Total Acid Gas Emissions

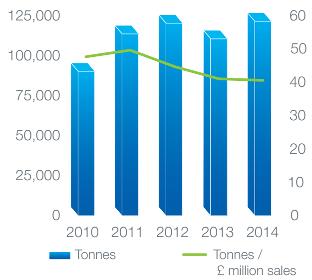
Tonnes SO_2 equivalent — Tonnes / £ million sales



	Tonnes SO_2 equivalent	Tonnes / £ million sales
2010	335	0.1776
2011	318	0.1395
2012	444	0.1658
2013	334	0.1248
2014	**405**	**0.1359**

Total Waste

Tonnes — Tonnes / £ million sales



	Tonnes	Tonnes / £ million sales
2010	90,308	47.88
2011	113,671	49.86
2012	120,363	44.94
2013	110,448	41.27
2014	**121,594**	**40.79**

CASE **STUDY**

→ The Value of Waste at Clitheroe

Over the past 12 months, new byproduct routes have been identified for two effluent streams at our manufacturing site at Clitheroe in the UK.

To be classed as a byproduct, waste must be capable of being used without further treatment. In 2013/14, 3,233 tonnes of one byproduct, weak ammonium nitrate solution, was used as a raw material by a fertiliser manufacturer. We also worked with another partner to prove the beneficial effects of concentrated sodium nitrate, which has achieved a significant expansion of this material as a byproduct.

The sodium nitrate is used to provide chemical oxygen to sewage / waste water. In some instances, the result is a reduction in electricity consumed for alternative technologies, whereas in other instances, it is the most practical treatment of waste water and corrosion prevention in sewer pipelines. This development has resulted in nearly all of the sodium nitrate being utilised as a beneficial byproduct.

Clitheroe is also making a significant contribution to Johnson Matthey's target of sending zero waste to landfill by 2017. In 2012/13 the Clitheroe site's figure stood at 45 tonnes; in 2013/14 it fell by 78% to 10 tonnes.

Read the full case study at www.matthey.com/sustainability.

Water Consumption

During the year, water consumption increased by 5% compared with 2012/13 to 2.6 million m³. Of the total water used by the group, 91% was supplied by local municipal water authorities and 9% was abstracted.

Total effluent decreased by 2% to 1.7 million m³ as we have restated last year's result following investigation of a large year on year difference at one of our sites. Of the total effluent produced, 89% was discharged to local authority sewers after treatment and in accordance with local discharge consent agreements. The remainder of our effluent was discharged to water courses after treatment and within quality limits set by local water authorities. The method of water treatment used at each site is appropriate to the effluent quality and volume and the requirements of the receptor. Our Formox site, acquired in 2012/13, was included for the first time in 2013/14, adding to our effluent discharged to water courses, but this was more than offset by reductions elsewhere.

The chemical oxygen demand (COD) test is commonly used to indirectly measure the amount of organic compounds in water and is a useful measure of water quality. In 2013/14 the group discharged organic chemicals equivalent to a COD of 436 tonnes into water courses, as regulated by local emission limits at each manufacturing facility, an increase of 93% on the previous year. This is primarily a result of COD emissions at the Formox site, which is incorporated for the first time.

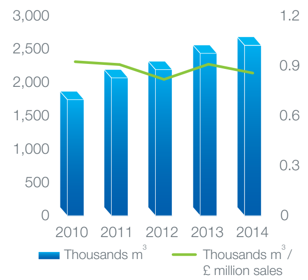
Johnson Matthey has a robust and effective management system which requires all sites to report environmental incidents to the group's environment, health and safety department. During 2013/14 no significant spillages to the environment of raw materials, intermediates or products have been reported by the group.

Looking Ahead to 2014/15

As part of a broader re-evaluation of environment, health and safety at Johnson Matthey, there will be a strong focus on environmental performance over the coming year to ensure we continue to improve and that we are well placed to manage any future regulatory changes. As the company continues to expand we are keen to benchmark our environmental performance against that of the largest global organisations. As a result, we are revisiting the performance metrics we currently use with a view to developing metrics that are more appropriate for our sites and for our future business aspirations.

Water Consumption

Thousands m³ | Thousands m³ / £ million sales



	Thousands m³	Thousands m³ / £ million sales
2010	1,750	0.928
2011	2,076	0.911
2012	2,201	0.822
2013	2,444	0.913
2014	**2,564**	**0.860**

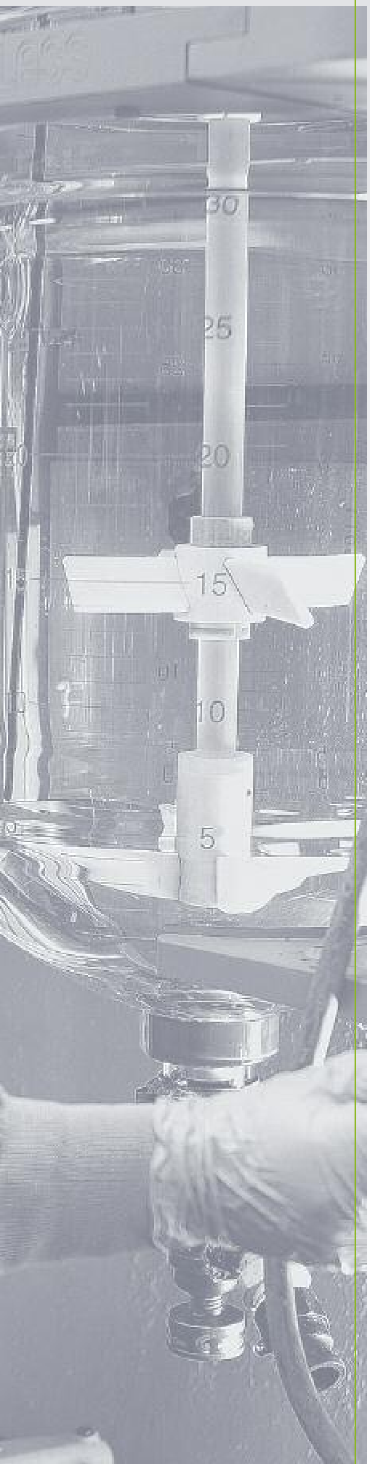
The Strategic Report was approved by the board on 4th June 2014 and is signed on its behalf by:

Neil Carson
Chief Executive

SUSTAINABLE TECHNOLOGIES

for today and for the future

6. GOVERNANCE



CASE STUDY

Catalysis and Chiral Technologies

Catalysis plays a vital role in many markets in the 21st century and is key to many technologies that will help us make better, more efficient use of finite and increasingly expensive natural resources, whilst at the same time helping to reduce waste.

Johnson Matthey manufactures a wide range of catalysts. At one end of the scale we supply catalysts that are used on a multi tonne scale to produce bulk chemicals like methanol, ammonia and hydrogen. On the other hand, our Catalysis and Chiral Technologies (CCT) business within our Fine Chemicals Division provides catalysts and other speciality products that are used at lower volumes to manufacture highly complex molecules for pharmaceutical and agrochemical applications.

In CCT we blend together expertise in catalysis and synthetic chemistry and pride ourselves on being able to offer our customers leading edge catalytic technologies. As part of our strategy for achieving this, we license in technology from academia which we then build on using our extensive in house expertise. We also develop our own proprietary technologies and, together, these give us a broad range of products.

One example is our palladium based catalysts which are used in cross coupling reactions where two different organic (i.e. carbon containing) molecules are brought together, forming new carbon-carbon bonds. These catalysts and reactions have huge importance for the synthesis of many organic molecules and Johnson Matthey has a broad portfolio of commercially available palladium cross coupling catalysts.

The sustainability benefits of CCT's catalytic technologies go beyond enhancing efficiency and eliminating waste in our customers' operations. As a result of their use by our customers in the manufacture of drugs for treating conditions such as cancer, diabetes, respiratory diseases and hypertensions, they also make an important contribution to health and wellbeing too.

Contents

Governance – Letter from the Chairman

Tim Stevenson
Chairman

Dear Shareholder

Good governance is a cornerstone of a successful and sustainable company. Johnson Matthey continues to have a well established framework of policies, processes and management systems to support its governance and sustainability efforts, which apply to its operations worldwide.

My Role as Chairman

My role as Chairman is to ensure that Johnson Matthey has a board which works effectively under my leadership. I aim to suit my approach to being Chairman to what I think is best for Johnson Matthey and its board. Similarly, I aim to ensure that our governance arrangements are appropriate for Johnson Matthey's circumstances and support its strategy and business model. I believe that our arrangements are appropriate and enable us to respond to any challenges which the company may face.

One of the most important aspects of my role is to foster the right dynamic on the board to ensure constructive challenge of the executive directors. This involves having directors with the right range and balance of skills, expertise and attributes (including broad diversity of perspective) for the board and for Johnson Matthey. I believe we have this on our board, enhanced further by the appointment of Odile Desforges in July 2013. Your non-executive directors continue to have a good relationship with the executive directors.

A vital relationship is that between me, as your Chairman, and your Chief Executive. I very much look forward to continuing my positive and constructive relationship with Robert MacLeod, who will shortly assume his new role as Chief Executive.

Board and Committee Evaluation

I see regular and appropriate board and committee evaluation as an area which is fundamental to achieving and improving board effectiveness. Given the important changes to your board during the year, we chose again to conduct an evaluation process internally. We report on the methodology used and the outcomes. We will conduct an externally facilitated process next year.

Succession Planning and Diversity

In addition to evaluation, proper planning for board succession and refreshing and selecting the right individuals for the board from a diverse talent pool are also key issues for me and for the board. This has been particularly important this year. We explain our approaches to these fundamental components of board effectiveness in this report.

The UK Corporate Governance Code

We are reporting in our Corporate Governance Report this year against the 2010 and 2012 versions of the UK Corporate Governance Code and related guidance. As usual, we are reporting on how we have applied the Code's main principles and whether we have complied with its relevant provisions. We set out in this report our statement of compliance with the Code's provisions. I am pleased to report that except in two particular respects, Johnson Matthey has complied with all relevant provisions throughout the year ended 31st March 2014 and from that date up to the date of approval of this annual report.

Tim Stevenson
Chairman

Sustainability and Governance

Sustainability and Governance

Johnson Matthey's vision is to build its 3rd century through value adding sustainable technologies; sustainability is a key element of the strategy we are pursuing to achieve our vision. The group's Sustainability 2017 programme, launched in December 2007, has set our direction and continues to add value to Johnson Matthey in three ways:

Firstly, adding **direct value** – through improved efficiency / productivity from our sustainability efforts and supported by our Manufacturing Excellence programme. Also by driving revenue growth from products and services that deliver sustainability benefits to our customers.

Secondly, adding **indirect value** – by reducing key risks to revenue and enhancing our corporate reputation. Also through assisting our New Businesses Division in identifying opportunities from global sustainability drivers.

Thirdly, adding **underlying value** – by promoting employee engagement and appealing to potential recruits. Also through enhancing Johnson Matthey's social reputation through community investment and stakeholder engagement.

Approximately £27 million of savings were reported by our businesses in 2013/14 as a result of progress made in our Sustainability 2017 and Manufacturing Excellence programmes. This equates to cumulative savings of around £65 million since the launch of Sustainability 2017.

Our Framework

Johnson Matthey's well established policies, processes and management systems support our governance and sustainability efforts and apply to all our operations around the world. They encompass the key areas of:

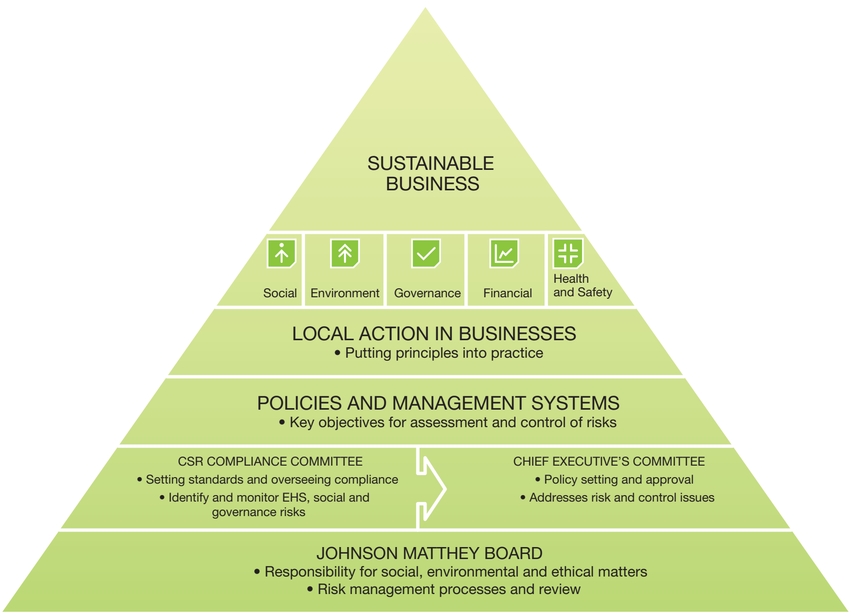
- Business integrity and ethics.
- Supply chain management.
- Environment, health and safety (EHS).
- Human resources.

Together these provide the framework for managing social, environmental and ethical matters. Brief summaries are set out in this section and further details, together with information about progress and developments over the year ended 31st March 2014, can be found on our website.

Read more at www.matthey.com/sustainability.

Compliance with applicable legal requirements is a minimum standard for Johnson Matthey's operations and employees. In many cases we set standards which are in advance of these.

Our employment contracts, handbooks and policies specify acceptable business practices and our position on ethical issues. The Group Control Manual, which is distributed to all our sites, and security manuals provide further operational guidelines to reinforce these.



The Corporate Governance Report on pages 84 to 94 describes the role of the board, the Audit Committee and other committees in risk management and internal control.

Our board of directors is ultimately responsible for social, environmental and ethical matters. These matters are embedded in Johnson Matthey's risk management processes and are formally reviewed annually by our board. Policies are set and approved by the Chief Executive's Committee (CEC). The CEC also addresses risk and control issues and reviews key EHS, social and governance issues. The CSR Compliance Committee, a sub-committee of the CEC, has specific executive responsibility for the identification and monitoring of risks in these areas. It sets and oversees compliance with group standards through the adoption, dissemination and implementation of appropriate group policies and other operational measures.

Every business is required to include sustainability in its annual budget setting process and define the nature of programmes and projects to be undertaken together with capital expenditure requirements and value generated over a three year business cycle. Plans are discussed with the CEC and are formally approved by the board. As part of the process, progress against the Sustainability 2017 targets is assessed on a group basis to establish if additional management action is required. We also have a formal system of site and functional reviews to drive improved performance in sustainability.

The group's sustainability strategy was defined following an assessment of the risks, major impacts and future commercial opportunities open to the business. The long term targets within it address the issues which could potentially have a material effect on the group's future performance. The group is further developing its approach in this area as outlined in the case study on page 78.

Sustainability and Governance continued

The area of sustainability continues to develop rapidly and we continually monitor emerging issues, regulation, legislation, standards and good practice. Developments are proactively managed through reviewing the external landscape to understand the material issues that may impact the group or present real business opportunities. Responsibility for identifying and assessing these issues lies with the group sustainability team and the CSR Compliance Committee. During the year we have continued to develop approaches to further enhance our ability to manage our material issues, including the introduction of additional tools.

We constantly monitor developments on reporting practices including those of the International Integrated Reporting Framework and those within the EU Commission. We are also assessing the new Global Reporting Initiative (GRI) G4 guidance, which was published on 22nd May 2013, in the context of our future reporting. For reporting purposes in 2013/14 we continue to self declare using the GRI G3.1 guidance.

Business Integrity and Ethics

Johnson Matthey strives to maintain the highest standards of ethical conduct and corporate responsibility worldwide to ensure we act with integrity, transparency and care for the rights of the individual wherever we do business. Integrity is one of our core values (see page 13) and our ethical principles and standards are set out in our Business Integrity and Ethics Policy which applies to all our employees.

View the policy online at www.matthey.com/sustainability.

The board and its committees, the Chairman, the Chief Executive and the other individual directors all play key roles, together with management, in promoting and monitoring ethical behaviour and safeguarding Johnson Matthey's reputation.

We provide compliance training to our employees to support their understanding of, and commitment to, group policies in order to protect and enhance the company's reputation. The training educates managers in their responsibilities for employees, commercial contracts and company assets and is delivered globally via online learning programmes, face to face seminars and individual training. Online compliance training for employees addresses the bribery and corruption, money laundering and competition risks faced by the group.

All our facilities have established policies and procedures for employees to raise employment related issues for consideration and resolution.

A confidential, secure, externally-run 'whistleblowing' website and telephone helpline are also in place to give all employees additional means to raise any issue of concern. The website offers multilingual access and allows for written or telephone reports. The site is publicised via site notice boards and our corporate intranet site. Reports received through the website and helpline (as well as any received through other media, such as email, telephone or letter) are appropriately investigated in accordance with our policy on whistleblowing. Responses and outcomes are posted on the website, or are communicated to employees via other internal media, such as site notices or briefings. For Johnson Matthey as a whole, there was a total of 16 new whistleblowing reports in the calendar year 2013 (2012 17) and all but four have been resolved as at the date of approval of this annual report. At its meeting in January 2014, the Audit Committee reviewed the group's whistleblowing procedures and the matters raised during 2013/14.

Supply Chain Governance

Continued interest and scrutiny of our supply chains is vital to ensure that all materials, goods or services supplied to Johnson Matthey are done so in an ethical and sustainable manner in line with our procurement policy, international standards and applicable laws.

View our supply chain related policies online at www.matthey.com/sustainability.

CASE **STUDY**

→ Defining Our Most Material Issues

An important part of being a sustainable business is active engagement with our stakeholders, especially on the risks and opportunities that are the most material, or relevant, to our long term business success.

Horizon scanning and identification of global megatrends is a key part of our three-yearly strategic review of our ten year plan. The CSR Compliance Committee assesses emerging issues for materiality and initiates any action as required. Material issues are continually assessed as part of our risk management and business planning processes.

In 2013 we started to develop a systematic process for materiality assessment that can be integrated with our existing business systems. The exercise involves developing approaches for materiality assessment with our various stakeholder groups. Using this process will minimise duplication of effort and distractions from minor issues.

Through establishing a more integrated approach for defining material issues means that in the future we will be able to communicate our findings in a clear and simple way to stakeholders about those matters that are of genuine importance to our long term profitability.

Read the full case study at www.matthey.com/sustainability.

CASE **STUDY**

A Sustainable and Resilient Supply Chain

Johnson Matthey's Emission Control Technologies (ECT) Division has established a Supplier Sustainable Development Programme (SSDP) to monitor the sustainability performance of tier 1 strategic suppliers. Focused on environment, health, safety and corporate social responsibility, the programme draws on a number of customer requirements and the United Nations (UN) Global Compact.

Supplier performance is reviewed against a global supplier manual through self audit and an on site audit process. Our philosophy is to partner with suppliers to improve performance and learn best practice from those with well developed approaches to sustainability.

When failings are identified, there are clear escalation processes in place to ensure resolution of concerns. If very serious issues are identified, ECT will explore alternative sources of the material and potentially suspend the supplier relationship.

The SSDP helps to ensure that ECT actively develops a resilient and transparent supply chain which supports uninterrupted business performance. It is setting an example of how working practices can and should embody sustainability.

Read the full case study at www.matthey.com/sustainability.

As stakeholder interest in Johnson Matthey continues to grow, we are receiving an increasing number of requests for information from a wide range of stakeholders, particularly in relation to sustainability in our supply chains, on topics ranging from human rights issues to carbon footprinting our raw materials. Yet all point towards a rising demand from our customers and investors for us to take more responsibility for the activities of our suppliers, right down the value chain. As a result, we have further increased our focus in this area in 2013/14.

Johnson Matthey must ensure that it is identifying and addressing any supply chain risks through rigorous audit protocols. Management of 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 for achieving and maintaining registration and, as such, ISO registered Johnson Matthey operations require the completion of appropriate questionnaires. For those operations without ISO registration, the group EHS management system provides policy and guidance on supply chain management and contractor control. The latest revision of the ISO 14001 standard will be published in 2015 and we will assess the impact for our site certifications at that time.

We are responding to regulations enacted in August 2012 by the United States Securities and Exchange Commission (SEC) requiring certain companies to disclose the use of conflict minerals, specifically tin, tungsten, tantalum and gold that originate from the Democratic Republic of the Congo and its adjoining countries. Although we are not currently directly required to comply with the SEC regulations, we are aware that many of our customers are.

We have conducted a first 'reasonable country of origin' enquiry with all our suppliers of these metals and their chemical derivatives in order to determine their provenance. This is enabling us to address requests from customers for information relating to the supply of these materials. We are also working to incorporate disclosure on the origin of these materials into our due diligence processes for new suppliers.

CASE **STUDY**

Responsible Gold

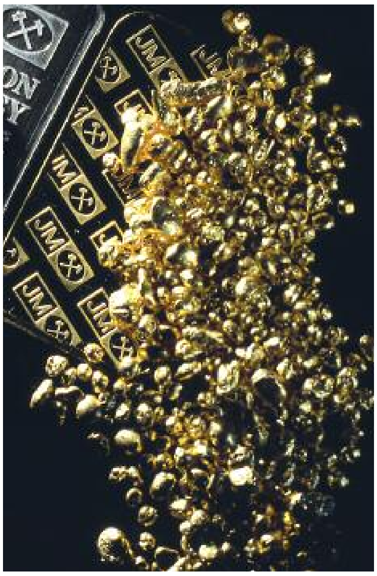
With the emergence of conflict minerals, companies are doing more to safeguard against raw materials procured through complex supply chains being part of any activity involving human rights abuse or terrorism.

The provenance of gold is more difficult to trace than diamonds and the highest level of diligence is required in sourcing gold ethically.

On 16th August 2013 our Brampton, Canada and Salt Lake City, USA, refineries received Responsible Gold accreditation from the London Bullion Market Association. Continued compliance will be reviewed annually.

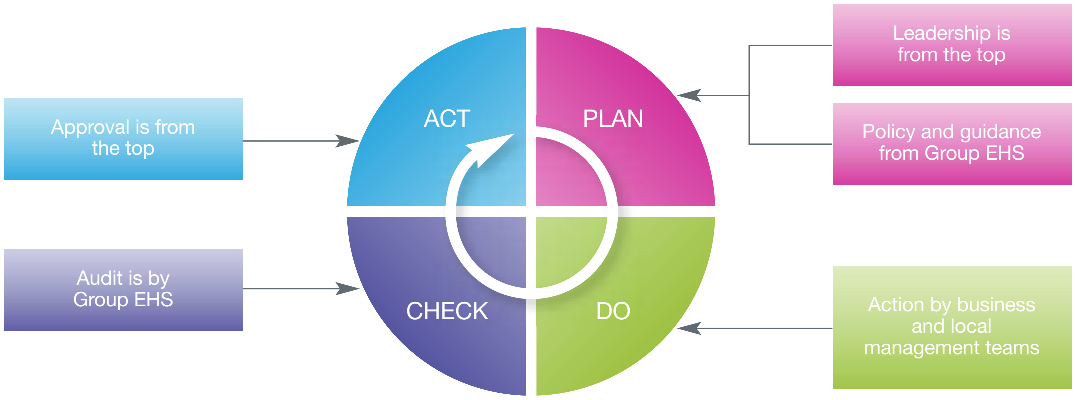
The accreditation contributes to the global fight against conflict minerals and the use of gold in money laundering. Accreditation is not only a way of fulfilling our regulatory requirements but also of protecting our corporate reputation. As more customers question the origins of the products they purchase, they are looking for reassurance that they are not associated with violent or unethical practices. Responsible Gold certification does this.

Read the full case study at www.matthey.com/sustainability.



Sustainability and Governance continued

Our EHS Governance Processes



Human Rights

Johnson Matthey is confident of the human rights performance of its own operations but recognises 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 UN 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. We also support the principles endorsed under the UN Global Compact and the UN Guiding Principles on Business and Human Rights (the 'Ruggie' Principles). 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.

Environment, Health and Safety

Johnson Matthey is committed to providing the highest level of protection to the environment and to safeguarding the health, safety and wellbeing of its employees, customers, communities and other stakeholders. This is supported by policies, a comprehensive management system, governance, careful risk assessment, auditing and training which promote continuous improvement and ensure that high standards are achieved at sites worldwide. In addition, all facilities have developed local policies to meet international, national, local and corporate requirements.

The Environment, Health and Safety Policy is a written statement, formulated and agreed by the CEC. Signed by the Chief Executive, it is available at all sites and forms the basis of the group EHS management system.

View the policy online at www.matthey.com/sustainability.

The group EHS management system comprises a set of mandatory EHS policies, written as performance standards. Where there are different acceptable methods of achieving the performance standards, appropriate written guidance is also provided to assist in creating and managing local processes. The group EHS management system is available to all employees via our intranet, myJM. It is regularly reviewed and, together with the corporate policies and objectives, it defines accountability and sets the performance standards against which EHS conformance audits are assessed.

EHS compliance audits are conducted to verify that performance standards contained in corporate EHS policies are being achieved and to maintain continuous improvement. All Johnson Matthey operated manufacturing and research and development facilities are included in the audit programme. Audit frequency for each facility is determined by the scale, inherent risk and past performance of the operation. Audits are carried out by experienced ISO qualified EHS professionals and controlled and reviewed by the Group EHS Director. Health management reviews are undertaken every three to five years at all operational sites. These support the prioritisation and planning of programmes to optimise workplace health and promote workforce sustainability. In addition, all businesses undertake annual health management improvement planning to adjust health programmes to meet changing business needs.

At each board meeting the board reviews group EHS performance reports for the prior months. These reports set out the group's EHS performance in terms of accident and incidence rates, lost work days and the rolling all lost time accident rate. The reports also contain information from businesses across the group on lost time accidents, as well as details of any contractor incidents, occupational illness, sickness absence and any regulatory action. The board reviews EHS strategy and reviews the EHS assurance process on an annual basis.

All EHS audit reports, including health management reviews and process risk management audit reports, are reviewed by the CSR Compliance Committee and appropriate follow up actions are taken on outstanding issues. During 2013/14 a total of 25 detailed compliance audits and 23 one day audit action reviews were completed. Health management reviews were conducted at three facilities.

▪ A sustainability team briefing in China.

▪ We are carrying out a ‘reasonable country of origin’ enquiry with all of our suppliers of conflict minerals and their chemical derivatives in order to determine their provenance.

A variety of training programmes are in place to support continuous improvement in EHS performance and regular meetings are held in Europe, North America and Asia to enable the group’s EHS professionals to network, share best practice and discuss the impact of future EHS legislation.

Human Resources

Our human resources standards are progressive, consistent and aimed at bringing out the best in our people.

Group policies are supported by detailed regional and individual business procedures which are regularly updated 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 CEC and the CSR Compliance Committee.

Johnson Matthey’s policies on equal opportunities and training are published on our website and are also detailed below.

View the policies online at www.matthey.com/sustainability.

In line with our Equal Opportunities Policy, we recruit, train and develop employees who meet the requirements of the job role regardless of gender, ethnic origin, age, religion or belief, marriage or civil partnership, pregnancy or maternity, sexual orientation, gender reassignment or disability. The policy recognises that people with disabilities can often be denied a fair chance at work because of misconceptions about 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 during their employment 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.

A committee of the board, the Management Development and Remuneration Committee, takes a special interest in ensuring compliance with the Training and Development Policy objectives in order 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.

View the policy online at www.matthey.com/sustainability.

Our human resources strategy aims to support long term business growth over the next decade and includes a focus on significant recruitment at our operations in Asia as our businesses in the region continue to expand. We have further enhanced our learning and development programmes in Asia during the year and these are detailed further on page 53.

Board of Directors

Tim Stevenson, OBE
Chairman; joined Johnson Matthey as Chairman Designate in March 2011; appointed Chairman in July 2011. He was Chairman of The Morgan Crucible Company plc from December 2006 to July 2012 and was Chairman of Travis Perkins plc from November 2001 to May 2010. From 1975 to 2000 he held a variety of senior management positions at Burmah Castrol plc, including Chief Executive from 1998 to 2000. He is a qualified barrister and is Lord Lieutenant of Oxfordshire. M, N.

Neil Carson
Chief Executive; 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. Appointed Chief Executive in July 2004. Currently a non-executive director of AMEC plc. He is currently joint Chairman of the UK's Chemistry Growth Partnership with Minister Michael Fallon.

Robert MacLeod
Group Finance Director; joined Johnson Matthey in 2009. Previously he was Group Finance Director of WS Atkins plc and worked in a variety of senior financial roles at Enterprise Oil plc. He is currently a non-executive director of Aggreko plc and is a Chartered Accountant.

Colin Matthews
Appointed a non-executive director in October 2012. Currently Chief Executive Officer of Heathrow Airport Holdings Limited (effective until his retirement on 30th June 2014). Colin was previously Group Chief Executive of Hays Group plc and then Group Chief Executive of Severn Trent plc. Earlier in his career he was Managing Director of BA Engineering for British Airways plc and then Executive Director of Lattice Group plc. He is a former non-executive director of Mondi plc. A, M, N

Dorothy Thompson
Appointed a non-executive director in 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

Larry Pentz
Executive Director; joined Johnson Matthey in 1984; appointed Division Director, Process Catalysts and Technologies in 2001 after having held a series of senior management positions within Johnson Matthey in the US. Appointed Executive Director, Process Catalysts and Technologies in August 2003, Executive Director, Emission Control Technologies in July 2004 and Executive Director, Environmental Technologies in April 2009. Currently holds board level responsibility for Johnson Matthey's Process Technologies and Fine Chemicals Divisions. He is also a non-executive director of Victrex plc.

Michael Roney
Senior Independent Director and Chairman of the Management Development and Remuneration Committee; appointed a non-executive director in June 2007. Currently Chief Executive of Bunzl plc and a non-executive director of Brown-Forman Corporation. 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

Alan Ferguson
Chairman of the Audit Committee; appointed a non-executive director in January 2011. Currently a non-executive director of Croda International Plc, The Weir Group PLC and London Mining Plc (where he is chairman of their respective audit committees). He was previously Chief Financial Officer and a Director of Lonmin Plc. Prior to joining Lonmin, he was Group Finance Director of The BOC Group until late 2006 when the Linde Group acquired BOC. Before joining BOC in 2005, he worked for Inchcape plc for 22 years in a variety of roles including Group Finance Director from 1999 until his departure. He is a Chartered Accountant and sits on the Business Policy Committee of the Institute of Chartered Accountants of Scotland. A, M, N

Odile Desforges
Appointed a non-executive director in July 2013. Currently a non-executive director of Safran SA, the French aerospace, defence and security group, of Dassault Systemes and of Sequana, the global paper manufacturer and distributor. Odile has had a long and distinguished career in the automotive industry, initially with the French government's Transport Research Institute and then with Renault SA and AB Volvo. She has held a number of senior executive positions in purchasing and in product planning, development and engineering, including as Chairman and Chief Executive Officer of the Renault-Nissan Purchasing Organization (RNPO) and most recently as Executive Vice President, Engineering and Quality at Renault until her retirement in July 2012. She was appointed a Knight of the French Legion of Honour in 2009. A, M, N

John Walker
Executive Director, Emission Control Technologies; joined Johnson Matthey in 1984. Appointed Division Director, Emission Control Technologies in 2009 after holding a series of senior management positions within the division in the USA, Asia and Europe. Appointed Executive Director, Emission Control Technologies in October 2013.

Simon Farrant
Company Secretary; joined Johnson Matthey from corporate legal practice in 1994. Appointed Company Secretary in 1999 and Group Legal Director in 2007. He is a Solicitor and Attorney & Counselor-at-Law (State of New York).

At the date of approval of this annual report, the Board of Directors of Johnson Matthey is as detailed above. As announced on 30th January 2014, with effect from 5th June 2014 Neil Carson will formally step down as Chief Executive following the announcement of the group's annual results and will remain on the board until his retirement at the end of September 2014. Robert MacLeod will succeed Neil as Chief Executive.

As announced on 11th February 2014, with effect from 5th June 2014, Den Jones will join the board and replace Robert as Group Finance Director.

As announced on 28th April 2014, Michael Roney will retire from the board with effect from the close of the company's Annual General Meeting on 23rd July 2014. Alan Ferguson will be appointed to the role of Senior Independent Director and Dorothy Thompson will be appointed as chair of the Management Development and Remuneration Committee.

As announced on 20th May 2014, Larry Pentz will be appointed non-executive Chairman of Victrex plc with effect from 1st October 2014.

Committees of the Board

A Audit Committee
M Management Development and Remuneration Committee
N Nomination Committee

Corporate Governance Report

Contents

Introduction

This section of the annual report describes our corporate governance structures and processes and how they have been applied throughout the year ended 31st March 2014 (the year). Our board of directors is responsible to our shareholders for ensuring the sound running of the company. This can only be achieved if supported by appropriate and well managed governance processes. The key elements which we believe are essential for this are described below and discussed in more detail throughout this section of the report.

The UK Corporate Governance Code

The UK Corporate Governance Code (the Code) was published by the Financial Reporting Council (FRC) in May 2010 and revised in September 2012, together with a revised version of its Guidance on Audit Committees. The Code contains broad principles and specific provisions which set out standards of good practice in relation to leadership and effectiveness, remuneration, accountability and relations with shareholders. This Corporate Governance Report is structured so as to report against each of these key areas. Together with the Nomination Committee Report, the Audit Committee Report and the Remuneration Report, it describes how we have complied with the provisions of the Code and applied its main principles during the year.

How have we Complied with the Provisions of the Code?

Except as referred to below, Johnson Matthey has complied with all relevant provisions of the Code throughout the year.

We have not complied with part of Code provision E.1.1, which states that the senior independent director should attend sufficient meetings with a range of major shareholders to listen to their views in order to help develop a balanced understanding of the issues and concerns of major shareholders. The board considers, and has done for a number of years, that there are appropriate mechanisms in place to listen to the views of shareholders and communicate them to the board without it being necessary for the Senior Independent Director to attend meetings with major shareholders. He is, however, available to attend any such meetings if requested by shareholders.

The board believes that this approach is consistent with the relevant main principle of the Code on dialogue with shareholders, to which Code provision E.1.1 relates, and is consistent with good governance and the promotion of delivery of the company's objectives. More information on how we engage with shareholders is set out on page 94.

We have not complied with Code provision B.6.2, which states that evaluation of the board should be externally facilitated at least every three years. For 2013/14 the board chose, after careful consideration, to conduct an internal evaluation of its own performance and that of its committees and individual directors, notwithstanding that the last external evaluation took place in 2010. The internal review was led by the Chairman supported by the committee chairmen and the Company Secretary. The board considered this appropriate, given the changes made to the board during the year and the prospective changes which will take effect on 5th June 2014, all of which are referred to in more detail under 'Board Changes During the Year' on page 88.

The board believes that the approach taken to evaluation is consistent with the relevant main principle of the Code (B.6) which requires the board to undertake a formal and rigorous annual evaluation. Given the change in board membership, the board considers it appropriate to postpone external evaluation until the spring of 2015 when a fresh, objective view on how the new team is settling down and working would be more effective and capable of providing valuable insight. The board's intention remains to undertake an externally facilitated evaluation process at least every three years and that in the intervening years the review will be led by the Chairman supported by the committee chairmen and the Company Secretary.

Leadership

What is the Role of Our Board?

Our board's role is to provide leadership of the company and direction for management. It is collectively responsible and accountable to our shareholders for the long term success of the group and for ensuring the group is appropriately managed and operates responsibly as it pursues its objectives. The board reviews the performance of management and the operating and financial performance of the group as a whole. It is responsible for ensuring that the necessary resources are provided for Johnson Matthey to meet its objectives. In particular, the board is responsible for the key areas of setting strategy and determining risk appetite, ensuring good governance, decision making, promoting good behaviour and succession.

How does Our Board Operate?

In order to carry out its work, the board has a planned programme of agendas to ensure all necessary matters are covered and to allow sufficient time for debate and challenge, particularly on areas such as strategy and risk, including risk appetite. The board also takes time to review past decisions where necessary. At board meetings, the board receives and considers papers and presentations from management on relevant topics. Effective review and decision making is supported by providing the board with high quality, accurate, clear and timely information including input from experts and independent advisers where necessary. The board seeks to work in the best interest of Johnson Matthey and its stakeholders.

What is the Division of Responsibilities between Our Chairman and Our Chief Executive?

There is a clear division of responsibilities between the running of the board and the executive responsibility for the running of the business and no single individual has unfettered powers of decision. The Chairman's and Chief Executive's roles are separate and the division of responsibilities between these roles is clearly established in a written statement which was adopted by the board in April 2005. This is set out in full in the Investor Relations / Corporate Governance section of our website.

What is the Role of Our Chairman?

Tim Stevenson, our Chairman, leads the board. He is responsible for ensuring an effective board and effective contributions from individual directors, particularly non-executive directors, based on a culture of mutual respect, openness, debate and constructive challenge. To achieve this, he seeks to facilitate and encourage open communication and constructive working relations between the executive and non-executive directors. He also seeks to ensure that the executive directors are responsive to constructive challenge on their proposals by the non-executive directors. Tim is in frequent contact with our Chief Executive. They meet in person or by telephone at least once a week. Tim also keeps the non-executive directors up to date with significant developments between board meetings. Tim is responsible for ensuring that Johnson Matthey maintains effective communications with our shareholders.

Corporate Governance Report continued

As Chairman, Tim sets the board's agenda and ensures that there is adequate time to discuss all agenda items. Each year the board agrees an annual agenda plan designed to ensure that it has the right amount of time throughout the year to discuss all necessary matters. In particular, the board has sought to ensure there is sufficient time to discuss strategy so that the non-executive directors have a good opportunity to challenge and help develop strategy proposals. In addition, the Chairman monitors, with assistance from the Company Secretary, the information distributed to the board to ensure it is of high quality, accurate, clear and timely.

Tim met with the non-executive directors without the executives being present in November 2013 in order to review the executive directors' performance.

What is the Role of Our Chief Executive?

Our Chief Executive, Neil Carson, has day to day management responsibility for running the group's operations, for applying group policies and for implementing the group's strategy and policies agreed by the board. He has the broad authority from the board to run the company and he is accountable for, and reports to the board on, how it is performing. Neil also has a key role in the process for the setting and review of strategy. More broadly, he promotes the company's culture and standards throughout Johnson Matthey, including those on governance. In addition, he ensures that the executive directors' views on business issues and employees' views on relevant issues are shared with the board in a balanced way. On 5th June 2014 Neil will retire as our Chief Executive and will be succeeded by Robert MacLeod.

What is the Role of Our Executive Directors?

Our executive directors have specific responsibilities relating to the areas of the business they oversee (as set out on pages 82 and 83). However, as directors, their duties extend beyond their own businesses to include the whole of the group's operations and activities.

What is the Role of Our Non-Executive Directors?

The role of our non-executive directors is to scrutinise management's performance in meeting agreed goals and objectives and to monitor how that performance is reported. They must also be satisfied with the integrity of the group's financial information and with the robustness and defensibility of financial and non-financial controls and risk management systems.

As members of the board, the non-executive directors have a key role in constructively challenging in all areas. This is vital to the independence and objectivity of the board's deliberations and decision making and is particularly important in helping develop proposals on strategy. The Chief Executive and the other executive directors welcome, and are responsive to, constructive challenge by the non-executive directors on their proposals. The non-executive directors' role is then to support the decisions that have been taken and to support the executive team in their delivery. Non-executive directors also play an important part in supporting the Chairman and the executive directors in embracing and representing the company's culture, values and standards within the board and throughout Johnson Matthey. The non-executive directors are responsible for determining appropriate levels of remuneration for the executive directors and have a prime role in appointing and, where necessary, removing executive directors, and in succession planning.

The chairmen of our Audit Committee and our Management Development and Remuneration Committee (MDRC) fulfil important leadership roles. Alan Ferguson is Chairman of our Audit Committee and Michael Roney is Chairman of our MDRC. Following Michael's retirement from the board at the close of the 2014 Annual General Meeting (AGM) on 23rd July 2014, Dorothy Thompson will chair our MDRC.

What is the Role of Our Senior Independent Director?

Michael Roney has been our Senior Independent Director since July 2011. As Senior Independent Director, Michael's role is to provide a sounding board for Tim Stevenson, to act, when necessary, as a focal point and intermediary for the concerns of the other non-executive directors and to ensure that any key issues that are not being addressed by the Chairman or the executive management are taken up. Tim has a regular dialogue with Michael regarding current issues. While no such issues have arisen in the year, should any significant issues arise which threaten the stability of Johnson Matthey or its board, it is recognised that the Senior Independent Director may be required to work with the Chairman or others or to intervene to resolve them. The Senior Independent Director is available to shareholders should they have concerns which have not been resolved from contact through the normal channels of Chairman, Chief Executive or other executive directors or if the normal channels may be inappropriate.

He is available to attend meetings with major shareholders to listen to their views in order to help develop a balanced understanding of their issues and concerns.

The Senior Independent Director is responsible for leading the annual appraisal of the Chairman's performance and this is discussed further under 'Review of the Chairman's Performance' on pages 92 and 93. The Senior Independent Director plays an important role by ensuring there is an orderly succession process for succession to the chairmanship of Johnson Matthey.

Following Michael's retirement from our board, Alan Ferguson will be our Senior Independent Director.

What is the Role of Our Company Secretary?

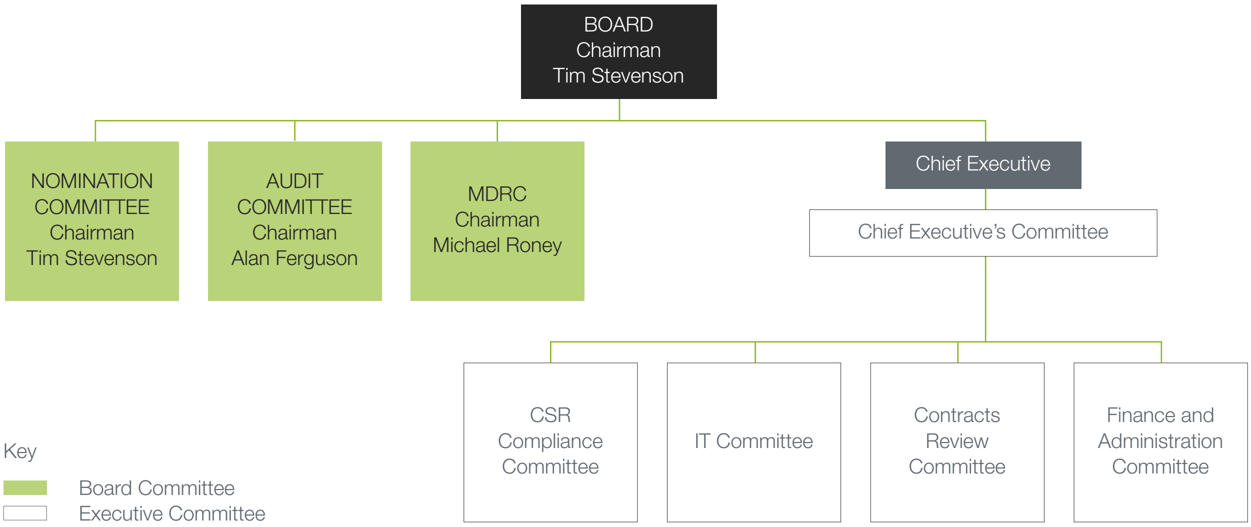
Simon Farrant is our Company Secretary. He was appointed in May 1999 and is secretary to the board and its committees. Simon reports to Tim Stevenson on board governance matters and, together with Tim, he keeps the efficacy of the company's and the board's governance processes under review and considers improvements. He is also responsible to the board for compliance with board procedures. He is responsible, through Tim, for advising and keeping the board up to date on all legislative, regulatory and governance matters and developments. Under Tim's direction, Simon's responsibilities include ensuring good information flows within the board and its committees and between senior management and non-executive directors. He also facilitates induction and assists with professional development as required. Simon's advice, services and support are available to each director.

Board Meetings

Our board meets regularly throughout the year in order to effectively discharge its duties. During the year it met six times. It has also met once between 31st March 2014 and the date of approval of this annual report. During the year, the board visited two sites (away from its usual venue for board meetings at the company's City Office in London). These were at our Emission Control Technologies (ECT) facility, Shanghai, China in October 2013 and at our Precious Metal Products facility in Brimsdown, UK in March 2014. The board is planning to hold a board meeting at our ECT plant in Macedonia later this calendar year.

- New process diagnostic equipment for the oil and gas industry.

- Catalysts for the production of formaldehyde.



Board Committees

Our board has three committees: the Nomination Committee; the Audit Committee; and the MDRC. The reporting framework of the board committees and of the Chief Executive's Committee and its sub-committees is shown above.

The board ensures that its committees are provided with sufficient resources to undertake their duties, including access to the services of the Company Secretary as required. Each committee has the authority to seek any information that it requires from any officer or employee of the company or its subsidiaries. Each committee is also authorised by the board to take independent advice (including legal or other professional advice), at the company's expense, as it considers necessary. Each committee may request information from, or commission investigations by, external advisers. The committees formally report to the board on their proceedings after each meeting and generally on all matters and activities for which they are responsible through the committee chairmen and via committee minutes.

Board Committee Membership

Each independent non-executive director is a member of each board committee. No one other than the board committee chairmen and members is entitled to be present at committee meetings. Others may attend, but only by invitation. Executive directors are not members of the board committees. When deciding the chairmanship and membership of board committees, the board takes into account the value of ensuring that committee membership is refreshed and seeks to ensure that undue reliance is not placed on particular individuals.

What are the Board Committees' Terms of Reference?

Each board committee has written terms of reference which have been approved by the board and are reviewed periodically to ensure that they comply with the latest legal and regulatory requirements and reflect developments in best practice. Following a recent review, the terms of reference of each committee have been updated. The updated terms of reference can be found in the Investor Relations / Corporate Governance section of our website.

Board Attendance

The attendance of members at board meetings in the year ended 31st March 2014 was as follows:

	Eligible to attend	Attended
Tim Stevenson	6	6
Neil Carson	6	6
Odile Desforges	5	5
Alan Ferguson	6	6
Robert MacLeod	6	6
Colin Matthews	6	5[1]
Larry Pentz	6	6
Michael Roney	6	5[2]
Bill Sandford	3	3
Dorothy Thompson	6	6
John Walker	4	4

[1] Colin Matthews was unable to attend the board meeting on 24th July 2013 due to a coinciding commitment at Heathrow Airport Holdings Limited where he is Chief Executive.

[2] Michael Roney was unable to attend the board meeting on 26th March 2014 due to a coinciding commitment.

Corporate Governance Report continued

The attendance of members at board committee meetings in the year is set out in the Audit Committee Report, Nomination Committee Report and Remuneration Report (in respect of the MDRC) on pages 98, 95 and 115 respectively. Where directors are unable to attend a board or board committee meeting, they communicate their comments and observations on the matters to be considered in advance of the meeting via the group Chairman, the Senior Independent Director or the relevant board committee chairman for raising as appropriate at the meeting. Individuals' attendance at board and board committee meetings is considered, as necessary, during the one to one meetings conducted by the Chairman with directors as part of the formal annual review of their performance.

The Chief Executive's Committee

Our Chief Executive is assisted in his responsibilities by the Chief Executive's Committee (CEC). The CEC is a management committee, chaired by the Chief Executive, which is responsible for the executive management of Johnson Matthey's businesses. It makes recommendations to the board on strategic and operating plans and on other matters reserved to the board where appropriate. As at the date of approval of this annual report, the CEC comprises ten members: the Chief Executive; the Group Finance Director; two other executive directors; the division directors who do not sit on the board; the Group Director, Corporate and Strategic Development; the Group Human Resources Director; and the Company Secretary / Group Legal Director. The CEC meets formally every other month and informally as needed on other occasions. The CEC met six times during the year. The CEC has a number of sub-committees as referred to further on page 87.

Effectiveness

What is the Composition of Our Board?

Board Changes During the Year

On 9th October 2013 Bill Sandford retired as an executive director and John Walker was appointed as an executive director with board level responsibility for ECT. On 1st July 2013 Odile Desforges was appointed as a non-executive director. As announced on 30th January 2014, after a highly successful decade as Chief Executive of Johnson Matthey, Neil Carson will retire as Chief Executive on 5th June 2014 and will be succeeded by Robert MacLeod. Neil will remain on the board until the end of September 2014 to ensure a smooth handover. Den Jones will succeed Robert as Group Finance Director on 5th June 2014. Michael Roney, our Senior Independent Director, retires from the board at the close of the 2014 AGM on 23rd July 2014.

Board Composition

Our board seeks to ensure that both it and its committees have the appropriate range and balance of skills, experience, knowledge and independence to enable them to carry out their duties and responsibilities effectively. The board is of the view that it is the right size to meet the business' requirements, that changes to its composition and that of its committees can be managed without undue disruption and that it is not so large as to be unwieldy. It also believes that it includes an appropriate combination of executive and non-executive directors (and, in particular, independent non-executive directors). The size and composition of the board is kept under review by the Nomination Committee. Throughout the year at least half the board members, excluding the Chairman, were non-executive directors determined by the board to be independent.

How do we Appoint to Our Board and its Committees?

The board, through the Nomination Committee, follows a formal, rigorous and transparent procedure to select and appoint new board directors. The processes are similar for the appointment of executive and of non-executive directors. The Nomination Committee leads the process and makes recommendations to the board. Further information on the Nomination Committee and its work is set out in the Nomination Committee Report on pages 95 to 97.

In considering board composition, the Nomination Committee assesses the range and balance of skills, experience, knowledge and independence on the board, identifies any gaps or issues and considers any need to refresh the board. If, after this evaluation, the Nomination Committee feels that it is necessary to appoint a new director, it then prepares a description of the role and of the capabilities required for the appointment and sets objective selection criteria accordingly. The benefits of diversity on the board, including gender diversity, are carefully considered.

The Nomination Committee considers any proposed recruitment in the context of the company's strategic priorities, plans and objectives, as well as the prevailing business environment. It also takes into account succession plans in place and this is discussed further under 'Succession Planning' below. It seeks prospective non-executive directors who can make positive contributions to the board and its committees and who have the capability to challenge on strategic and other matters. This is balanced with the desire to maintain board cohesiveness. The Nomination Committee uses external search consultancies to help with the appointment process and appointments are ultimately made on merit against the agreed selection criteria.

The board recognises the importance of developing internal talent for board appointments, as well as recruiting externally, and Johnson Matthey has a variety of mentoring arrangements and a wide range of management development programmes for all employee levels. It also recognises the need to recruit non-executive directors with the right technical skills and knowledge for its committees and who have the potential to take over as committee chairmen.

Succession Planning

The board recognises that effective succession planning is not only a fundamental component of board effectiveness but is also integral to the delivery of Johnson Matthey's strategic plans. It is essential in ensuring a continuous level of quality in management, in avoiding instability by helping mitigate the risks which may be associated with any unforeseen events, such as the departure of a key individual, and in promoting diversity. The board, through the Nomination Committee and the MDRC, is actively engaged in succession planning to ensure plans are in place for the orderly and progressive refreshing of the board and to identify and develop senior management with potential for board and CEC positions.

Below board level, there is a structured approach to succession planning designed to secure a pipeline of talented and capable individuals from within Johnson Matthey who will ultimately progress to board and CEC positions. Each of our divisions and corporate functions prepare and maintain succession plans, assisted by divisional and group Human Resources. The CEC rigorously reviews these plans each year. A key aim is to ensure broad experience and encourage cross fertilisation across our divisions. The identification and development of high potential individuals is also considered by the CEC. The CEC's review of the succession plans generally leads to further refinement and changes, resulting in the final plans which are submitted to the MDRC. Each year the MDRC, with input from the Group Human Resources Director, reviews succession policy, the management development and succession planning process and the senior management succession plans.

Johnson Matthey has in place a range of ongoing talent management and development initiatives designed to further develop senior management. Many of these are well established, but new initiatives are developed and introduced which are designed to support current strategic imperatives. Key recent initiatives continued this year are the executive development programme with London Business School, aimed at developing senior level talent and boosting their capabilities around strategy and leadership, and a global training curriculum to support the group's Manufacturing Excellence programme.

Succession planning at board and senior management level for Johnson Matthey encompasses potential succession to all senior roles including that of Chief Executive, and considers the identification, development and readiness of potential internal successors. During the year, the Nomination Committee considered executive director succession to Neil Carson which is discussed further in the Nomination Committee Report on page 96.

The board (through the Nomination Committee and the MDRC) will continue to focus during the coming year in particular on the key issues of mobility (across the group and between Johnson Matthey's divisions and businesses), talent management and diversity.

Boardroom Diversity

Our board believes that diversity is important for board effectiveness.

Diversity Policy

Our board has adopted a diversity policy and this is set out in full in the Sustainability / Sustainability Governance section of our website. The board has not set express diversity quotas or measurable objectives for implementing the policy. However, in making its most recent non-executive director appointment, the board required an all women short list for the selection process and appointed Odile Desforges as a non-executive director.

As at 31st March 2014, and as at the date of approval of this annual report, we had two women on our board which represented 20% of our total board membership and 33% of our non-executive membership. Further information on gender diversity across the organisation can be found on page 56.

The company has taken, and continues to take, several steps to promote diversity, including gender diversity, both at senior management level and in the boardroom. Developing policies and processes that prevent bias in relation to recruitment and promotion form the basis. However, the key to progress lies in actively promoting diversity and ensuring that other positive measures are taken. These include requiring balanced shortlists when recruiting, ensuring diversity mix in company events and conferences, actively discussing diversity in succession planning and talent management, promoting industrial and scientific careers to women and developing family friendly and flexible employment policies. There are challenges to overcome, particularly in respect of gender diversity given the sector in which Johnson Matthey operates, but we are continuing to make good progress.

Board Evaluation Process

Under the Code, evaluation of the board should consider the balance of skills, experience, independence and knowledge of the company on the board, its diversity, including gender, how the board works together as a unit and other factors relevant to its effectiveness. Our board followed this principle in its board and committee evaluation process in 2013/14. Further information is set out under 'Evaluation of the Board, Board Committees and Directors' on pages 91 and 92.

Appointments to the Board

As described under 'How do we Appoint to Our Board and its Committees?' on page 88, the search for board candidates is conducted, and appointments made, on merit, against objective selection criteria, having due regard for the benefits of diversity on the board, including gender. Further information on diversity in the context of board appointments is contained in the Nomination Committee Report (pages 95 to 97).

Board Balance – Independence of the Non-Executive Directors and the Chairman

The question of the independence of the non-executive directors is relevant to board balance. The board formally reviews director independence annually, most recently at its meeting in June 2014. The board considers all relevant relationships and circumstances, including those set out in the Code.

It considers, for example, whether the director has, or has had within the last three years, a material business relationship with Johnson Matthey, holds cross directorships or has significant links with fellow directors through involvement in other companies or bodies, or represents or has a material connection to a controlling or significant shareholder or is nominated by a shareholder.

The board considers that there are no business or other relationships or circumstances which are likely to affect, or may appear to affect, the judgment of any non-executive director. Each non-executive director is determined by the board to be independent in character and judgment. There are no cross directorships or reciprocal directorships among the directors; no two directors are also directors of another company.

Information on the company's procedures for authorising potential conflicts of interest is set out under 'Directors' Conflicts of Interest' on page 91.

Time Commitment of the Chairman and the Non-Executive Directors

The board recognises that it is vital that all directors should be able to dedicate sufficient time to Johnson Matthey to effectively discharge their responsibilities. The time commitment required by Johnson Matthey is considered by the board and by individual directors on appointment. The letters of appointment of the Chairman and of each non-executive director set out the expected minimum time commitment for their roles. Each undertake that they will have sufficient time to meet what is expected of them for the proper performance of their duties and acknowledge that there may, on occasion, be a need to devote additional time. The minimum time commitment considered by the board to be necessary for a non-executive director, and provided in the letters of appointment, is two days per month following induction.

The other significant commitments of the Chairman and of each non-executive director are disclosed to the board before appointment, with an indication of the time involved. The board requires to be, and is, informed of subsequent changes as they arise. Details of Tim Stevenson's other significant commitments are set out on page 82. There were no changes to his significant commitments during the year. Details of the non-executive directors' other significant commitments are set out on pages 82 and 83.

Corporate Governance Report continued

Larry Pentz, one of our executive directors, will take up the role of non-executive chairman of Victrex plc on 1st October 2014. Larry has served as a non-executive director of Victrex since 2008. Further details are provided in the Nomination Committee Report on page 97.

Terms of Appointment of the Non-Executive Directors

Our non-executive directors are appointed for specified terms subject to annual election and to the provisions of the Companies Act 2006 (the 2006 Act) relating to the removal of a director.

As referred to on page 97 of the Nomination Committee Report, during the year the terms of appointment of Tim Stevenson and Alan Ferguson were each extended for a further three years after careful deliberation by the Nomination Committee and the board.

In accordance with the Code, any term beyond six years for a non-executive director is subject to particularly rigorous review and takes into account the need for progressive refreshing of the board. Dorothy Thompson, one of our non-executive directors who will be proposed for re-election at the 2014 AGM, has served on our board for almost seven years. Her term of appointment was reviewed and extended in 2012/13 as reported in the Nomination Committee Report last year.

The terms and conditions of appointment of the non-executive directors and the contracts of service of the executive directors can be inspected at our registered office during normal business hours. They will also be available for inspection at Ironmongers' Hall, Shaftesbury Place, Barbican, London EC2Y 8AA from 10.00 am on 23rd July 2014 until the conclusion of our 2014 AGM.

Annual Re-Election of Directors

In accordance with the Code, all directors retire at each AGM and offer themselves for re-election by shareholders. Each director stood for re-election (or election in the case of the new appointee, Odile Desforges) at the 2013 AGM. At the 2014 AGM all continuing directors will be offering themselves for re-election (or election in the case of John Walker and Den Jones as they have been appointed to the board since the 2013 AGM).

Biographies of each of our directors are set out in the 2014 AGM circular. The circular details why the board believes each director should be elected or re-elected based on continued satisfactory performance in the role. In the circular, the Chairman confirms to shareholders that, following formal performance evaluation, the performance of each non-executive director continues to be effective and that they demonstrate commitment to the role (including commitment of time for board and board committee meetings).

Information and Support

The board has processes in place to ensure that it receives the right information in the right form and at the right time to enable it to effectively discharge its duties. The Chairman, through the Company Secretary and with the support of the executive directors and management, ensures that this information is of high quality in terms of its accuracy, clarity, appropriateness, comprehensiveness and currency. Directors are able to seek clarification or amplification from management where necessary.

Independent Professional Advice

Our directors have access to independent external professional advice (such as legal and financial advice) at the company's expense where they judge this necessary to discharge their responsibilities as directors.

Director Induction and Development

Induction

Johnson Matthey puts full, formal and tailored induction programmes in place for all its new board directors. While directors' backgrounds and experience are taken into account, the induction is aimed to be a broad introduction to the group's businesses and its areas of significant risk. Key elements are meeting the executive directors and senior and middle management individually and collectively and visiting the group's major sites in order to be briefed on group strategy and on individual businesses. As part of her induction programme during the year, Odile Desforges visited key ECT, Process Technologies and Precious Metal Products sites in the UK. She also visited Johnson Matthey's Technology Centre at Sonning Common, UK to learn more about the group's R&D efforts.

Familiarisation, Training and Development

Our intention is that all directors have familiarity with, and appropriate knowledge of, Johnson Matthey and gain access to our operations and employees. The board ensures that the company provides the necessary resources to allow this to happen. We take various steps to ensure that all of our directors continually refresh their knowledge and skills so that they can effectively fulfil their roles on our board and its committees and so that their contributions remain informed and relevant.

Each board meeting includes one or more business or strategy presentations from the division directors and senior managers. To ensure that the board is kept up to date on important matters, including environmental, legal, governance and regulatory developments, presentations are also made to the board by external and internal advisers. In the year, presentations were made on, for example, the Manufacturing Excellence programme by the Group Operational Excellence Director and legal risk and intellectual property (IP) risk by the Group Legal Director and the Group IP Director respectively.

The board also 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 business issues, risks and strategy with local management. Two site meetings were held during the year as detailed on page 86. Individual non-executive directors also undertake site visits.

These presentations, meetings and site visits help the non-executive directors to familiarise themselves with, and gain a greater insight into, Johnson Matthey's businesses and help to give a balanced overview of the group. They enable the non-executive directors to continue to develop and refresh their knowledge and understanding of our businesses, the markets in which we operate and our key relationships. They are also important for building links with our employees.

As part of the annual performance review process referred to under 'Evaluation of the Board, Board Committees and Directors' on page 91, our Chairman, Tim Stevenson, meets with each director annually on a one to one basis to discuss any individual training and development requirements. Tim is also available throughout the year to discuss these areas.

▪ Analytical testing in our Emission Control Technologies Division.

▪ Employees on our graduate orientation training programme.

Indemnification of Directors and Insurance

Under Deed Polls dated 20th July 2005 Johnson Matthey granted indemnities in favour of each director of the company and of its subsidiaries in respect of any liability that he or she may incur to a third party in relation to the affairs of the company or any group member. These were in force during the year for the benefit of all persons who were directors of the company or of its subsidiaries at any time during the year and remained in force for the benefit of all persons who were directors of the company or of its subsidiaries as at the date of approval of this annual report. The company has appropriate directors' and officers' liability insurance cover in place in respect of legal action against, amongst others, its executive and non-executive directors. Neither the company nor any subsidiary has indemnified any director of the company or a subsidiary in respect of any liability that he or she may incur to a third party in relation to a relevant occupational pension scheme.

Copies of the Deed Polls and our Articles of Association can be inspected at our registered office during normal business hours. They will also be available for inspection at Ironmongers' Hall, Shaftesbury Place, Barbican, London EC2Y 8AA from 10.00 am on 23rd July 2014 until the conclusion of our 2014 AGM.

Directors' Conflicts of Interest

We have established procedures in place in accordance with our Articles of Association to ensure we comply with the directors' conflicts of interest duties under the 2006 Act and for dealing with situations in which a director may have a direct or indirect interest that conflicts with, or may conflict with, the interests of the company. Johnson Matthey has complied with these procedures during the year. Details of any new conflicts or potential conflict matters were submitted to the board for consideration and, where appropriate, these were approved.

In March 2014 the board undertook an annual review of the register of previously approved conflict or potential conflict matters and, to the extent that these were still relevant, agreed that they should continue to be authorised on the terms previously set out. In each case, the review was undertaken by directors who were genuinely independent of the matter. Authorised conflict or potential conflict matters will continue to be reviewed by the board on an annual basis.

The board confirms that Johnson Matthey complies with its procedures in place to authorise conflict situations and is satisfied that its powers to authorise conflict situations are being exercised properly and effectively and in accordance with its Articles of Association.

Evaluation of the Board, Board Committees and Directors

Our board carries out a formal annual evaluation of its own performance and that of its committees and individual directors with the aim of improving effectiveness. This is led by the Chairman and seeks to be as rigorous and objective as possible. The process considers the board's strengths and weaknesses, its range and balance of skills, experience, independence and knowledge of the company, its diversity, including gender diversity, how the board works together as a unit and any other factors considered to be relevant. Individual evaluation aims to show whether each director continues to contribute effectively and to demonstrate commitment to the role (including time commitment). The Chairman acts on the results of the performance evaluation. Strengths are recognised and any weaknesses addressed.

The Chairman led internal review processes in 2011/12 and 2012/13. For 2013/14 the board chose again to conduct an internal evaluation led by the Chairman supported by the committee chairmen and the Company Secretary, notwithstanding that the last external evaluation took place in 2010/11 following Tim Stevenson's appointment as Chairman. The board considered this appropriate given important changes to the board made in the year and prospective changes to take effect on 5th June 2014 as referred to above.

A similar review process was followed to that used in 2011/12 and 2012/13. The review was led by the Chairman in collaboration with the board committee chairmen and was based on one to one discussions with each director, the Company Secretary and others. Discussion was prompted by a brief template of topics, followed with open ended questions. The findings of the board review were reported by the Chairman in writing to the board meeting in March 2014. These were debated and certain follow up actions and responsibilities agreed. The board also discussed the evaluation process itself and agreed that internal evaluation had been appropriate and effective. Key discussion topics in the review included: board composition; diversity, including gender diversity; the pattern of board meetings; opportunities to meet senior employees; agenda setting; risk; the quality and nature of board discussions; shareholder engagement; and succession. On page 92 is a summary of the key findings and follow up actions.

Corporate Governance Report continued

Overview	The board was felt to be fit for purpose, including in terms of its composition, diversity, agendas, paperwork and the nature and quality of its discussions. The executive directors felt that the board added value to their ability to run the business effectively in the interests of all stakeholders; and the non-executives that they are listened to and that their input is appreciated.
Board process: number of board meetings	Having considered the appropriateness of the number and timing of board meetings (six per year), agreed to include in the schedule two or three updating telephone conferences in the longer gaps between board meetings.
Board process: informal interaction	Agreed that using board dinners prior to board meetings (particularly where there is a clear agenda to be discussed) was a good way to enable both informal debate and for the non-executive directors over time to be better informed about softer issues affecting the group. On occasion, senior employees scheduled to present to the board on particular issues may be invited to attend.
Agenda setting	Agreed to assess the regularity of timetabling and discussion of certain agenda items and renew efforts to ensure that at each meeting there is a substantial element of strategy discussed and an appropriate balance with governance items.
Board process: location of board meetings	Agreed that the current annual pattern of board meetings works well – with one substantial overseas trip (which may include a strategy review) and one meeting at a UK or accessible European location, with opportunity in each case to meet the local team.
Board composition: mix of skills	Acknowledged that the different styles and backgrounds of colleagues around the board table enabled an appropriate range of input. Agreed that the mix of executive and non-executive directors was appropriate and that the size of the board works well.
Board composition: diversity	Recognised the value of both gender and cultural diversity brought to the board through the appointment of Odile Desforges. While recognising the importance of gender diversity on the board, emphasised the importance too of encouraging able women to develop within the business.
Environment, health and safety (EHS)	Recognised generally the importance of having a strong plan for improving the group's culture and performance on EHS. Recognised the value and importance in this context of constructive challenge from the non-executive directors.
Succession planning	Considered whether the MDRC was the right place for ensuring there is a robust process for succession planning and talent management oversight. Considered whether a better alternative may be the Nomination Committee, attended for this purpose by the Chief Executive and the Group Human Resources Director. Agreed that this responsibility should move to the Nomination Committee with effect from 1st September 2014. Given this change, agreed that the MDRC should be renamed the Remuneration Committee also with effect from 1st September 2014.
Risk management	Whilst recognising that there was a continuing need to ensure that the board and the Audit Committee focus on the few key risks that would most affect the overall health of the group, it was generally considered that the business was dealing well with the issue of risk and that the board's discussions reflect this.
Audit Committee	Agreed that improvement could be made in the use of risk mapping to ensure the Audit Committee focuses its presentations and reviews on the most important aspects of the business.
MDRC	Acknowledged to have been a complex year, with several key issues having been handled satisfactorily, notably the triennial review of remuneration and preparation for the new binding vote on remuneration policy at the AGM.
Nomination Committee	No significant actions.

Future Review

The board's intention remains to undertake an externally facilitated evaluation process at least every three years. In the intervening years, the review will be led by the Chairman supported by the committee chairmen and the Company Secretary. The board intends to conduct an externally facilitated review in 2014/15.

Review of the Chairman's Performance

The non-executive directors recognise that the Chairman's effectiveness is vital to that of the board. Led by Michael Roney, the Senior Independent Director, the non-executive directors are responsible for performance evaluation of the Chairman and for providing a fair and balanced assessment to shareholders.

In March 2014, the non-executive directors, led by Michael, met without Tim Stevenson being present, to discuss Tim's performance. Particular focus was given to his overall leadership of the board, the setting of tone, the setting of appropriate agendas and the effectiveness of communication. In reviewing Tim's performance, the views of executive directors were taken into account.

Michael subsequently reported the outcome to the board that Tim's leadership of the board continued to be effective and, in particular, that he had handled key succession issues very well.

Accountability

The Audit Committee

The membership and terms of reference of the Audit Committee are summarised in the Audit Committee Report (pages 98 to 102), which describes the work of the Audit Committee in discharging its responsibilities.

Financial Experience

The board is satisfied that at least one member of the Audit Committee, Alan Ferguson, has recent and relevant financial experience.

Financial and Business Reporting

In its reporting to shareholders the board recognises its responsibility to present a fair, balanced and understandable assessment of the group's position and prospects. This responsibility covers the Annual Report and Accounts and extends to half year and other price sensitive public reports and reports to regulators as well as to information required by statutory requirements. The directors consider this annual report, taken as a whole, to be fair, balanced and understandable and provides the information necessary for shareholders to assess the company's performance, business model and strategy.

The group reports the results of its five divisions: Emission Control Technologies; Process Technologies; Precious Metal Products; Fine Chemicals; and New Businesses. The divisions are all separately managed but report to the board through a board director. The CEC reviews monthly summaries of financial results from each division through a standardised reporting process. Forecasts are prepared monthly throughout the year and the group has a comprehensive annual budgeting and planning process including plans for the following two years. Budgets are approved by the board. Variances from budget are closely monitored. In addition to the annual budgeting process, there is a ten year strategy review process.

Risk Management and Internal Control

The board is ultimately responsible for maintaining sound risk management and internal control systems (including financial controls, controls in respect of the financial reporting process and controls of an operational and compliance nature).

The company's internal control systems are on a group wide basis and the review of their effectiveness (including of the application of the Revised Guidance for Directors on the Combined Code issued by the FRC in October 2005 – Revised Turnbull Guidance) is implemented and reported from a group wide perspective, covering the company and its subsidiaries. There are no material joint ventures or associates which have not been dealt with as part of the group for the purposes of applying the Revised Turnbull Guidance.

Our risk management systems and internal control systems are designed to meet the group's needs and to manage the risks to which it is exposed, including the risks of failure to achieve business objectives and of material misstatement or loss. However, such risks cannot be eliminated. Our systems can only provide reasonable, but not absolute, assurance. They can never completely protect against such factors as unforeseeable events, human fallibility or fraud.

The board confirms that there is a framework of continuous and ongoing processes in place (established in accordance with the Revised Turnbull Guidance) for identifying, evaluating and managing the significant risks faced by the group. These processes are regularly reviewed by the CEC, the board and the Audit Committee as appropriate and have been in place during the year and up to the date of approval of this annual report.

The board is responsible for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives. The board's view of Johnson Matthey's key strategic and operating risks and how the company seeks to manage those risks is set out on pages 18 to 21.

Risk Management and Internal Control Systems

The group's risk management and internal control systems comprise group policies, procedures and practices covering a range of areas including the appropriate authorisation and approval of transactions, the application of financial reporting standards and the review of financial performance and significant judgments.

Our 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 Johnson Matthey, its divisions and individual businesses or departments.

Review of Effectiveness of the Group's Risk Management and Internal Control Systems

A key responsibility of the board is to review, assess and confirm the adequacy and effectiveness of the group's risk management and internal control systems (including financial controls, controls in respect of the financial reporting process and controls of an operational and compliance nature). The board has delegated part of this responsibility to the Audit Committee. The role and work of the Audit Committee in this regard and the role of the group's internal audit function are described in the Audit Committee Report (pages 98 and 102).

The board, through setting its own annual agenda plan, defines the review process to be undertaken, including the scope and frequency of assurance reports received throughout the year. The board agenda plan, together with that of the Audit Committee, are designed to ensure that all significant areas of risk are reported on and considered during the course of the year. In addition to determining risk appetite, the board specifically reviews, amongst other things, risks relating to EHS, technology, human resources, legal and compliance and intellectual property.

The board, in part through the Audit Committee, has conducted an overarching review of the effectiveness of the company's risk management and internal control systems, covering all material controls, including financial, operational and compliance controls, and financial reporting processes, for the year. The review process accords with the Revised Turnbull Guidance.

The group has enhanced and standardised the stock take procedures at its gold and silver refineries in order to address certain previously identified weaknesses in internal controls. The principal control weakness that gave rise to last year's operational issues at our Salt Lake City refinery has been addressed.

Corporate Governance Report continued

Remuneration

The board has established a remuneration committee, the MDRC. The membership and terms of reference of the MDRC are summarised on page 115 of the Remuneration Report, which describes the work of the MDRC in discharging its responsibilities.

Relations with Shareholders

Dialogue with Our Shareholders

Our board welcomes the opportunity to openly engage with shareholders as it recognises the importance of a continuing effective dialogue, whether with major institutional investors, private or employee shareholders. The board takes responsibility for ensuring that such dialogue takes place.

Reporting of Results, Interim Management Statements and the Investor Day

We report formally to our shareholders when we publish our full year results in June and our half year results in November. These results are posted on our website. When we publish the results, our executive directors give presentations on the half year and full year results in face to face meetings with institutional investors, analysts and the media in London. Live webcasts of these results presentations are available on our website. Our first quarter and third quarter Interim Management Statements (issued respectively in July and in late January / early February each year) are also posted on our website.

In addition, we hold an annual 'Investor Day' for our institutional investors and analysts. At the 2014 Investor Day, held in London in January, we gave presentations on our Process Technologies Division. These highlighted the opportunities for Process Technologies, including in the chemicals and oil and gas markets, in China and focused on how the division adds value through technology. A live webcast of the Investor Day presentation and a copy of the presentation are available on the Investor Relations / Presentations section of our website.

Contact with Our Shareholders

Our Chairman takes overall responsibility for ensuring that the views of our shareholders are communicated to the board and that our directors are made aware of major shareholders' issues and concerns. However, contact with major shareholders is principally maintained by the Chief Executive and the Group Finance Director. They maintain a regular dialogue with institutional shareholders on performance, plans and objectives through a programme of one to one and group meetings and ensure that shareholder views are communicated to the board. Our Investor Relations Department acts as a focal point for contact with investors throughout the year.

The Chairman is available to meet with institutional investors to hear their views and discuss any issues or concerns, including on governance and strategy. The Senior Independent Director and the other non-executive directors are similarly available if requested, however, no such meetings were held or requested during the year.

Overall, 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 views of major shareholders. These have included, for example, analysts' and brokers' briefings, consideration by the board of monthly brokers' reports and of feedback from shareholder meetings on a six-monthly basis. Major shareholders' views are canvassed for the board in a detailed investor survey which is usually conducted every two years by external consultants. The last such survey was undertaken in September 2013 by Smith's Corporate Advisory. The purpose of these surveys is to obtain the views and opinions of a broad range of shareholders and non-shareholders.

The MDRC undertakes detailed collective consultation exercises with a selection of major institutional shareholders and institutional investor bodies as part of its comprehensive review of executive director and senior management remuneration arrangements within the group. As described in the Remuneration Report, a consultation was undertaken during the year in respect of the triennial review of remuneration then being undertaken.

The board believes that these methods, taken together, are a practical and efficient way for all our directors to keep in touch with shareholder opinion and views and to reach a balanced understanding of major shareholders' objectives, issues and concerns.

While the board recognises that the company is primarily accountable to its shareholders, it also recognises the contribution made by other providers of capital and confirms its interest in listening to their views, where relevant, to the company's overall approach to governance.

Annual General Meetings

The AGM is an important part of effective communication with shareholders. Our AGM takes place in London. Notice of the meeting and any related papers are sent to shareholders at least 20 working days before the meeting and are published on our website. The circular sent to shareholders with the notice aims to set out a balanced and clear explanation of each proposed resolution.

All directors, including the chairmen of our board committees, who are able to attend our AGMs do so. In 2013 the entire board attended the AGM. Our Chief Executive welcomes the opportunity for face to face communication with our shareholders and makes a business presentation at the AGM. Shareholders are encouraged to participate and all directors in attendance are available to answer questions, formally through the Chairman during the meeting and informally afterwards.

At the AGM we propose separate resolutions on each substantially separate issue. For each resolution, shareholders have the option to direct their proxy to vote either for or against the resolution or to withhold their vote. The proxy form and the announcement of the results of a vote make it clear that a 'vote withheld' is not legally a vote and is not counted in the calculation of the proportion of the votes cast. All valid proxy appointments received are recorded and counted.

All resolutions at the AGM are decided on a poll as required by the company's Articles of Association (rather than on a show of hands) and poll voting is carried out by electronic means.

The results of the poll are announced to the market as soon as possible and posted on our website. The announcement shows votes for and against as well as votes withheld.

Our AGM will be held on 23rd July 2014. The notice of the meeting, together with an explanation of the resolutions to be considered at the meeting, is set out in a separate circular to shareholders. This circular is published on the Investor Relations / Shareholder Centre / Annual General Meeting section of our website.

Nomination Committee Report

"This has been an important year for our Nomination Committee. Amongst other matters, we recommended to the board the appointment of a new executive director and nominated a new Senior Independent Director and a new chairman of our Management Development and Remuneration Committee (MDRC) in view of the prospective retirement of one of our non-executive directors. Most importantly, we successfully secured succession to the two key roles of Chief Executive and Group Finance Director."

Tim Stevenson
Chairman of the Nomination Committee

Role and Responsibilities

The principal role of our Nomination Committee is to advise the board and make recommendations to the board on the appointment and, if necessary, the removal of executive and non-executive directors. Certain changes to our terms of reference were approved by the board after the end of the year and will take effect from 1st September 2014. The principal change is to add to the role of the Committee responsibility for considering management development and succession planning for directors and other senior executives (formerly part of the responsibilities of our MDRC). Our current terms of reference and the amended terms can be found in the Investor Relations / Corporate Governance section of our website.

Composition

Our Committee has six members, being all the independent non-executive directors of the company, together with me, the group Chairman.

I have chaired the Committee since I became group Chairman in 2011, although I do not chair the Committee when it is dealing with succession to the chairmanship of the company. A non-executive director may not chair the Committee when it is dealing with a matter relating to that non-executive director.

Only members of our Committee have the right to attend meetings. However, the Chief Executive and the Group Human Resources Director, as well as external advisers and others, attend for all or part of our meetings by invitation as and when appropriate.

The Company Secretary is secretary to our Committee.

Committee Meetings During the Year

Our Committee meets on an ad hoc basis, usually immediately prior to or following a board meeting, but on other occasions as may be needed.

We met seven times during the year ended 31st March 2014, either face to face or by conference call. I also kept Committee members up to date by means of email communications between meetings. Several members of the Committee, led by me, also met as a working group of the Committee during the year to progress recruitment to the roles of Chief Executive and Group Finance Director.

The dates of the meetings and attendance at those meetings were as follows:

	3rd June 2013	24th July 2013	8th October 2013	10th December 2013	20th December 2013	28th January 2014	25th March 2014
Tim Stevenson	✓	✓	✓	✓	✓	✓	✓
Odile Desforges	–[1]	✓	✓	✓	✓	✓	✓
Alan Ferguson	✓	✓	✓	✓	✓	✓	✓
Colin Matthews	✓	–[2]	✓	✓	✓	✓	✓
Michael Roney	✓	✓	✓	✓	✓	✓	✓
Dorothy Thompson	✓	✓	✓	✓	✓	✓	✓

1 This meeting pre-dates Odile Desforges' appointment to the Committee on 1st July 2013.

2 Colin Matthews was unable to attend the meeting on 24th July 2013 due to a coinciding commitment at Heathrow Airport Holdings Limited where he is Chief Executive.

Since the end of the year, the Committee has met once (on 3rd June 2014). All members attended.

Nomination Committee Report continued

Committee Activities During the Year

Our Committee has been active in addressing several key matters in the course of the year, as follows:

1 Executive Director Succession
Considered executive director succession and recommended to the board the appointment of John Walker as an executive director with effect from 9th October 2013, together with certain changes to executive director responsibilities.

2 Chief Executive Succession
Considered succession to the role of Chief Executive in view of the prospective retirement of Neil Carson as Chief Executive and recommended to the board the appointment of Robert MacLeod as Chief Executive with effect from 5th June 2014.

3 Group Finance Director Succession
Considered consequent succession to the role of Group Finance Director and recommended the appointment of Den Jones as Group Finance Director with effect from 5th June 2014.

4 Extension of Terms of Appointment of Non-Executive Director and Group Chairman
Considered and recommended to the board an extension to the terms of appointment of Alan Ferguson as a non-executive director, for a second three year term to 13th January 2017. Also considered and recommended an extension to the term of my appointment as group Chairman to July 2017.

5 Non-Executive Director Succession
Considered non-executive director succession and succession to the roles of Senior Independent Director and Chairman of the MDRC in view of the prospective retirement as a non-executive director of Michael Roney.

6 Larry Pentz – External Appointment
Considered a request by an executive director, Larry Pentz, that he be permitted to assume the non-executive chairmanship of a FTSE 250 company, Victrex plc, while remaining a full time employee and director of the company. Following detailed discussions with Larry, internally within the company, and with the outgoing Chairman and Senior Independent Director of Victrex, it was decided that Larry would be able to manage the proposed non-executive chairmanship role at Victrex without affecting his full time responsibilities as a senior executive and board member of our company. The external appointment was therefore agreed.

7 Review of Performance and Effectiveness During 2013/14
Reviewed our Committee's performance and effectiveness (see page 97).

8 Nomination Committee Report
Reviewed and approved the draft Nomination Committee Report for 2013/14.

Board Appointments

The board, through our Committee, follows a formal, rigorous and transparent procedure to select and appoint new board directors. The processes are similar for the appointment of executive and non-executive directors. We lead the process and make recommendations for appointments to the board.

In considering board composition we assess the range and balance of skills, experience, knowledge and independence on the board, identify any gaps or issues and consider any need to refresh the board. If, after this evaluation, we feel that it is necessary to appoint a new director we then prepare a description of the role and of the capabilities required for the appointment and set objective selection criteria accordingly. The benefits of diversity on the board, including gender diversity, are carefully considered. We consider any proposed recruitment in the context of the company's strategic priorities, plans and objectives, as well as the prevailing business environment. We also take into account relevant succession plans in place.

In appointing non-executive directors we seek individuals who can make positive contributions to the board and its committees and who have the capability to challenge on strategic and other matters. This is balanced with the desire to maintain board cohesiveness.

We use external search consultancies to help with the appointment process and appointments are ultimately made on merit against the agreed selection criteria.

Boardroom Diversity

The search for board candidates is conducted, and appointments made, on merit, against objective selection criteria having due regard, amongst other things, to the benefits of diversity on the board, including gender. The board adopted a policy on diversity in 2013. This is set out in full in the Investor Relations / Corporate Governance section of our website.

Succession to the Roles of Chief Executive and Group Finance Director

Neil Carson indicated to us during the year that he proposed to retire from the company and his role as Chief Executive in the summer of 2014, subject to arrangements for succession being in place, at which point he would have completed ten years in post and 34 years as an employee of the company.

We first considered whether there were suitable internal candidates for the position. Having agreed a specification for the role, we appointed leadership assessment and executive search consultants, Russell Reynolds Associates (Russell Reynolds) to conduct a full appraisal of all members of the Chief Executive's Committee. This focused on their future potential including, and as relevant, as possible successors to the Chief Executive. This process led to one potential internal candidate being identified: the existing Group Finance Director, Robert MacLeod.

At our request, Russell Reynolds also prepared a list of external candidates matching the specification, against which the internal candidate could be benchmarked. This exercise led to our decision that the internal candidate should be interviewed by members of the Committee. This process completed, we decided that I should discuss with Robert, the possibility of him taking on the role.

Once terms were agreed with Robert we made a recommendation to the board on 28th January 2014 that he be appointed. We also recommended that Neil Carson remain a director and continue as an employee of the company until the end of September 2014 in order to facilitate an orderly handover to his successor. The board formally accepted the recommendations on 29th January 2014.

Once we had identified Robert as a suitable potential candidate for the role of Chief Executive, the next step for us was to consider succession to Robert as Group Finance Director. Russell Reynolds was tasked with conducting a search against an agreed specification. This was conducted in the last three months of 2013. Consideration was given to the availability of suitable internal candidates for the position, as well as to external candidates. An offer was made in January 2014 to an external candidate, Den Jones, subject to terms and timing being agreed. We made a recommendation to the board on 28th January 2014 that Den Jones be appointed, subject to finalisation of terms, and the board accepted the recommendation on 10th February 2014.

Extensions of the Terms of Appointment of Non-Executive Director and Group Chairman

The non-executive directors, and me as group Chairman, are appointed for specified terms subject to annual election and to the provisions of the Companies Act 2006 relating to the removal of a director. Any term beyond six years for a non-executive director is subject to particularly rigorous review and takes into account the need for progressive refreshing of the board.

The term of appointment of Alan Ferguson as a non-executive director was considered at a meeting of our Committee in January 2014. After careful review, we recommended to the board that the term be extended for a second three year term to 13th January 2017. Our Committee (at a meeting in March 2014 at which I was not present for the relevant agenda item and which was chaired for that item by Michael Roney) also considered carefully and recommended to the board an extension to the term of my appointment for a second three year term as group Chairman to July 2017. The board accepted the recommendations at its meetings in January and March 2014 respectively and the terms of appointment were duly extended.

Non-Executive Director Succession

We considered non-executive director succession in view of an indication from Michael Roney that he would wish to step down from the board during the year due to a desire to take on a new non-executive commitment. We announced on 28th April 2014 that Michael will be retiring from the board with effect from the close of our annual general meeting (AGM) on 23rd July 2014 after seven years as one of our non-executive directors, including three years as our Senior Independent Director and Chairman of our MDRC.

We also announced on 28th April 2014 that Alan Ferguson, a non-executive director and Chairman of the Audit Committee, will be appointed to the role of Senior Independent Director. Dorothy Thompson, a non-executive director, will be appointed as chair of the MDRC, in each case with effect from the close of our AGM on 23rd July 2014.

Having considered board size and balance, we decided that it was desirable to seek a replacement non-executive director following Michael's retirement. We discussed and identified certain key criteria for the proposed appointment, in light of the balance of skills and experience, knowledge, independence and diversity, including gender, on the board. We agreed to engage Russell Reynolds in the search process, which is continuing as at the date of this report.

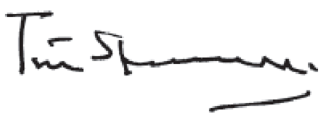
Request by an Executive Director to Assume the Non-Executive Chairmanship of a FTSE 250 Company

We considered a request from Larry Pentz that he be permitted to take on the role of non-executive chairman of Victrex plc (where he has been a non-executive director for the last six years) with effect from 1st October 2014 whilst remaining a full time employee and executive director of the company. We concluded that this should be agreed following discussions with the outgoing Chairman and Senior Independent Director of Victrex concerning assessment of the time demand on Larry at Victrex, and discussions within our company concerning the importance of Larry's contribution to our business at a time of significant management change at senior levels and his own commitment to his important executive role within our company. Recognising the benefits to Larry and to the company through the further development of his experience and leadership, the board agreed to Larry taking the role. We announced this matter on 20th May 2014.

Our 2013/14 Performance Review

During the year I reviewed the Committee's performance. I sought the views (by way of questionnaire and interview) of all Committee members, as well as others who regularly attend our meetings. Matters covered included the scope of the agenda and the running of our meetings. I summarised the responses at the March 2014 meeting and these were discussed. There were no areas where significant change or improvement was felt necessary. It was, however, felt that it would further improve effectiveness to add to the role of the Committee responsibility for considering management development and succession planning for directors and other senior executives (formerly part of the responsibilities of our MDRC).

On behalf of the Nomination Committee:



Tim Stevenson
Chairman of the Nomination Committee

Audit Committee Report

Alan Ferguson
Chairman of the Audit Committee

As Chairman of the Audit Committee I am pleased to present our report for the year ended 31st March 2014. The Committee has a clearly defined role in the governance landscape – it acts independently of management to ensure that the interests of our shareholders are properly protected in relation to financial reporting, audit integrity and the risk management and internal control framework.

The pressures on audit committees continue to grow and the year under review was a busy one. We incorporated into our agenda our new responsibilities in relation to financial reporting, external audit effectiveness and external audit tendering as required by the UK Corporate Governance Code. Under external audit partner rotation requirements and as disclosed in last year's annual report, a new KPMG lead audit partner came on board and we spent time discussing his proposals to refresh the audit approach in some areas. We are pleased with the changes he has made and believe that these will ensure continued delivery of a high quality and value adding audit. We took a number of deeper dive reviews in certain areas within the group including the Refining businesses and the group's high performance finance programme which aims to enhance certain key aspects of our finance function. We continued to work closely with our Head of Internal Audit and Risk to ensure delivery of a comprehensive internal audit plan which addresses the group's key risks and controls. We further considered our approach to external audit tendering and we set out in this report when we intend to put our audit out to tender.

Looking forward to 2014/15, we will keep our agenda under review to ensure it addresses the right issues. We will continue to monitor, and respond to, the changing regulatory environment, particularly in relation to external audit quality and tendering. With the recent appointment of a new Group Finance Director and a new Head of Internal Audit and Risk, we will be proactive in helping to ensure a seamless transition. Finally we will focus more effort on reviewing the mitigating controls over the group's principal risks.

Role and Responsibilities

The principal role of our Audit Committee is to assist the board in carrying out its oversight responsibilities in relation to financial reporting, internal controls and risk management and in maintaining an appropriate relationship with our external auditor.

Our terms of reference, which have recently been updated, can be found in the Investor Relations / Corporate Governance section of our website.

Composition

Our Committee currently comprises five members, being all the independent non-executive directors of the company. I have chaired the Committee since 2011. Being a Chartered Accountant and, until the end of 2010, having held the position of Chief Financial Officer of Lonmin Plc, I have recent and relevant financial experience. All of our Committee members have significant current or recent executive experience in various industries. This range and depth of financial and commercial experience enables us to deal effectively with the matters we are required to address and to challenge management when necessary.

The Company Secretary is secretary to our Committee.

Committee Meetings During the Year

Our Committee met five times during the year ended 31st March 2014. The dates of the meetings and attendance at those meetings were as follows:

	3rd June 2013	24th July 2013	18th November 2013	28th January 2014	25th March 2014
Alan Ferguson	✓	✓	✓	✓	✓
Odile Desforges	–[1]	✓	✓	✓	✓
Colin Matthews	✓	–[2]	✓	✓	✓
Michael Roney	✓	✓	✓	✓	✓
Dorothy Thompson	✓	✓	✓	✓	✓

1 This meeting pre-dates Odile Desforges' appointment to the Committee on 1st July 2013.

2 Colin Matthews was unable to attend the meeting on 24th July 2013 due to a coinciding commitment at Heathrow Airport Holdings Limited where he is Chief Executive.

Since the end of the year, the Committee has met once and all members attended.

The group Chairman, Chief Executive, Group Finance Director, the Head of Internal Audit and Risk, the KPMG lead audit partner, other representatives from KPMG and other senior management attend our meetings by invitation.

Committee Activities During the Year

We believe that we fully discharged our responsibilities during the year as set out in our terms of reference. In discharging our responsibilities we undertook the following:

1 Monitoring the Integrity of Reported Financial Information and Reviewing Significant Financial Issues and Judgments

- Reviewed the group's full year results, half-yearly results and interim management statements, and considered the significant accounting policies and principal estimates and accounting judgments used in their preparation. More information on how we considered management estimates and judgments can be found below under 'Significant Issues Considered by the Committee in Relation to the Group's and Company's Accounts' (on page 100).
- Reviewed the matters which informed the board's assessment that it was appropriate to prepare the accounts on a going concern basis.
- Received and considered reports from KPMG on its audit of the full year results and its review of the half-yearly results.
- Reviewed management representation letters requested by KPMG in respect of the full year and half-yearly results prior to them being signed on behalf of the board.
- Reviewed and assessed the process by which management gave assurance that our 2014 Annual Report and Accounts, taken as a whole, was fair, balanced and understandable and provided the information necessary for shareholders to assess the company's performance, business model and strategy. Confirmed to the board that we had done so and that the process was satisfactory.

2 Internal Control, Risk Management Systems and Internal Audit

- Received regular reports from the Head of Internal Audit and Risk on:
  - Internal controls. The reports described the internal controls self assessment exercise undertaken during the year in which management were required to certify the existence and effectiveness of controls within their areas of responsibility. The reports summarised the results of this exercise and we received a summary on the follow up activities being undertaken by management to address identified issues.
  - Internal audits. The reports summarised the audits undertaken during the particular period under review, the key findings of those audits, the number and nature of recommendations to address the findings and the progress made by management on implementing the recommendations. Progress against the agreed internal audit plan was monitored and any deviations to the plan were agreed. We requested certain enhancements to the reporting format to give us greater visibility on outstanding management actions and on the financial materiality of each business being reported on. We also approved a new rating system for internal audits.
  - Group security reviews. The reports described the progress of reviews undertaken by group security, the findings of these reviews, the recommended follow up actions and management progress in implementing these. Progress against the agreed group security plan was monitored and any deviations to the plan were agreed. Group security is a group function reporting to the Head of Internal Audit and Risk which provides additional assurance over asset security.
  - Risk management processes. The reports described the processes followed within the divisions and at group level to identify and monitor risks and to validate that risk mitigation activities were operational and effective.

  The Head of Internal Audit and Risk attended our meetings during the year to discuss the above matters.
- Received and considered a presentation from the Group Tax Director on the group's principal tax risks and how these were managed. In particular, we focused on potential risks associated with: the failure to deliver the tax strategy; tax reporting and accounting; the organisation, resource and expertise of the tax function; and general direct and indirect tax compliance, particularly in relation to global duty management.
- Reviewed corrective actions being taken by management to address the operational issues at our Salt Lake City refinery which had been identified in 2012/13. Early in the year, this took the form of a detailed management report on the actions underway, the progress of those actions and a description of further improvements which were yet to be implemented. We also considered recommendations put forward by KPMG to address the issues and sought an explanation from management on the extent to which these recommendations were being implemented. Later in the year, the Division Director and Divisional Finance Director of Precious Metal Products attended one of our meetings to discuss refining risk management. They provided a further update on the corrective actions at Salt Lake City and described the longer term plans to reduce the overall level of risk in the broader refining business.
- Received and considered a presentation from the Finance and Business Systems Improvements Director on the roll out of the group's high performance finance programme.
- Reviewed reports from the Group Treasurer on credit controls and credit risks.
- Reviewed reports from the Group Legal Director on litigation and whistleblowing procedures, including matters raised during 2013.
- Discussed implementation of anti-bribery and corruption policies and procedures.
- Approved new terms of reference for internal audit, reviewed its performance and considered reports on resourcing and expertise within internal audit and within group security as well as on resource allocation.
- Considered and approved the internal audit plan and group security plan for 2014/15.
- Reviewed the risk management and control statements in the Annual Report and Accounts before they were approved by the board.

Audit Committee Report (continued)

3 External Auditor

- Reviewed KPMG's performance, the effectiveness of the external audit process and assessed KPMG's objectivity and independence.
- Reviewed details of the non-audit services provided by KPMG and associated fees.
- Reviewed our policy on supply of non-audit services and agreed that no changes were needed to the policy.
- Approved KPMG's proposed terms of engagement, audit plan and fees for 2013/14.
- Recommended to the board the reappointment of KPMG.

4 Other Activities

- Reviewed our own performance and effectiveness during 2013/14 (see box on the right).
- Reviewed our terms of reference and recommended certain changes to the board to ensure that they were up to date and reflected relevant UK Corporate Governance Code provisions. These changes were approved by the board.
- Reviewed and approved the draft Audit Committee Report for 2013/14.
- Received reports on, and monitored, key governance and regulatory developments.

Our 2013/14 Performance Review

Our review of the Committee's performance took the form of a questionnaire circulated to all Committee members, as well as to others who regularly attend Committee meetings, seeking their views on matters such as the adequacy of the agenda, the efficiency of meetings and on the interaction with internal audit and KPMG. I reviewed and summarised the responses, which were generally very positive, and presented these for discussion at the March 2014 meeting. The main area where we felt we could improve was in the use of risk mapping to ensure we focus our presentations and reviews on the most important aspects of the business.

Activities Outside of Formal Meetings

The above summarises the activities undertaken by the Committee during its formal meetings. Outside of these meetings, I have regular one to one sessions with the Group Finance Director, the Head of Internal Audit and Risk, other senior management and with KPMG. These are often before Committee meetings as this allows me to better understand the issues and to make sure adequate time is devoted to the key issues at the subsequent meeting.

Additionally, the Committee meets at least annually with the Head of Internal Audit and Risk and KPMG without management present.

Significant Issues Considered by the Committee in Relation to the Group's and Company's Accounts

Ensuring the integrity of the accounts is fundamental to our remit. In preparing the accounts, there are a number of areas requiring the exercise by management of particular judgment or a high degree of estimation. Our role is to assess whether the judgments and estimates made by management are reasonable and appropriate. Set out below are what we consider to be the most significant accounting areas which required the exercise of judgment or a high degree of estimation during the year, together with details of how we addressed these. These are all considered to be recurring issues.

Significant issue considered by the Committee in relation to the accounts	How the issue was addressed by the Committee
Refining process and stock takes When setting process loss provisions, key judgments are made in estimating the amount of precious metal that may be lost during the refining and fabrication processes. In addition, refining stock takes involve key judgments in estimating volumes of precious metal bearing material in the refining system and the subsequent sampling and assaying to assess the precious metal content (note 39 on page 174).	In order to satisfy ourselves on the robustness of the stock take results and the adequacy of process loss provisions, we reviewed the results from each refinery's stock take together with management commentary on whether these results were in line with expectations and historic trends. We also reviewed the results as a percentage of throughput. Management explanations for any unusual results or one-off items were considered. We considered whether the accounting treatment for refining stock take gains and losses was in accordance with agreed methodology which we reviewed during the year. We received a report from KPMG on its findings in these areas. As noted earlier in this report, we also monitored the progress of the corrective actions being undertaken in the gold and silver refining business to address the causes of the operational issues at our Salt Lake City refinery. These actions included enhancing and standardising stock take procedures and internal controls across the group's refineries.
Impairment of goodwill and other intangibles Key judgments are made in relation to the assumptions used in calculating discounted cash flow projections to value the cash generating units (CGUs) containing goodwill and to value other intangible assets not yet being amortised. The key assumptions are management's estimates of budgets and plans for how the relevant businesses will develop, as well as discount rates and long term average growth rates for each CGU (notes 16 and 39 on pages 155, 156 and 174 respectively).	We reviewed a report from management which explained the methodology used and the rationale for the assumptions made including explanations for any significant changes from those used in prior years. The impairment reviews were also an area of focus for KPMG which reported its findings to us.

Significant issue considered by the Committee in relation to the accounts	How the issue was addressed by the Committee
Taxation Key judgments are made in arriving at management's best estimate of the tax charge included in the accounts where the precise impact of tax laws and regulations is unclear (note 39 on page 174).	We reviewed explanatory papers from management which included a review of the appropriateness of the tax provisions. As noted earlier in this report, the Group Tax Director attended a Committee meeting to discuss the main determinants of the tax charge as well as tax strategy and tax risks (including in relation to indirect tax) more broadly. KPMG also reported its findings in this area to us and we reviewed these findings.
Post-employment benefits Key judgments are made in relation to the assumptions used when valuing post-employment benefits obligations (note 14 on pages 147 to 154).	We reviewed the report from management summarising actuarial valuations and key assumptions for the main post-employment benefit plans. We compared these assumptions with those made by other companies and those used last year. We also considered the opinions expressed by KPMG in this area.

Having carried out the above activities, we concluded that the judgments and estimates made by management were reasonable and appropriate.

External Auditor

How we Safeguard External Auditor Objectivity and Independence

Safeguarding the objectivity and independence of the external auditor is essential in ensuring the integrity of the audited accounts.

Provision of Non-Audit Services

A key threat to the external auditor's objectivity and independence relates to the extent to which it is engaged to provide services which are in addition to, and outside the scope of, the external audit.

We have a policy in place which acts as a safeguard against the possibility that KPMG's objectivity and independence could be compromised. Each year we review compliance against this policy as well as whether the policy continues to be appropriate. The policy can be summarised as follows:

- Audit related services – KPMG can be invited to provide services which, in its position as auditor, it must or is best placed to undertake. This includes formalities relating to borrowings, shareholder and other circulars, various other regulatory reports and work in respect of acquisitions and disposals.
- Tax compliance and advice – KPMG may provide such services where it is best suited, otherwise the work must be put out to tender.
- Other services – these may not be provided where precluded by ethical standards or where it is believed the objectivity and independence of KPMG would be compromised.

Should non-audit services be provided in accordance with the above, the policy sets out how approval should be obtained prior to KPMG being engaged. Services likely to cost £25,000 or less should be approved by the Group Finance Director, services likely to cost more than £25,000 but £100,000 or less should be approved by myself as Chairman and services likely to cost over £100,000 must be approved by the Committee.

The policy also sets out the circumstances in which a former employee of KPMG can be employed by Johnson Matthey and the procedure for obtaining approval for such employment.

During the year, I approved the engagement of KPMG to provide advice on various matters. There were no items requiring Committee approval.

Non-audit fees in the year were £0.3 million compared to audit fees of £2.0 million. More information on fees incurred by KPMG for non-audit services, as well as on the split between KPMG's audit and non-audit fees, can be found in note 5 on the accounts.

KPMG's Compliance with Relevant Ethical Standards

During the year we reviewed the procedures followed by KPMG to safeguard its objectivity and independence and we received confirmation from KPMG that it was compliant with APB Ethical Standards in relation to the audit engagement.

Assessing the Effectiveness of the External Audit Process

Internal Questionnaire

Towards the end of this year's external audit process, a questionnaire was circulated to the executive directors and senior management seeking their views on the quality of the external audit service provided by KPMG. We reviewed and discussed a summary of the responses at the June 2014 meeting.

Third Party Auditor Assessment

Also during the year, we agreed with KPMG that it should instigate an external effectiveness review. The timing of this review coincided with the change in lead audit partner. As well as enhancing our own understanding of KPMG's performance and the value being obtained by Johnson Matthey from the external audit process, we wanted the incoming lead audit partner, Stephen Oxley, to get a good insight into current perceptions of KPMG's performance and more broadly on the Johnson Matthey / KPMG relationship.

The review was undertaken by an independent consultant and 13 key stakeholders within the company, including myself, the group Chairman, members of the board, division directors and functional heads, were interviewed. The outcome of this review was presented by KPMG to us and we discussed the findings.

The overall conclusion of the review was that the fundamentals of the audit, the team and the approach worked well and did not require major overhaul. However, there were some areas where opportunities existed for improvement and change. We considered these and discussed with the new lead audit partner how he intended to finesse the audit approach to address these opportunities. The lead audit partner set out his proposed audit plan for 2013/14, which we subsequently approved, with emphasis on those areas he intended to modify or build upon in order to deliver an insightful, effective and efficient audit.

Financial Reporting Council (FRC) Audit Quality Inspection Report

As part of our assessment of audit quality and the effectiveness of the audit process we reviewed the FRC's Audit Quality Inspection Report 2012/13 on KPMG. We noted and discussed the FRC's findings.

Individual Meetings with KPMG

Outside of formal Committee meetings I meet on a one to one basis with the lead audit partner and other members of KPMG's audit team to discuss not only agenda items for forthcoming Committee meetings but also any other matter which either party feels is relevant. The Committee also meets with the lead audit partner without management being present. These meetings provide a useful forum for open discussion of the issues connected with the external audit.

Audit Committee Report (continued)

Reappointment of KPMG

Following the above and having determined that KPMG continued to provide a sound and satisfactory audit, the Committee recommended to the board the reappointment of KPMG for the year 2014/15. A resolution proposing the reappointment of KPMG is included in the annual general meeting notice.

External Audit Tendering

We conducted our last full tendering process in 1985. KPMG (and its predecessor entities) has been our external auditor since 1986. We have undertaken a review of KPMG's performance every year since its appointment. As noted above and in last year's annual report, our lead audit partner was newly appointed in 2013/14. He has spent a great deal of time getting to understand Johnson Matthey and has instigated some changes to the way in which the audit is conducted.

As disclosed in last year's annual report, in the light of changes to the UK Corporate Governance Code relating to audit tendering and the publication of the FRC transitional guidance, we considered whether to put the external audit out to tender in 2013/14. We decided against this as we continued to be satisfied with KPMG's performance and we recognised the potential benefits of a new lead audit partner coming on board. We also wanted to see how the regulatory environment in relation to audit tendering evolved, particularly the Competition Commission investigation into the supply of statutory audit services to large companies in the UK and developments at EU level.

The Regulatory Landscape

Within the last 12 months, the Competition Commission has completed its investigation, published its findings and has set out a package of remedies in response to those findings. One of its principal proposed remedies is that FTSE 350 companies must put their statutory audit engagement out to tender at least every ten years. An order implementing this measure is expected to come into force later this year. Under transitional arrangements currently proposed by the Competition Commission, we would be required to put our external audit out to tender within two years of the current lead audit partner's rotation period. Our lead audit partner's rotation period expires on 31st March 2018 which means we would be required to tender by 31st March 2020.

Under recently approved EU audit reform rules which are expected to be implemented in 2016, the mandatory rotation of audit firms after ten years is required, extendable to 20 years with a tender at the end of the initial ten year period. Under the transitional provisions set out in the rules, KPMG's last possible audit of the Johnson Matthey group would be for the year ending 31st March 2020.

Our View on External Audit Tendering

Whilst we recognise there is some uncertainty around the timing of the above proposed changes, it looks likely that we will be required to put our external audit out to tender, and change our external auditor, by 2020. Notwithstanding this, it remains our intention to put the external audit out to tender before then, at some point during the current lead audit partner's five year tenure, at a time which is right for Johnson Matthey. We do not propose to carry out an external audit tender during 2014/15. As noted above, the lead audit partner's term will expire on 31st March 2018 and so the latest time the external audit will be put out to tender is during 2017 so that the process is completed by 1st April 2018.

Internal Audit

An effective control environment is an integral part of Johnson Matthey's culture. The role played by internal audit here is of critical importance as it helps to ensure that the group's entrepreneurial culture is allowed to thrive within a framework of sound risk management with the right controls in place.

Internal audit independently reviews the risks and control processes operated by management. It carries out independent audits in accordance with the approved plan. Internal audit has developed a risk based approach to auditing. It has identified certain key risk consideration factors and has ranked each location against these factors. This ranking is then used to determine which locations should be audited and the type and frequency of audit. The risk consideration factors include, for example, size of location by way of revenue / sales and profit, headcount and staff turnover, the complexity of the business, other sources of assurance and recent audit ratings.

Our role is to review and approve the annual plan. In determining the appropriateness of the plan, we consider a number of factors, including the locations which KPMG will be visiting as part of its audit, the time lapse since the last internal audit and the location's history of control issues. The plan provides an appropriate degree of financial and geographical coverage.

Audits performed by internal audit focus on key business processes, key controls and group wide themed audits. Activities undertaken as part of the audits include identifying key risks involved in processes, identifying and evaluating the key controls in place to mitigate these risks, testing the effectiveness and efficiency of these controls and evaluating the results. Each location is given an audit rating and, if necessary, recommendations as to corrective actions are issued. These recommendations are graded depending on the severity and potential impact of the weakness or deficiency. Internal audit closely tracks management progress in implementing these recommendations.

Internal audit plays a key role in our risk assessment, management and reporting processes. It supports, and challenges, management in the identification, prioritisation and mitigation of the risks facing Johnson Matthey.

It also manages the group wide internal controls self assessment process. It analyses the results of this process, identifies any areas where controls need to be strengthened and works with management to address any identified gaps.

As a Committee, we pay close attention to the resourcing of internal audit and receive regular reports on staffing levels and the geographical spread, skills and expertise of the function. Internal audit engages external specialist providers to support certain audits, including IT audits, and we are kept fully appraised of the performance of these external providers.

Each year we assess the performance of internal audit. Following our assessment during the year, we concluded that the function continued to be highly effective and we recognised the continuing efforts made by the Head of Internal Audit and Risk to refresh the approach to risk assessment and management and to deliver an effective and targeted internal audit plan. During 2014/15, the Head of Internal Audit and Risk will be moving to a Divisional Finance Director role within the group. I have been actively involved in the recruitment process for a successor and the new appointee will shortly take up her role.

On behalf of the Audit Committee:

Alan Ferguson
Chairman of the Audit Committee

Remuneration Report

Contents

Michael Roney
Chairman of the Management Development and Remuneration Committee

Introduction

Corporate Performance and Incentive Outcomes

The year just ended has been a successful year for Johnson Matthey with good increases in the key measures of underlying profit before tax and underlying earnings per share. The financial results have been matched by the development of new products and new businesses which place the company in a healthy position going forward.

With the appropriately challenging targets in place, maximum levels of payout have not been reached but bonuses and long term incentive payments are above midpoint at 71% of maximum payout for the bonus and 75% payout under the Long Term Incentive Plan (LTIP) 2011/14 cycle.

Format of this Report

This report has been produced in accordance with the new regulations regarding directors' pay and it therefore includes not only the outcomes for the year just ended, but also a separate section on remuneration policy. In the Remuneration Policy we describe in detail the bases under which we propose to pay our executive directors going forward. We introduced a separate forward policy section in last year's report, but this year's policy section has been reformatted to comply with the final regulations and will be subject to a separate annual general meeting (AGM) resolution requiring the majority support of shareholders.

Commentary on Changes Over the Year

In the last year we have carried out a full remuneration review including consultation and exchange of views with leading shareholders and representative bodies. The outcomes of this triennial review form the basis for the Remuneration Policy. In carrying out the review, the Management Development and Remuneration Committee (MDRC) has retained the same overriding aims which are to ensure that remuneration remains aligned with strategy and shareholder value.

The overall objective of the company is the delivery of 'superior long term growth from value adding sustainable technologies' and therefore the remuneration strategy focuses on ensuring alignment with long term success and growth. Long term variable pay is firmly based on growth as measured by increases in underlying earnings per share, and annual bonuses will require strong near term delivery against challenging targets.

As is fitting for a company founded in 1817, plans for long term success have always been a key element of Johnson Matthey's culture. Our executives have always understood that maintaining high growth in the future requires correct decisions on investment and strategic direction now. Therefore we have sought to ensure that executives are firmly bound into the success of the company beyond the short term, and the remuneration review and resulting policy are much stronger on deferral of variable pay, on malus and clawback and on the requirements to maintain a greater personal shareholding. At the same time there are some increases in the quantum of variable pay which reflect the continuing growth of the company.

We can also confirm that we have tightened contractual provisions regarding exit payments and mitigation for executive directors by giving the company an ability to make payments in lieu of notice (PILON) in monthly instalments over the notice period and to reduce such phased payments (if appropriate to nil) if the director mitigates his or her losses.

Overall, we believe we have found the right balance between variable pay incentives and deferral. The increases in the level of deferral are such that near term cash payments for on target results will reduce.

On page 104 we include details of the triennial review, including any changes from previous policy. All the changes are then embodied in the Remuneration Policy starting on page 105.

With regard to general discretionary powers, we recognise that our Remuneration Policy needs to be broadly defined to cover not only normal circumstances, but also retain the flexibility to deal with unexpected events. In considering the use of discretion by the MDRC, our intent will always be to exercise discretion in such a way that the original and published intent of incentives and practices is maintained.

Finally, we have sought to keep the measures upon which remuneration is based as simple and transparent as possible and have maintained continuity of policy with previous reports. We would expect that we do not need to make changes to the policy before the next mandatory vote in 2017.

Board Changes

In 2014 we have seen the announcement that after a highly successful decade in charge, Neil Carson will step down and be replaced as Chief Executive by Robert MacLeod. In addition, we are adding to the breadth of experience in the executive by bringing in Den Jones as Group Finance Director. The planning of orderly succession is a key function of the MDRC and requires that competitive packages are in place to retain and to attract the best and to provide the scope to earn the appropriate rewards for continuing the growth of the company. This requirement is reflected in our remuneration practice and policy.

Conclusion

Overall, the MDRC considers this to be a balanced and correct policy that fulfils our aims of aligning reward and incentives with strategy, and with the long term interests of shareholders. We therefore seek your support in approving this report and in approving the Remuneration Policy going forward.

Michael Roney

Remuneration Report continued

The Triennial Review – Changes to the Remuneration Policy

During the course of this year the MDRC has carried out its triennial review of remuneration for executive directors. Following this review, we have proposed certain changes to the remuneration structure which are summarised below and which are embodied in the Remuneration Policy beginning on page 105. In December 2013 we wrote to shareholders representing more than 50% of share ownership to seek views on the changes.

We have been encouraged by the broad support for the proposals which had three principal aims:

1 To ensure that management remains focused on success beyond the short term. This will be achieved by increasing the levels of bonus deferral and LTIP awards. We are also strengthening the requirement for executive directors to hold shares in the company.

2 To maintain simple and transparent structures. The structure of variable pay remains unchanged and there are no matching schemes associated with deferral. Bonuses will continue to be based on performance against budgeted underlying profit before tax (PBT), and the LTIP will continue to be based on underlying earnings per share (EPS) growth over the performance period.

3 To maintain the competitiveness and attractiveness of the package by aligning potential rewards to the scale and growth of the company, but only within the context of achieving upper quartile results. The quantum for bonus and LTIP will be increased but we will balance that strongly through the maintenance of ambitious targets and through the significant increases in deferral, the introduction of a post-vesting holding period and increased shareholding requirements. As a result of the increase in deferral, near term on-target cash rewards will reduce. The table below summarises the new remuneration structure and the changes from the previous year.

		Changes in policy
Termination payments and mitigation requirements	Executive directors[1]	Contractual termination payments are capped at one year's base salary plus contractual benefits with no payment of bonus or LTIP beyond that which is pro-rata to service. PILON payments may be made in phased monthly instalments over the notice period, in which case the company will reduce such phased payments (if appropriate to nil) where the director mitigates his or her losses[2]. The director is required to mitigate his or her losses and notify the company of any new job and / or earnings during the notice period.
Maximum bonus Continues to be based on underlying PBT versus budget	Chief Executive	180% of base salary with half deferred into shares for three years. (Formerly 150% of base salary with one third deferred for three years).
	Other executive directors	150% of base salary with half deferred into shares for three years. (Formerly 125% of base salary with one fifth deferred for three years).
Maximum LTIP Continues to be based on compound annual growth rate (CAGR) in underlying EPS in the performance period	Chief Executive	200% of base salary in shares, performance period of three years and shares released in three equal instalments at years three, four and five. (Formerly 175% of base salary, all released at year three).
	Other executive directors	175% of base salary in shares, performance period of three years and shares released in three equal instalments at years three, four and five. (Formerly 140% of base salary, all released at year three).
Clawback and malus provisions	Executive directors	The deferred element of the bonus is subject to a malus (forfeiture) provision in the event of misstatement or misconduct. LTIP awards granted in 2014 and subsequently will be subject to malus and clawback provisions that can apply in the case of misstatement or misconduct. This will also include a power to forfeit outstanding awards to effect a clawback of previous vested awards.
Shareholding requirement	Chief Executive	Requirement to build up to 200% of base salary in shares. (Formerly 100% of base salary).
	Other executive directors	Requirement to build up to 150% of base salary in shares. (Formerly 100% of base salary).

1 These new contractual provisions apply to all executive directors other than Neil Carson who will step down from the board in September 2014. Full details of the retirement arrangements for Neil Carson are included on page 114.

2 For executive directors subject to US tax, PILON payments must be made in phased monthly instalments.

Following written communications with shareholders, we received detailed responses on our Remuneration Policy and we were able to follow up on particular issues.

Some of the comments made by shareholders and representative bodies are that the MDRC should ensure that:

- Salary increases for incumbents should not be excessive.
- The targets upon which variable pay are based should remain challenging and transparent.
- Bonus and LTIP payments on termination should be pro-rated to service.
- A clear statement of bonus targets should be provided retrospectively.
- Consideration is given to post-vesting holding periods.
- Service contracts should include the requirement for mitigation of losses as far as possible.

At the same time, shareholders welcomed the significantly enhanced deferral arrangements and shareholding requirements and supported the history of prudent reward and target setting. Shareholders have also recognised the importance of the package being appropriate and competitive in the sector, which has been an important factor in the recent succession planning and recruitment at board level associated with the planned retirement of the Chief Executive in September 2014.

The MDRC has taken on board these shareholder views which have been incorporated in the Remuneration Policy and will be taken into account in the deliberations of the MDRC going forward.

Remuneration Policy

It is proposed that this Remuneration Policy will take effect immediately following the 2014 AGM, subject to shareholder approval, and that the policy will be applied to all remuneration for the year commencing 1st April 2014.

Below we publish the required remuneration policy table, which includes the elements of directors' remuneration. For each element we describe its purpose and its link to strategy, how it works, the opportunity, boundaries and performance measures and any clawback or withholding conditions which may apply.

Future Policy Table

Purpose and link to strategy	Operation (and changes if appropriate) of the element	Potential value of element and performance measures
Base salary Base salary is the basic pay for doing the job. Its purpose is to provide a fair and competitive level of base pay to attract and retain individuals of the calibre required to lead the business.	Base salaries will be reviewed annually and any changes normally take effect from 1st August each year. In determining salaries for new executive directors and salary increases, the MDRC will take account of performance of the individual director against a broad set of parameters including financial, environmental, social and governance issues. The MDRC will further take into account the length of time in post and the level of salary increases awarded to the wider Johnson Matthey workforce. Salaries across the group are benchmarked against a comparator group of similarly sized companies within the FTSE100, with a comparable international presence and geographic spread and operating in relevant industry sectors. New appointments or promotions will be paid at a level reflecting the executive directors' level of experience in the particular role and experience at board level. New or promoted executive directors may receive higher pay increases than typical for the group over a period of time following their appointment as their pay trends toward an appropriate level for their role.	Base salaries at the last review are shown below: (see table below) **Maximum opportunity** No salary increase will be awarded which results in a base salary which exceeds the competitive market range. **New salaries 2014** In view of the significant board changes being made in 2014, we publish here further salary details for 2014 where they have been determined. Robert MacLeod will become Chief Executive on 5th June 2014 with an annual base salary of £750,000. This will next be reviewed in 2015. Den Jones will become Group Finance Director on 5th June 2014 with an annual base salary of £465,000. This will next be reviewed in 2015. Neil Carson will receive no increase in base salary this year and will retire from the board on 30th September 2014. The base salary of Larry Pentz and John Walker will be reviewed on 1st August 2014 in accordance with the policy.

Director	**Salary as at 1st August 2013 £**	Salary as at 1st August 2012 £	% change
Neil Carson	**843,570**	803,400	5
Robert MacLeod	**457,537**	435,750	5
Larry Pentz	**438,690**	417,800	5
John Walker[1]	**365,000**	–	n/a

[1] John Walker was appointed as an executive director on 9th October 2013. The salary disclosed is effective from this date.

Remuneration Report continued

Future Policy Table (continued)

Purpose and link to strategy	Operation (and changes if appropriate) of the element	Potential value of element and performance measures
Annual bonus Provides a strong incentive aligned to strategy in the short term. The annual bonus allows the board to ensure that the company's plans are properly reflected in stretching but achievable annual budgets. The annual bonus plays a key part in the motivation and retention of senior employees, one of the key requirements for long term growth. The introduction of increased bonus deferral as well as malus and clawback provisions ensures that longer term considerations are properly taken into account in the pursuit of annual targets.	The MDRC sets annual bonus performance measures and targets at the start of the year. At the end of the year, the MDRC determines the extent to which these have been achieved. The MDRC retains the discretion to prevent any bonus award if, in its opinion, the underlying financial performance of the company has not been satisfactory in the circumstances. **Deferral** Of any bonus paid, 50% is paid in cash and the remaining 50% is deferred into shares for a three year period as an award under the deferred bonus plan. No further performance conditions apply to awards under the deferred bonus plan. **Malus and clawback** The deferred element of the bonus is subject to a malus provision such that it can be forfeited in part or in full in the event of a misstatement of results. Deferred awards are also forfeited in the event of dismissal for misconduct. **Adjustments** The MDRC retains judgment to adjust the bonus paid within the defined range should the original target no longer reflect overall business performance or individual contribution. For example, appropriately adjusting budgets to reflect significant acquisitions or disposals. The MDRC also retains discretion to amend the level of annual bonuses determined by the performance condition to seek to ensure that the incentive structure for senior management does not raise environmental, social and governance risks by inadvertently motivating irresponsible behaviour. For example, reducing or eliminating bonuses where the company has suffered reputational damage or where other aspects of performance have been unacceptable. The MDRC retains the ability to increase bonus awards from the formulaic outcome where there is identifiable and exceptional performance by the executive director. Bonus payments in such circumstances would remain within the maximum bonus opportunity and shareholders would be fully informed of the justification.	**Performance measures** It is intended that for the lifetime of this policy the annual bonus will be subject to a financial measure based on achievement of the group's budgeted underlying PBT, although the MDRC retains discretion to amend the performance measure upon which bonus is to be paid to ensure that bonuses remain appropriately linked to the prospects of the business. In such circumstances the performance measures will still have a substantial proportion based on key financial measures. The budget is set on a robust bottom up process to achieve full accountability. The target budgeted underlying PBT is retrospectively published in the immediately following Annual Report on Remuneration. Details of last year's bonus awards are on page 117. The performance period for annual bonus purposes matches the financial year (1st April to 31st March). **Maximum opportunity and vesting thresholds** Chief Executive – 180% of base salary. Other executive directors – 150% of base salary. Threshold vesting will result in a bonus of 15% of base salary. On-target performance will result in 50% payment of the maximum opportunity.

Future Policy Table (continued)

Purpose and link to strategy	Operation (and changes if appropriate) of the element	Potential value of element and performance measures
LTIP LTIP is designed to ensure that executives take decisions in the interest of longer term success of the group. Having a target that looks at growth over the longer term ensures that the interests of executives are aligned with shareholder wishes for long term value. The LTIP is based around targets which require strong growth in underlying EPS. Having a strong underlying EPS target requires that annual budgets are also ambitious and focused on growth. We consider that underlying EPS is a simple and clear measure and reflects the full total of all company activities. 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 MDRC is required to make an assessment of the group's ROIC over the performance period to ensure underlying EPS growth has been achieved with ROIC in line with the group's planned expectations.	Shares may be awarded each year, with the potential to vest after three years subject to performance conditions over a three year performance period. The performance targets are set by the MDRC based on internal growth forecasts and to ensure they remain appropriate and aligned with shareholder interests. **Deferral** Subject to performance conditions being met, one third of the vested shares are released on the third anniversary of the date of award. The remaining vested shares are subject to a post-vesting deferral period and will be released in equal instalments on the fourth and the fifth anniversaries of the initial date of award. **Malus and clawback** LTIP awards granted in 2014 and subsequently will be subject to malus and clawback provisions that can apply in the case of misstatement or misconduct. **Adjustments** The MDRC has power to adjust the vesting level of an award based on the general performance regarding the expected value of ROIC. A guideline ROIC of 20% is in place, however the MDRC does not wish to discourage long term investment and acquisition which might depress short term ROIC. Therefore the MDRC has not implemented a hard numerical measure to the assessment of the satisfactory development of ROIC. The MDRC may adjust the performance measure to reflect material events such as significant acquisitions or disposals, share consolidation, share buy-back or special dividend. Any such change would be fully explained to shareholders.	**Performance measures** LTIP vesting is based on compound annual growth in underlying EPS over the three year performance period. Vesting is also subject to a discretionary ROIC underpin that is monitored by the MDRC. ROIC is assessed against internal expectations and forecasts. The MDRC retains discretion to amend the targets and / or the performance measures for future awards. Wherever possible, the views of shareholders will be sought when it is proposed to make any substantive changes to the performance measures. It is currently envisaged that the LTIP award will remain strongly based on underlying EPS growth for the duration of this Remuneration Policy. The prospective targets and measures for the year commencing 1st April 2014 are shown on page 118. **Maximum opportunity and vesting thresholds** The current LTIP was approved by shareholders in 2007 and allows for an absolute maximum award of 200% of base salary. This Remuneration Policy specifies that the maximum award made under this policy will be 200% of base salary for the Chief Executive and 175% of base salary for other executive directors.

Remuneration Report continued

Future Policy Table (continued)

Purpose and link to strategy	Operation (and changes if appropriate) of the element	Potential value of element and performance measures
Benefits To provide a market aligned benefits package. The purpose of any benefits is to align with normal market practices, and to remove certain day to day concerns from executive directors and other senior managers, to allow them to concentrate on the task in hand.	Benefits include medical, life and income protection insurance, medical assessments, company sick pay, and a company car (or equivalent). Other appropriate benefits may also be provided from time to time at the discretion of the MDRC. Directors' and officers' liability insurance is maintained for all directors. Directors who are required to move for a business reason may, where appropriate, also be provided with benefits such as relocation benefits and schooling for dependents. Directors may be assisted with tax advice and tax compliance services. The company will reimburse all reasonable expenses which the executive director is authorised to incur whilst carrying out executive duties. Certain benefits are provided to executive directors in connection with the company requiring them to be internationally mobile, for example the provision of living accommodation, transport or medical insurance away from their country of residence. The company may pay the tax on these benefits.	Benefits are not generally expected to be a significant part of the remuneration package in financial terms and are there to support the director in his or her performance in the role. In general benefits will be restricted to the typical level in the relevant market for an executive director. Car benefits will not exceed a total of £25,000 per annum. The cost of medical insurance for an individual director and dependents will not exceed £15,000 per annum. Company sick pay is 52 weeks' full pay.
Pension Provides for post-retirement remuneration, ensures that the total package is competitive and aids retention.	All executive directors will be paid a cash supplement in lieu of membership in a pension scheme.	The supplement is 25% of base salary.
All employee share plans Encourages share ownership.	Executive directors are entitled to participate in the company's all employee plan under which regular monthly share purchases are made and matched with the award of company shares, subject to retention conditions. Executive directors would also be entitled to participate in any other all employee arrangements that may be established by the company on the same terms as all other employees.	Executive directors are entitled to participate up to the same limits in force from time to time for all employees.

Future Policy Table (continued)

Purpose and link to strategy	Operation (and changes if appropriate) of the element	Potential value of element and performance measures
Shareholding requirements To encourage executive directors to build a shareholding in the company and ensure the interests of management are aligned with those of shareholders.	Executive directors are expected to build up a shareholding in the company over a five year period. Shares that count towards achieving these guidelines include: all shares beneficially owned by an executive or a person connected to the executive as recognised by the MDRC; deferred bonus shares and LTIP awards which have vested and so are no longer subject to performance conditions but are subject to the post-vesting deferral period. Executive directors are expected to retain at least 50% of the net (after tax) vested shares that are released under the LTIP and deferred bonus plans until the required levels of shareholding are achieved. Executive directors are not required to make personal share purchases should awards not meet the performance conditions and so a newly appointed director may take longer to reach the expected level, depending on the company's performance against targets over the period. In the event of an executive director not reaching the expected level within the five year period, or subsequently, the director will discuss the circumstances with the MDRC and agree an appropriate forward plan.	The minimum shareholding requirement is as follows: Chief Executive – 200% of base salary. Other executive directors – 150% of base salary. The above shareholding requirements are effective as of the date of approval of this policy. The previous shareholding requirement was 100% of base salary for the Chief Executive and the other executive directors. There is no requirement for non-executive directors to hold shares but they are encouraged to acquire a holding over time.
Non-executive director fees Attracts, retains and motivates non-executive directors with the required knowledge and experience.	Non-executive directors are paid a base fee each year with an additional fee for each committee chairmanship or additional role held. Going forward, non-executive director fees will be reviewed every year. Any increase will take into account the market rate for the relevant positions within the comparator group of similarly sized companies with a comparable international presence and geographic spread and operating in relevant industry sectors.	Annual fees at the last review in 2012 are shown below: Non-executive Chairman – £300,000. Non-executive directors – £55,000. Audit Committee chairmanship additional fee – £10,000. MDRC chairmanship additional fee – £10,000. Senior Independent Director (SID) additional fee – £13,000. Where the MDRC chairman is also the SID, no extra fee is paid for chairing the MDRC.

Selection of Performance Targets

Annual bonus	Financial performance targets under the annual bonus plan are set by the MDRC with reference to the prior year and to the budgets and business plans for the coming year, ensuring the levels to achieve threshold, target or maximum payout are appropriately challenging. The performance targets for 2014/15 are based upon budgeted underlying PBT to ensure that there is strong attention paid to delivery of current operational plans and operational efficiency. Commercial sensitivity precludes the advance publication of the actual bonus targets but these targets will be retrospectively published in the Annual Report on Remuneration for 2014/15.
LTIP	EPS targets under the LTIP are set to reflect the company's longer term growth objectives at a level where the maximum represents genuine outperformance. Underlying EPS is considered a simple and clear measure of absolute growth in line with the company's strategy. It is also a key objective of the company to achieve earnings growth only in the context of a good performance on ROIC. Accordingly, the MDRC makes an assessment of the group's ROIC over the performance period to ensure underlying EPS growth has been achieved with ROIC in line with the group's planned expectations.

Remuneration Report continued

Prior Commitments

All remuneration commitments entered into prior to this Remuneration Policy coming into force will continue to be honoured. These existing remuneration commitments include the following:

- A number of previous and current directors are contractually entitled to post-retirement medical benefits for themselves and their dependents. This benefit is no longer offered to new directors or other employees joining Johnson Matthey. A full list of current and previous directors receiving or entitled to post-retirement medical benefits is provided on page 120.
- Neil Carson, Robert MacLeod, Larry Pentz and John Walker have legacy defined benefits pension arrangements that will become payable at retirement but are not accruing any additional pensionable service. Details of such accrued pensions are given on page 119.
- Annual bonus, deferred bonus and LTIP payments from awards made prior to this Remuneration Policy coming into force will continue to pay out in accordance with the respective plan rules for each award. Further details of these awards are shown in the Annual Report on Remuneration starting on page 115.

Group Employee Considerations

The MDRC considers the directors' remuneration in the context of the wider employee population and is kept regularly updated on pay and conditions across the group. The company has not consulted directly with employees with respect to directors' remuneration. Increases in base salary for directors will take into account the level of salary increases granted to all employees within the group.

The general principle for remuneration in Johnson Matthey is to pay a competitive package of pay and benefits in all markets and at all job levels in order to attract and retain high quality employees. The proportion of variable pay increases with progression through management levels with the highest proportion of variable pay at executive director level, as defined by this Remuneration Policy.

The key elements of variable pay, LTIP and bonus cascade down through the next tiers of senior management with appropriate reductions in opportunity levels based on seniority. More than 220 of the group's most senior executives participate in the annual bonus plan (with performance conditions similar to those described in this Remuneration Policy) and around 1,100 of the group's senior and middle managers participate in the LTIP in line with the same EPS based performance conditions (although only executive directors are subject to the post-vesting LTIP holding period and only the top three levels of management are subject to deferral of annual bonus). Bonus awards are also made to an additional circa 880 employees largely based on their individual performance.

There are also a number of country and business dependent arrangements under which bonuses may be paid to the entire business unit workforce where performance conditions associated with profitability are met.

Johnson Matthey operates a number of pension arrangements around the world, relevant to the local conditions and arrangements.

The key element of remuneration for those below management grades is base salary and Johnson Matthey's policy is to ensure that basic wages are fully competitive in the local markets. General pay increases take into account local wage norms, local inflation and business conditions.

Consideration of Shareholder Views

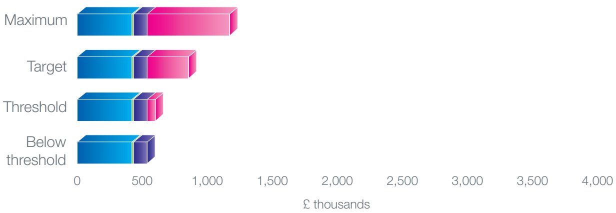
During 2013/14 the MDRC consulted extensively with shareholders representing around 50% of shares in issue in relation to the proposed changes to executive remuneration as part of the triennial review. The MDRC has considered their feedback thoroughly in formulating this Remuneration Policy. Further details regarding this consultation are provided on pages 104 and 105.

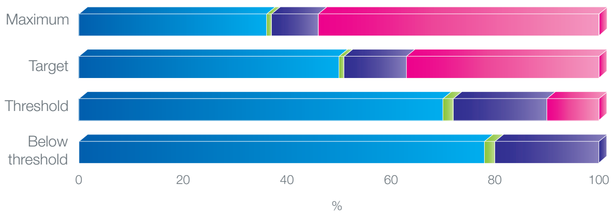
Remuneration Scenarios

Below is an illustration of the potential future remuneration that could be received by each executive director for the year commencing 1st April 2014 (being the first year in which this remuneration will apply), both in absolute terms and as a proportion of the total package under different performance scenarios.

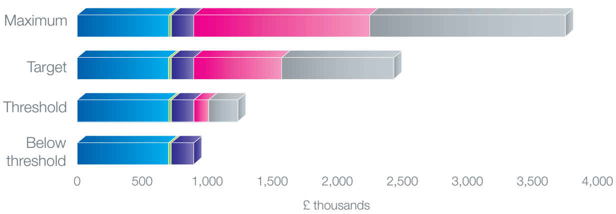
Value of Package | **Composition of Package**

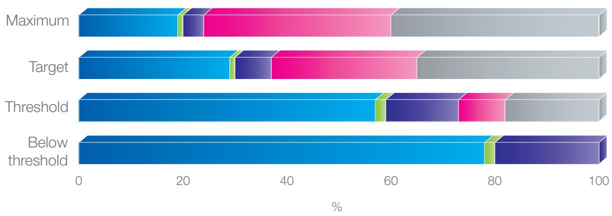
Neil Carson[1]



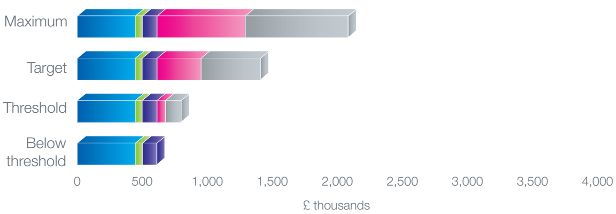


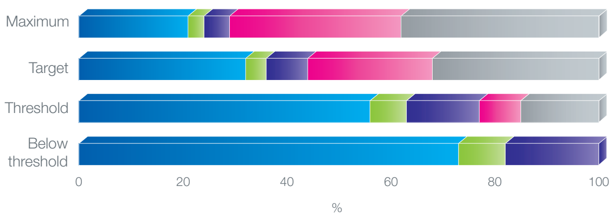
Robert MacLeod[2]



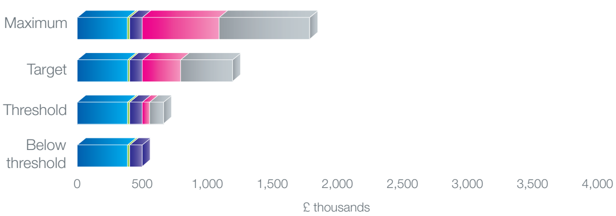


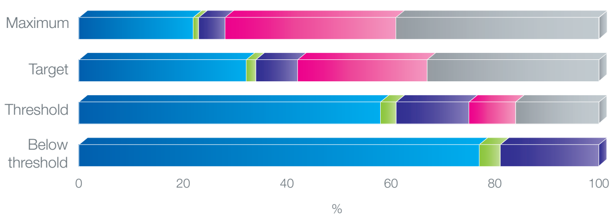
Larry Pentz





John Walker





Base salary | Benefits | Pension | Annual bonus | LTIP[3]

[1] The figures shown for Neil Carson represent pro-rated amounts based on service to 30th September 2014. Neil Carson will not receive an LTIP award in 2014.

[2] The figures shown for Robert MacLeod take into account the arrangements he will receive as Group Finance Director until 5th June 2014 and as Chief Executive thereafter.

[3] The LTIP values shown are in respect of shares granted during 2014 in accordance with the Remuneration Policy. This grant will not normally vest until the third anniversary of the date of the grant. The minimum and maximum projected LTIP amounts are determined as set out in the Remuneration Policy. The target projected LTIP amount assumes performance is at the midpoint of minimum and maximum. The projected value of LTIP amounts excludes the impact of share price movement. No annual bonus is payable if performance is below threshold.

Remuneration Report continued

Approach to Recruitment Remuneration

The recruitment policy provides an appropriate framework within which to attract individuals of the required calibre to lead a company of Johnson Matthey's size, scale and complexity. The MDRC determines the remuneration package for any appointment to an executive director position, either from within or outside Johnson Matthey.

The following table sets out the various components which would be considered for inclusion in the remuneration package for the appointment of an executive director and the approach to be adopted by the MDRC in respect of each component.

Area	Policy and operation
Overall	The policy of the board is to recruit the best candidate possible for any board position and to structure pay and benefits in line with the Remuneration Policy set out in this report. The ongoing structure of a new recruit's package would be the same as for existing directors, with the possible exception of an identifiable buy-out provision, as set out below.
Base salary or fees	Salary or fees will be determined by the MDRC in accordance with the principles set out in the policy table on page 105.
Benefits and pension	An executive director shall be eligible for benefits and pension arrangements in line with the company's policy for current executive directors, as set out in the policy table on page 108.
Annual bonus	The maximum level of opportunity is as set out in the policy table on page 106. The MDRC retains discretion to set individual performance targets for a new externally appointed executive director, or adjust performance targets in the case of an internal promotion, to be assessed over the remainder of the financial year, in which case any bonus payment would be made at the same time as for existing directors, such award to be pro-rated for the time served in the performance period.
LTIP	The maximum level of opportunity is as set out in the policy table on page 107. In order to achieve rapid alignment with Johnson Matthey's and shareholder interests, the MDRC retains discretion to grant an LTIP award to a new externally appointed executive director with the same performance targets as awards already granted in that year. The level of such awards would be pro-rated from the normal opportunity to take account of the time elapsed since the start of the performance period.
Replacement awards	The MDRC retains discretion to grant replacement buy-out awards to a new externally appointed executive director to reflect the loss of awards granted by a previous employer. Where this is the case, the MDRC will seek to structure the replacement award such that overall it is on an equivalent basis to broadly replicate that foregone, using appropriate performance terms. If the executive director's prior employer pays any portion of the remuneration that was anticipated to be forfeited, the replacement awards shall be reduced by an equivalent amount.
Other	The MDRC may agree that the company will meet certain mobility costs, relocation costs, including temporary living and transportation expenses, in line with the company's prevailing mobility policy for senior executives as described in the policy table on page 108.

In the case of an internal promotion to the board, the company will honour any contractual commitments made prior to the promotion.

Service Contracts and Policy on Payment for Loss of Office

The table below summarises relevant key provisions of executive directors' service contracts and the treatment of payments on termination of employment. The full contracts of service of the executive directors (as well as the terms and conditions of appointment of the non-executive directors) are available for inspection at the registered office of the company during normal business hours as well as prior to and during the forthcoming AGM of the company.

In exceptional circumstances, the MDRC may authorise, where it considers it to be in the best interests of the company and shareholders, entering into contractual arrangements with a departing executive director, for example a settlement, confidentiality, restrictive covenant or other arrangement, pursuant to which sums not set out in the following table may become payable. In these exceptional circumstances, full disclosure of the payments will be made in accordance with the new remuneration reporting requirements.

The following table describes the contractual conditions pertaining to the contracts for Robert MacLeod, Larry Pentz and John Walker and for any executive director joining after the 1st April 2014. Neil Carson was appointed as an executive director on 1st August 1999 under a service agreement of the same date. Mr Carson will be retiring on 30th September 2014 and his termination arrangements are described on page 114.

Summary of Key Provisions of Executive Directors' Service Contracts and Treatment of Payments on Termination

	Robert MacLeod	Larry Pentz[1]	John Walker[1]
Date of service agreement	31st January 2014	31st January 2014	31st January 2014
Date of appointment as director	22nd June 2009	1st August 2003	9th October 2013
Employing company	Johnson Matthey Plc	Johnson Matthey Plc	Johnson Matthey Plc
Contract duration	No fixed term.		
Notice period	Not less than 12 months' notice of termination by the company. Not less than six months' notice of termination by the director.		
Post-termination restrictions	The contracts of employment contain the following restrictions on the director for the following periods from the date of termination of employment: – non-compete – six months; – non-dealing and non-solicitation of client / customers – 12 months; – non-solicitation of suppliers and non-interference with supply chain – 12 months; and – non-solicitation of employees – 12 months.		
Summary termination – payment in lieu of notice (PILON)	The company may, in its absolute discretion, terminate the employment of the director with immediate effect by giving written notice together with payment of a sum equivalent to the director's base salary and the value of his contractual benefits as at the date such notice is given, in respect of the director's notice period, less any period of notice actually worked. The company may elect to pay the PILON in equal monthly instalments. The director is under a duty to seek alternative employment and to keep the company informed about whether he has been successful. If the director commences alternative employment, the monthly instalments shall be reduced (if appropriate to nil) by the amount of the director's gross earnings from the alternative employment. A PILON paid to a director who is a US taxpayer (currently Larry Pentz and John Walker) would be in equal monthly instalments.		
Termination payment – change of control	If, within one year after a change of control, the director's service agreement is terminated by the company (other than in accordance with the summary termination provisions), the company shall pay, as liquidated damages, one year's base salary, together with a sum equivalent to the value of the director's contractual benefits, as at the date of termination, less the period of any notice given by the company to the director.		
Termination – treatment of annual bonus	Annual bonus awards are made at the discretion of the MDRC. Employees leaving the company's employment will receive a bonus, pro-rata to service, unless the reason for leaving is resignation or misconduct. Any bonus awarded would continue to be subject to deferral as set out in the Remuneration Policy. In relation to deferred bonus awards which have already been made, shares will be released on the normal vesting date unless one of the following circumstances applies, and subject to the discretion of the MDRC: • the participant leaves as a result of misconduct; or • the participant, prior to vesting, breaches one of the post-termination restrictions or covenants provided for in his employment contract, termination agreement or similar agreement.		
Termination – treatment of LTIP awards	Employees leaving the company's employment will normally lose their LTIP awards unless they leave for a specified 'good leaver' reason, in which case their shares will be released on the normal release dates, subject to the performance condition. The MDRC has discretion to accelerate vesting, in which case the performance condition would be assessed to the end of the financial year preceding the accelerated vesting date. In either case, unless the MDRC determines otherwise, the level of vesting shall be pro-rated to reflect the proportion of the performance period which has elapsed to the date of leaving. In the post-vesting deferral period, only those who leave due to misconduct will lose their shares.		
Redundancy scheme	The director is not entitled to any benefit under any redundancy payments scheme operated by the company.		
Holiday	Upon termination for any reason, directors will be entitled to payment in lieu of accrued but untaken holiday entitlement.		

[1] Larry Pentz and John Walker are eligible for continuing post-retirement medical benefits provided they satisfy the conditions of this plan and retire directly from Johnson Matthey.

Remuneration Report continued

Retirement Arrangements for Neil Carson

The following sets out the remuneration arrangements which are in place for Neil Carson, who will be retiring from the board on 30th September 2014.

Following his retirement, Mr Carson will receive no remuneration or loss of office payments. The remuneration receivable by Mr Carson following his retirement will be as follows:

Annual bonus	Subject to the performance conditions of the annual bonus plan being met, Mr Carson will receive a bonus for the year ended 31st March 2015 on the normal bonus award date in 2015, such bonus will be pro-rated for service up to his retirement date. The maximum level of bonus possible will therefore be 90% of base salary. In accordance with the Remuneration Policy, a proportion of the bonus will be awarded as shares which will be deferred for a period of three years. Mr Carson was awarded 12,902 shares under the deferred bonus plan in 2012. These will be released to him on the normal release date in 2015. No bonus was paid in 2013 and so there is no deferred bonus award in respect of that year.
LTIP	Shares allocated to Mr Carson in July 2012 and August 2013 under the LTIP will be released to him on the normal vesting dates in 2015 and 2016 respectively. The number of shares under these awards will be pro-rated on leaving to 52,252 and 28,178 shares based on his completed service since the start of the performance period and final vesting will be determined by reference to the achievement of the performance conditions. No LTIP award will be made to Mr Carson in 2014.
Post-retirement medical insurance	Under the terms of his contract, Mr Carson is entitled to continuing private medical insurance for himself and his spouse / dependents.

Appointment Arrangements for Den Jones

Den Jones will become Group Finance Director on 5th June 2014 and was recruited in line with the policy set out on page 112. No special arrangements or replacement awards were granted as part of his appointment.

Mr Jones' service contract is in line with other executive directors, the key provisions of which are summarised on page 113. Mr Jones' remuneration package is in accordance with the Remuneration Policy and his annual base salary will be £465,000. This salary will next be reviewed in 2015.

Chairman and Non-Executive Directors

The Chairman and each of the non-executive directors have letters of appointment. The letters of appointment do not contain any contractual entitlement to a termination payment and the non-executive directors can be removed in accordance with the company's Articles of Association. Directors are required to retire at each AGM and seek re-election by shareholders.

The details of the service contracts, including notice periods, contained in the letters of appointment in relation to the non-executive directors who served during the year are set out in the table below. None of the Chairman or the non-executive directors has provisions in his or her letter of appointment that relate to a change of control of the company.

Non-executive director	Committee appointments	Date of appointment	Expiry of current term	Notice period by the individual	Notice period by the company
Tim Stevenson (Chairman)	M, N	29th March 2011	July 2017	6 months	6 months
Odile Desforges	A, M, N	1st July 2013	30th June 2016	1 month	1 month
Alan Ferguson	A, M, N	13th January 2011	12th January 2017	1 month	1 month
Colin Matthews	A, M, N	4th October 2012	3rd October 2015	1 month	1 month
Michael Roney	A, M, N	1st June 2007	31st May 2016	1 month	1 month
Dorothy Thompson	A, M, N	1st September 2007	31st August 2016	1 month	1 month

A: Audit Committee M: Management Development and Remuneration Committee N: Nomination Committee

External Appointments

It is the board's policy to allow executive directors to accept non-executive appointments provided there is no conflict of interest and that the time spent would not impinge on their work for Johnson Matthey. Details of external directorships held by executive directors, together with fees retained during the year are as follows:

Executive director	Company	Role held	Fees retained £'000
Neil Carson	AMEC plc	Non-executive director	58
Robert MacLeod	Aggreko plc	Non-executive director	76
Larry Pentz	Victrex plc	Non-executive director	50

Annual Report on Remuneration

The following section provides details of how the Remuneration Policy was implemented during the year.

The Management Development and Remuneration Committee (MDRC)

The MDRC is a Committee of the board and comprises all the independent non-executive directors of the company as set out on page 114 including the group Chairman.

The members of the Committee and their attendance at committee meetings during the year ended 31st March 2014 is shown below.

	Committee role	Date of appointment	Meeting attendance 3rd June 2013	24th July 2013	18th November 2013	28th January 2014	25th March 2014
Michael Roney	Chairman	1st June 2012	✓	✓	✓	✓	✓
Odile Desforges	Member	1st July 2013	–[1]	✓	✓	✓	✓
Alan Ferguson	Member	13th January 2011	✓	✓	✓	✓	✓
Colin Matthews	Member	4th October 2012	✓	–[2]	✓	✓	✓
Tim Stevenson	Member	29th March 2011	✓	✓	✓	✓	✓
Dorothy Thompson	Member	1st September 2007	✓	✓	✓	✓	✓

1 This meeting pre-dates Odile Desforges' appointment to the Committee on 1st July 2013.

2 Colin Matthews was unable to attend the meeting on 24th July 2013 due to a coinciding commitment at Heathrow Airport Holdings Limited where he is Chief Executive.

Since the end of the year, the Committee has met once and all members attended.

The MDRC's terms of reference can be found in the Investor Relations / Corporate Governance section of our website and 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). In addition, the MDRC receives recommendations from the Chief Executive on the remuneration of those reporting to him as well as advice from the Group Human Resources Director, who acts as secretary to the MDRC.

Key Topics Covered at MDRC Meetings 2013/14

The MDRC met on five occasions through the last year. The principal activities carried out were as described below.

Meeting	Agenda items
3rd June	Review of executive directors' salary and bonus. Review of Chief Executive's Committee and senior managers' salary increases. Review of pay within the group. Approval of the Remuneration Report. Triennial review benchmarking and timeline.
24th July	Approval of executive directors' salary and bonus. Approval of LTIP awards. Approval of LTIP vesting. Review of other senior managers' salary increases and bonus payments. Service contracts review. Consideration of triennial proposals.
18th November	Management development and succession planning. Review of the share incentive plan. Confirm triennial review proposals. Approve shareholder consultation proposals.
28th January	Consider shareholder responses to triennial review consultation. Approval of bonus scheme rules. Review of the share incentive plan. Consideration of matters related to board succession. Review of draft Remuneration Report.
25th March	Further review of draft Remuneration Report. Consideration of shareholder feedback following consultation on triennial review.

Board Changes 2013/14

Succession planning is a critical element of governance and in the last year the MDRC has overseen the successfully planned major board changes at executive director level. Following his planned retirement, Bill Sandford was replaced on the board by the internal appointment of John Walker. Secondly, it has been announced that Robert MacLeod will succeed Neil Carson in the role of Chief Executive from 5th June 2014 and Den Jones will join Johnson Matthey on the same date to replace Robert MacLeod as Group Finance Director.

Remuneration Report continued

Advisers to the Committee

In determining the remuneration structure, the MDRC 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 PricewaterhouseCoopers LLP who acted as remuneration consultant through the triennial review carried out in 2013/14.

PricewaterhouseCoopers was appointed independently by the MDRC. The MDRC regularly reviews the advisers it uses and periodically retenders. PricewaterhouseCoopers' fees, which were charged on an hourly basis, for advice in relation to remuneration matters, including the development and implementation of remuneration policy, incurred during the year were £135,625. PricewaterhouseCoopers is a member of the Remuneration Consultants Group (RCG) and a signatory to the RCG's code of conduct.

PricewaterhouseCoopers also provides advice and tax compliance services to the company in relation to the administration of expatriates and internationally mobile employees. Additionally, PricewaterhouseCoopers provides other tax advice, tax audit work, completion of overseas tax returns, advice on set up of new overseas operations, some overseas payroll services and the review of some financial controls. The fees associated with the provision of these services are not included in the above figures.

Herbert Smith Freehills LLP, which is authorised and regulated by the Solicitors' Regulation Authority of England and Wales, provided legal advice to the MDRC on compliance with the regulations relating to the reporting of directors' remuneration. Herbert Smith Freehills has also provided advice to the company in connection with the drafting of share plan rules and directors' service contracts in accordance with the policy determined by the MDRC. This advice was charged on an hourly basis. The MDRC is aware that Herbert Smith Freehills is one of a number of legal firms that provide legal advice and services to the company on a range of matters.

A statement regarding the use of remuneration consultants for the year ended 31st March 2014 is available on our website in the Investor Relations / Corporate Governance section.

Single Figure Table of Remuneration

The table below sets out the total remuneration and breakdown of the elements each director received in relation to the year ended 31st March 2013 and the year ended 31st March 2014.

An explanation of how the figures are calculated follows the table.

	Base salary / fees £'000		Benefits £'000		Annual bonus £'000		LTIP £'000		Pension £'000		Total £'000	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
Executive directors												
Neil Carson	**830**	794	**22**	22	**899**	–	**1,685**	1,666	**419**[1]	199	**3,855**	2,681
Robert MacLeod	**450**	431	**19**	19	**406**	–	**731**	722	**113**	108	**1,719**	1,280
Larry Pentz	**432**	409	**53**	181[2]	**390**	–	**701**	693	**108**	47	**1,684**	1,330
Bill Sandford[3]	**199**	369	**25**	17	**175**	–	**522**	613	**50**	92	**971**	1,091
John Walker[4]	**174**	–	**19**	–	**321**	–	**410**	–	**46**	–	**970**	–
Non-executive directors												
Tim Stevenson	**300**	300	**–**	–	**–**	–	**–**	–	**–**	–	**300**	300
Odile Desforges[5]	**41**	–	**–**	–	**–**	–	**–**	–	**–**	–	**41**	–
Alan Ferguson	**65**	65	**–**	–	**–**	–	**–**	–	**–**	–	**65**	65
Colin Matthews	**55**	27	**–**	–	**–**	–	**–**	–	**–**	–	**55**	27
Michael Roney	**68**	68	**–**	–	**–**	–	**–**	–	**–**	–	**68**	68
Dorothy Thompson	**55**	55	**–**	–	**–**	–	**–**	–	**–**	–	**55**	55

1 Of this amount £208k was a cash supplement paid in lieu of continued pension accrual.

2 Larry Pentz repatriated to the United States in 2012/13 and received specialist tax and pension advice and a one-off contractual relocation allowance.

3 In accordance with the rules of the pension plan Bill Sandford put his defined benefit pension into payment at his normal retirement age of 60 and subsequently retired from the board on 9th October 2013. Salary, benefits and pension supplement were paid to the date of cessation of office. Bill Sandford was awarded an annual bonus payment (as described on page 120) and will receive a vesting of the LTIP award in respect of the performance period ending 31st March 2014 (as described on page 117), each on a pro-rata basis.

4 John Walker was appointed to the board on 9th October 2013. The base salary, pension and benefit values shown are in respect of Mr Walker's time since being appointed to the board. The annual bonus and LTIP figures shown were paid to Mr Walker while he was member of the board but are in respect of performance periods that include time before and after his appointment to the board.

5 Odile Desforges was appointed to the board on 1st July 2013.

Explanation of Figures

Base salary / fees	Salary paid during the year to executive directors and fees paid during the year to non-executive directors.
Benefits	All taxable benefits such as medical and life insurance, service and car allowances, matching shares under the all employee share incentive plan and assistance with tax advice and tax compliance services where appropriate.
Annual bonus	Annual bonus awarded for the year ended 31st March 2014. The figure includes any amounts deferred and awarded as shares.
LTIP	The 2013 figure represents the value of shares which vested in July 2013. The 2014 figure represents the estimated value of the shares which are due to vest in July 2014 based on achievement of performance conditions over the three years to 31st March 2014, calculated using the average share price from 1st January 2014 to 31st March 2014 which was 3,256 pence.
Pension	The amounts shown represent the value of the increase over the year of any defined benefit pension the executive director may have in the Johnson Matthey Employees Pension Scheme (JMEPS) plus any cash supplements paid in lieu of pension membership.

Variable Pay – Additional Disclosures, Including Bases of Calculation and Outcomes

1 Annual Bonus for the Year Ended 31st March 2014

The annual bonus for 2013/14 is based on the performance against budgeted underlying PBT. The table below sets out the bonus opportunity and performance target for the year ended 31st March 2014.

	Required underlying PBT performance	Bonus as % of base salary	
		Chief Executive	Executive directors
Threshold	95% of budget	15.0%	15.0%
Target	100% of budget	75.0%	62.5%
Maximum	110% of budget	150.0%	125.0%

The annual budget target is set when budgets are approved in March, immediately prior to the new financial year. Budgets are built from the bottom up and are subject to a rigorous process of challenge before final proposals are considered by the board. Further information is used in the determination, including a consensus of industry analysts' forecasts, provided by Vara Research. The Vara consensus as at March 2013 (immediately prior to the year) was for an underlying PBT in the region of £402 million.

In line with the setting of challenging and stretching targets, the annual budget was set at a higher figure than the consensus, at £410.0 million. The actual underlying PBT achieved was £427.3 million, 4.2% above the budget, and therefore bonus payments were awarded at the levels indicated below. Commercial sensitivity precludes the advance publication of bonus targets but we reproduce below the targets for 2013/14 and the previous year.

	Underlying PBT					Bonus awarded	
Year	Budgeted £ million	Actual £ million	Actual growth %	Actual % of budget	Vara consensus £ million	Chief Executive %	Executive directors %
2012/13	464.6[1]	389.2	-9	84	425.0	–	–
2013/14	410.0	427.3	12[2]	104	402.0	107	89

1 For bonus purposes budgeted underlying PBT for 2012/13 was later reduced by £8.0 million to £456.6 million to take account of net finance costs associated with the special dividend payment of £212.1 million paid in August 2012. This had no effect on bonus outcomes as the threshold was not reached.

2 In 2013/14 the underlying PBT for 2012/13 was restated (note 40 on page 175).

For bonus payments earned in relation to the year ended 31st March 2014 the following rules of deferral apply:

- For the Chief Executive, 33.3% of the bonus payable is awarded as shares and deferred for a period of three years.
- For other executive directors, 20% of the bonus payable is awarded as shares and deferred for three years.
- There are no further performance conditions attached to the deferred element.
- The MDRC is entitled to apply forfeiture to the deferred element in the case of misstatement or misconduct.

The MDRC retains discretion in awarding annual bonuses to vary the level of annual bonuses from the formulaic outcome. No discretion was applied to the above outcomes.

2 LTIP Vesting for the Three Year Performance Period Ended 31st March 2014

The table below sets out the opportunity and performance targets for the LTIP award made in July 2011 with a three year performance period which ended 31st March 2014.

Required underlying EPS performance	Proportion of award which may vest	Vesting as % of base salary at time of award	
		Chief Executive	Executive directors [1]
Threshold 7% CAGR	15%	26.25%	21%
Maximum 16% CAGR	100%	175%	140%

1 John Walker became an executive director on 9th October 2013. Mr Walker's 2011 LTIP award has a threshold opportunity of 18.75% of base salary and maximum opportunity of 125% of base salary. The performance targets applicable to this award are 6% CAGR and 15% CAGR respectively for service up to 9th October 2013 and 7% CAGR and 16% thereafter.

The awards vest on a straight line basis between threshold and maximum. In addition to the EPS performance condition, the MDRC considers the performance of ROIC over the performance period to ensure that earnings growth is achieved in a sustainable and efficient manner.

The 2011 LTIP award was originally granted with a performance range from threshold to maximum of 6% to 15% CAGR in underlying EPS. However, in August 2012 the company carried out a share consolidation associated with the payment of a special dividend. The MDRC therefore considered the impact of the share consolidation on the EPS performance targets for outstanding incentives, where those performance targets were agreed by the MDRC before the consolidation was announced. The MDRC adjusted the vesting requirements for the outstanding LTIP awards of executive directors so as to reflect the impact of the consolidation and therefore any resultant numerical enhancement of EPS. The MDRC also took into account the mitigating effect of the cost associated with increased borrowings as a result of the associated special dividend and concluded that the LTIP performance range should be increased for the three relevant awards whose performance periods spanned the consolidation. These are the awards made in 2010 (previously vested), 2011 (vested during the year) and 2012 (outstanding).

Remuneration Report continued

LTIP Outcomes

The 2011 LTIP awards will vest on 23rd July 2014. The performance to the end of the performance period on 31st March 2014 was a compound annual growth in underlying EPS of 13.3% per annum. The table below shows the expected vesting outcomes based on this performance.

	% of base salary awarded	Shares awarded	% of award to vest	Shares to vest	Estimated value on vesting[1] £
Neil Carson	175	69,096	74.87	51,733	1,684,426
Robert MacLeod	140	29,979	74.87	22,445	730,809
Larry Pentz	140	28,744	74.87	21,521	700,724
Bill Sandford[2]	140	21,411	74.87	16,030	521,937
John Walker[3]	125	15,214	82.82	12,599	410,223

1 The value of the 2011 award, which will vest on 23rd July 2014, is estimated using the average share price for the period 1st January 2014 to 31st March 2014 which was 3,256 pence.

2 Bill Sandford retired from the board on 9th October 2013. The LTIP shares awarded to Mr Sandford in July 2011 (25,429) were, on leaving, pro-rated to 21,411 based on his completed service since the start of the performance period and will vest on 23rd July 2014.

3 John Walker became an executive director on 9th October 2013. The awards shown are those awarded in 2011 prior to his appointment as an executive director.

3 Variable Pay Awarded During the Year Ended 31st March 2014 (LTIP Awards Subject to Future Performance)

In August 2013 awards were made to the executive directors under the LTIP in respect of the three year performance period to 31st March 2016. The table below sets out the opportunity and performance targets for these awards.

Required underlying EPS performance	Proportion of award which may vest	Vesting as % of base salary at time of award	
		Chief Executive	Executive directors
Threshold 6% CAGR	15%	26.25%	21%
Maximum 15% CAGR	100%	175%	140%

The table below sets out the details of the actual awards made on 1st August 2013 as a percentage of base salary.

	% of base salary	Shares awarded	Face value[1]
Neil Carson	175	56,409	1,476,224
Robert MacLeod	140	24,476	640,537
Larry Pentz	140	23,468	614,158
John Walker[2]	125	12,483	326,680

1 Face value is calculated using the share price on the date of award of 2,617 pence.

2 John Walker became an executive director on 9th October 2013. The awards shown are those awarded in August 2013 prior to his appointment as an executive director.

No LTIP award was made to Mr Sandford in 2013 as he had announced his intention to retire from the board on 9th October 2013.

4 LTIP Awards to be Made During the Year Commencing 1st April 2014

The LTIP will operate in the manner described in the Policy Table on page 107. The table below sets out the opportunity and performance targets for these awards.

Required underlying EPS performance	Proportion of award which may vest	Vesting as % of base salary at time of award	
		Chief Executive	Executive directors
Threshold 6% CAGR	15%	30%	26.25%
Maximum 15% CAGR	100%	200%	175%

The MDRC expects to set a similar performance target range in future years unless there is a significant change in the external environment.

5 Prior Year LTIP Awards and Outcomes

	Years of award	Years of vesting	% salary awarded	Shares awarded	Compound annual growth in underlying EPS in the period	% of award vested	Shares vested	Value on vesting[1] £
Neil Carson								
	2007	2010	150	56,704	1.7%	–	–	–
	2008	2011	150	56,239	10.0%	52	29,480	614,233
	2009	2012	120	71,611	19.7%	100	71,611	1,468,537
	2010	2013	150	72,393	20.2%	100	72,393	2,009,872
	2011	2014	175	69,096	13.3%	75	51,733	1,684,426
	2012	2015	175	62,737	n/a	n/a		
	2013	2016	175	56,409	n/a	n/a		
Robert MacLeod								
	2009	2012	170[2]	55,072	19.7%	100	55,072	1,129,369
	2010	2013	120	31,397	20.2%	100	31,397	871,686
	2011	2014	140	29,979	13.3%	75	22,445	730,809
	2012	2015	140	27,222	n/a	n/a		
	2013	2016	140	24,476	n/a	n/a		
Larry Pentz								
	2007	2010	120	22,327	1.7%	–	–	–
	2008	2011	120	21,853	10.0%	52	11,455	238,672
	2009	2012	100	31,116	19.7%	100	31,116	638,100
	2010	2013	120	30,115	20.2%	100	30,115	836,093
	2011	2014	140	28,744	13.3%	75	21,521	700,724
	2012	2015	140	26,100	n/a	n/a		
	2013	2016	140	23,468	n/a	n/a		
John Walker[3]								
	2011	2014	125	15,214	13.3%	83	12,599	410,223
	2012	2015	125	13,883	n/a	n/a		
	2013	2016	125	12,483	n/a	n/a		

1 The value of the 2011 award, which will vest in July 2014, is estimated using the average share price for the period 1st January 2013 to 31st March 2013, which was 3,256 pence.

2 In 2009 there was a one-off allocation of 170% of base salary to the then newly appointed Group Finance Director to ensure alignment of his objectives with those of shareholders.

3 John Walker became an executive director on 9th October 2013. The awards shown are those awarded prior to his appointment to the board and outstanding as at 31st March 2014.

Pension Entitlements

No director is currently accruing any pension benefit in the group's pension schemes. Instead they receive an annual cash payment in lieu of pension membership equal to 25% of base salary. However, each director has accrued a pension entitlement in respect of a prior period of pensionable service in one or more of the group's pension arrangements.

Neil Carson ceased pensionable service in the UK pension scheme (JMEPS) on 31st March 2006 and Robert MacLeod ceased pensionable service in this scheme on 31st March 2011.

John Walker joined the UK pension scheme (JMEPS) on 1st September 2012 and ceased pensionable service in this scheme on 9th October 2013. Prior to joining JMEPS Mr Walker was a member of the US Johnson Matthey Inc. Salaried Employees Pension Plan.

Larry Pentz was a member of the US Johnson Matthey Inc. Salaried Employees Pension Plan until 1st January 2006 at which point he joined JMEPS. Mr Pentz opted out of JMEPS on 31st October 2012 and elected to transfer the value of his JMEPS benefits to a personal pension arrangement on 30th November 2012.

Details of the accrued pension benefits of the executive directors as at 31st March 2014 in the UK and US pension schemes are given below:

	Total accrued annual pension entitlement at 31st March 2014 £'000
Neil Carson[1]	397
Robert MacLeod[2]	10
Larry Pentz[3]	64
John Walker[4]	70

1 Represents the pension payable from age 60 based on pensionable service in the UK pension scheme up to 1st April 2006.

2 Represents the pension payable from age 65 based on pensionable service in the UK pension scheme up to 31st March 2011.

3 Represents the pension payable from age 60 based on pensionable service in the US pension scheme up to 1st January 2006. This pension will be paid in local currency.

4 Represents the pension payable in respect of pensionable service in the UK and US pension schemes payable from age 65 and 62 respectively. The pension payable from the US pension scheme will be paid in local currency.

Remuneration Report continued

Post-Retirement Medical Benefits for Directors

Certain current and former employees are eligible for continuing private medical insurance for themselves and their spouse / dependents after retirement. This includes certain current and former directors, including Neil Carson, Larry Pentz, John Walker, Bill Sandford, Pelham Hawker, Gordon Thorburn, Graham Titcombe and Chris Clark.

Payments for Loss of Office

Bill Sandford received his salary, normal benefits and pension supplement up until 9th October 2013, being the date of his cessation of office. The MDRC determined that it was appropriate to award Bill Sandford a bonus on a pro-rated basis, which amounted to £204,928, 20% of which was awarded as shares subject to a three year deferral period.

Mr Sandford was awarded 2,968 deferred shares under the annual bonus plan in 2012. These will be released to him on the normal release date in 2015. No bonus was paid in 2013 and so there are no deferred shares in respect of this year.

Shares allocated to Mr Sandford in July 2011 and July 2012 under the Johnson Matthey LTIP will be released to him on the normal vesting dates in 2014 and 2015 respectively. The number of shares under these awards was, on leaving, pro-rated (based on service completed since the start of the performance period) to 21,411 and 11,895 shares. The final vesting will be determined by reference to the achievement of the performance conditions. No LTIP award was made to Mr Sandford in 2013.

Statement of Directors' Shareholding

Directors' Interests

The table below shows the directors' interests in the shares of the company, together with their unvested scheme interests, as at 31st March 2014.

		Unvested scheme interests	
	Ordinary shares[1]	Subject to ongoing performance conditions[2]	Not subject to further performance conditions[3]
Executive directors			
Neil Carson	213,494	188,242	12,902
Robert MacLeod	25,238	81,677	3,499
Larry Pentz	25,421	78,312	3,355
Bill Sandford	14,792[4]	33,306	2,968
John Walker	5,942	41,580	2,307
Non-executive directors			
Tim Stevenson	5,250	–	–
Odile Desforges	1,500	–	–
Alan Ferguson	2,200	–	–
Colin Matthews	2,000	–	–
Michael Roney	2,863	–	–
Dorothy Thompson	9,278	–	–

1 Includes shares held by the director and / or connected persons, including those in the all employee share matching plan and 401k plan. Shares in the all employee share matching plan may be subject to forfeiture in accordance with the rules of the plan.

2 Represents shares underlying unvested LTIP awards.

3 Represents shares underlying unvested deferred annual bonus awards.

4 Shares held as at 9th October 2013, the date of Bill Sandford's retirement.

Directors' interests as at 31st May 2014 were unchanged from those listed above, other than that the trustees of the all employee share matching plan have purchased on behalf of Neil Carson, Robert MacLeod and John Walker a further 24 shares each.

Scheme Interests

Further details of the directors' unvested scheme interests are given below.

Long Term Incentive Plan[1]	Shares subject to ongoing performance conditions as at 31st March 2013	Awarded during the year	Vested during the year	Lapsed during the year	**Shares subject to ongoing performance conditions as at 31st March 2014**
Neil Carson	204,226	56,409	72,393	–	**188,242**
Robert MacLeod	88,598	24,476	31,397	–	**81,677**
Larry Pentz	84,959	23,468	30,115	–	**78,312**
Bill Sandford	75,496	–	26,640	15,550	**33,306**
John Walker	45,228	12,483	16,131	–	**41,580**

1 All LTIP awards are subject to the EPS performance condition as described on pages 117 and 118.

Deferred Bonus Plan	Shares no longer subject to ongoing performance conditions as at 31st March 2013	Awarded during the year	Vested during the year	Lapsed during the year	Shares no longer subject to ongoing performance conditions as at 31st March 2014
Neil Carson	12,902	–	–	–	**12,902**
Robert MacLeod	3,499	–	–	–	**3,499**
Larry Pentz	3,355	–	–	–	**3,355**
Bill Sandford	2,968	–	–	–	**2,968**
John Walker[1]	1,897	410	–	–	**2,307**

[1] The shares awarded during the year are in respect of the deferred element of Mr Walker's 2012/13 bonus, which was paid prior to his appointment to the board.

Share Options	Number of ordinary shares under option as at 31st March 2013	Awarded during the year	Exercised during the year[1]	Lapsed during the year	Number of ordinary shares under option as at 31st March 2014
Neil Carson	33,407	–	33,407	–	**–**

[1] These options had an exercise price of 898 pence and were exercised on 6th June 2013 at a market price of 2,734 pence.

Statement of Directors' Shareholding

Executive directors are expected to build up a shareholding in the company over five years. The proposed minimum shareholding requirement, as set out on page 109, is 200% of base salary for the Chief Executive and 150% of base salary for the other executive directors.

These shareholding requirements are effective as of the date of approval of the Remuneration Policy. The previous shareholding requirement was 100% of base salary for the Chief Executive and the other executive directors.

The table below shows the extent to which the proposed minimum shareholding requirements have been satisfied:

	Shares held as at 31st March 2014 (% of base salary)[1,2]
Neil Carson	874
Robert MacLeod[3]	205
Larry Pentz	214
John Walker	74

[1] Value of shares as a percentage of base salary is calculated using a share value of 3,256 pence which was the average share price prevailing between 1st January 2014 and 31st March 2014.

[2] The director's total shareholding for the purposes of comparing it with the minimum shareholding requirement includes shares held beneficially by the director and any connected persons (as recognised by the MDRC) together with deferred shares awarded under the annual bonus rules for which there are no further performance conditions and any vested but unreleased shares under the LTIP for which there are no further performance conditions.

[3] Robert MacLeod will take up the role of Chief Executive on 5th June 2014 and based on his new salary for this role, his shareholding as at 31st March 2014 would be 124%.

Performance Graph and Comparison to Chief Executive's Remuneration

Johnson Matthey and FTSE 100 Total Shareholder Return Rebased to 100

The following chart illustrates the total cumulative shareholder return of the company for the five year period from 31st March 2009 to 31st March 2014 against the FTSE 100 as the most appropriate comparator group, rebased to 100 at 1st April 2009.

As at 31st March 2014, Johnson Matthey was ranked 58 by market capitalisation in the FTSE 100.

Remuneration Report continued

Historical Data Regarding Chief Executive's Remuneration

	2009/10	2010/11	2011/12	2012/13	2013/14
Single total figure of remuneration	1,596	2,095	1,870	3,025	3,855
Bonus award (% of maximum)	100	100	75	–	71
LTIP vesting (% of award)[1]	–	52	100	100	75

[1] LTIP vesting for the three year performance period ending in the financial year shown.

The above data are calculated according to the same methodology as applied in the single figure table on page 116.

Change in Chief Executive's Remuneration

The table below shows how the remuneration of the Chief Executive has changed over 2013 compared to 2012. This is then compared to a group of appropriate employees, being those based within the group's central functions in the UK. This comparator group was used because the MDRC believes it gives a reasonable understanding of the underlying increases, based on similar annual bonus performance measures, while at the same reducing the distortion from currency fluctuations and the distortions that would arise from including all of the many countries in which the group operates with their different economic conditions.

	Chief Executive	Comparator group
Salary	An increase of 5.0%.	An increase of 5.8%[1].
Bonus	An increase from zero in July 2013[2] to £898,860 in July 2014[2].	An increase in the average bonus awarded from £5,357 in July 2013[2] to £12,493 in July 2014[2].
Benefits	No change in benefits policy. No change on overall costs between 2012/13 and 2013/14.	No change in benefits policy. No change on overall costs between 2012/13 and 2013/14.

[1] Including promotions.

[2] The July 2013 award covered the 2012/13 performance period and the July 2014 award covered the 2013/14 performance period.

Relative Spend on Pay

The table below shows the absolute and relative amounts of distributions to shareholders and the total remuneration for the group for the years ended 31st March 2013 and 31st March 2014.

	Year ended 31st March 2013 £ million	Year ended 31st March 2014 £ million	% change
Payments to shareholders – special dividends	212.1	–	n/a
Payments to shareholders – ordinary dividends	116.3	118.6	2
Total remuneration (all employees)	513.9	555.5	8[1]

[1] This increase in part reflects the increase in total headcount of 8% over the period.

Statement of Shareholder Voting

We monitor carefully shareholder voting on our Remuneration Policy and its implementation. We recognise the importance of ensuring that our shareholders continue to support our remuneration arrangements.

The table below shows the results of the poll taken on the resolution to receive and approve the directors' Remuneration Report at the July 2013 AGM.

Number of votes cast	For	Against	Votes withheld
139,766,602	138,356,500 (98.99%)[1]	1,410,102 (1.01%)[1]	1,454,070

[1] Percentage of votes cast, excluding votes withheld.

The MDRC believes that the 98.99% vote in favour of the Remuneration Report showed very strong shareholder support for the group's remuneration arrangements at that time.

The Remuneration Report was approved by the Board of Directors on 4th June 2014 and signed on its behalf by:

Michael Roney
Chairman of the Management Development and Remuneration Committee

Directors' Report

For the year ended 31st March 2014

Contents

2014 Annual General Meeting (AGM)

Our 2014 AGM will be held at 11.00 am on Wednesday 23rd July 2014 at Ironmongers' Hall, Shaftesbury Place, Barbican, London EC2Y 8AA.

The notice of the 2014 AGM, together with an explanation of the resolutions to be considered at the meeting, is set out in a separate circular to shareholders. This circular is published on the Investor Relations / Shareholder Centre / Annual General Meeting section of our website.

Dividends

The interim dividend of 17.0 pence per share (2013 15.5 pence) was paid in February 2014.

The directors recommend a final dividend of 45.5 pence per share in respect of the year (2013 41.5 pence), making a total for the year of 62.5 pence per share (2013 57.0 pence), payable on 5th August 2014 to shareholders on the register at the close of business on 13th June 2014.

Other than as referred to under 'Employee Share Schemes' on page 124, during the year there were no arrangements under which a shareholder has waived or agreed to waive any dividends nor any agreement by a shareholder to waive future dividends.

Dividend Payments and DRIP

Dividends can be paid directly into shareholders' bank accounts. A Dividend Reinvestment Plan (DRIP) is also available. This allows shareholders to purchase additional shares in Johnson Matthey with their dividend payment. Further information and a mandate can be obtained from our registrars, Equiniti, whose details are set out on page 187 and on the Investor Relations / Shareholder Centre section of our website.

Share Allotments

There were no share allotments during the year.

Share Capital and Control

Capital Structure

The issued share capital of the company at 31st March 2014 was 204,917,749 ordinary shares of 104 $\frac{16}{21}$ pence each (excluding treasury shares).

As at 31st March 2014, the company held 5,725,246 treasury shares. There were no purchases, sales or transfers of treasury shares during the year.

Purchase by the Company of its Own Shares

At the 2013 AGM shareholders renewed the company's authority to make market purchases of up to 20,491,774 ordinary shares of 104 $\frac{16}{21}$ pence each, representing 10% of the issued share capital of the company (excluding treasury shares) as at 31st May 2013. This authority subsisted at 31st March 2014.

During the year, Johnson Matthey did not make any purchases of its own shares or propose to purchase its own shares (either through the market or by an offer made to all shareholders or otherwise), nor did the company acquire any of its own shares other than by purchase.

Since 31st March 2014 the company has not effected any purchases of its own shares, entered into any options to purchase its own shares or entered into any contracts to make such purchases (including transactions made through the market or by an offer made to all shareholders or otherwise).

Rights and Obligations Attaching to Shares

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

As at 31st March 2014 and as at the date of approval of this annual report, except as referred to on page 124, there were no restrictions on the transfer of ordinary shares in the company, no limitations on the holding of securities and no requirements to obtain the approval of the company, or of other holders of securities in the company, for a transfer of securities.

Directors' Report continued

The directors may, in certain circumstances, 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 company's Articles of Association, or if entitled to do so under the Uncertificated Securities Regulations 2001. The directors may also refuse to register a transfer of ordinary shares in certificated form, which represents 0.25% or more of the issued share capital of the company, 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 2006 Act).

Also as at 31st March 2014 and as at the date of approval of this annual report:

- no person held securities in the company carrying any special rights with regard to control of the company;
- there were no restrictions on voting rights (including any limitations on voting rights of holders of a given percentage or number of votes or deadlines for exercising 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 were no arrangements by which, with the company's cooperation, financial rights carried by shares in the company are held by a person other than the holder of the shares; and
- there were no agreements known to the company between holders of securities that may result in restrictions on the transfer of securities or on voting rights.

Nominees, Financial Assistance and Liens

During the year:

- no shares in the company were acquired by the company's nominee, or by a person with financial assistance from the company, in either case where the company has a beneficial interest in the shares (and no person acquired shares in the company in any previous financial year in its capacity as the company's nominee or with financial assistance from the company); and
- the company did not obtain or hold a lien or other charge over its own shares.

Allotment of Securities for Cash and Placing of Equity Securities

During the year the company has not allotted, nor has any major subsidiary undertaking of the company (broadly an undertaking that represents at least 25% of the group's aggregate gross assets or profit) allotted, equity securities for cash. During the year the company has not participated in any placing of equity securities.

Listing of the Company's Shares

Johnson Matthey's shares have a Premium Listing on the London Stock Exchange and trade as part of the FTSE 100 index under the symbol JMAT.

American Depositary Receipt Programme

Johnson Matthey has a sponsored Level 1 American Depositary Receipt (ADR) programme which BNY Mellon administers and for which it acts as Depositary. Each ADR represents two ordinary shares of the company. The ADRs trade on the US over-the-counter 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. Contact details for BNY Mellon are set out on page 187.

Employee Share Schemes

At 31st March 2014, 4,730 current and former employees representing approximately 41% of employees worldwide, were shareholders in the company through the group's employee share schemes. Through these schemes, current and former employees held 3,577,148 ordinary shares (1.7% of issued share capital, excluding treasury shares). As at 31st March 2014, 22 current and former employees held options over 32,303 ordinary shares through the company's executive share option schemes. Also as at 31st March 2014, 2,513,341 ordinary shares had been allocated but had not yet vested under the company's long term incentive plan to 1,135 current and former employees.

Shares acquired by employees through the company's employee share schemes rank equally with the other shares in issue and have no special rights. Voting rights in respect of shares held through the company's employee share schemes are not exercisable directly by employees. However, employees can direct the trustee of the schemes to exercise voting rights on their behalf. The trustee of the company's employee share ownership trust (ESOT) has waived its right to dividends on shares held by the ESOT which have not yet vested unconditionally in employees.

Interests in Voting Rights

The following information has been disclosed to the company under the Financial Conduct Authority's (FCA's) Disclosure and Transparency Rules (DTR 5) in respect of notifiable interests in the voting rights in the company's issued share capital:

	Nature of holding	Total voting rights	% of total voting rights
As at 31st March 2014:			
BlackRock, Inc.	Indirect	20,240,386	9.88%
	Financial Instrument (CFD)	314,799	0.15%
Ameriprise Financial, Inc.	Direct	131,805	0.064%
	Indirect	9,874,924	4.819%
Norges Bank	Direct	8,036,292	3.92%

Other than as stated above, as far as the company is aware, there is no person with a significant direct or indirect holding of securities in the company.

No changes in interests in the voting rights of the company's issued share capital have been notified to the company in accordance with DTR 5 between 31st March 2014 and 4th June 2014.

Contracts with Controlling Shareholders

There were no contracts of significance (as defined in the FCA's Listing Rules) subsisting during the year between any group undertaking and a controlling shareholder. There were no contracts for the provision of services to any group undertaking by a controlling shareholder subsisting during the year.

Directors

The following served as directors during the year:

- Tim Stevenson
- Neil Carson
- Odile Desforges (appointed 1st July 2013)
- Alan Ferguson
- Robert MacLeod
- Colin Matthews
- Larry Pentz
- Michael Roney
- Bill Sandford (retired 9th October 2013)
- Dorothy Thompson
- John Walker (appointed 9th October 2013)

The biographical details of all the directors serving at 31st March 2014 are shown on pages 82 and 83.

As previously announced, Neil Carson will step down as Chief Executive on 5th June 2014 but will remain on the board until the end of September 2014. Also on 5th June, Robert MacLeod will succeed Neil as Chief Executive and Den Jones will join the board succeeding Robert as Group Finance Director. Michael Roney will retire from the board as a non-executive director at the close of the 2014 AGM on 23rd July 2014.

Appointment and Replacement of Directors

The rules about the appointment and replacement of directors are contained in the company's Articles of Association. These include:

- 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; and
- a director appointed by the directors must retire at the next AGM and is not taken into account in determining the directors who are to retire by rotation at the meeting. At least one third of the board must retire by rotation at each AGM.

Notwithstanding these provisions, the board has agreed that all directors will seek re-election at each AGM in accordance with the UK Corporate Governance Code. At the 2014 AGM, John Walker and Den Jones, having been appointed by the directors since the 2013 AGM, will be offering themselves for election and all other continuing directors will be offering themselves for re-election.

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 or she ceases to be a director by virtue of any provision of the 2006 Act or he or she becomes prohibited by law from being a director, or (ii) he or she becomes bankrupt or makes any arrangement or composition with his or her creditors generally, or (iii) he or she is suffering from a mental disorder, or (iv) he or she resigns from his or her office by notice in writing to the company or, in the case of an executive director, the appointment is terminated or expires and the directors resolve that his or her office be vacated, or (v) he or she is absent for more than six consecutive months without permission of the directors from meetings of the directors and the directors resolve that his or her office be vacated, or (vi) he or she 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 our Articles of Association, UK legislation including the 2006 Act and any directions given by the company in general meeting.

The directors have been authorised by the company's Articles of Association to issue and allot ordinary shares and to make market purchases of its own shares. These powers are referred to shareholders for renewal at each AGM. Any shares so purchased by the company may be cancelled or held as treasury shares. Further information is set out under 'Purchase by the Company of its Own Shares' on page 123.

Indemnification of Directors

Details of indemnities granted in favour of each director of the company and each director of the company's subsidiaries, which were in force during the year and which remain in force as at the date of approval of this annual report, can be found in the Corporate Governance Report on page 91.

The Interests of Directors in the Company's Shares

The interests of persons who were directors of the company at 31st March 2014, and their connected persons, in the issued shares of the company (or in derivatives or other financial instruments relating to such shares) disclosed in accordance with the FCA's Listing Rules are given in the Remuneration Report on pages 103 to 122. The Remuneration Report also sets out details of any changes in those interests between 31st March 2014 and 31st May 2014.

Directors' Interests in Contracts

Other than service contracts, no director had any interest in any material contract with any group company at any time during the year. There were no contracts of significance (as defined in the FCA's Listing Rules) subsisting during the year to which any group undertaking was a party and in which a director of the company is or was materially interested.

The Company's Articles of Association

Johnson Matthey's Articles of Association are available on the Investor Relations / Corporate Governance section of our website. These Articles of Association may only be amended by a special resolution at a general meeting of the company.

Change of Control

As at 31st March 2014 and as at the date of approval of this annual report, there were no significant agreements to which the company or any subsidiary was or is a party that take effect, alter or terminate on a change of control of the company, whether following a takeover bid or otherwise.

However, the company and its subsidiaries were as at 31st March 2014 and as at the date of approval of this annual report, party to a number of commercial agreements that may allow the counterparties to alter or terminate the agreements 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.

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 of 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 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 base salary and other contractual benefits less the period of any notice given by the company to the director.

Directors' Report continued

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.

As at 31st March 2014 and as at the date of approval of this annual report, there were no other agreements between the company or any subsidiary and its or their directors or employees providing for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) that occurs because of a takeover bid.

Branches

The company and its subsidiaries have established branches in a number of different countries in which they operate.

Political Donations and Expenditure

It is the policy of the group not to make political donations or to incur political expenditure. During the year, there were no political donations made to any EU political party, EU political organisation or to any EU independent election candidate. Also during the year, no EU political expenditure was incurred.

Disabled Persons

Information on the company's policy applied during the year relating to the recruitment, employment, training, career development and promotion of disabled employees can be found on page 81.

Information Set Out in the Strategic Report

In accordance with section 414C(11) of the 2006 Act, the directors have chosen to set out in the Strategic Report the following information required to be included in the Directors' Report:

- **Employee Involvement**
  A description of the action taken by the company during the year relating to employee involvement (pages 52 to 59);
- **Research and Development Activities**
  An indication of the activities of the group in the field of research and development (pages 14 and 15);
- **Likely Future Developments**
  An indication on likely future developments in our business (page 9);
- **Greenhouse Gas Emissions**
  Disclosures relating to greenhouse gas emissions (pages 71 and 72); and
- **Use of Financial Instruments**
  Information on the group's financial risk management objectives and policies, its exposure to credit risk, liquidity risk, interest rate risk and foreign currency risk and its use of financial instruments (pages 161 to 167).

Important Events since 31st March 2014

There have been no important events affecting the company or any subsidiary since 31st March 2014.

Auditors and Disclosure of Information

The auditor of the company is KPMG LLP.

So far as each person serving as a director of the company at the date this Directors' Report was approved by the board is aware, there is no relevant audit information (that is, information needed by the auditor in connection with preparing its report) of which the company's auditor is unaware. Each such director 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 auditor is aware of that information.

Management Report

The Strategic Report and the Directors' Report together include the 'management report' for the purposes of the FCA's Disclosure and Transparency Rules (DTR 4.1.8R).

The Directors' Report was approved by the board on 4th June 2014 and is signed on its behalf by:

S. Farrant

Simon Farrant
Company Secretary

Responsibility of Directors

Statement of Directors' Responsibilities in Respect of the Annual Report and 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.

Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company accounts, the directors are required to:

- select suitable accounting policies and then 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 the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and 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 2006. They have 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 Strategic Report, Directors' Report, 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 Accounts

Each of the directors as at the date of the Annual Report and Accounts, whose names and functions are set out below:

- Tim Stevenson, Chairman
- Neil Carson, Chief Executive
- Robert MacLeod, Group Finance Director
- Larry Pentz, executive director
- John Walker, executive director
- Odile Desforges, non-executive director
- Alan Ferguson, non-executive director
- Colin Matthews, non-executive director
- Michael Roney, non-executive director
- Dorothy Thompson, non-executive director

states that to the best of his or her knowledge:

- the group and parent company accounts, prepared in accordance with the applicable set of accounting standards, 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 Strategic Report and the Directors' Report) 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 that they face.

This responsibility statement was approved by the board on 4th June 2014 and is signed on its behalf by:

Tim Stevenson
Chairman

SUSTAINABLE TECHNOLOGIES

for today and for the future

7. ACCOUNTS

CASE STUDY

Johnson Matthey – The Original Recycler

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

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

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

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

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

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

Contents

Consolidated Income Statement

for the year ended 31st March 2014

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

Consolidated Statement of Total Comprehensive Income

for the year ended 31st March 2014

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

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

Consolidated and Parent Company Balance Sheets

as at 31st March 2014

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

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

N A P Carson
R J MacLeod
Directors

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

Consolidated and Parent Company Cash Flow Statements

for the year ended 31st March 2014

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

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

Consolidated Statement of Changes in Equity

for the year ended 31st March 2014

	Share capital £ million	Share premium account £ million	Shares held in ESOT £ million	Other reserves (note 32) restated £ million	Retained earnings restated £ million	Total attributable to equity holders restated £ million	Non-controlling interests restated £ million	Total equity restated £ million
At 1st April 2012	220.7	148.3	(50.2)	43.0	1,169.6	1,531.4	0.4	1,531.8
Restatement (note 40)	–	–	–	–	1.4	1.4	(2.6)	(1.2)
At 1st April 2012 (restated)	220.7	148.3	(50.2)	43.0	1,171.0	1,532.8	(2.2)	1,530.6
Profit for the year	–	–	–	–	271.8	271.8	(0.7)	271.1
Remeasurements of post-employment benefit assets and liabilities	–	–	–	–	(91.9)	(91.9)	–	(91.9)
Cash flow hedges	–	–	–	(15.6)	–	(15.6)	–	(15.6)
Net investment hedges	–	–	–	(4.3)	–	(4.3)	–	(4.3)
Available-for-sale investments	–	–	–	(0.3)	–	(0.3)	–	(0.3)
Currency translation differences	–	–	–	22.0	–	22.0	–	22.0
Tax on other comprehensive income	–	–	–	3.4	20.9	24.3	–	24.3
Total comprehensive income	–	–	–	5.2	200.8	206.0	(0.7)	205.3
Dividends paid (note 10)	–	–	–	–	(328.4)	(328.4)	(0.2)	(328.6)
Purchase of non-controlling interest	–	–	–	–	–	–	(1.2)	(1.2)
Purchase of shares by ESOT	–	–	(28.6)	–	–	(28.6)	–	(28.6)
Share-based payments	–	–	–	–	14.3	14.3	–	14.3
Cost of shares transferred to employees	–	–	27.1	–	(28.1)	(1.0)	–	(1.0)
Tax on share-based payments	–	–	–	–	0.1	0.1	–	0.1
At 31st March 2013 (restated)	220.7	148.3	(51.7)	48.2	1,029.7	1,395.2	(4.3)	1,390.9
Profit for the year	–	–	–	–	340.2	340.2	(1.5)	338.7
Remeasurements of post-employment benefit assets and liabilities	–	–	–	–	43.5	43.5	–	43.5
Cash flow hedges	–	–	–	9.3	–	9.3	–	9.3
Net investment hedges	–	–	–	9.7	–	9.7	–	9.7
Available-for-sale investments	–	–	–	(0.4)	–	(0.4)	–	(0.4)
Currency translation differences	–	–	–	(95.0)	–	(95.0)	(0.3)	(95.3)
Tax on other comprehensive income	–	–	–	0.3	(19.3)	(19.0)	–	(19.0)
Total comprehensive income	–	–	–	(76.1)	364.4	288.3	(1.8)	286.5
Dividends paid (note 10)	–	–	–	–	(118.6)	(118.6)	(0.2)	(118.8)
Purchase of shares by ESOT	–	–	(22.3)	–	–	(22.3)	–	(22.3)
Share-based payments	–	–	–	–	17.1	17.1	–	17.1
Cost of shares transferred to employees	–	–	21.3	–	(25.1)	(3.8)	–	(3.8)
Tax on share-based payments	–	–	–	–	3.6	3.6	–	3.6
At 31st March 2014	**220.7**	**148.3**	**(52.7)**	**(27.9)**	**1,271.1**	**1,559.5**	**(6.3)**	**1,553.2**

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

Parent Company Statement of Changes in Equity

for the year ended 31st March 2014

	Share capital £ million	Share premium account £ million	Shares held in ESOT £ million	Other reserves (note 32) £ million	Retained earnings restated £ million	Total equity restated £ million
At 1st April 2012	220.7	148.3	(50.2)	6.8	916.0	1,241.6
Profit for the year	–	–	–	–	193.6	193.6
Remeasurements of post-employment benefit assets and liabilities	–	–	–	–	(45.6)	(45.6)
Cash flow hedges	–	–	–	(12.6)	–	(12.6)
Currency translation differences	–	–	–	(0.6)	–	(0.6)
Tax on other comprehensive income	–	–	–	2.8	4.6	7.4
Total comprehensive income	–	–	–	(10.4)	152.6	142.2
Dividends paid (note 10)	–	–	–	–	(328.4)	(328.4)
Purchase of shares by ESOT	–	–	(28.6)	–	–	(28.6)
Share-based payments	–	–	–	–	11.5	11.5
Cost of shares transferred to employees	–	–	27.1	–	(25.4)	1.7
Tax on share-based payments	–	–	–	–	0.1	0.1
At 31st March 2013	220.7	148.3	(51.7)	(3.6)	726.4	1,040.1
Profit for the year	–	–	–	–	341.7	341.7
Remeasurements of post-employment benefit assets and liabilities	–	–	–	–	21.4	21.4
Cash flow hedges	–	–	–	5.9	–	5.9
Currency translation differences	–	–	–	0.5	–	0.5
Tax on other comprehensive income	–	–	–	(1.2)	(11.1)	(12.3)
Total comprehensive income	–	–	–	5.2	352.0	357.2
Dividends paid (note 10)	–	–	–	–	(118.6)	(118.6)
Purchase of shares by ESOT	–	–	(22.3)	–	–	(22.3)
Share-based payments	–	–	–	–	14.2	14.2
Cost of shares transferred to employees	–	–	21.3	–	(22.2)	(0.9)
Tax on share-based payments	–	–	–	–	2.1	2.1
At 31st March 2014	**220.7**	**148.3**	**(52.7)**	**1.6**	**953.9**	**1,271.8**

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

Accounting Policies

for the year ended 31st March 2014

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

Basis of accounting and preparation

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

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

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

Basis of consolidation

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

Entities the group controls are accounted for as subsidiaries. Entities that are joint ventures are accounted for using the equity method of accounting. Transactions and balances between group companies are eliminated. No profit is taken on transactions between group companies.

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

Foreign currencies

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

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

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

Other exchange differences are taken to operating profit.

Revenue

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

Long term contracts

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

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

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

Finance costs and finance income

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

Accounting Policies

for the year ended 31st March 2014

Grants

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

Research and development

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

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

Property, plant and equipment

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

Goodwill

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

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

Intangible assets

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

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

Investments in subsidiaries

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

Leases

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

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

Precious metal inventories

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

Other inventories

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

Cash and cash equivalents

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

Accounting Policies

for the year ended 31st March 2014

Derivative financial instruments

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

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

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

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

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

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

Other financial instruments

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

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

Taxation

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

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

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

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

Provisions and contingencies

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

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

Accounting Policies

for the year ended 31st March 2014

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

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

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

Pensions and other post-employment benefits

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

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

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

Standards and interpretations adopted in the year

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

IFRS 13 – ‘Fair Value Measurement’, Amendments to IAS 1 – ‘Presentation of Items of Other Comprehensive Income’, IFRIC 20 – ‘Stripping Costs in the Production Phase of a Surface Mine’, Amendments to IFRS 7 – ‘Disclosures – Offsetting Financial Assets and Financial Liabilities’, Amendments to IFRS 1 – ‘Government Loans’ and ‘Annual Improvements to IFRSs 2009-2011 Cycle’ were also adopted. There was no material impact on the reported results or financial position of the group and parent company.

Standards and interpretations issued but not yet applied

The impact of the adoption of IFRS 9 – ‘Financial Instruments’ is still being evaluated.

The effects of any standards and interpretations amended or issued after 30th April 2014 have not yet been evaluated.

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

Notes on the Accounts

for the year ended 31st March 2014

1 Segmental information

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

For management purposes, the group is organised into five operating divisions – Emission Control Technologies, Process Technologies, Precious Metal Products, Fine Chemicals and New Businesses. Each division is represented by a director on the Board of Directors. These operating divisions represent the group's segments. Their principal activities are described on pages 26 to 43. The performance of the divisions is assessed by the Board of Directors on underlying operating profit, which is before amortisation of acquired intangibles, major impairment and restructuring charges and profit or loss on disposal of businesses. Each division is also assessed on sales excluding the value of precious metals including inter-segment sales (referred to as sales excluding precious metals below). Sales between segments are made at market prices, taking into account the volumes involved.

Year ended 31st March 2014

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

Notes on the Accounts

for the year ended 31st March 2014

1 Segmental information (continued)

Year ended 31st March 2013 (restated)

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

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

Notes on the Accounts

for the year ended 31st March 2014

1 Segmental information (continued)

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

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

2 Revenue

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

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

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

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

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

These are excluded from underlying operating profit in the year ended 31st March 2013. There is no impact in the consolidated income statement in the year ended 31st March 2014.

4 Amortisation of acquired intangibles

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

Notes on the Accounts

for the year ended 31st March 2014

5 Fees payable to auditors

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

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

6 Operating profit

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

Notes on the Accounts

for the year ended 31st March 2014

7 Finance costs

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

8 Finance income

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

9 Taxation

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

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

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

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

Notes on the Accounts

for the year ended 31st March 2014

10 Dividends

	2014 £ million	2013 £ million
2011/12 final ordinary dividend paid – 40.0 pence per share	–	84.9
Special dividend paid – 100.0 pence per share	–	212.1
2012/13 interim ordinary dividend paid – 15.5 pence per share	–	31.4
2012/13 final ordinary dividend paid – 41.5 pence per share	84.1	–
2013/14 interim ordinary dividend paid – 17.0 pence per share	34.5	–
Total dividends	**118.6**	328.4

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

11 Earnings per ordinary share

	2014 pence	2013 restated pence
Basic	167.7	132.3
Diluted	166.9	131.2

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

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

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

Underlying earnings per ordinary share are calculated as follows:

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

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

Notes on the Accounts

for the year ended 31st March 2014

12 Employee and key management personnel costs

12a Employee numbers

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

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

The actual number of staff was:

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

12b Employee benefits expense

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

Termination benefits of £3.6 million (2013 £4.9 million) are not included above.

12c Key management personnel

The key management of the group and parent company consist of the Board of Directors and the members of the Chief Executive's Committee (CEC). During the year ended 31st March 2014 the CEC had an average of 11 members (2013 11 members). Their compensation charged in the year was:

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

Termination benefits not included above were £0.1 million (2013 £0.8 million). Other than the compensation above there were no transactions with any key management personnel. There were no balances outstanding at the year end.

Information on the directors' remuneration is given in the Remuneration Report on pages 103 to 122.

Notes on the Accounts

for the year ended 31st March 2014

13 Share-based payments

Long Term Incentive Plan (LTIP)

Under the LTIP, shares are allocated to approximately 1,100 of the group's executive directors, senior managers and middle managers based on a percentage of salary and are subject to performance targets over a three year period. At 31st March 2014, shares allocated in 2011, 2012 and 2013 (at 31st March 2013, shares allocated in 2010, 2011 and 2012) were outstanding in respect of which the performance period has not expired. The minimum release of 15% of the allocation is subject to the achievement of underlying earnings per share (EPS) growth of 6% compound per annum over the three year period. For the maximum release of 100% of the allocation, EPS must have grown by at least 15% compound per annum. The number of allocated shares released will vary on a straight line basis between these points. Allocations will lapse if the EPS growth is less than 6% compound per annum over the three year performance period. As a result of the share consolidation in August 2012, for the shares allocated in 2010, 2011 and 2012 to executive directors only, the performance conditions have been adjusted and so the minimum release requires EPS growth of 7% compound per annum and the maximum release requires EPS growth of 16% compound per annum. Of the shares allocated in 2010, 100% were released during the year.

Share options

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

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

Deferred bonus

In the year ended 31st March 2012 the bonus rules were changed for the executive directors and members of the Chief Executive's Committee, whereby a proportion of their bonus payable is now awarded as shares and deferred for three years. The first shares were awarded in August 2012 for the 2011/12 bonus and a further award was made in August 2013 for the 2012/13 bonus. The Management Development and Remuneration Committee is entitled to claw back the deferred element in cases of misstatement or misconduct or other relevant reason as determined by it.

Share Incentive Plan (SIP) – UK and Overseas

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

401k approved savings investment plans (401k plans)

In the US there are two 401k plans, one for salaried employees and one for hourly employees. Salaried employees may contribute up to 50% of their base pay and hourly employees up to 20% of their base pay, both subject to a statutory limit. Salaried employees choosing Johnson Matthey Plc shares matching are matched 100% of the first 4% contributed and hourly employees are matched 50% of the first 6% contributed. Employees may contribute after one month of service and are eligible for matching after one year of service.

Further details of the directors' remuneration under share-based payment plans are given in the Remuneration Report on pages 103 to 122.

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

Activity relating to share options was:

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

Notes on the Accounts

for the year ended 31st March 2014

13 Share-based payments (continued)

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

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

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

Activity relating to the LTIP was:

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

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

191,302 (2013 232,668) matching shares under the SIP and 35,810 (2013 46,951) shares under the 401k plans were allocated to employees during the year. They are nil cost awards on which performance conditions are substantially completed at the date of grant. Consequently the fair value of these awards is based on the market value of the shares at that date.

The total expense recognised during the year in respect of equity settled share-based payments, taking into account expected lapses due to leavers and the probability that EPS performance conditions will not be met, was £17.1 million (2013 £14.3 million).

14 Post-employment benefits

14a Group

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

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

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

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

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

Notes on the Accounts

for the year ended 31st March 2014

14 Post-employment benefits (continued)

14a Group (continued)

Regulatory framework and governance

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

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

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

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

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

Benefits

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

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

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

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

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

Funding

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

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

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

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

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

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

Notes on the Accounts

for the year ended 31st March 2014

14 Post-employment benefits (continued)

14a Group (continued)

Risk management

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

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

Financial assumptions

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

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

Notes on the Accounts

for the year ended 31st March 2014

14 Post-employment benefits (continued)

14a Group (continued)

Demographic assumptions

The mortality assumptions are based on country-specific mortality tables and where appropriate include an allowance for future improvements in life expectancy. In addition, where credible data exists, actual plan experience is taken into account. The group's most substantial pension liabilities are in the UK and the US where, using the mortality tables adopted, the expected future lifetime of average members currently at age 65 and average members at age 65 in 25 years' time (i.e. members who are currently aged 40 years) is respectively:

	Currently age 65		Age 65 in 25 years	
	UK plan	US plans	UK plan	US plans
Male	21.9	20.6	24.1	23.3
Female	24.9	22.9	27.3	25.2

Sensitivities

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

A 0.1% change in the discount rate and rate of increase in salaries would have the following increases / (decreases) on the pension plans' defined benefit obligations at 31st March 2014:

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

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

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

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

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

Estimated effect on future cash flows

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

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

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

Notes on the Accounts

for the year ended 31st March 2014

14 Post-employment benefits (continued)

14a Group (continued)

Financial information

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

	UK pension restated £ million	UK post-retirement medical benefits restated £ million	US pensions restated £ million	US post-retirement medical benefits restated £ million	Other restated £ million	Total restated £ million
At 1st April 2012	1,028.6	–	157.0	–	40.7	1,226.3
Interest income	53.4	–	7.5	–	2.0	62.9
Return on plan assets excluding interest	85.6	–	12.3	–	(3.7)	94.2
Employee contributions	–	–	–	0.2	0.3	0.5
Company contributions	47.9	0.3	13.5	0.5	4.0	66.2
Benefits paid	(38.6)	(0.3)	(4.8)	(0.7)	(1.9)	(46.3)
Exchange adjustments	–	–	9.3	–	0.2	9.5
At 31st March 2013	1,176.9	–	194.8	–	41.6	1,413.3
Interest income	53.2	–	8.1	–	1.8	63.1
Settlement gains	–	–	(14.8)	–	–	(14.8)
Return on plan assets excluding interest	(26.2)	–	11.9	–	5.0	(9.3)
Employee contributions	1.9	–	–	0.2	0.3	2.4
Company contributions	49.4	0.4	16.7	0.5	3.4	70.4
Benefits paid	(38.8)	(0.4)	(4.8)	(0.7)	(1.8)	(46.5)
Exchange adjustments	–	–	(18.1)	–	(4.5)	(22.6)
At 31st March 2014	**1,216.4**	**–**	**193.8**	**–**	**45.8**	**1,456.0**

The fair values of plan assets were:

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

The defined benefit pension plans do not invest directly in Johnson Matthey Plc shares and no property or other assets owned by the pension plans are used by the group.

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

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

Notes on the Accounts

for the year ended 31st March 2014

14 Post-employment benefits (continued)

14a Group (continued)

Financial information (continued)

Movements in the defined benefit obligation during the year were:

	UK pension restated £ million	UK post-retirement medical benefits restated £ million	US pensions restated £ million	US post-retirement medical benefits restated £ million	Other restated £ million	Total restated £ million
At 1st April 2012	(1,113.4)	(11.7)	(183.0)	(30.8)	(59.3)	(1,398.2)
Current service cost – in operating profit	(25.4)	(0.1)	(8.3)	(1.0)	(2.2)	(37.0)
Current service cost – capitalised	(0.1)	–	–	–	–	(0.1)
Past service costs	(1.9)	–	–	–	(0.1)	(2.0)
Interest cost	(57.1)	(0.6)	(9.2)	(1.5)	(2.7)	(71.1)
Employee contributions	–	–	–	(0.2)	(0.3)	(0.5)
Remeasurements due to changes in:						
Demographic assumptions	11.6	0.1	(23.7)	(6.2)	(1.6)	(19.8)
Financial assumptions	(144.8)	1.9	(19.2)	(5.4)	(0.5)	(168.0)
Benefits paid	38.6	0.3	4.8	0.7	1.9	46.3
Exchange adjustments	–	–	(11.6)	(2.1)	(0.9)	(14.6)
At 31st March 2013	(1,292.5)	(10.1)	(250.2)	(46.5)	(65.7)	(1,665.0)
Current service cost – in operating profit	(28.8)	(0.1)	(11.0)	(1.1)	(2.3)	(43.3)
Current service cost – capitalised	(0.1)	–	–	–	–	(0.1)
Past service costs	–	–	–	–	1.1	1.1
Interest cost	(58.6)	(0.4)	(10.4)	(1.9)	(2.6)	(73.9)
Curtailment gains	1.3	–	6.8	–	0.2	8.3
Settlement gains	–	–	17.3	–	–	17.3
Employee contributions	(1.9)	–	–	(0.2)	(0.3)	(2.4)
Remeasurements due to changes in:						
Demographic assumptions	5.6	–	2.0	(0.9)	(3.1)	3.6
Financial assumptions	41.2	0.8	11.6	3.4	(3.9)	53.1
Benefits paid	38.8	0.4	4.8	0.7	1.8	46.5
Exchange adjustments	–	–	21.2	4.1	4.9	30.2
At 31st March 2014	**(1,295.0)**	**(9.4)**	**(207.9)**	**(42.4)**	**(69.9)**	**(1,624.6)**

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

Movements in the reimbursement rights during the year were:

	UK pension £ million	UK post-retirement medical benefits £ million	US pensions £ million	US post-retirement medical benefits £ million	Other £ million	Total £ million
At 1st April 2012	–	–	–	6.4	0.7	7.1
Interest income	–	–	–	0.6	–	0.6
Return on assets excluding interest	–	–	–	1.7	–	1.7
Company contributions	–	–	–	–	0.2	0.2
Exchange adjustments	–	–	–	0.3	–	0.3
At 31st March 2013	–	–	–	9.0	0.9	9.9
Interest income	–	–	–	0.4	–	0.4
Return on assets excluding interest	–	–	–	(3.9)	–	(3.9)
Company contributions	–	–	–	–	0.1	0.1
Exchange adjustments	–	–	–	(0.7)	–	(0.7)
At 31st March 2014	**–**	**–**	**–**	**4.8**	**1.0**	**5.8**

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

14 Post-employment benefits (continued)

14a Group (continued)

Financial information (continued)
The net post-employment benefit assets and liabilities were:

	UK pension £ million	UK post-retirement medical benefits £ million	US pensions £ million	US post-retirement medical benefits £ million	Other £ million	Total £ million
At 31st March 2014						
Defined benefit obligation	**(1,295.0)**	**(9.4)**	**(207.9)**	**(42.4)**	**(69.9)**	**(1,624.6)**
Fair value of plan assets	**1,216.4**	**–**	**193.8**	**–**	**45.8**	**1,456.0**
Reimbursement rights	**–**	**–**	**–**	**4.8**	**1.0**	**5.8**
Net post-employment benefit assets and liabilities	**(78.6)**	**(9.4)**	**(14.1)**	**(37.6)**	**(23.1)**	**(162.8)**
At 31st March 2013 (restated)						
Defined benefit obligation	(1,292.5)	(10.1)	(250.2)	(46.5)	(65.7)	(1,665.0)
Fair value of plan assets	1,176.9	–	194.8	–	41.6	1,413.3
Reimbursement rights	–	–	–	9.0	0.9	9.9
Net post-employment benefit assets and liabilities	(115.6)	(10.1)	(55.4)	(37.5)	(23.2)	(241.8)

These are included in the balance sheet as:

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

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

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

Notes on the Accounts

for the year ended 31st March 2014

14 Post-employment benefits (continued)

14b Parent company

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

15 Property, plant and equipment

15a Group

	Freehold land and buildings £ million	Long and short leasehold £ million	Plant and machinery £ million	Assets in the course of construction £ million	Total £ million
Cost					
At 1st April 2012 (restated)	432.3	24.1	1,237.1	82.8	1,776.3
Additions	7.4	0.6	58.7	114.2	180.9
Acquisitions	–	0.1	3.9	2.3	6.3
Reclassifications	11.2	0.3	57.7	(69.2)	–
Disposals	(1.5)	(11.8)	(53.5)	(0.2)	(67.0)
Exchange adjustments	5.2	0.1	18.3	2.9	26.5
At 31st March 2013 (restated)	454.6	13.4	1,322.2	132.8	1,923.0
Additions	33.0	0.6	99.2	77.5	210.3
Reclassifications	24.8	0.1	73.0	(97.9)	–
Disposals	(0.6)	(0.1)	(19.5)	(0.3)	(20.5)
Exchange adjustments	(29.1)	(1.1)	(82.6)	(8.0)	(120.8)
At 31st March 2014	482.7	12.9	1,392.3	104.1	1,992.0
Accumulated depreciation and impairment					
At 1st April 2012 (restated)	138.2	17.6	711.6	–	867.4
Charge for the year	15.1	1.0	95.1	–	111.2
Impairment losses	0.4	0.1	3.7	1.5	5.7
Reversal of impairment losses	–	(0.8)	(0.6)	–	(1.4)
Disposals	(0.9)	(11.8)	(51.6)	–	(64.3)
Exchange adjustments	1.5	–	10.4	–	11.9
At 31st March 2013 (restated)	154.3	6.1	768.6	1.5	930.5
Charge for the year	15.7	1.0	98.4	–	115.1
Impairment losses	0.6	–	1.0	–	1.6
Reversal of impairment losses	–	(0.1)	–	(0.1)	(0.2)
Disposals	(0.4)	(0.1)	(17.8)	(0.1)	(18.4)
Exchange adjustments	(11.5)	(0.4)	(48.0)	(0.1)	(60.0)
At 31st March 2014	158.7	6.5	802.2	1.2	968.6
Carrying amount at 31st March 2014	**324.0**	**6.4**	**590.1**	**102.9**	**1,023.4**
Carrying amount at 31st March 2013	300.3	7.3	553.6	131.3	992.5
Carrying amount at 1st April 2012	294.1	6.5	525.5	82.8	908.9

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

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

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

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

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

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

15 Property, plant and equipment (continued)

15b Parent company

	Freehold land and buildings £ million	Long and short leasehold £ million	Plant and machinery £ million	Assets in the course of construction £ million	Total £ million
Cost					
At 1st April 2012	96.0	1.0	392.1	3.4	492.5
Additions	3.3	0.4	26.5	13.0	43.2
Reclassifications	0.2	–	4.6	(4.8)	–
Disposals	(0.6)	–	(24.7)	–	(25.3)
At 31st March 2013	98.9	1.4	398.5	11.6	510.4
Additions	2.5	–	34.1	15.5	52.1
Reclassifications	2.9	–	8.6	(11.5)	–
Disposals	–	–	(2.2)	–	(2.2)
At 31st March 2014	104.3	1.4	439.0	15.6	560.3
Accumulated depreciation and impairment					
At 1st April 2012	36.3	0.1	220.4	–	256.8
Charge for the year	2.8	0.1	26.6	–	29.5
Disposals	(0.1)	–	(23.1)	–	(23.2)
At 31st March 2013	39.0	0.2	223.9	–	263.1
Charge for the year	2.9	0.2	28.2	–	31.3
Impairment losses	0.6	–	1.0	–	1.6
Disposals	–	–	(2.0)	–	(2.0)
At 31st March 2014	42.5	0.4	251.1	–	294.0
Carrying amount at 31st March 2014	**61.8**	**1.0**	**187.9**	**15.6**	**266.3**
Carrying amount at 31st March 2013	59.9	1.2	174.6	11.6	247.3
Carrying amount at 1st April 2012	59.7	0.9	171.7	3.4	235.7

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

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

16 Goodwill

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

Notes on the Accounts

for the year ended 31st March 2014

16 Goodwill (continued)

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

	Group		Parent company	
	2014 £ million	2013 restated £ million	2014 £ million	2013 £ million
Emission Control Technologies – Non-light Duty Catalysts	79.9	82.1	–	–
Process Technologies	305.1	314.3	113.0	110.5
Precious Metal Products – Other	7.9	8.5	–	–
Fine Chemicals				
Macfarlan Smith	117.1	117.1	–	–
Pharmaceutical Materials and Services	19.8	21.8	–	–
Research Chemicals	22.0	21.6	–	–
Other	1.3	1.5	–	–
New Businesses				
Battery Technologies	15.0	15.1	–	–
Other	2.9	2.6	0.3	–
	571.0	584.6	113.3	110.5

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

For the Non-light Duty Catalysts CGU four (2013 five) year plans have been approved by management. The cash flow projections have been extrapolated using a long term average growth rate of 3.0% (2013 3.0%). The discount rate used was 11.3% (2013 11.6%).

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

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

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

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17 Other intangible assets

17a Group

	Customer contracts and relationships £ million	Computer software £ million	Patents, trademarks and licences £ million	Acquired research and technology £ million	Development expenditure £ million	Total £ million
Cost						
At 1st April 2012	71.1	53.0	28.6	24.1	105.1	281.9
Additions	–	4.9	0.8	–	4.7	10.4
Acquisitions	77.0	–	–	27.0	–	104.0
Disposals	–	(0.7)	–	–	–	(0.7)
Exchange adjustments	2.0	0.3	0.6	0.6	4.4	7.9
At 31st March 2013	150.1	57.5	30.0	51.7	114.2	403.5
Additions	–	4.1	0.3	–	3.6	8.0
Acquisitions (note 38)	0.7	–	–	6.5	–	7.2
Disposals	–	(0.3)	–	–	–	(0.3)
Exchange adjustments	(8.9)	(3.1)	(1.2)	(1.9)	(7.4)	(22.5)
At 31st March 2014	141.9	58.2	29.1	56.3	110.4	395.9
Accumulated amortisation and impairment						
At 1st April 2012	44.6	40.6	12.6	2.2	54.1	154.1
Charge for the year	10.4	4.6	3.7	3.8	9.8	32.3
Disposals	–	(0.7)	–	–	–	(0.7)
Exchange adjustments	1.4	0.3	0.3	0.2	2.8	5.0
At 31st March 2013	56.4	44.8	16.6	6.2	66.7	190.7
Charge for the year	12.9	4.5	2.2	4.9	8.5	33.0
Disposals	–	(0.3)	–	–	–	(0.3)
Exchange adjustments	(2.6)	(2.2)	(0.6)	(0.3)	(5.1)	(10.8)
At 31st March 2014	66.7	46.8	18.2	10.8	70.1	212.6
Carrying amount at 31st March 2014	**75.2**	**11.4**	**10.9**	**45.5**	**40.3**	**183.3**
Carrying amount at 31st March 2013	93.7	12.7	13.4	45.5	47.5	212.8
Carrying amount at 1st April 2012	26.5	12.4	16.0	21.9	51.0	127.8

17b Parent company

	Computer software £ million	Patents, trademarks and licences £ million	Acquired research and technology £ million	Development expenditure £ million	Total £ million
Cost					
At 1st April 2012	15.4	–	–	9.0	24.4
Additions	1.8	0.6	–	–	2.4
At 31st March 2013	17.2	0.6	–	9.0	26.8
Additions	1.9	0.3	–	–	2.2
Acquisitions	–	–	6.0	–	6.0
Disposals	(0.1)	–	–	–	(0.1)
At 31st March 2014	19.0	0.9	6.0	9.0	34.9
Accumulated amortisation and impairment					
At 1st April 2012	13.2	–	–	5.8	19.0
Charge for the year	1.0	–	–	0.9	1.9
At 31st March 2013	14.2	–	–	6.7	20.9
Charge for the year	1.5	0.1	–	0.5	2.1
Disposals	(0.1)	–	–	–	(0.1)
At 31st March 2014	15.6	0.1	–	7.2	22.9
Carrying amount at 31st March 2014	**3.4**	**0.8**	**6.0**	**1.8**	**12.0**
Carrying amount at 31st March 2013	3.0	0.6	–	2.3	5.9
Carrying amount at 1st April 2012	2.2	–	–	3.2	5.4

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18 Investments in subsidiaries

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

The principal subsidiaries are shown in note 41.

19 Investment in joint venture

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

20 Non-current available-for-sale investments

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

The quoted bonds are measured at fair value using level 1 inputs (note 26). There is no active market for the unquoted investments since they are investments in a company that is in the start up phase and in investment vehicles that invest in start up companies and are categorised as level 3 (note 26). Movements in the unquoted investments in the year are shown below but, given their size, it would be overly onerous to provide additional detail.

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

21 Inventories

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

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

Notes on the Accounts

for the year ended 31st March 2014

22 Trade and other receivables

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

23 Trade and other payables

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

24 Long term contracts

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

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for the year ended 31st March 2014

25 Net debt

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

Of the 4.95% US Dollar Bonds 2015, US $35.0 million have been swapped into sterling at 5.15% and US $165.0 million have been swapped into floating rate US dollars. US $75.0 million of the 5.67% US Dollar Bonds 2016 have been swapped into floating rate US dollars and the balance has effectively been swapped into fixed rate US dollars at 1.55%. US $100.0 million of the 3.14% US Dollar Bonds 2025 have been swapped into sterling at 2.83%. On 10th March 2014, the 3.26% US Dollar Bonds 2022 were swapped into floating rate US dollars. The interest rate implicit in the finance leases is 5.9% and the lease term ends in 2017. Apart from the bonds, EIB loans and finance leases shown separately above, all the loans, overdrafts and bank deposits are denominated in various currencies and bear interest at commercial floating rates.

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

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26 Other financial assets and liabilities

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

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

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

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

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

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

	Group £ million	Parent company £ million
At 1st April 2012	1.2	1.2
Gains recognised in cost of sales	3.4	3.4
Settlements	(3.8)	(3.8)
At 31st March 2013	0.8	0.8
Gains recognised in cost of sales	2.4	2.4
Settlements	(3.2)	(3.2)
At 31st March 2014	**–**	**–**

27 Financial risk management

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

Notes on the Accounts

for the year ended 31st March 2014

27 Financial risk management (continued)

27a Foreign currency risk

The group operates globally with a significant amount of its profit earned outside the UK. In order to protect the group's sterling balance sheet and reduce cash flow risk the group has financed most of its investment in the USA and Europe by borrowing US dollars and euros respectively. Although much of this funding is obtained by directly borrowing the relevant currency, a part is achieved through currency swaps which can be more efficient and reduce costs. To a lesser extent the group has also financed a portion of its investment in China using a currency swap. The group has designated the currency swaps, a US dollar loan and some euro loans (fair value of the loans was £284.9 million (2013 £387.2 million)) as hedges of net investments in foreign operations as they hedge the changes in values of the subsidiaries' net assets against movements in exchange rates.

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

	Group		Group		Parent company		Parent company	
	Borrowings 2014	Borrowings 2013	**Cash 2014**	Cash 2013 restated	**Borrowings 2014**	Borrowings 2013	**Cash 2014**	Cash 2013
	£ million	£ million	**£ million**	£ million	**£ million**	£ million	**£ million**	£ million
Sterling	**324.7**	179.0	**390.0**	237.6	**330.5**	177.2	**394.6**	236.6
US dollar	**619.8**	700.8	**197.2**	193.8	**618.2**	711.6	**191.4**	173.8
Euro	**311.9**	325.4	**51.3**	39.6	**312.4**	339.0	**47.4**	36.0
Swedish krona	**94.6**	101.1	**1.2**	1.8	**93.0**	108.4	**0.8**	–
Hong Kong dollar	**–**	–	**52.3**	50.3	**–**	–	**49.9**	50.3
Chinese renminbi	**46.1**	23.8	**24.3**	6.4	**28.1**	15.4	**–**	–
Japanese yen	**22.1**	8.1	**0.5**	4.7	**22.0**	8.1	**0.5**	1.7
South African rand	**20.4**	45.8	**1.2**	0.3	**18.1**	31.4	**0.1**	–
Indian rupee	**18.9**	8.4	**0.6**	10.1	**–**	–	**–**	–
Canadian dollar	**0.2**	0.4	**17.1**	19.1	**–**	–	**16.9**	19.4
Brazilian real	**14.2**	–	**1.3**	–	**–**	–	**–**	–
South Korean won	**1.7**	20.5	**–**	7.8	**–**	18.2	**–**	–
Other currencies	**11.2**	12.0	**19.6**	18.2	**9.5**	9.6	**14.4**	9.4
	1,485.8	1,425.3	**756.6**	589.7	**1,431.8**	1,418.9	**716.0**	527.2

The group and parent company use forward exchange contracts, and occasionally purchased currency options, to hedge foreign exchange exposures arising on forecast receipts and payments in foreign currencies. These are designated and accounted for as cash flow hedges. The majority of the cash flows are expected to occur and the hedge effect realised in the income statement in the year ending 31st March 2015.

The main impact of movements in exchange rates on the group's results arises on translation of overseas subsidiaries' profits into sterling. The group's largest exposure is to the US dollar and a 5% (8.0 cent (2013 7.9 cent)) movement in the average exchange rate for the US dollar against sterling would have had a £9.3 million (2013 £6.5 million) impact on operating profit. The group is also exposed to the euro and a 5% (5.9 cent (2013 6.1 cent)) movement in the average exchange rate for the euro against sterling would have had a £5.0 million (2013 £4.2 million) impact on operating profit. This exposure is part of the group's economic risk of operating globally which is essential to remain competitive in the markets in which the group operates.

For financial instruments the main exposures are to the US dollar and euro and are due to loans, swaps and cash flow hedges on forecast receipts and payments. A 5% (8.3 cent (2013 7.6 cent)) movement in the closing exchange rate for the US dollar against sterling would have had a £6.7 million (2013 £3.3 million) impact on operating profit and a £24.3 million (2013 £32.4 million) impact on equity for these instruments. A 5% (6.1 cent (2013 5.9 cent)) movement in the closing exchange rate for the euro against sterling would have had a £7.2 million (2013 £4.6 million) impact on operating profit and a £17.8 million (2013 £20.9 million) impact on equity for these instruments. However, the impact on operating profit relates primarily to the cash flow hedging instruments hedging the forecast receipts and payments whose cash flows have occurred in the year and so would be offset by similar movements in the hedged items. Similarly, the impact on equity relates primarily to foreign exchange positions used to hedge the subsidiaries' net assets and so would be offset by an equal and opposite movement in the value of the relevant subsidiaries' net assets. The remaining impact on equity of £3.2 million (2013 £7.0 million) for the US dollar and £4.7 million (2013 £6.7 million) for the euro relates to cash flow hedging instruments hedging the forecast receipts and payments whose cash flows have yet to occur.

Notes on the Accounts

for the year ended 31st March 2014

27 Financial risk management (continued)

27b Interest rate risk

The group's and parent company's interest rate risk arises from their fixed rate borrowings (fair value risk) and floating rate borrowings (cash flow risk). Their policy is to optimise interest cost and reduce volatility in reported earnings and equity. They manage their risk by reviewing the profile of their debt regularly and by selectively using interest rate and cross currency swaps to maintain borrowings in appropriate currencies and at competitive rates. The group and parent company have designated five US dollar fixed rate to US dollar floating rate swaps as fair value hedges as they hedge the changes in fair value of bonds attributable to changes in interest rates. The losses on the interest rate swaps in the year ended 31st March 2014 were £6.9 million (2013 gains £3.6 million) and the gains on the bonds attributable to the hedged risk were £6.9 million (2013 £3.6 million). The group and parent company have designated the two US dollar fixed interest rate to sterling fixed interest rate cross currency swaps as cash flow hedges as they hedge the movement in the cash flows of the hedged bonds attributable to changes in the US dollar / sterling exchange rate. The cross currency swaps' cash flows are expected to occur in 2015 and 2025 when the bonds which they hedge mature. The interest element of the cash flow hedges is realised in the income statement each year and the exchange effect is expected to be realised in the income statement in 2015 and 2025. At 31st March 2014, 88% (2013 74%) of the group's net debt and 90% (2013 70%) of the parent company's net debt were at fixed rates with an average interest rate of 3.06% (2013 3.67%). The remaining debt is funded on a floating rate basis. Based on the group's net debt funded at floating rates, after taking into account the effect of the swaps, a 1% change in all interest rates would have a £0.9 million (2013 £2.1 million) impact on the group's profit before tax. This is within the range the board regards as acceptable.

27c Fair value of financial instruments

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

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

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

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

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

27d Liquidity risk

The group's and parent company's policy on funding capacity is to ensure that they always have sufficient long term funding and committed bank facilities in place to meet foreseeable peak borrowing requirements. At 31st March 2014 the group and parent company had no borrowings under committed bank facilities (2013 £50.1 million). The group and parent company also have a number of uncommitted facilities, including metal leases, and overdraft lines at their disposal.

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

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27 Financial risk management (continued)

27d Liquidity risk (continued)

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

Group as at 31st March 2014	Within 1 year £ million	1 to 2 years £ million	2 to 5 years £ million	After 5 years £ million	Total £ million
Bank overdrafts	39.2	–	–	–	39.2
Bank and other loans – principal	171.3	–	89.3	650.3	910.9
Bank and other loans – interest payments	35.3	25.4	65.0	93.6	219.3
Finance lease obligations	0.5	0.5	0.6	–	1.6
Financial liabilities in trade and other payables	676.6	0.2	0.8	0.6	678.2
Total non-derivative financial liabilities	922.9	26.1	155.7	744.5	1,849.2
Foreign exchange forwards, options and swaps – payments	276.4	0.4	–	–	276.8
Foreign exchange forwards, options and swaps – receipts	(277.4)	(0.4)	–	–	(277.8)
Total derivative financial liabilities	(1.0)	–	–	–	(1.0)

Group as at 31st March 2013 (restated)	Within 1 year restated £ million	1 to 2 years £ million	2 to 5 years £ million	After 5 years £ million	Total restated £ million
Bank overdrafts	48.2	–	–	–	48.2
Bank and other loans – principal	273.3	130.7	98.3	352.8	855.1
Bank and other loans – interest payments	30.1	23.8	44.4	41.8	140.1
Finance lease obligations	0.5	0.4	1.1	–	2.0
Financial liabilities in trade and other payables	596.3	0.5	0.6	0.8	598.2
Total non-derivative financial liabilities	948.4	155.4	144.4	395.4	1,643.6
Foreign exchange forwards, options and swaps – payments	427.1	20.2	–	–	447.3
Foreign exchange forwards, options and swaps – receipts	(416.7)	(19.5)	–	–	(436.2)
Total derivative financial liabilities	10.4	0.7	–	–	11.1

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

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

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for the year ended 31st March 2014

27 Financial risk management (continued)

27e Credit risk

Within certain businesses, the group and parent company derive a significant proportion of their revenue from sales to major customers. Sales to individual customers are frequently high if the value of precious metals is included in the price. The failure of any such company to honour its debts could materially impact the group's and parent company's results. The group and parent company derive significant benefit from trading with their large customers and manage the risk at many levels. Each business and division has a credit committee that regularly monitors its exposure. The Audit Committee receives a report every six months that details all significant credit limits, amounts due and amounts overdue within the group and the relevant actions being taken. At 31st March 2014 trade receivables for the group amounted to £754.1 million (2013 restated £709.3 million) (parent company £150.8 million (2013 £147.4 million)). £500.8 million (2013 £470.8 million) of these receivables at group level (£101.7 million (2013 £93.4 million) at parent company level) arose in Emission Control Technologies (ECT) which mainly supplies the automotive industry including car and truck manufacturers and component suppliers. Although ECT has a wide spread of the available customers, the concentrated nature of this industry means that amounts owed by individual customers can be large. Other parts of the group tend to sell to a larger number of customers and amounts owed tend to be lower. As at 31st March 2014 (and at 31st March 2013) for the group as a whole, no single outstanding balance exceeded 2% of the group's revenue. No assets have been taken possession of as collateral.

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

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

	Group		Parent company	
	2014 **£ million**	2013 restated £ million	**2014** **£ million**	2013 £ million
Amounts neither past due nor impaired	**666.7**	625.9	**140.0**	133.0
Amounts past due but not impaired				
less than 30 days	**50.1**	61.0	**6.5**	10.7
30 – 90 days	**28.5**	13.7	**2.3**	2.6
more than 90 days	**9.5**	9.2	**2.0**	1.1
Total past due but not impaired	**88.1**	83.9	**10.8**	14.4
Amounts impaired	**6.1**	5.2	**2.0**	2.1
Specific allowances for bad and doubtful debts	**(5.9)**	(5.1)	**(2.0)**	(2.1)
Carrying amount of impaired receivables	**0.2**	0.1	**–**	–
Other allowances for bad and doubtful debts	**(0.9)**	(0.6)	**–**	–
Trade receivables net of allowances	**754.1**	709.3	**150.8**	147.4

Movements in the allowances for impairments were:

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

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

The credit risk on cash and deposits and derivative financial instruments is limited because the counterparties with significant balances are banks with high credit ratings. The exposure to individual banks is monitored frequently against internally defined limits together with the bank's credit ratings and credit default swap prices. As at 31st March 2014, the maximum exposure with a single bank for deposits was £9.7 million (2013 £7.8 million) for the group and £3.2 million (2013 £0.6 million) for the parent company, whilst the largest mark to market exposure for derivative financial instruments to a single bank was £5.0 million (2013 £12.5 million) for the group and parent company. The group and parent company also use money market funds to invest surplus cash thereby further diversifying credit risk and at 31st March 2014 the group's and parent company's exposure to these funds was £176.2 million (2013 £ nil). The amounts on deposit at the year end represent the group's and parent company's maximum exposure to credit risk on cash and deposits.

The parent company also guarantees some of its subsidiaries' borrowings, partly through interest netting arrangements, and precious metal leases and its exposure at 31st March 2014 was £38.6 million (2013 £43.3 million).

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for the year ended 31st March 2014

27 Financial risk management (continued)

27f Offsetting financial assets and liabilities

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

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

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

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

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

Notes on the Accounts

for the year ended 31st March 2014

27 Financial risk management (continued)

27g Capital management

The group's policy for managing capital is to maintain an efficient balance sheet to ensure that the group always has sufficient resources to be able to invest in future growth. The group has a long term target of a return on invested capital (underlying operating profit divided by average capital employed) of over 20% to ensure focus on efficient use of the group's capital. See the section on return on invested capital in the Financial Review on page 46 for more information. The group also has a long term target of net debt (including post tax pension deficits) to EBITDA of between 1.5 and 2.0 times although in any given year it may fall outside this range depending on future plans. See the section on capital structure in the Financial Review on page 48 for more information.

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

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

28 Provisions and contingent liabilities

28a Group

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

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

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

The warranty and technology provisions represent management's best estimate of the group's liability under warranties granted and remedial work required under technology licences, based on past experience in Emission Control Technologies and Process Technologies. Warranties generally cover a period of up to three years.

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

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for the year ended 31st March 2014

28 Provisions and contingent liabilities (continued)

28b Parent company

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

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

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

The other provisions include onerous leases, legal provisions and provisions to buy metal to cover positions created by the parent company selling metal belonging to subsidiaries. Amounts provided reflect management's best estimate of the expenditure required to settle the obligations at the balance sheet date.

Details of guarantees given by the parent company are disclosed in note 27e.

29 Deferred taxation

29a Group

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

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

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

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

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for the year ended 31st March 2014

29 Deferred taxation (continued)

29b Parent company

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

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

30 Share capital

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

Details of outstanding share options, allocations under the company's long term incentive plan and awards under the deferred bonus which have yet to mature are disclosed in note 13.

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

At the last annual general meeting on 25th July 2013 shareholders approved a resolution for the company to make purchases of its own shares up to a maximum number of 20,491,774 ordinary shares of 104 $\frac{16}{21}$ pence each. The resolution remains valid until the conclusion of this year's annual general meeting. The company will purchase its own shares when the board believes it to be in the best interests of the shareholders generally and will result in an increase in earnings per share.

The group and parent company's employee share ownership trust (ESOT) also buys shares on the open market and holds them in trust for employees participating in the group's executive share option schemes and long term incentive plan. At 31st March 2014 the ESOT held 2,068,308 shares (2013 2,275,765 shares) which had not yet vested unconditionally in employees. Computershare Trustees (CI) Limited, as trustee for the ESOT, has waived its dividend entitlement.

The total number of treasury shares held was 5,725,246 (2013 5,725,246) at a total cost of £91.7 million (2013 £91.7 million).

31 Tax effects relating to other comprehensive income

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

Notes on the Accounts

for the year ended 31st March 2014

32 Other reserves

32a Group

	Capital redemption reserve £ million	Foreign currency translation restated £ million	Available-for-sale reserve £ million	Hedging reserve £ million	Total other reserves restated £ million
At 1st April 2012	6.5	32.2	–	4.3	43.0
Cash flow hedges – losses taken to equity	–	–	–	(7.9)	(7.9)
Cash flow hedges – transferred to income statement	–	–	–	(7.7)	(7.7)
Fair value losses on net investment hedges taken to equity	–	(8.2)	–	–	(8.2)
Fair value losses on net investment hedges transferred to profit on liquidation of subsidiaries (note 3)	–	3.9	–	–	3.9
Fair value losses on available-for-sale investments	–	–	(0.3)	–	(0.3)
Currency translation differences on foreign currency net investments and related loans taken to equity	–	21.3	–	–	21.3
Currency translation differences transferred to profit on liquidation of subsidiaries (note 3)	–	0.7	–	–	0.7
Tax on items taken directly to or transferred from equity	–	–	–	3.4	3.4
At 31st March 2013 (restated)	6.5	49.9	(0.3)	(7.9)	48.2
Cash flow hedges – gains taken to equity	–	–	–	8.8	8.8
Cash flow hedges – transferred to income statement	–	–	–	0.5	0.5
Fair value gains on net investment hedges taken to equity	–	9.7	–	–	9.7
Fair value losses on available-for-sale investments	–	–	(0.4)	–	(0.4)
Currency translation differences on foreign currency net investments and related loans taken to equity	–	(95.0)	–	–	(95.0)
Tax on items taken directly to or transferred from equity	–	2.5	–	(2.2)	0.3
At 31st March 2014	**6.5**	**(32.9)**	**(0.7)**	**(0.8)**	**(27.9)**

32b Parent company

	Capital redemption reserve £ million	Foreign currency translation £ million	Hedging reserve £ million	Total other reserves £ million
At 1st April 2012	6.5	(3.9)	4.2	6.8
Cash flow hedges – losses taken to equity	–	–	(5.9)	(5.9)
Cash flow hedges – transferred to income statement	–	–	(6.7)	(6.7)
Currency translation differences on foreign operations taken to equity	–	(0.6)	–	(0.6)
Tax on items taken directly to or transferred from equity	–	–	2.8	2.8
At 31st March 2013	6.5	(4.5)	(5.6)	(3.6)
Cash flow hedges – gains taken to equity	–	–	4.3	4.3
Cash flow hedges – transferred to income statement	–	–	1.6	1.6
Currency translation differences on foreign operations taken to equity	–	0.5	–	0.5
Tax on items taken directly to or transferred from equity	–	–	(1.2)	(1.2)
At 31st March 2014	**6.5**	**(4.0)**	**(0.9)**	**1.6**

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33 Gross cash flows

33a Purchases of non-current assets and investments

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

33b Purchases of businesses

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

33c Net cost of ESOT transactions in own shares

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

33d Proceeds from borrowings and finance leases

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

34 Cash and cash equivalents

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

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35 Precious metal operating leases

The group leases, rather than purchases, precious metals to fund temporary peaks in metal requirements provided market conditions allow. These leases are from banks for specified periods (typically a few months) and for which the group pays a fee. These arrangements are classified as operating leases. The group holds sufficient precious metal inventories to meet all the obligations under these lease arrangements as they fall due. At 31st March 2014 precious metal leases were £55.7 million (2013 £96.8 million).

36 Commitments

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

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

37 Transactions with related parties

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

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

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

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

Notes on the Accounts

for the year ended 31st March 2014

38 Acquisitions

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

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

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

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

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

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

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

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

Notes on the Accounts

for the year ended 31st March 2014

39 Key sources of estimation uncertainty

Determining the carrying amounts of some assets and liabilities requires estimation of the effects of uncertain future events on those assets and liabilities at the balance sheet date. The group and parent company have made appropriate estimates when applying the accounting policies, but the actual outcome may differ from those calculated.

The key sources of estimation uncertainty at the balance sheet date which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

Post-employment benefits

The group's and parent company's defined benefit plans are assessed annually by qualified independent actuaries. The details of the plans and assumptions used are described in note 14.

Goodwill

The group has capitalised goodwill of £571.0 million and the parent company has £113.3 million. Annual impairment reviews are performed which require various assumptions. More details are given in note 16.

Other intangible assets

Other intangible assets which are not yet being amortised are also subject to annual impairment reviews based on discounted cash flow projections.

Taxation

The tax payable on profits is determined based on tax laws and regulations that apply in each of the numerous jurisdictions in which the group operates. Where the precise impact of these laws and regulations is unclear then reasonable estimates may be used to determine the tax charge included in the accounts. If the tax eventually payable or reclaimable differs from the amounts originally estimated then the difference will be charged or credited in the accounts for the year in which it is determined.

Refining process and stock takes

The group's and parent company's refining and fabrication businesses process significant quantities of precious metal and, similar to many industrial activities, losses may arise during processing. The refining businesses alone process over four million oz of platinum group metals, over 15 million oz of gold and over 60 million oz of silver each year. The extent of process losses depends on many factors, including the nature of material being refined, the specific refining processes applied and the processes' efficiency. Judgment is therefore required in estimating the amount of such losses when setting process loss provisions. Also stock takes, particularly at the refining businesses, involve estimation of volumes in the refining system and the subsequent sampling and assaying of material to assess the precious metal content. In addition, the results of sampling and assaying and therefore the stock take itself are only available some time after the date of the stock take. In setting process loss provisions and assessing the stock take results management takes account of the complexity of the stock take process, past experience, the ability to extract precious metals from the refining process and other factors when estimating losses and gains.

Notes on the Accounts

for the year ended 31st March 2014

40 Effect of restatements

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

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

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

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

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

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

Notes on the Accounts

for the year ended 31st March 2014

41 Principal subsidiaries

The group's subsidiaries at 31st March 2014 whose results or financial position, in the opinion of the directors, principally affected the accounts are set out below. Those held directly by the parent company are marked with an asterisk (*). All the companies are wholly owned unless otherwise stated. All the subsidiaries are involved in the principal activities of the group. A full list of the group's subsidiaries will be attached to the parent company's annual return to be filed with the Registrar of Companies.

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

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

Independent Auditor's Report

to the members of Johnson Matthey Public Limited Company only

Opinions and conclusions arising from our audit

1 Our opinion on the accounts is unmodified

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

In our opinion:

- the accounts give a true and fair view of the state of the group's and of the parent company's affairs as at 31st March 2014 and of the group's profit for the year then ended;
- the group accounts have been properly prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU);
- the parent company accounts have been properly prepared in accordance with IFRS as adopted by the EU; and
- the accounts have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group accounts, Article 4 of the IAS Regulation.

2 Our assessment of risks of material misstatement

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

Refinery process and stock takes

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

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

Carrying value of goodwill and other intangible assets

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

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

Independent Auditor's Report

to the members of Johnson Matthey Public Limited Company only

Opinions and conclusions arising from our audit (continued)

2 Our assessment of risks of material misstatement (continued)

Post-employment benefits

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

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

Taxation accounting

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

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

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

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

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

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

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

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

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

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

Independent Auditor's Report

to the members of Johnson Matthey Public Limited Company only

Opinions and conclusions arising from our audit (continued)

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

In our opinion:

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

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

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

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

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

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

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

Under the Listing Rules we are required to review:

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

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

Scope of report and responsibilities

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

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

4th June 2014

SUSTAINABLE TECHNOLOGIES

for today and for the future

8. OTHER INFORMATION

CASE STUDY

Technology to Tackle Greenhouse Gases

Johnson Matthey is well experienced in improving and innovating solutions to control harmful emissions. In a recent development, we've turned our hand to tackling emissions of methane, combining our know-how in advanced materials and chemical engineering to create clever catalyst technology that can deliver real environmental benefits.

Methane is a potent greenhouse gas (GHG) that is at least 21 times as powerful as carbon dioxide (CO_2) in trapping heat in the atmosphere. Recent estimates suggest it may be even more potent – over 30 times that of CO_2. Methane accounted for 16% of all global GHG emissions in 2010, according to a report by the United Nations Environment Programme. It also represents a large proportion of the GHG emissions from coal mining.

Methane can also be explosive, depending on its concentration in air, and presents a major safety risk in the coal mining industry. To control the risk, air is drawn into mines to reduce the methane concentration below the flammable range. This mine ventilation air typically contains less than 1% methane.

Our catalyst technology is designed to remove methane at low concentrations and low temperature, making it particularly suited to coal mining applications. In addition, it is easily scalable and has few moving parts, thus making it a reliable technology that is easy to maintain.

So, what's the benefit? If we use a methane potency of 21 times that of CO_2, 1 tonne of methane emissions would be equivalent to 21 tonnes of CO_2 emissions. With our catalyst technology, methane is chemically converted to CO_2 but this time, 1 tonne of methane emissions is transformed to only 2.75 tonnes of CO_2, significantly reducing the impact on the environment.

Contents

Five Year Record – Financial Data

	2010 £ million	2011 £ million	2012 restated £ million	2013 restated £ million	**2014 £ million**
Revenue	7,839.4	9,984.8	12,023.2	10,728.8	**11,155.2**
Sales excluding the value of precious metals	1,885.5	2,280.3	2,678.6	2,675.7	**2,980.8**
EBITDA	382.7	489.4	576.2	542.7	**596.3**
Depreciation	(97.3)	(108.3)	(108.5)	(111.2)	**(115.1)**
Amortisation	(13.6)	(14.9)	(17.6)	(15.4)	**(12.3)**
Underlying operating profit	271.8	366.2	450.1	416.1	**468.9**
Net finance costs	(19.4)	(20.7)	(24.1)	(33.2)	**(42.1)**
Share of profit of associate / joint venture	1.7	–	–	–	**0.5**
Underlying profit before tax	254.1	345.5	426.0	382.9	**427.3**
Amortisation of acquired intangibles	(9.9)	(14.5)	(16.7)	(16.9)	**(20.7)**
Major impairment and restructuring charges	(11.3)	(71.8)	–	(17.4)	**–**
Dissolution of associate	(4.4)	0.1	–	–	**–**
Profit before tax	228.5	259.3	409.3	348.6	**406.6**
Income tax expense	(64.3)	(75.5)	(93.9)	(77.5)	**(67.9)**
Profit after taxation	164.2	183.8	315.4	271.1	**338.7**
Loss for the year from discontinued operations	–	(1.9)	–	–	**–**
Non-controlling interests	–	(0.4)	0.5	0.7	**1.5**
Profit attributable to owners of the parent company	164.2	181.5	315.9	271.8	**340.2**
Underlying earnings per ordinary share	86.4p	119.0p	153.7p	147.7p	**170.6p**
Earnings per ordinary share	77.6p	85.2p	148.7p	132.3p	**167.7p**
Dividend per ordinary share	39.0p	46.0p	55.0p	57.0p	**62.5p**
Summary Balance Sheet					
Assets employed:					
Goodwill	513.8	528.7	519.3	584.6	**571.0**
Property, plant and equipment / other intangible assets	1,053.2	1,060.6	1,036.7	1,205.3	**1,206.7**
Non-current investments / associates / joint venture	10.9	8.0	10.8	61.0	**60.8**
Inventories	390.1	556.3	629.5	664.3	**672.5**
Receivables / current investments / tax assets / financial assets	718.9	952.2	895.3	915.6	**1,032.2**
Payables / provisions / tax liabilities / financial liabilities	(717.0)	(932.2)	(938.5)	(960.4)	**(1,095.5)**
Post-employment benefit net assets / employee benefit obligations	(245.7)	(130.4)	(167.1)	(243.9)	**(165.3)**
	1,724.2	2,043.2	1,986.0	2,226.5	**2,282.4**
Financed by:					
Net debt	473.4	639.4	455.4	835.6	**729.2**
Retained earnings	837.7	1,001.2	1,171.0	1,029.7	**1,271.1**
Share capital, share premium, shares held in ESOTs and other reserves	411.7	401.5	361.8	365.5	**288.4**
Non-controlling interest	1.4	1.1	(2.2)	(4.3)	**(6.3)**
Capital employed	1,724.2	2,043.2	1,986.0	2,226.5	**2,282.4**
Return on invested capital (Underlying operating profit / average capital employed)	15.8%	19.4%	22.3%	19.8%	**20.8%**

2013 and the balance sheet for 2012 have been restated (note 40). In 2012, 2011 was restated for changes to Intercat, Inc.'s fair values at acquisition.

Five Year Record – Non-Financial Data

		2010	2011	2012	2013	**2014**
Social						
Average employee numbers		8,575	9,388	9,914	10,498	**11,331**
Total employee turnover[1]	%	10.0	8.5	11.7	9.1	**9.0**
Voluntary employee turnover[1]	%	5.4	5.6	6.4	6.5	**5.6**
Employee gender (female)	%	21	22	22	25	**24**
New recruits gender (female)	%	25	23	25	25	**27**
Trade union representation	%	33	38	35	31	**29**
Training days per employee		2.3	2.6	3.1	2.7	**3.3**
Training spend per employee[2]	£	291	390	335	433	**465**
Internal promotions	% of all recruitment in year	35	33	35	36	**26**
Attendance	days lost per employee	5.2	5.2	5.0	5.2	**5.3**
Sickness absence rate	%	2.1	2.1	2.0	2.2	**2.0**
Charitable donations	£ thousands	458	517	645	615	**626**
Health and Safety						
Greater than three day accidents	per 1,000 employees	2.48	2.99	2.38	2.98[3]	**2.68**
Total lost time accidents		60	74	58	54[3]	**68**
Total accident rate	per 1,000 employees	7.11	7.89	6.00	5.37[3]	**6.09**
Total lost time accident incident rate	per 100,000 hours worked	0.36	0.40	0.29	0.27[3]	**0.31**
Total days lost	per 1,000 employees	64	102	90	147[3]	**122**
Occupational illness cases	per 1,000 employees	5.2	3.5	3.5	2.7	**2.2**
Environment						
Energy consumption	thousands GJ	4,001	4,749	4,726	4,648	**4,915**
Total global warming potential	thousands tonnes CO_2 equivalent	377	415	417	413	**444**
Total acid gas emissions	tonnes SO_2 equivalent	335	318	444	334	**405**
Total NOx emissions	tonnes	434	393	566	420	**483**
Total SO_2 emissions	tonnes	31.0	43.0	47.5	39.9	**67.0**
Total VOC emissions	tonnes	180.8	185.7	189.8	185.6	**209.3**
Total waste	tonnes	90,308	113,671	120,363	110,448	**121,594**
Total waste to landfill	tonnes	5,071	6,165	10,708	3,218	**3,819**
Water consumption	thousands m^3	1,750	2,076	2,201	2,444	**2,564**
Emissions to water	tonnes	236	251	260	226	**436**

1 Calculated by reference to the total number of leavers during the year expressed as a percentage of the average number of people employed during the year. Does not include agency workers not directly employed by Johnson Matthey.

2 Does not include the cost of in house training or the cost of employees' wages during training.

3 Restated to include four lost time accidents that occurred during 2012/13 but that were not declared as having resulted in lost time until after the year end.

Basis of Reporting – Non-Financial Data

Johnson Matthey continues to use a reporting approach based upon the GRI G3.1 guidelines and has applied them in an appropriate context to the group by examination of the definition, explanatory notes and self diagnosis tests to ensure a fair, balanced and understandable description when assessed against the reporting criteria. In addition, feedback received on the 2013 Annual Report and Accounts and a well structured management approach early in 2014 have shaped the reporting of non-financial content and context. Due consideration has been given to relevant international standards such as the International Organization for Standardization's voluntary standard on 'social responsibility', ISO 26000, the progress of the International Integrated Reporting Framework, the GRI G4 reporting guidelines and other emerging regulations and standards for non-financial reporting.

This report has been developed to incorporate the group's significant economic, environmental and social impacts and is set within the context of the United Nations Brundtland definition of sustainability (1987) and our own Sustainability 2017 goals. Understanding the relevance of local, national, regional and global issues, regulation and legislation is taken into account when considering reporting. The AA1000AS assurance standard principles of inclusivity, materiality and responsiveness help to shape the structure of the report and in setting priorities for reporting.

There are no limitations on the scope or boundary of the non-financial data in this report. The non-financial information presented covers the sustainability activities and performance of Johnson Matthey's global operations and includes the parent company and its subsidiaries (as listed on page 176). Environmental performance data covers manufacturing, research and warehousing operations of the parent company and its subsidiaries. Environmental performance data from acquired facilities is only included after the first full year of Johnson Matthey ownership. Environmental performance data from new facilities is included from the point at which the facility is fully operational. The report also explains how we are continuing to build sustainability into our business planning and decision making processes and how, through our governance processes, we manage social, environmental and ethical matters across the group.

Data measurement techniques, including calculations for social, environmental and health and safety performance, have used internationally recognised protocols such as the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard (Revised Edition) and the GRI indicator protocols as appropriate. Any exceptions are noted.

All non-financial performance data is reported on a financial year basis unless otherwise stated. Where necessary data has been restated, for example to reflect changes in the business (e.g. divestments and site closures), to take account of changes in best practice methodologies for reporting and changes in calculating emissions. Certain safety data has been restated to include four lost time accidents that occurred during 2012/13 but that were not declared as having resulted in lost time until after the year end. For employee data, percentage calculations are made in relation to the number of permanent employees in the group (unless otherwise stated).

Global warming potential in tonnes of carbon dioxide (CO_2) equivalent includes Scope 1 and Scope 2 emissions. We report greenhouse gas (GHG) emissions from process and energy use and convert the total group energy use to tonnes CO_2 equivalent using national and regional conversion factors for each emissions source as appropriate. In June 2013 Defra published new guidelines for the reporting of carbon emissions related to the consumption of grid electricity. We have therefore calculated the Scope 2 emissions on this basis for 2013/14 and have restated our historical Scope 2 data.

In 2013/14 Johnson Matthey adopted the UK mandatory GHG reporting requirements. Under this new legislation we are required to ensure that the quantification of GHG emissions and data reliability is sufficient to meet our obligation under the UK Companies Act 2006 (Strategic & Directors' Reports) Regulations 2013. The data we have presented for our global warming potential in this report contains all Johnson Matthey's material GHG emissions and therefore meets the requirements of this legislation. We have included a mandatory GHG report in the table on page 72.

Certain employee data is included in the accounts which is subject to external audit. The group's other social, health and safety and environmental data is collected annually at a group level. The data is collated through questionnaires based on the requirements of the Global Reporting Initiative third generation (GRI G3.1) guidelines. It is completed by businesses and signed off by the general manager for each global operation. The reported site level data is a combination of actual measurement and estimates. The processes in place to internally verify the reported data are described in the Verification section on page 185.

Accident Calculation Definitions

Johnson Matthey's definition of an accident for the purposes of this report is any acute unplanned event that causes harm to individuals, making them unable to attend work on days after the date of the event. Accidents are further subdivided into accidents that result in more than three days' work lost and those that cause three or fewer days to be lost. Accident incidence rates are calculated based on the rate of these accidents per 1,000 employees.

The following metrics are used in this report:

Incidence rate for all lost time accidents in the year = (number of greater than three day accidents in the year + number of three day or less accidents in the year) x 1,000 ÷ (average number of employees in the year).

Incidence rate for greater than three day accidents in the year = (number of greater than three day accidents in the year) x 1,000 ÷ (average number of employees in the year).

Lost work days per 1,000 employees per year = (total lost work days in year) x 1,000 ÷ (average number of employees in the year).

Frequency rate for all lost time accidents in the year = (number of greater than three day accidents in the year + number of three day or less accidents in the year) x 100,000 ÷ (number of hours worked in the year).

Calculation of Occupational Illness Rates

Incidence rate for occupational illnesses in the year = (number of new occupational illnesses diagnosed in the year) x 1,000 ÷ (average number of employees in the year).

Verification of Non-Financial Data

For a number of years the group has sought to collect and present certain non-financial data in respect of human resources, health and safety and environmental metrics as a means to demonstrate internally and externally our performance as a responsible business. We have continued to consider the metrics we present, the basis of measurement and the processes of collection and consolidation with a view to standardising and improving the relevance and quality of the metrics presented, and to further improve our processes in this area.

Certain human resources data forms part of Johnson Matthey's accounts which are subject to external audit. Other human resources data, community investment data and information relating to charitable donations is reviewed and verified by internal experts.

Health and safety data is reviewed by group health and safety experts and as part of the group environment, health and safety (EHS) audit programme. Environmental data is reviewed by group environmental experts and as part of the group EHS audit programme.

All data is reviewed by internal sustainability experts and at appropriate levels of management up to and including the Chief Executive's Committee.

Johnson Matthey utilises external specialists on specific sustainability issues. Over the past year this has included external audits or reviews of people management systems, health and safety (OHSAS 18001) and environmental management systems (such as ISO 14001, ISO 50001 and RC 14001).

The board reviews corporate social responsibility issues as part of its risk management process.

Actions Arising in 2013/14 in Response to the 2013 Assurance Process

Johnson Matthey compiles, assesses and discloses non-financial information for a number of reasons:

- Where there is a legal obligation (UK Companies Act, mandatory carbon reporting).
- To help drive improved business performance.
- To demonstrate to institutional investors that Johnson Matthey's business approach is responsible, sustainable and offers a sound value proposition.
- To demonstrate to our customers that Johnson Matthey's business conduct meets or exceeds all of the required standards.
- To demonstrate to other stakeholders that Johnson Matthey conducts its business in an appropriate manner.
- To benchmark our corporate performance against peer group companies.

Our information disclosures take many forms including investor interviews, customer questionnaires, independent CSR / assurance surveys and the non-financial data and other information described within our annual report.

Since 2007/08 our annual non-financial reports have been subject to third party assurance / assessment provided by independent consultants / auditors.

The 2012/13 third party assurance review identified several areas where improvements could be made to our non-financial data definitions and the data collection processes at a site level which would also enhance consistency across the group.

The board considered the implications of the observations and, in response, in 2013/14 we have taken the following actions:

- We made improvements by creating a 'data dictionary' which more clearly defines key environmental and manpower performance indicators so that our sites have absolute clarity on how and what numbers to report. This data dictionary, with clearly defined definitions, was issued to all sites in the first quarter of 2014 for use in this year's reporting cycle.
- We have undertaken more rigorous assessments of the data at site level, approval at divisional level and automated assessment at group level which has improved the quality of the data for 2013/14.

We continue to implement the additional recommendations from the 2012/13 assurance process. As a result, we have not commissioned external assurance of our non-financial data for this report. This will allow us sufficient time to implement medium and longer term corrective actions and remedial measures against the most significant issues identified.

Shareholder Information

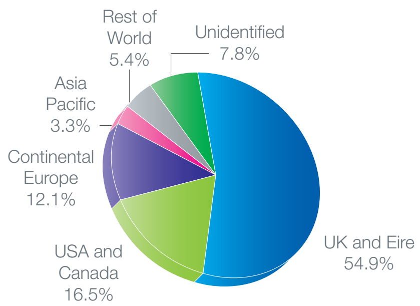
Johnson Matthey Share Price Five Year Performance versus FTSE 100

Johnson Matthey Share Price as at 31st March

2009	2010	2011	2012	2013	2014
1,053p	1,746p	1,860p	2,359p	2,300p	3,271p

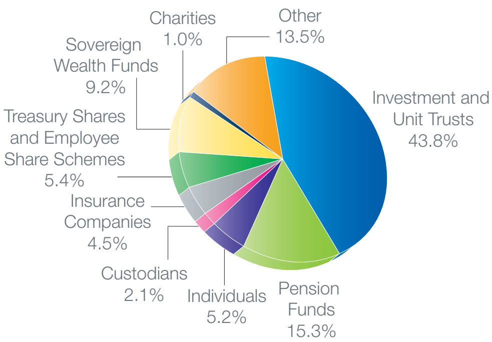
Analysis of Ordinary Shareholders as at 30th April 2014

By Location



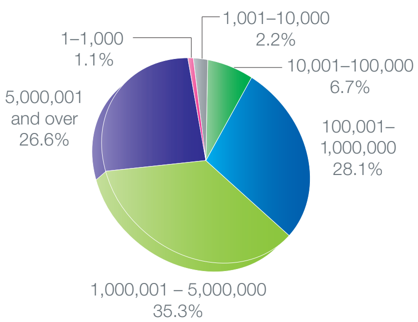
By location	Number of shares	Percentage
UK and Eire	115,632,321	54.9
USA and Canada	34,678,248	16.5
Continental Europe	25,535,779	12.1
Asia Pacific	6,944,524	3.3
Rest of World	11,422,497	5.4
Unidentified	16,429,626	7.8
Total	210,642,995	100.0

By Category



By category	Number of shares	Percentage
Investment and Unit Trusts	92,337,389	43.8
Pension Funds	32,112,665	15.3
Individuals	10,853,247	5.2
Custodians	4,411,352	2.1
Insurance Companies	9,445,674	4.5
Treasury Shares and Employee Share Schemes	11,421,921	5.4
Sovereign Wealth Funds	19,448,532	9.2
Charities	2,179,188	1.0
Other	28,433,027	13.5
Total	210,642,995	100.0

By Size of Holding



By size of holding	Number of holdings	Percentage	Number of shares	Percentage
1 – 1,000	6,981	74.1	2,433,064	1.1
1,001 – 10,000	1,780	18.9	4,567,030	2.2
10,001 – 100,000	410	4.4	14,039,128	6.7
100,001 – 1,000,000	202	2.1	59,141,438	28.1
1,000,001 – 5,000,000	35	0.4	74,426,561	35.3
5,000,001 and over	7	0.1	56,035,774	26.6
	9,415	100.0	210,642,995	100.0

Shareholder Information continued

Share Dealing Services

A telephone and internet dealing service for UK shareholders is provided by the company's registrars, Equiniti. For further information, including Equiniti's terms and conditions and details of their fees, log on to www.shareview.co.uk/dealing or call 08456 037 037.

Dividend History – Pence per Share

	2010	2011	2012	2013	2014
Interim	11.1	12.5	15.0	15.5	17.0
Final	27.9	33.5	40.0	41.5	45.5
Total ordinary	39.0	46.0	55.0	57.0	62.5
Special	–	–	100.0	–	–

Dividend Policy

It is Johnson Matthey's policy to grow ordinary dividends over time, broadly in line with underlying earnings per share while maintaining dividend cover at about two and a half times to ensure sufficient funds are retained to support organic growth. Over the last five years from 2009/10, underlying earnings per share have grown at a compound annual growth rate of 18.5% p.a. The board is proposing a final dividend for 2013/14 of 45.5 pence to take the total for the year to 62.5 pence, which is 10% up. The dividend will be covered 2.7 times by underlying earnings.

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 BNY 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, BNY 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@cpushareownerservices.com or via their website at 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 Relations section 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 020 7269 8400 or write to:

The Company Secretary
Johnson Matthey Plc
5th Floor
25 Farringdon Street
London EC4A 4AB

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 plus network extras. Lines are open 8.30am to 5.30pm Monday to Friday (excluding bank holidays).

Global Reporting Initiative (GRI) Summary

This summary outlines where to find information in this report on the GRI core and additional indicators and topics relevant to the International Organization for Standardization (ISO) standard on social responsibility (ISO 26000) standard core subject areas.

ISO 26000 standard core subject areas	GRI indicator	Subject	Page
	Strategy and Profile		
	1.1	Chief Executive's Statement	8-9
	1.2	Key impacts, risks and opportunities	12, 18-21, 77-81
	2.1 – 2.10	Organisational profile	outer flap, 10, 24-43, 54, 124, 131, 141, 145, 176, 182, 192
	3.1 – 3.4	Report parameters	184, 192
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Organisational governance	4.1 – 4.10	Corporate governance	inner flap, 24-25, 57-59, 76-127
	4.11 – 4.13	Commitments to external initiatives	57-59, 67, 78-80
	4.14 – 4.17	Stakeholder engagement	57-59
	Economic Performance		
	Management approach		12-14
	EC1	Direct economic value generated and distributed	24-48, 59, 126, 144-145
	EC2	Financial implications due to climate change	18-21, 37, 43, 48, 181
	EC3	Coverage of the organisation's defined benefit plan obligations	147-154
	EC4	Significant financial assistance received from government	142
	EC8	Development and impact of infrastructure investments and services provided primarily for public benefit	58-59
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	EN21	Wastewater	73
	EN22	Waste	72-73
	EN23	Significant spills	73
	EN24	Hazardous waste	72-73
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	LA1, LA2, LA4	Employment	52-57
	LA7	Occupational health and safety	54, 62-65
	LA10	Training and education	52-55
	Social Performance – Human Rights		
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	HR11	Grievances addressed and resolved	78
	Social Performance – Society		
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	SO6	Political contributions	59, 126
	Social Performance – Product Responsibility		
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	PR1	Customer health and safety	65-67
	PR2, PR4, PR9	Compliance	66

Johnson Matthey continues to develop sustainability metrics and reporting criteria in alignment with those developed by the GRI. More information on the GRI Reporting Framework can be found at www.globalreporting.org.

This report has been prepared according to the G3.1 version of the GRI Sustainability Reporting Guidelines and Johnson Matthey self declares a GRI B level. We note the introduction of the G4 version of the guidelines on 22nd May 2013 and are assessing these in the context of our future reporting.

Glossary of Terms

2006 Act	The Companies Act 2006
AA1000AS	An assurance standard for sustainability and corporate responsibility reporting
ADR	American Depositary Receipt
AGM	Annual general meeting
Alfa Aesar	Brand name of Johnson Matthey's Research Chemicals business
APB	Auditing Practices Board
API	Active pharmaceutical ingredient
Bitrex®	The world's bitterest substance which is added to household cleaning products to prevent accidental swallowing
CAGR	Compound annual growth rate
Cash flow conversion	Underlying operating profit as a percentage of net cash flow from operating activities before tax and pension deficit funding contributions and after purchases and proceeds from sale of property, plant and equipment and intangible assets
CCT	Catalysis and Chiral Technologies
CEC	Chief Executive's Committee
CGU	Cash-generating unit
CHP	Combined heat and power
CO_2	Carbon dioxide
COD	Chemical oxygen demand
CPI	Consumer price index
CSR	Corporate social responsibility
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
FCA	Financial Conduct Authority
FCC	Fluid catalytic cracking
FRC	Financial Reporting Council
Free cash flow	Net cash flow from operating activities, after net interest paid and purchases and proceeds from sale of non-current assets and investments
Fuel cell	Technology which converts hydrogen or other fuels (methanol, natural gas) into clean electricity
GHG	Greenhouse gas
GHS	Globally Harmonised System of Classification and Labelling of Chemicals
GRI	Global Reporting Initiative
Group Control Manual	The group's compendium of policies, procedures and rules which is distributed to all group operations
GWP	Global warming potential
HCS	Hazard Communication Standard
HDD	Heavy duty diesel
HR	Human resources
IAS	International Accounting Standard
IASB	International Accounting Standards Board
ICCA	International Council of Chemical Associations
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
Interest cover	Underlying operating profit / net finance costs
IP	Intellectual property
ISA	International Standards on Auditing
ISO 14000	Internationally recognised series of standards which specify the requirements for an environmental management system
ISO 26000	International standard giving guidelines on social responsibility
ISO 50001	International standard giving guidelines on an energy management system
ISO 9000	Internationally recognised series of standards which specify the requirements for a quality management system
JMEPS	Johnson Matthey Employees Pension Scheme
KPI	Key performance indicator
LDV	Light duty vehicle
LTIP	Long term incentive plan
MDRC	Management Development and Remuneration Committee
MEA	Membrane electrode assembly
MEG	Mono ethylene glycol
N_2O	Nitrous oxide
NOx	Oxides of nitrogen
OEM	Original equipment manufacturer
OHSAS 18001	Internationally recognised standard on occupational health and safety management
OTC	Over-the-counter
PBT	Profit before tax
Pgm	Platinum group metal
PILON	Payments in lieu of notice
PMM	Precious Metals Management
PMP	Precious Metal Products
PVC	Poly vinyl chloride
R&D	Research and development
RCG	Remuneration Consultants Group
REACH	Registration, Evaluation, Authorisation and Restriction of Chemicals. EU chemical control legislation which came into force in June 2007
ROIC	Return on invested capital
RPI	Retail price index
SAICM	Strategic Approach to International Chemicals Management
SEC	United States Securities and Exchange Commission
SIC	Standing Interpretations Committee
SIP	Share incentive plan
SNG	Substitute natural gas
SO_2	Sulphur dioxide
SOx	Oxides of sulphur
SPV	Special purpose vehicle
SRI	Socially responsible investment
SSDP	Supplier Sustainable Development Programme
Syngas, synthesis gas	A mixture of hydrogen and carbon oxides
The Code	The UK Corporate Governance Code, issued by the Financial Reporting Council
UN	United Nations
VCM	Vinyl chloride monomer
VOC	Volatile organic compound

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Financial Calendar 2014/15

2014

11th June
Ex dividend date

13th June
Final dividend record date

23rd July
123rd Annual General Meeting (AGM)

5th August
Payment of final dividend subject to declaration at the AGM

20th November
Announcement of results for the six months ending 30th September 2014

27th November
Ex dividend date

28th November
Interim dividend record date

2015 (provisional)

3rd February
Payment of interim dividend

4th June
Announcement of results for year ending 31st March 2015

11th June
Ex dividend date

12th June
Final dividend record date

22nd July
124th AGM

4th August
Payment of final dividend subject to declaration at the AGM

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