2015

ANNUAL REPORT & ACCOUNTS

Johnson Matthey

SUSTAINABLE TECHNOLOGIES

for today and for the future

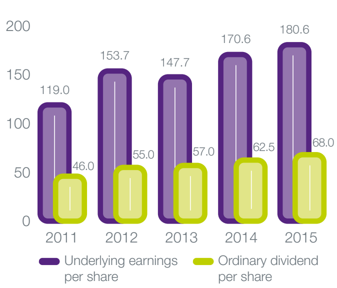
Johnson Matthey at a Glance

Johnson Matthey is a leading speciality chemicals company

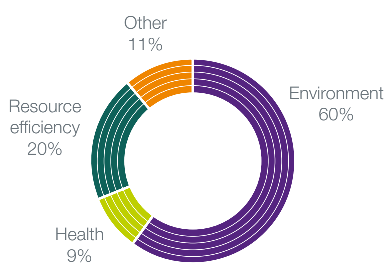
As a business, we always aim to deliver what we promise.
We work together, applying our expertise in advanced materials and technology to innovate and improve solutions that:

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

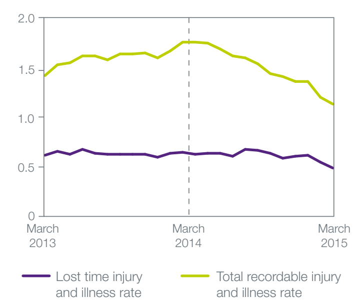
Delivering Superior Value
pence



Sales by Area of Beneficial Impact



Safety is Our Priority
per 200,000 working hours in a rolling year



Key Facts

Operations in over
30
countries

More than
£3 billion
in sales excluding precious metals

Around
13,000
people worldwide

NAVIGATING THIS PUBLICATION

In this report you will find the following two icons that tell you where to look for further information:

Read more

Find more online

Divisions at a Glance

Johnson Matthey is organised into five global divisions:

Emission Control Technologies

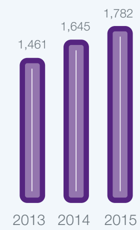
Light Duty Vehicle Catalysts / Heavy Duty Diesel Catalysts

Emission Control Technologies is a leading global manufacturer of catalysts and catalyst systems for vehicles and industry. Its products reduce emissions and improve air quality.

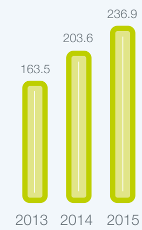
Key Statistics

Sales[1]	£1,782m
Underlying operating profit	£236.9m
Return on sales	13.3%
Return on invested capital (ROIC)	24.1%

Sales[1]
£ million



Operating Profit
£ million



Process Technologies

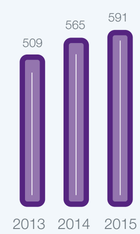
Chemicals / Oil and Gas

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.

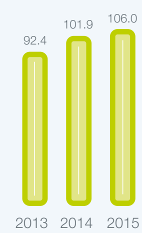
Key Statistics

Sales[1]	£591m
Underlying operating profit	£106.0m
Return on sales	17.9%
Return on invested capital (ROIC)	14.6%

Sales[1]
£ million



Operating Profit
£ million



Precious Metal Products

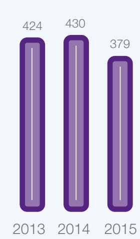
Services / Manufacturing

Precious Metal Products is organised into our Services businesses which include 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.

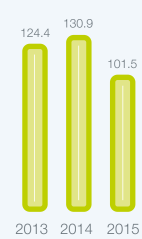
Key Statistics

Sales[1]	£379m
Underlying operating profit	£101.5m
Return on sales	26.8%
Return on invested capital (ROIC)	21.6%

Sales[1]
£ million



Operating Profit
£ million



Fine Chemicals

API Manufacturing / Catalysis and Chiral Technologies / Research Chemicals

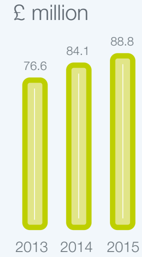
Fine Chemicals is a global supplier of active pharmaceutical ingredients (APIs), fine chemicals and other speciality chemical products and services to a wide range of pharmaceutical and chemical industry customers and industrial and academic research organisations.

Key Statistics

Sales[1]	£327m
Underlying operating profit	£88.8m
Return on sales	27.2%
Return on invested capital (ROIC)	18.4%

Sales[1]
£ million

Operating Profit
£ million



New Businesses

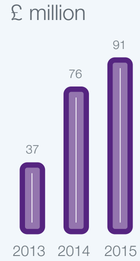
Battery Technologies / Fuel Cells / New Business Development

New Businesses focuses on areas adjacent 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.

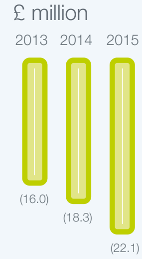
Key Statistics

Sales[1]	£91m
Underlying operating profit / (loss)	(£22.1m)

Sales[1]
£ million



Operating Loss
£ million



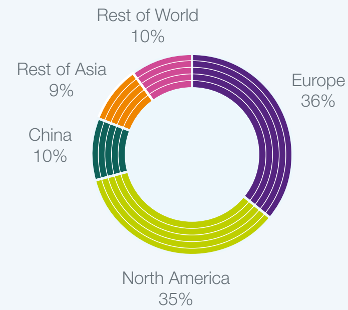
[1] Sales excluding precious metals.

Performance Highlights

Johnson Matthey made good progress in 2014/15, in line with our expectations

		Year to 31st March 2015	2014	% change
Financial				
Revenue	£ million	**10,060**	11,155	-10
Sales excluding precious metals (sales)[1]	£ million	**3,125**	2,981	+5
Profit before tax	£ million	**495.8**	406.6	+22
Earnings per share	pence	**211.2**	167.7	+26
Underlying[2]:				
Profit before tax	£ million	**440.1**	427.3	+3
Earnings per share	pence	**180.6**	170.6	+6
Dividend per share	pence	**68.0**	62.5	+9

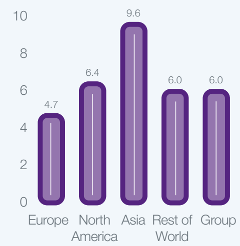
Sales by Region



		2015	2014	% change
Social				
Average number of employees		**12,148**	11,331	+7
Voluntary employee turnover	%	**6.0**	5.6	–
Training spend per employee	£	**426**	465	-8
Charitable donations	£ thousands	**612**	626	-2

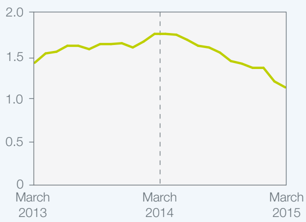
Voluntary Employee Turnover by Region

%



	2015	2014	% change
Health and Safety			
Lost time injury and illness rate[3]	**0.49**	0.65	-25
Total recordable injury and illness rate[3]	**1.14**	1.77	-36
Occupational illness cases per 1,000 employees	**1.2**	2.2	-45

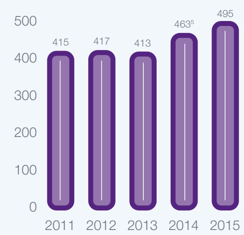
Total Recordable Injury and Illness Rate[3]



		2015	2014	% change
Environment				
Energy consumption	thousands GJ	**5,360**	5,015[4]	+7
Global warming potential	thousand tonnes CO_2 equivalent	**495**	463[5]	+7
Total waste	tonnes	**106,494**	121,594	-12
Water consumption	thousands cubic metres	**2,529**	2,564	-1
Total acid gas emissions	tonnes SO_2 equivalent	**394**	405	-3

Global Warming Potential

thousand tonnes CO_2 equivalent



[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] Per 200,000 working hours in a rolling year.

[4] Restated to include energy derived from the combustion of bottled gases at a small number of sites.

[5] Restated to include Scope 1 manufacturing process derived emissions and emissions due to the combustion of bottled gases.

SUSTAINABLE TECHNOLOGIES

for today and for the future

At Johnson Matthey our goal is to grow our business sustainably.
We use 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. 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. Johnson Matthey is almost 200 years old. As we approach our 3rd century of operation, we will continue to strive to do the right thing for the planet and improve the lives of the people and communities with whom we share it.

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.

Progress Towards Sustainability 2017

In 2007 we launched Sustainability 2017, a key element of 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	2015[1]	Target
At least double earnings per share	Underlying earnings per share (pence)	82.2[2]	**180.6**	164.4
Halve carbon intensity	Global warming potential (tonnes CO_2 eq / £ million sales)	294[3]	**158**	147
Achieve zero waste to landfill	Waste to landfill (tonnes)	16,555[3]	**3,482**	0
Halve key resources per unit of output	Electricity consumption (GJ / £ million sales)	1,098[3]	**603**	549
	Natural gas consumption (GJ / £ million sales)	1,604[3]	**975**	802
	Water consumption (m^3 '000 / £ million sales)	1.426[3]	**0.809**	0.713
Continual improvement in lost time injury and illness rate[4]	Number of lost workday cases per 200,000 hours worked in a rolling year	–[5]	**0.49**	0.2
Achieve zero occupational illness cases	Annual incidence of occupational illness cases per 1,000 employees	4.2[6]	**1.2**	0

1 Data presented is for the period 1st April 2014 to 31st March 2015.
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 Whilst we continue to track our progress against zero greater than three day accidents, this year we have added more stringent measures of long term injury and illness rate (LTIIR) and total recordable injury and illness rate (TRIIR) to give a more accurate picture of performance. We have a target of 0.2 for our LTIIR and our aspiration is one of continual improvement towards zero LTIIR. Read more on pages 58 and 59.
5 Not measured.
6 Baseline is incidence of occupational illness cases per 1,000 employees in calendar year 2008, restated. Read more on page 59.

- Continued progress towards Sustainability 2017 targets this year.
- Underlying earnings per share (EPS) target exceeded in 2013/14; further progress this year due to growth in the business and a favourable tax rate. Read more on pages 30 to 54.
- Remain well on track to achieve carbon intensity and key resource reduction targets as a result of continued focus on efficiency programmes across the group. Read more on pages 74 to 77.
- Lost time injury and illness rate reduced supported by groupwide focus on health and safety culture. Read more on pages 58 to 61.
- Further good progress in reducing occupational illness cases. Read more on page 59.

Further details of the group's Sustainability 2017 programme and targets are available online at www.matthey.com/sustainability.

Contents

Strategic Report

1. Overview
8 Chairman's Statement
10 Chief Executive's Statement
13 Our Business
15 Building Our 3rd Century – Our Business Model
16 Our Strategy
18 Research and Development
20 Group Key Performance Indicators
22 Risks and Uncertainties

2. Financial
30 Group Performance Review
32 Financial Review of Operations
- 32 Emission Control Technologies
- 36 Process Technologies
- 40 Precious Metal Products
- 44 Fine Chemicals
- 47 New Businesses

50 Financial Review
55 Treasury Policies and Going Concern

3. Health and Safety
58 New Metrics
58 Reviewing our EHS Management System and Policies
58 Safety Performance
59 Health Performance
60 Health and Safety Culture
60 Principles for Health and Safety
60 Training and Safety Self-Assessment
60 Contractor Health and Safety
60 Governance Processes and Auditing
60 Looking Ahead to 2015/16
60 Product Stewardship
61 Regulatory Matters

4. Social
64 A Sustainable Workforce
64 Talent Management
65 Developing our People
65 Reward and Recognition
66 A Growing Workforce
68 Engaging our People
69 Stakeholder Engagement
71 Governance and Human Resources
71 Human Rights

5. Environment
74 Improving Our Processes and Performance
75 Environmental Performance
77 Environmental Awareness

Governance

6. Governance
80 Letter from the Chairman
81 Sustainability and Governance
82 Board of Directors
84 Corporate Governance Report
98 Nomination Committee Report
101 Audit Committee Report
108 Remuneration Report
127 Directors' Report
131 Responsibility of Directors

Accounts

7. Accounts
134 Consolidated Income Statement
134 Consolidated Statement of Total Comprehensive Income
135 Consolidated and Parent Company Balance Sheets
136 Consolidated and Parent Company Cash Flow Statements
137 Consolidated Statement of Changes in Equity
138 Parent Company Statement of Changes in Equity
139 Accounting Policies
143 Notes on the Accounts
181 Independent Auditor's Report

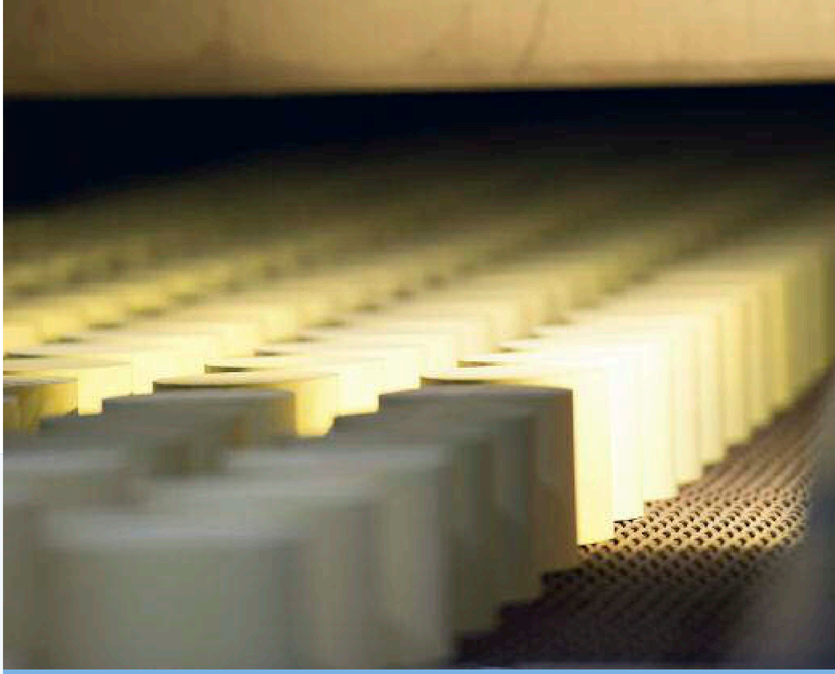
Other Information

8. Other Information
186 Five Year Record – Financial Data
187 Five Year Record – Non-Financial Data
188 Basis of Reporting – Non-Financial Data
189 Verification of Non-Financial Data
190 Shareholder Information
192 Global Reporting Initiative (GRI) Summary
193 Glossary of Terms
194 Index
195 Financial Calendar 2015/16
196 Company Details

Case Studies
7 Reducing Harmful Emissions with Clean Diesel Technology
17 Turning our 3C Strategy into Reality
29 Customer Focus Boosts Business in Asia Pacific
39 Developing Award Winning Sustainable Technologies
43 Medical Components Sites Cut Lost Time by 60%
54 Making PVC Production More Sustainable
57 Making Health and Safety our Priority
63 Inspiring Our Next Generation of Scientists
67 Managing Talent to Develop Future Leaders
69 Driving Efficiency to Improve Our Performance
71 Marathon Effort to Improve Health in Macedonia
73 Battery Materials for a Greener Future
77 Next Generation Diesel Emission Control
79 Building a Sustainable Future
133 Investing to Meet Growing Demand for APIs
185 New Scanning Technology Helps Oil and Gas Customers

Year in Brief

2014/15



APRIL
Emission Control Technologies wins Queen's Award for Enterprise for Sustainable Development, 40 years after manufacturing its first autocatalyst. This is our eighth Queen's Award.

JUNE
Groupwide launch of 3C Strategy to help employees understand our vision for our 3rd century.

SEPTEMBER
'Health and safety is our priority' recognised as a core value; leadership team sign a pledge confirming their commitment to this renewed focus.

SEPTEMBER
Acquisition of battery materials manufacturing facility in Changzhou, China from A123 strengthens our position in the battery technologies sector.

SEPTEMBER
Construction completed of new plant in Emmerich, Germany to expand Process Technologies' manufacturing capabilities.

6%
growth in underlying earnings per share.

OCTOBER
Process Technologies' Diagnostic Services business (Tracerco) celebrates opening of its new £9 million measurement technology centre.

OCTOBER
Johnson Matthey achieves the highest 'A' band ranking for its submission to the Carbon Disclosure Project's investor programme and enters the Climate Disclosure Leadership Index for the first time. Also awarded the prize for 'the most improved score' in the FTSE.

NOVEMBER
Process Technologies' new biodiesel technology wins prestigious IChemE Sustainable Technology Award.

MARCH
Johnson Matthey begins construction of new platinum group metal refinery in China to meet future demand in the region.

DECEMBER
Johnson Matthey named Britain's Most Admired Company in Management Today's peer voted awards.

25%
reduction in lost time injury and illness rate.

FEBRUARY
In the Carbon Disclosure Project's supply chain programme, Johnson Matthey achieves highest 'A' band ranking for its submission.

MARCH
In line with our long term strategy, Gold and Silver Refining business sold to Asahi Holdings, Inc.

FEBRUARY
Further strengthening of Battery Technologies business with acquisition of battery materials business from Clariant AG.

£440.1m
Underlying profit before tax.

NOVEMBER
Active pharmaceutical ingredient manufacturing site acquired in Annan, Scotland to support growth in Fine Chemicals.

1. Overview

8 Chairman's Statement
10 Chief Executive's Statement
13 Our Business
15 Building Our 3rd Century – Our Business Model
16 Our Strategy
18 Research and Development
20 Group Key Performance Indicators
22 Risks and Uncertainties

+6%
underlying earnings per share at 180.6 pence

89%
of sales from products with sustainability benefits

+12%
R&D investment of £169.9 million

OVERVIEW

SUSTAINABLE TECHNOLOGIES for today and for the future

Reducing Harmful Emissions with Clean Diesel Technology

Throughout the world, vehicle emissions legislation is driving improvements to air quality. Modern diesel vehicles are cleaner than ever before.

In Europe, emission control systems on today's cars and vans reduce harmful oxides of nitrogen (NOx) gases by 84% and particulate matter by 90% compared with pre 2005 vehicles. Johnson Matthey's catalyst technologies are part of the clean diesel story. Paul Phillips, from our Emission Control Technologies Division, explains more.

What are the benefits of diesel engines compared with petrol?

Diesel engines are more fuel efficient than petrol engines and typically produce 15% lower carbon dioxide (CO_2). Many new UK passenger cars that meet the upcoming EU 2020 CO_2 95g/km target are diesel powered, compared to only a handful of petrol ones with the remainder being hybrids or fully electric. The better fuel efficiency of diesel engines means that they make an important contribution to reducing transport CO_2 emissions. You can't simply discount them.

How is Johnson Matthey involved in the clean diesel story?

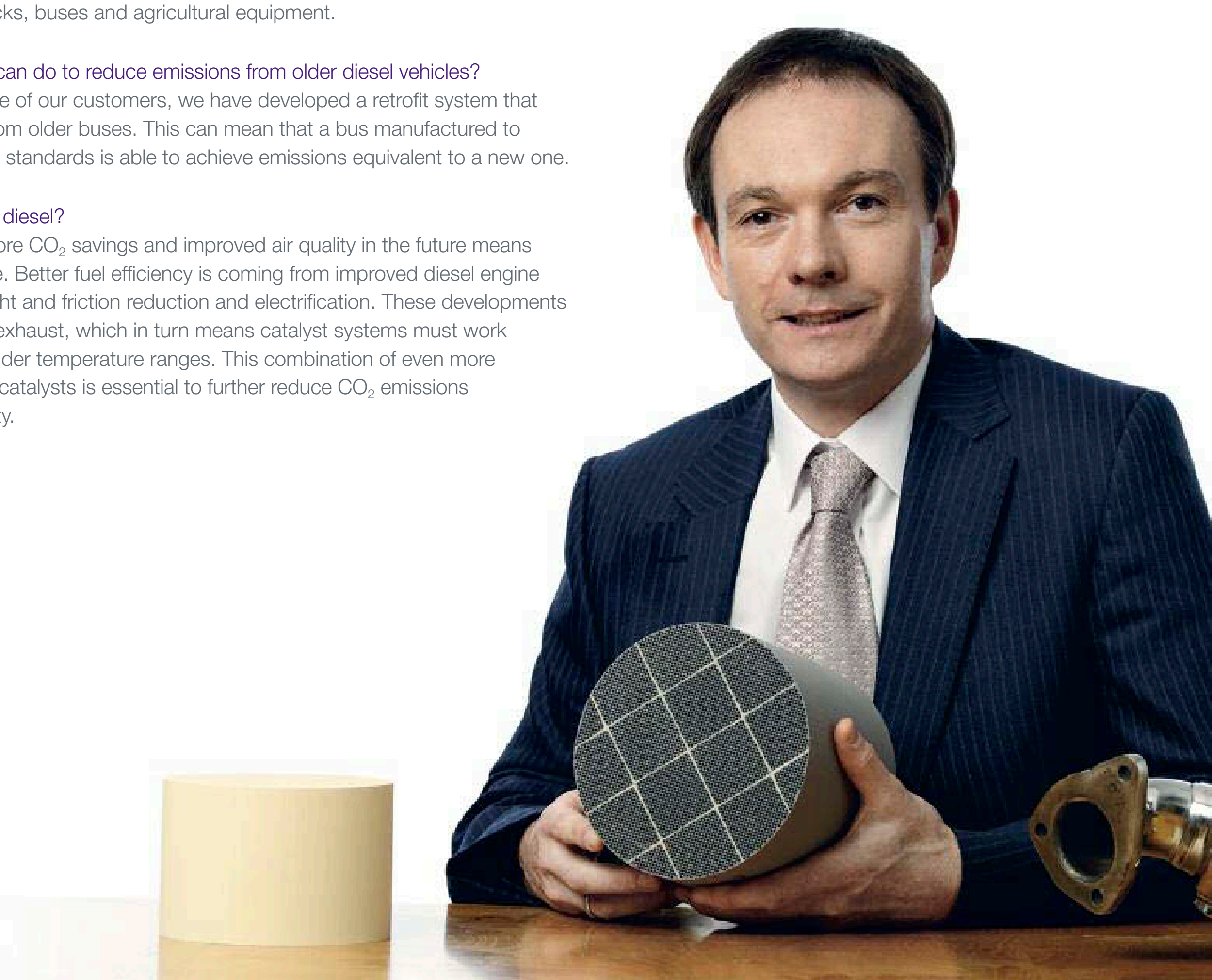
Our role is to develop highly effective and efficient catalyst systems to meet legislative standards for clean diesel. In Europe for example, where diesel cars are particularly popular, catalysed particulate filters have been fitted to all diesel passenger cars and vans since 2009. These filters remove particulate matter (or soot) to address health concerns. As well as filters to control soot emissions, vehicles today have catalysts to remove NOx emissions. Selective catalytic reduction catalysts and NOx adsorber catalysts are both used to convert NOx to harmless nitrogen. Johnson Matthey also supplies catalyst technology to tackle emissions from larger diesel powered vehicles, such as trucks, buses and agricultural equipment.

Is there anything we can do to reduce emissions from older diesel vehicles?

Yes, together with one of our customers, we have developed a retrofit system that reduces emissions from older buses. This can mean that a bus manufactured to meet older emissions standards is able to achieve emissions equivalent to a new one.

What's next for clean diesel?

The need for even more CO_2 savings and improved air quality in the future means the story will continue. Better fuel efficiency is coming from improved diesel engine designs, vehicle weight and friction reduction and electrification. These developments give less heat to the exhaust, which in turn means catalyst systems must work harder across ever wider temperature ranges. This combination of even more efficient engines and catalysts is essential to further reduce CO_2 emissions and improve air quality.



Paul Phillips

Chairman's Statement

Summary

- Robust strategy of organic growth supported by targeted acquisitions and disciplined portfolio management.
- Proposed dividend of 68.0 pence up 9% on last year.
- Leadership changes effectively managed.
- External evaluation of the board's performance confirmed its effectiveness.
- Company remains in great shape with exciting future ahead.

I am pleased to report that 2014/15 has been a good year for Johnson Matthey. The group has made further progress, in line with our strategy of organic growth supported by targeted acquisitions and disciplined portfolio management. We have continued to invest in research, in infrastructure and in our people. As a result, we saw underlying earnings per share increase by 6% to 180.6 pence.

A Robust Strategy

2014/15 was not without its challenges and in the first half of the year foreign currency exchange rates were not in our favour. Furthermore, as expected, the change in our contracts with Anglo American Platinum Limited impacted performance in our Precious Metal Products Division. However, our resilience and diverse portfolio ensured we continued to make progress; and when we adjust for these two headwinds, performance was strong, demonstrating that our underlying business is in good shape and continues to grow well.

In pursuit of our strategy to focus on value adding sustainable technologies, we made a number of bolt-on acquisitions this year, including two in our new business area of battery technologies. We have also taken steps to more actively manage the group's portfolio and completed the sale of our Gold and Silver Refining business in March. We are also in advanced negotiations on the sale of our Research Chemicals business. These divestments will help us to concentrate our efforts on what we do best and in the areas where we can create the most value.

Evolution Not Revolution

The changes in leadership last June renewed the energy of the business and continued to build on the foundations that outgoing Chief Executive, Neil Carson, put in place during his successful ten years in the role. Neil was replaced by Robert MacLeod who had led the development of the group's strategy during his five years as Johnson Matthey's Group Finance Director.

Robert's understanding of our culture, values and markets, together with his fresh approach from recent outside experience, made him, in the view of the non-executive directors, the stand-out candidate for the job. He has demonstrated his continued commitment to the group's strategy early on by making sure that last summer it was clearly communicated to all of our employees.

Den Jones joined us in June 2014 from BG Group, replacing Robert as Group Finance Director. Den brings with him a strong blend of financial leadership experience, international knowledge and highly developed commercial awareness.

Under this new leadership, our group, its strategy, its processes and its structure will continue to evolve. We must remain true to our aspiration of becoming the best that we can be and, in the process, strike the right balance between continuity and transformation, aiming to improve by evolution not revolution. This approach will help build a more sustainable and profitable company for our shareholders, a better place to work for our people and will create value adding sustainable technologies for our customers.

Board Matters
During the year we enhanced the breadth of experience on the board with the appointment of Chris Mottershead. Chris brings with him a strong technical background and a combination of relevant industrial and academic experience from his time at BP and King's College London. I expect him to bring diversity of perspective, offering a deep expertise in energy technology and related global sustainability issues that will enhance the contribution of the board.

One of my key responsibilities as Chairman is to promote effective governance at Johnson Matthey, this being a key element of ensuring that we remain a successful and sustainable company. During the year we commissioned an external evaluation of the board's performance. The findings confirmed that the board is well balanced in its diverse mix of skills and experience and performing effectively, but that there is scope for it, as a body, to provide the executive with even greater challenge and contribution to the development and implementation of strategy. We shall be working on achieving this and I am confident that, with the strong team that now comprises the board, this key element of governance will be achieved.

A matter of continuing high priority for the board has been the wellbeing – not only of our people, but of our suppliers, customers and communities too. All board meetings begin with health and safety at the top of the agenda. New metrics introduced this year have begun an important reinvigoration of the group's performance in this crucial area but there is more to do. I am pleased that we are heading in the right direction.

Innovation and Innovators
The progress that Johnson Matthey makes each year is made possible by the dedication of our people. They are our innovators. Across all our divisions and functions, employees are collaborating to drive innovation, focusing on our customers' needs, creating value for our shareholders and delivering the sustainable technologies that make a real difference to people's lives. On behalf of all our stakeholders, I would like to thank every employee for their enthusiasm, hard work and commitment over the last year.

Without that commitment and the continued professionalism of our people we can't hope to achieve our ambitious plans. The extent of their contribution was recognised this year when Johnson Matthey was awarded the title of Britain's Most Admired Company, voted for by our peers. This is an important and deserved accolade.

In the pages that follow, you can hear from some of our people and find out more about the areas they are working in. You'll also see the steps we are taking to better serve our customers, develop our talent and build our health and safety culture, all of which will drive business performance over the coming years.

In conclusion: your company remains in great shape and has an exciting future. A unique combination of adaptability, unrivalled technological expertise, committed people and absolute integrity has made us successful for almost two centuries. The long term drivers for your company remain firmly in place and I am confident that these, together with our robust strategy, should ensure the continued growth of Johnson Matthey over the coming years.

Tim Stevenson
Chairman

Chief Executive's Statement

Summary

- Good growth this year in many areas of our business, particularly in Emission Control Technologies.
- Continued focus on health and safety; 25% reduction in lost time injury and illness rate.
- Transitioning Johnson Matthey into a 'small big company'.
- Group's 3C Strategy shared with all employees.
- Global drivers remain strong: group well placed for long term growth.

In his first year as Chief Executive, Robert MacLeod talks about the group's performance in 2014/15 and shares his ambitions for Johnson Matthey in 2015/16 and beyond.

How would you sum up performance in 2014/15?

Overall, Johnson Matthey made good progress during 2014/15 by continuing what we do best – using our expertise in chemistry and its applications to create value adding sustainable technologies for our customers. We've also paid particular attention to health and safety this year and I am pleased that this is having a positive impact with a 25% reduction in our lost time injury and illness rate.

Our sales in 2014/15 were up 5% and we grew underlying operating profit by 2%. However, as you know, we felt the impact of the change in our contracts with Anglo American Platinum Limited (Anglo Platinum) this year and we also faced some currency headwinds in our first half. If I adjust for the impact of these two things, our sales were 9% ahead and underlying operating profit was 13% higher, demonstrating that our business is performing well.

What have been the main highlights and challenges across Johnson Matthey's divisions over the past year?

Emission Control Technologies' (ECT's) performance was clearly the highlight of the year. The business benefited from the introduction of new legislation in Europe and from market growth in Asia and North America, but the team also delivered some excellent operational improvements through a lot of hard work across the business.

I am also pleased with the good progress that Fine Chemicals and New Businesses have made. The process efficiency enhancements in our API Manufacturing business and the purchase of additional manufacturing capacity in Scotland will both support continued growth. I am also delighted with the two bolt-on acquisitions in Battery Technologies and the most recent acquisition in our Atmosphere Control Technologies business. I am optimistic that these new businesses can develop into our next engines of growth.

Precious Metal Products faced the biggest challenge in 2014/15 as its performance was hit hard by the change in our Anglo Platinum contracts. However, we completed the sale of our Gold and Silver Refining business towards the end of the year which will enable the division to focus on its higher technology markets. The slowdown of new licensing activity in China impacted Process Technologies but despite this, it is a credit to the team that they still managed to grow.

What makes Johnson Matthey Britain's Most Admired Company?

We were awarded this accolade in December and it was a great privilege for me to accept it on behalf of all of our employees. It is, of course, down to many different things but there are three areas that stand out for me.

Firstly, it is our technical expertise where we focus upon solving difficult problems using our chemistry skills. It is essential that we continue to invest in these and we are doing just that; indeed last year we spent £170 million on R&D, a 12% increase on the prior year.

Secondly, it's about having the right culture and values so we build strong relationships with our customers and other stakeholders. At Johnson Matthey these relationships are based on trust and integrity – a very powerful element of our success when combined with the enthusiasm and expertise of our people.

Finally, it's about what we do. Some 89% of our sales are from sustainable products that enhance the quality of life of people globally, conserve the world's natural resources and protect the environment. Who wouldn't admire that?

You mentioned Johnson Matthey's culture and values. How do these support the business strategy?

Our culture and values outline the way we work together to deliver the promises that we make. I see, from my experience at Johnson Matthey, that our staff take real pride in delivering what they say they will and in acting with integrity.

As we grow in new and emerging markets, we must maintain our focus on ensuring that our employees act responsibly and ethically, living our values. In evolving our culture, I think it is hugely important that our employees understand our ambitions and during the summer I shared our vision and 3C Strategy with all of our staff. Now our focus is on delivery! In it we place our customers at the heart of what we do and we have a culture that supports collaboration with them.

This year we also added a new value – 'health and safety is our priority' – to support our drive for operational excellence in everything we do. Health and safety has always been important at Johnson Matthey and our past record has been good, but we accept that we could, and indeed should, do better. It's our obligation to look after our people and also safeguard our business for the future.

What do you see as the key areas of development for the business over the next few years?

There are several areas but one I would highlight is the transition we must make to evolve Johnson Matthey from a 'big small company' to a 'small big company' – achieving our goal to capture what we call 'the best of big and small'. Johnson Matthey has always evolved, yet managing this transition is going to be tough and we need to make sure it works for everyone. Whilst it is a challenge, it is also an exciting opportunity – one that I am looking forward to leading and in which I believe everyone has a part to play. That's why understanding our vision and strategy is so important. The leadership team has agreed that our 3C Strategy is the right route to follow and we are now working on how we support employees in delivering it in their everyday work.

Are there any risks involved in pursuing the ambition to deliver the best of big and small?

With any transition comes some level of risk, yet to stand still poses more of a hazard. Our customers are challenging us to continually improve what we do and the products that we deliver to them. At the same time, our competitors are always moving forward – so we have to keep moving forward too. As we grow, the business landscape in which we operate is also becoming more complex. Improving our systems and processes is essential to help us manage the risk and enhance the efficiency of the business, creating value for our customers and our shareholders. At the same time, we need to protect the values that we believe in and keep the good things that make us unique and successful.

What are your priorities for 2015/16?

My first priority is to continue to enhance our health and safety culture and performance, building on the programmes we have introduced this year. Talent management is another major area of focus for me. Making sure we have a pipeline of talent in place to support our growing business is crucial to the future success of Johnson Matthey. It is my job to ensure we continue to embed and develop our talent management and development programmes across the group.

I've already talked about the best of big and small and our evolution from being a 'big small company' to a 'small big company'. In 2015/16 I will develop a roadmap for this transition that builds on our 3C Strategy and core values.

Finally, we need to keep pursuing growth opportunities within our current businesses and in new areas. I see these as a combination of technology opportunities, organic growth opportunities and targeted acquisitions, all aligned to our vision of building our 3rd century through value adding sustainable technologies.

How do you see the long term prospects for the company?

Overall, I am confident that we are well placed to benefit from major global sustainability drivers such as the continued drive to improve air quality, energy security, urbanisation and the increasing need for healthcare. We will continue to invest in R&D, our infrastructure and our people, working closely with our customers to provide them with innovative and improved solutions.

As you'll see in this report, we have a clear purpose and strategy and, consequently, I believe that the company is well positioned to deliver growth for our shareholders for many years to come.

Chief Executive's Statement continued

Outlook for 2015/16

On a reported currency basis and including the £15 million, mainly non-cash, increase in the post-employment benefits cost (as detailed on page 53), the outlook for the divisions is as follows:

Emission Control Technologies

We expect ECT to continue its strong performance, in line with the medium term targets of high single digit growth in sales at stable margins, as outlined at our Investor Day in January 2015. The division should benefit from the full introduction of Euro 6b legislation from September 2015 and from continued growth in vehicle production in China. Good demand for HDD catalysts for the large (Class 8) trucks in North America is expected to continue throughout 2015 which will also support the division's sales.

Process Technologies

After making progress this year, 2015/16 is likely to be more challenging for Process Technologies, particularly in the first half of the year. We expect continued good demand for catalysts across the division, the timing of which can be difficult to predict on a quarter by quarter basis. However, the division's performance will be held back by lower income from licensing, particularly in China. Whilst we believe the long term drivers for Process Technologies remain in place, its performance in 2015/16 is expected to be broadly in line with 2014/15.

Precious Metal Products

Performance in Precious Metal Products will be significantly down as a result of the sale of its Gold and Silver Refining business and due to difficult trading conditions in Platinum group metal (Pgm) Refining and Recycling. We expect sales in the first quarter to be impacted by the lower refining intake volumes in the final quarter of 2014/15. In addition, with current pgm prices well below those at the start of 2014/15, these could adversely affect performance if sustained throughout 2015/16. We also expect higher costs in pgm refining this year, and consequently an impact on margins, as we see a shift towards a more complex intake product mix. Our Manufacturing businesses, which represent around two thirds of the division's sales, should remain broadly stable as we continue our investment in new products to drive medium term growth.

Fine Chemicals

Fine Chemicals is expected to make good progress in 2015/16 (adjusted for the sale of Research Chemicals, which we anticipate will be completed before the end of the calendar year). Global drivers, such as an ageing population and a shift towards lower cost healthcare, should drive demand from our API customers and longer term we expect to see increasing benefit from the investments we are making to enhance our product offering.

New Businesses

In 2015/16 New Businesses will benefit from the two acquisitions in its Battery Technologies business which were completed in 2014/15. We will continue our ongoing investment of around £5 million to £7 million p.a. in new opportunities. Overall, we expect the underlying operating loss in New Businesses to reduce modestly in 2015/16 and reach breakeven in 2017/18.

Overall

In 2015/16, Johnson Matthey's continuing operations are expected to deliver good underlying growth. A strong performance in Emission Control Technologies and good progress in Fine Chemicals are likely to be partially offset by a weaker year for Precious Metal Products. We anticipate that Process Technologies' performance will be broadly stable and that the operating loss in New Businesses will reduce modestly.

In line with our strategy, we have divested our Gold and Silver Refining business and are in advanced negotiations on the sale of Research Chemicals. Given the absence of these two businesses, we expect the group's performance in 2015/16 to be slightly ahead of 2014/15.

R. MacLeod

Robert MacLeod
Chief Executive

Read more about our 3C Strategy on pages 16 and 17.

Read more about health and safety on pages 56 to 61.

Our Business

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.**

Our Vision

Our vision is 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.

- Health and Safety is Our Priority
  We focus on protecting our people.
- Integrity
  Doing the right thing is important to us.
- Recognition and Development
  Anyone from anywhere can progress.
- Ability and Innovation
  We seek and value talented people.
- Freedom to Act
  Anyone with a good business case can realise their ideas.
- The Best of Big and Small
  We have big company resources but apply small company methods.

Our Business continued

Key Facts

Johnson Matthey is a speciality chemicals company and a world leader in sustainable technologies. Today, some 89% 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.

With operations in over 30 countries, Johnson Matthey is a **truly global company**. We sell our products around the world 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.

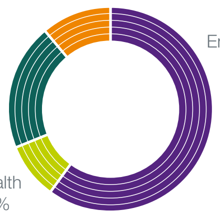
We **focus on key markets** where we can innovate and improve solutions for our customers through applying our expertise in advanced materials and technology. This enables us to differentiate ourselves from our competitors and achieve leading industry positions with high margin products.

A Leader in Sustainable Technologies

89%

sales from products providing sustainability benefits in 2014/15

Sales by Area of Beneficial Impact



A Truly Global Company

19%

sales in Asia in 2014/15

Sales by Region

Focused on Key Markets

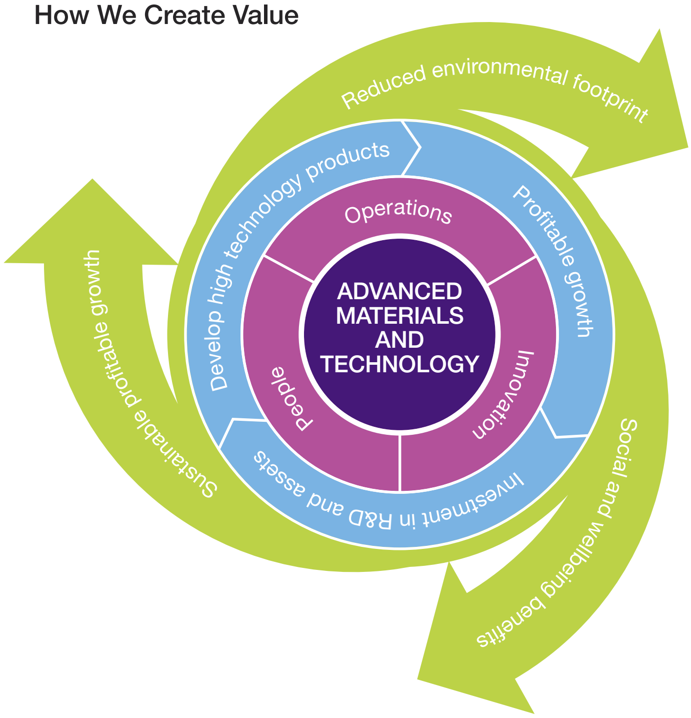
14%

growth in heavy duty diesel catalyst sales in 2014/15

Sales by Key Market

Building Our 3rd Century

How We Create Value



Our Business Model

We 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 building blocks of our strategy (page 16) 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'. 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. This together with expertise in advanced materials and, where appropriate, intellectual property protection, underpins our ability to maintain leading 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.

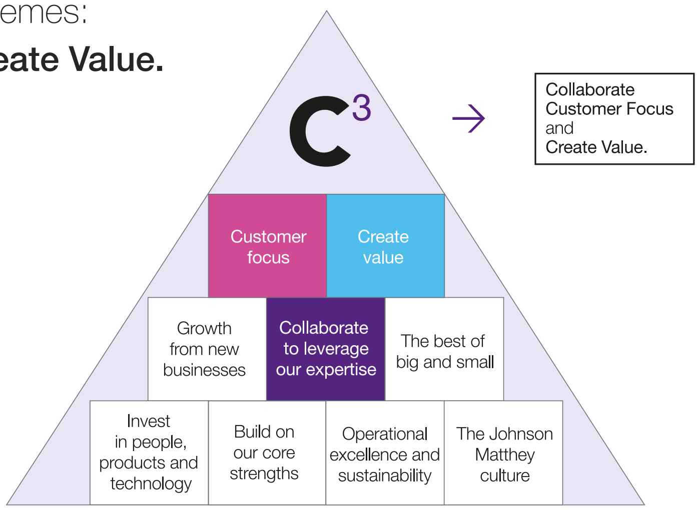
The outputs of our model are threefold:

- 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 Strategy

Our 3C Strategy will enable us to build our 3rd century of value adding sustainable technologies. We have nine building blocks that make up our strategy pyramid and we are focusing on three powerful themes: **Collaborate, Customer Focus** and **Create Value.**



Our strategic priorities	Progress in 2014/15	Key challenges in 2014/15
COLLABORATION We aim to collaborate more to better leverage our expertise across the group and with our external partners. This, supported by our culture and values, will help enable our transition to a 'small big company'.	'Health and safety is our priority' added to core values. Working together to deliver continual improvement. Global roll out of 3C Strategy and vision to engage employees. Enhanced employee mobility efforts. Started global programme to update core business systems.	Changing employees' attitudes and embedded behaviours so we can drive health and safety culture. Complexity of implementing business systems transformation programme.
CUSTOMER FOCUS Our aim is to become truly customer centric. We are investing in our people, products and technology to differentiate ourselves from our competitors and are building on our core strengths to generate the next generation of sustainable products.	Work commenced to define approach to customer focus. Increased R&D investment and expanded network of R&D technology centres in Asia and the USA. Began implementation of new HR strategy and talent management approach. Divested Gold and Silver Refining business and commenced negotiations on the sale of Research Chemicals.	Providing tailored technology offerings for customers that are appropriate for the needs of their markets. Managing change in product mix and impact of resulting higher processing costs in Platinum group metal (Pgm) Refining and Recycling. Understanding what, if any, the impact a lower oil price has on our customers' plans and projects.
CREATE VALUE Our aim is to grow our business and build our 3rd century through value adding sustainable technologies. We are focusing on operational excellence and sustainability to optimise our efficiencies in the most responsible way and are investing in new businesses to provide growth in new sustainable markets for the future.	Delivered further growth, supported by strong performance in Emission Control Technologies. Continued focus on Manufacturing Excellence and Sustainability 2017 programmes. Good progress in New Businesses; completed two Battery Technologies acquisitions.	Loss of income due to change in contracts with Anglo American Platinum Limited (Anglo Platinum). Slowdown in technology licensing activity in China. Decrease in return on invested capital as a result of the Anglo Platinum contract change and higher levels of working capital.

Turning our 3C Strategy into Reality

Back in 2013 we reviewed our business strategy and confirmed that the plans put in place in 2010 were still the right ones for us. The strategy is driven by what we call our 3Cs: collaborate, customer focus and create value. Incorporating these into the way we all work will help us achieve our vision of building our 3rd century through value adding sustainable technologies. Employees told us that they didn't fully understand our strategy or where the business was heading so we decided it was time for a global campaign.

Effective communications were essential in order for us to reach everybody and ensure understanding of our ambitions for the future. It began with a presentation from senior executives in Philadelphia, USA led by our Chief Executive, Robert MacLeod. This was filmed and shared with everyone via our collaboration platform, myJM. A network of local champions organised over 150 subsequent events and we distributed materials worldwide in 13 different languages.

The launch was a truly international effort and it was great to see everyone thinking about how the strategy applied to them, whilst delivering a consistent message. Feedback from a post launch survey was positive. Over 94% of those who responded said they now understood the business strategy more clearly.

We continue to think of new and interesting ways to embed our strategy and flesh out what it means in day to day activities so that we can all work together to keep our strategy at the core of what we do.

2014/15 key performance	Our priorities in 2015/16
25% reduction in lost time injury and illness rate. **132** internal moves between businesses. **94%*** employees understand the business strategy more clearly. * of those responding to groupwide survey.	Health and safety – continue programmes to build culture and embed behaviours. Develop roadmap for 'small big company' transition. Continue global programme to update core business systems in preparation for initial roll out from 2016/17. Launch new systems and framework to drive further cross divisional collaboration.
#1 or #2 positions maintained in key markets. **£169.9 million** gross spend on R&D, up 12% on 2013/14. **89%** sales from sustainable products, up on prior year.	Agree customer focus model and commence implementation. Continue investment in pgm refining to deliver efficiency improvements in our process. Continue construction of new facility in China to meet future demand. Complete divestment of Research Chemicals. Continued implementation of talent management activities.
£440.1 million underlying profit before tax, up 15% excluding impact of foreign exchange and Anglo Platinum contract change. **180.6 pence** underlying earnings per share, up 6% on 2013/14. **~£26 million** savings from Manufacturing Excellence and Sustainability 2017 programmes in 2014/15.	Integrate Battery Technologies acquisitions. Develop new growth opportunities throughout the business from technology, organically and through acquisitions. Continue to enhance governance and compliance supported by launch of code of business integrity and ethics.

Research and Development

Continued investment in R&D is vital to the future growth of Johnson Matthey. This, together with our ability to recruit and retain the world's top scientific talent, ensures we can create value adding sustainable technologies of the future.

Our Expertise

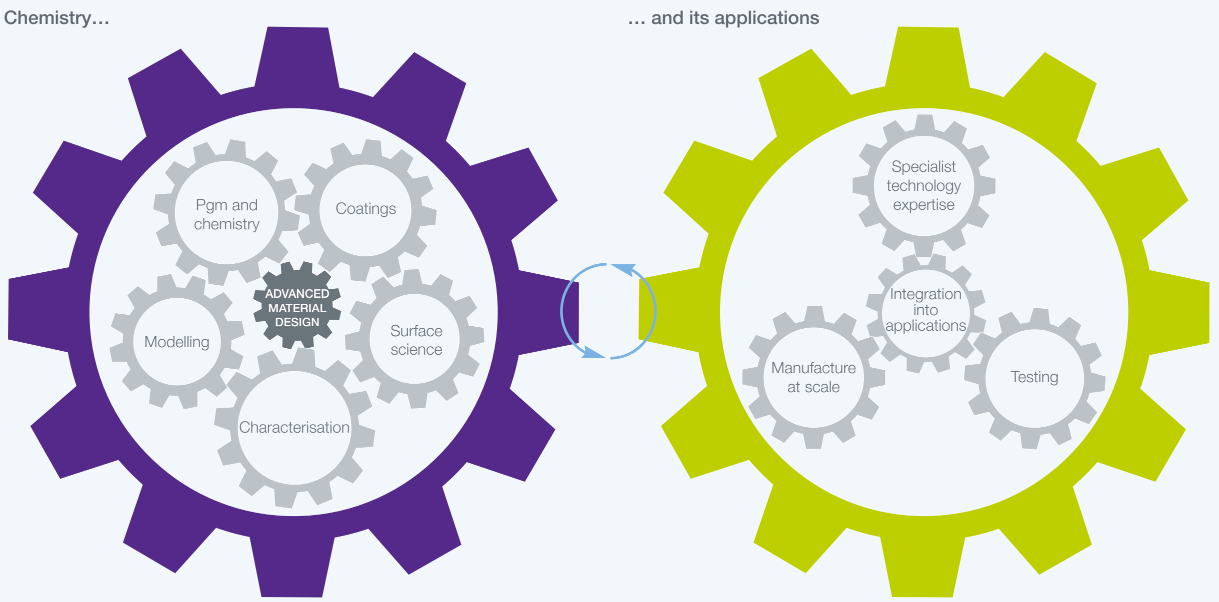
in advanced materials and technology underpins our business model to create value. It gives us a competitive edge, creates high barriers to entry and provides access into new markets. In line with our 3C Strategy, we employ scientists of the highest calibre and are investing in our people, products and technology to keep our chemistry and processes cutting edge.

Differentiating Through Chemistry and its Applications

Johnson Matthey has expertise in a number of interrelated chemistry skills. These range from coatings technology, which is vital to the functionality of our emission control catalysts, to characterisation methods which help us understand the composition of our products. However, it is not just our chemistry skills that give us an edge; it is equally important that we know how best to use them. That applications knowledge, such as how we can manufacture a laboratory based product at full production scale and then test it to make sure it will work for our customers, is the way we turn our great chemistry ideas into multi million pound businesses.

Differentiation Through Technology

Johnson Matthey's skill lies in understanding both the chemistry and its applications



Delivering the Right Science at the Right Time

We have a balanced portfolio of short, medium and long term research which gives us a sustained pipeline of new products, as shown in the figure below. **External / university collaborations** provide fundamental science knowledge to underpin our longer term R&D goals. This complements the work of our **core science** teams which is focused on the core expertise that underpins all Johnson Matthey's divisions and their ongoing R&D. Our **business funded R&D** ensures a pipeline of new products and facilitates technology transfer into the divisions. This supports **technology development within the group's divisions** where work is mainly focused on delivery of shorter term business specific projects and ongoing product development to address particular market developments or customer needs.

Around 1,600 of our employees work in R&D representing around 13% 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. Alongside these activities, Johnson Matthey's central capability on strategic R&D is located at five global technology centres and 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 collaboration is key in ensuring the rapid transfer of technology to support the continued development of innovative new products and services for our customers.

In 2014/15 Johnson Matthey increased its gross investment in R&D by 12% to £169.9 million with the greatest proportion of spend within Emission Control Technologies and Process Technologies. The proportion of spend on new business development increased this year to support future growth.

Find more online at Johnson Matthey at www.matthey.com/innovation.

R&D to Deliver Future Growth

Johnson Matthey Technology Centres | Divisions

LONG — MID — SHORT — TIME TO MARKET

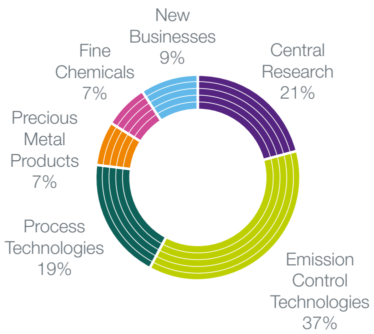
External Projects / University Collaboration
- Access to world class people / facilities
- Fundamental science to aid understanding

Core Science
- Develops expertise in core Johnson Matthey areas
- Applicable across divisions
- Underpins ongoing R&D

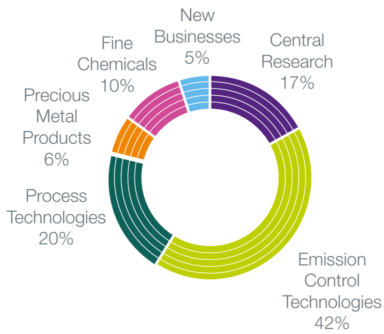
Business Funded R&D
- Aligned with business plans
- Strong technology pipeline
- Facilitates technology transfer
- Feeds into divisions

Technology Development in Divisions
- Ongoing product development
- Link into manufacturing
- Customer focused

Research and Development Employees

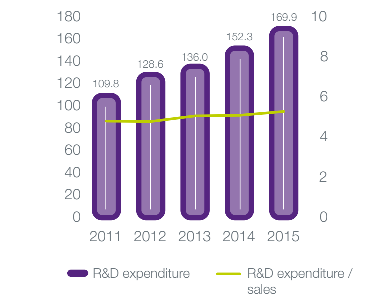


Distribution of Research and Development Expenditure



Gross Research and Development Expenditure

£ million %



Group Key Performance Indicators

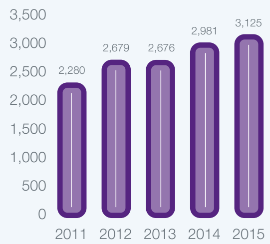
Johnson Matthey uses a range of key performance indicators (KPIs) to monitor the group's performance over time in line with its strategy.

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 2014/15, are described below:

Sales Excluding Precious Metals

£ million



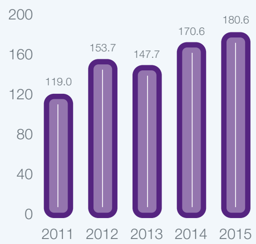
Monitoring sales provides a measure of the growth of the business. In measuring the growth of the group, we focus on sales excluding the value of precious metals because total revenue can be heavily distorted by year on year fluctuations in precious metal prices. In addition, in many cases, variations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

Performance in 2014/15

In 2014/15 sales excluding precious metals increased by 5% (8% at constant rates) with particularly good growth in Emission Control Technologies as described in the Financial section on pages 30 to 54.

Underlying Earnings per Share

pence



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:

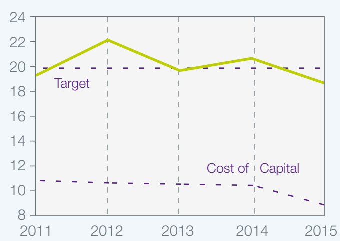
- Amortisation and impairment of intangible assets arising on acquisition of businesses (acquired intangibles).
- Major impairment or restructuring charges.
- Profit or loss on disposal of businesses.
- Tax on the above and major tax items arising from changes in legislation.

Performance in 2014/15

This year underlying earnings per share increased by 6% to 180.6 pence supported by the group's good progress and by a lower effective tax rate for the year. Further details are provided on pages 30 to 54 and a reconciliation from earnings per share is given in note 11 on page 148.

Return on Invested Capital

%



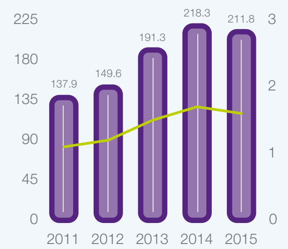
In a business as capital intensive as Johnson Matthey's, profitability alone is a poor measure of performance; it is possible to generate good operating margins but poor value for shareholders if assets are not used efficiently. Return on invested capital (ROIC) is therefore used alongside profit measures 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 2014/15

The group's ROIC decreased from 20.8% to 18.8%, primarily as a result of the loss of income from Anglo American Platinum Limited. Further details are provided on page 52.

Capital Expenditure

£ million capex / depn (times)



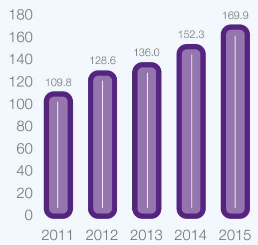
To enable the group to continue to grow, Johnson Matthey invests significant amounts in maintaining and improving our existing plants and in adding new facilities to provide additional capacity where necessary. All new capital expenditure is subject to detailed review to ensure that its investment case 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 2014/15

In 2014/15 the group's capital expenditure was £211.8 million which represented 1.6 times depreciation (2013/14 1.7). Further details are provided on page 53.

Gross Research and Development Expenditure

£ million



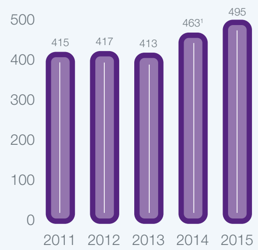
Johnson Matthey's strategy is focused on delivering superior long term growth from value adding sustainable technologies. To maintain our competitive position, we need to keep investing in research and development. Whilst absolute levels of research and development expenditure do not necessarily indicate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

Performance in 2014/15

The group increased its research and development expenditure this year by 12% to £169.9 million. Further details of the group's research and development activities are described on pages 18 and 19, throughout the Strategic Report and on our website.

Sustainability – Global Warming Potential

thousand tonnes CO_2 equivalent



[1] Restated, see page 75.

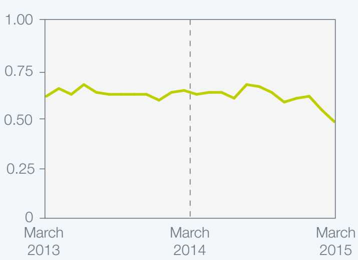
We measure our progress towards reducing the carbon footprint of our operations and improving our energy efficiency by looking at the group's total global warming potential (GWP). Total GWP is based on our direct and indirect energy usage and CO_2 equivalence which provide a strong platform for monitoring 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 2014/15

This year the group's GWP increased from 463,000 tonnes to 495,000 tonnes CO_2 equivalent. Further information on the group's GWP is given in the Environment section on pages 74 to 77.

Safety – Lost Time Injury and Illness Rate (LTIIR)

per 200,000 working hours in a rolling year



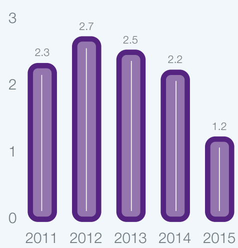
Johnson Matthey is a manufacturing business and a significant proportion of our employees work in production environments with chemicals and process machinery. Rigorous safety systems apply across all facilities and are essential if the group is to avoid accidents which could cause injury to people or 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 lost time.

Performance in 2014/15

The group's LTIIR decreased this year to 0.49. Further details of our safety improvement programmes are provided in the Health and Safety section on pages 58 to 61.

Health Management – Annual Incidence of Occupational Illness[1]

cases per 1,000 employees



[1] Restated, see page 59.

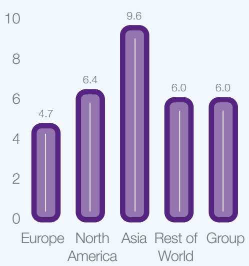
The health and wellbeing of our employees is a priority for Johnson Matthey and we are working hard to minimise workplace related negative health effects. We manage our performance in this area by measuring the number of occupational illness cases arising as a result of exposure to workplace health hazards.

Performance in 2014/15

The annual incidence of occupational illness cases reduced this year to 1.2 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 58 to 61.

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 2014/15

In 2014/15 the group's voluntary employee turnover increased slightly to 6.0% from 5.6% in 2013/14. Further details of our programmes to attract, retain and develop our people are provided in the Social section on pages 64 to 71.

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 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 the procedures for the identification, assessment, management, mitigation and 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 Group Management Committee (GMC) and the board. The effectiveness of current controls and the status and progression of mitigation actions and plans are monitored for each individual risk.

Our 2014/15 risk management assessment has resulted in several changes to our principal risks and uncertainties. These changes include:

- 'Responding to, identifying or capitalising on appropriate new or growth opportunities' is expanded into two separate risks to reflect differing risk appetite for new and existing business and an increase in acquisition activity.
- 'Availability of strategic materials', which was a principal risk in 2013/14, is included as a subset of a new risk 'supply chain' to reflect the complexity and challenges of our supply chain activity, legislative and customer requirements.
- Intellectual property description of risk is broadened to include cyber risk.
- Ethics and compliance is added as a new risk.
- IT systems failure risk is included as a subset of a broader business transformation risk.

In delivering our strategy, it is important that we understand and manage the risks that face us. The table below outlines our principal risks and identifies which strategic objectives they could impact.

PRINCIPAL RISKS		STRATEGIC OBJECTIVES: Invest in people, products and technology	Build on our core strengths	Operational excellence and sustainability	The Johnson Matthey culture	Best of big and small	Collaborate to leverage our expertise	Growth from new businesses	Customer focus	Create value
STRATEGIC	Growth within our existing business	■	■	■			■		■	■
	New business						■	■	■	■
	Technological change	■	■				■	■	■	■
MARKET	Global economy and political uncertainty	■		■			■	■	■	■
OPERATIONAL	Environment, health and safety			■	■		■		■	■
	Supply chain			■			■		■	■
	People	■			■		■	■	■	■
	Security of assets			■			■		■	■
	Intellectual property and know-how	■	■			■		■	■	■
	Failure of significant sites			■					■	■
	Ethics and compliance			■	■		■	■	■	■
	Business transformation	■		■	■	■	■		■	■

The following table sets out the 2014/15 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 the year. The net risk rating (after mitigating controls) is also shown.

STRATEGIC		
Growth within our existing business Responding to, identifying or capitalising on appropriate growth opportunities within our existing business.		
Risk and impact The group's existing activities are well placed to deliver good growth over the coming years. Failure to identify and respond to customer requirements or competitor activity could impact the ability of the group to achieve its strategy and / or maintain growth and / or market share.	**Mitigation** • The group and each business prepare a strategic plan to review demand in existing markets and potential new opportunities. These plans are regularly monitored and challenged. • The business structure, skills and resources are continuously assessed and amended where appropriate.	**Changes since 2014 annual report** No change. → **Risk rating** ● High
New business Responding to, identifying or capitalising on appropriate new growth opportunities.		
Risk and impact We have identified and continue to identify a number of opportunities to complement and diversify our business portfolio. Failure to identify new opportunities could impact the ability of the group to achieve its strategy and / or maintain growth and / or market share.	**Mitigation** • The group and each business prepare a strategic plan to review 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.	**Changes since 2014 annual report** No change. → **Risk rating** ● Medium We continue to target potential new markets and develop new businesses, both organically and through acquisition. The most significant development for new businesses is the formation of the battery materials business.
Technological change		
Risk and impact 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.	**Mitigation** • 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.	**Changes since 2014 annual report** No change. → **Risk rating** ● Low Our commitment to innovation, research and development is described throughout this annual report. We are extending our network of group research technology centres and continue to collaborate with leading academics and institutions around the world. We also opened a new technology centre for our diagnostic services business. We invested £169.9 million in R&D in the year (2013/14 £152.3 million).

Risks and Uncertainties continued

MARKET

Global economy and political uncertainty

Responding to changes in global political and economic conditions or future environmental legislation.

Risk and impact

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 60% 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

- 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.

Changes since 2014 annual report

No change.

→

Risk rating

● High

OPERATIONAL

Environment, health and safety

Operating safely, including in line with changes in health, safety, environmental and other regulations and standards.

Risk and impact	Mitigation	Changes since 2014 annual report
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.	• 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. → **Risk rating** Low Health and safety is a core value. Our commitment to health and safety and environmental performance is described on pages 58 to 61 and pages 74 to 77 respectively.

Supply chain

(includes availability of strategic materials).

Risk and impact	Mitigation	Changes since 2014 annual report
The group operates in a number of locations across the world. It sources and supplies goods nationally and internationally and is therefore exposed to risks associated with a complex and international supply chain. It 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 quantities 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.	• We are working with our suppliers to ensure the integrity of our supply chain and continually review mode of transport and shipping routes. • We employ and buy in specialist knowledge to understand and comply with international trade requirements. • 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.	New risk. ↑ **Risk rating** Medium

Risks and Uncertainties continued

OPERATIONAL (continued)		
People The effective recruitment, retention and development of high quality staff to support the growth of our business.		
Risk and impact 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.	**Mitigation** • Global employee development programmes are in place. These include training of manufacturing leaders to run our operations in a consistent and efficient way. • A talent review process has been introduced to focus on strategic people issues. • Regular reviews of management succession plans are carried out and are closely monitored by the Nomination 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.	**Changes since 2014 annual report** Over the past two years a number of changes have been made across the senior management team. The senior management succession has been successfully managed. This risk is unchanged since last year. → **Risk rating** Medium
Security of assets		
Risk and impact 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.	**Mitigation** • 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.	**Changes since 2014 annual report** No change. → **Risk rating** Low
Intellectual property (IP) and know-how		
Risk and impact 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.	**Mitigation** • 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. • We invest in information security, employee awareness and IT systems to prevent and detect loss. • Our investment in technical developments partially mitigates the risks to our IP and know-how.	**Changes since 2014 annual report** Increasing due to advances in technology and our competitor landscape. ↑ **Risk rating** Medium

OPERATIONAL (continued)

Risk and impact	Mitigation	Changes since 2014 annual report
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.	• Business continuity plans include consideration 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. → **Risk rating** Medium
Ethics and compliance		
Due to the markets in which we operate, and the complexity of our supply chain, the group is exposed to a changing and increasingly stringent governance and regulatory environment. Ethical misconduct, breaches of applicable laws and regulations could impact our reputation, licence to operate, shareholder value and financial results.	• We have policies and procedures in place and conduct training to ensure employee awareness and understanding. • We operate an independent confidential whistleblowing hotline for employees, contractors and third parties. • We keep abreast of applicable laws, recruit specialist staff and use third party support when required.	Whilst there has been little in the way of new legislation, we have seen increased enforcement activity by the authorities. New risk. ↑ **Risk rating** Medium
Business transition		
To transition our business we are investing in our core functions / systems, upgrading our business information systems and enhancing our human resources and talent management processes. Failure in our transition programme and change management process and governance could impact our ability to deliver our strategy and exploit 'the best of big and small'. 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.	• Ongoing supervision and oversight by the Chief Executive and the GMC who report to the board on key initiatives. • Project and portfolio management and governance frameworks are in place to monitor and report on progress. • Human Resources' support and communication are in place to manage change. • Continuous review of our IT infrastructure and environment. • IT disaster recovery and general business continuity plans are regularly updated.	There are a number of programmes being undertaken in addition to our investment plans for IT systems which will result in significant change. We have therefore concluded that this is a new risk which will increase in the short term. ↑ **Risk rating** Medium

2. Financial

30 Group Performance Review
32 Financial Review of Operations
  32 Emission Control Technologies
  36 Process Technologies
  40 Precious Metal Products
  44 Fine Chemicals
  47 New Businesses
50 Financial Review
55 Treasury Policies and Going Concern

£3.1 billion

sales excluding precious metals, up 5%

£440.1 million

underlying profit before tax, up 3%

18.8%

return on invested capital

FINANCIAL

SUSTAINABLE TECHNOLOGIES for today and for the future

Customer Focus Boosts Business in Asia Pacific

Methanol is a key building block in the manufacture of chemicals that are used to make numerous products that are integral parts of our daily lives. In recent years there has also been a surge in demand for blending it into transportation fuels. Steam reforming is a key step in the methanol production process, requiring high pressure and temperatures. If equipment fails, the consequences can be serious.

Johnson Matthey is a leader in process technologies and catalysts for the production of methanol and so was well placed when a customer's plant experienced operational problems in its steam reformer. Asim Yadav from our Process Technologies Division based in India explains how a complex customer problem was solved.

What issues was the customer facing that our team could help with?

The customer had recently commissioned its methanol plant and was experiencing problems in the reformer where a few of the reactor tubes had failed and there was a concern that more might fail. The high temperatures in that part of the equipment meant that failures presented serious safety risks such as fire or damage to equipment. Johnson Matthey is very well known for its process technologies and products for the reforming process so, although we hadn't worked with the customer before, we were seen as a natural choice.

How did you solve the problem?

Initially we visited the customer to investigate how we could help. We discovered that the temperature in the reformer had risen above what it was designed for, and that was what was causing the reactor tubes to fail. However, we were confident that we could fix the problem. We recommended that the customer install a high activity catalyst which would pick up the heat, backed up by a second catalyst to maintain the overall drop in pressure.

Did you collaborate across Johnson Matthey to design a solution?

Everyone chipped in. A survey of the reformer was carried out by our UK engineers and the results were presented by our UK expert on reformers, along with the sales team from India. We made a proposal to the customer, which was accepted. Now our colleagues from Bahrain and the India office have worked with the new customer to commission the catalysts.

How will we maintain customer focus to further develop the work?

We continue to maintain a close relationship with the customer. After installing the catalysts ongoing checks will be made to make sure they are working as expected. Following this we will visit regularly to monitor performance and review the plant data so that we can anticipate any future needs.

How have the products and services provided created value for the customer?

We expect performance using our high activity catalyst to keep the reactor temperature within safe limits and allow uninterrupted production. Crucially, we also expect to have eliminated the risk of equipment failure, including all the safety implications that it has for the plant operators.

Asim Yadav

Group Performance Review

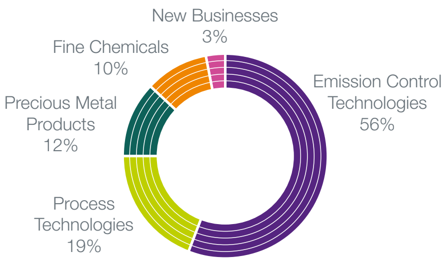
		Year to 31st March 2015	2014	% change	% change at constant rates[1]	% at constant rates and ex Anglo[2]
Revenue	£ million	**10,060**	11,155	-10	-8	
Sales excluding precious metals (sales)	£ million	**3,125**	2,981	+5	+8	+9
Operating profit	£ million	**532.8**	448.2	+19		
Profit before tax	£ million	**495.8**	406.6	+22		
Earnings per share	pence	**211.2**	167.7	+26		
Underlying[3]:						
Operating profit	£ million	**477.1**	468.9	+2	+5	+13
Profit before tax	£ million	**440.1**	427.3	+3	+7	+15
Earnings per share	pence	**180.6**	170.6	+6		

[1] % change if 2013/14 results are converted at average exchange rates for 2014/15.

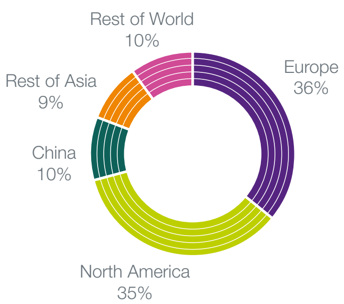
[2] % change if 2013/14 results are converted at average exchange rates for 2014/15 and adjusted for the loss of income from Anglo American Platinum Limited (Anglo Platinum).

[3] 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.

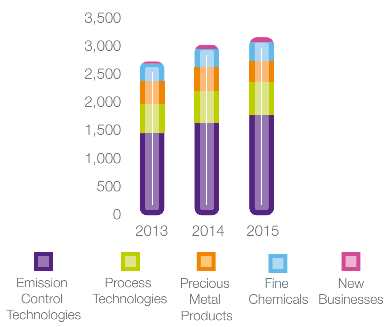
Sales by Division



Sales by Destination



Divisional Sales
£ million



Johnson Matthey made good progress in 2014/15:

- Sales up 8% and underlying profit before tax 7% ahead at constant rates.
- Underlying profit before tax at constant rates and adjusted for revised Anglo Platinum contracts up 15%.
- Underlying earnings per share up 6%.
- Profit before tax up 22% to £495.8 million and earnings per share up 26% to 211.2 pence due to profit on sale of Gold and Silver Refining.
- Strong balance sheet – net debt (including post tax pension deficits) / EBITDA up to 1.7 times.
- Working capital increased due to business growth and higher precious metal inventories at year end.
- Return on invested capital at 18.8%, down 2% due to loss of income from Anglo Platinum and higher working capital.
- Final dividend of 49.5 pence recommended, resulting in full year dividend up 9% at 68.0 pence.

Underlying Operating Profit

	2015 £ million	2014 £ million	2013 £ million
Emission Control Technologies	**236.9**	203.6	163.5
Process Technologies	**106.0**	101.9	92.4
Precious Metal Products	**101.5**	130.9	124.4
Fine Chemicals	**88.8**	84.1	76.6
New Businesses	**(22.1)**	(18.3)	(16.0)
Corporate	**(34.0)**	(33.3)	(24.8)
Total	**477.1**	468.9	416.1

Performance in 2014/15

Johnson Matthey made good progress in 2014/15, in line with our expectations. The group continued to utilise its expertise in chemistry and its applications to create value adding sustainable technologies for its customers. We continued to focus on health and safety and this has had a positive impact with a 25% reduction in our lost time injury and illness rate.

Emission Control Technologies had another strong year, benefiting from the introduction of new legislation in Europe, from market growth in Asia and North America and from further efficiency enhancements. Process Technologies made progress as robust demand for catalysts was partly offset by lower licensing activity, particularly in China. Precious Metal Products' sales were adversely impacted by the change in our contracts with Anglo Platinum which reduced both sales and operating profit by around £30 million. In Fine Chemicals, process efficiency improvements in its Active Pharmaceutical Ingredient Manufacturing business supported a good performance and we are currently in advanced negotiations on the sale of the division's Research Chemicals business. New Businesses made good progress and two bolt-on acquisitions in Battery Technologies were completed in the year.

Overall, the group grew its sales by 5% to £3.1 billion and underlying operating profit increased by 2% to £477.1 million. Underlying return on sales was slightly lower than last year at 15.3% and underlying profit before tax was 3% ahead at £440.1 million. At constant exchange rates and adjusting for loss of commission income from Anglo Platinum, sales grew by 9% and underlying profit before tax was 15% ahead. Higher working capital at the year end and the absence of commission income reduced ROIC to 18.8% but we remain committed to our long term 20% ROIC target.

Profit before tax was 22% higher at £495.8 million, boosted by profit of £69.7 million from the sale of the Gold and Silver Refining business in March 2015 which was excluded from underlying profit before tax. Helped by a lower effective tax rate for the year, underlying earnings per share increased by 6% to 180.6 pence and basic earnings per share were 211.2 pence, 26% above last year.

The board is recommending a 9% increase in the total dividend for the year, reflecting its confidence in the group's long term performance. This comprises a final dividend of 49.5 pence which, together with the interim dividend of 18.5 pence, gives a total ordinary dividend for the year of 68.0 pence (2013/14 62.5 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 4th August 2015 to ordinary shareholders on the register as at 12th June 2015, with an ex dividend date of 11th June 2015.

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 32 to 49.

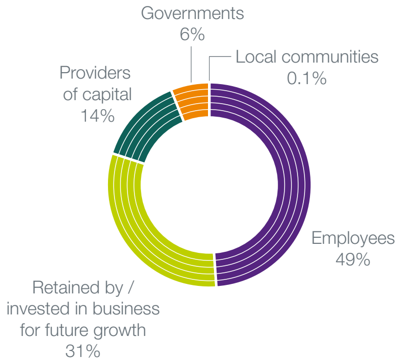
Economic Impact and Distribution of Value to Stakeholders

In 2014/15 the group generated an underlying operating profit of £477.1 million and revenue of £10.1 billion. Of this revenue, £6.9 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 £10.1 billion revenue, the costs of goods and services were £8.9 billion (including £6.9 billion for precious metals) while our own operations created an estimated £1.2 billion in underlying added value.

Employees received the largest share of this underlying added value (49% 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 14% of the total, and corporate income taxes of 6% were payable to governments. In 2014/15 we retained / invested 31% 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. This is outlined further in the Social section on pages 70 and 71.

Johnson Matthey – Distribution of Underlying Added Value 2014/15



Financial Review of Operations

EMISSION CONTROL TECHNOLOGIES

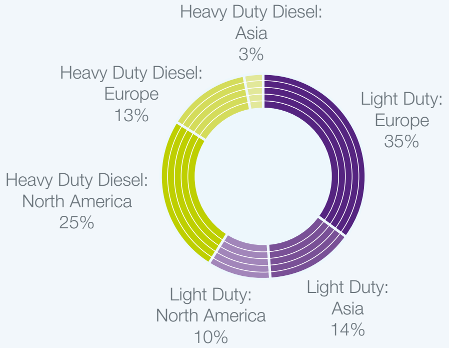
High technology catalysts for emission control

Key Statistics

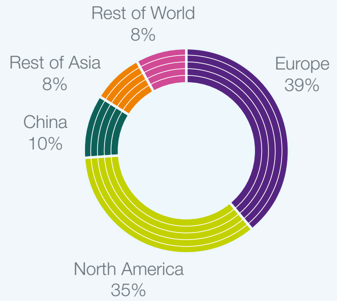
£69.2 million	1.2	£71.1 million	£981 million	4,683
Capital expenditure	Capex / depreciation	R&D expenditure	Average invested capital	Employees

	Year to 31st March 2015 £ million	2014 £ million	% change	% at constant rates
Revenue	**3,578**	2,996	+19	+25
Sales excluding precious metals (sales)	**1,782**	1,645	+8	+12
Underlying operating profit	**236.9**	203.6	+16	+21
Return on sales	**13.3%**	12.4%		
Return on invested capital (ROIC)	**24.1%**	21.0%		

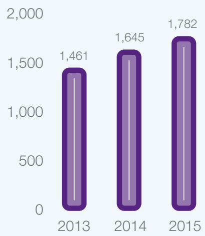
Sales



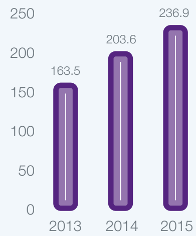
Sales by Destination



Divisional Sales
£ million



Divisional Underlying Operating Profit
£ million



Strategy

- Maintain differentiation through technology by investing in R&D
- A deep understanding of markets and customers
- Operational excellence and sustainability
- 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.

The division is focused on **operational excellence and sustainability** to optimise raw materials and plant efficiency. This enables it to produce the best quality products at minimum operating cost whilst ensuring the highest standards of environmental, health and safety performance.

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

Divisional Summary as at 31st March 2015

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	4,683	
Locations	• 15 manufacturing facilities in 13 countries • Nine technical centres in seven countries	
2014/15 Sales	£1,058 million	£724 million

Financial Review of Operations continued

EMISSION CONTROL TECHNOLOGIES continued

Performance in 2014/15

Emission Control Technologies (ECT) had another strong year with sales up 8% (up 12% at constant rates) to £1,782 million and underlying operating profit 16% higher at £236.9 million (21% higher at constant rates). Our light duty vehicle (LDV) catalyst business performed well, outpacing the 1% growth in global vehicle production. Its sales increased by 5% to £1,058 million (up 9% at constant rates), benefiting in particular from the initial introduction of Euro 6b legislation in Europe and strong vehicle production in China. In our heavy duty diesel (HDD) catalyst business, sales were strong across all regions, driven by a buoyant truck market in the US and the impact of tightening legislation in Europe and Asia. Its sales of £724 million were up 14% on last year (up 18% at constant rates).

ECT's return on sales for the year increased by 0.9% to 13.3%. This was due to further efficiency improvements and higher plant utilisation as production in the UK and Macedonia ramped up to meet European legislation for both cars and trucks. ROIC improved from 21.0% to 24.1% as a result of higher underlying operating profit.

Light Duty Vehicle Catalysts

In Europe, our LDV catalyst business performed well, growing its sales by 9% to £622 million (14% up at constant rates), despite a flat market. Growth was partly driven by the introduction of Euro 6b legislation for new models of diesel car which came into effect from 1st September 2014. This imposes tighter NOx emission standards, bringing them much closer to those already in place for gasoline cars. This requires additional catalyst technology and increases sales value per vehicle for Johnson Matthey by around 20%.

To date, we estimate that less than half of EU diesel car production comprises new models requiring Euro 6b catalysts. This will increase significantly from 1st September 2015 when the legislation will apply to all diesel vehicles produced in the EU. The business also benefited from our strong position with some of the more successful car companies in the region.

Towards the end of the year there has been commentary around NOx emissions from diesel vehicles and speculation as to whether diesel's share of production in Europe may decline. The proportion of diesel vehicles produced in Western Europe was unchanged at 52% in 2014/15 and the diesel share remained steady throughout the year. We continue to expect diesel's share in Western Europe to gradually trend down due to the continuing fuel efficiency improvements in gasoline engines. That said, the absolute number of diesel cars globally is expected to increase steadily in the medium term. Diesel engines continue to offer fuel efficiency and CO_2 emission advantages over gasoline engines and, with continuing tightening legislation for NOx (Euro 6b) and the introduction of real world driving emission standards from 2017, diesel vehicles are becoming even cleaner. Furthermore, with the reduction in fleet average CO_2 limits from 130g/km to 95g/km in 2020, we believe diesel will remain an important part of the mix going forward.

Certain gasoline engines, such as those with direct injection, could also offer opportunities for additional catalyst sales with the introduction of Euro 6c emission standards starting from September 2017.

Estimated Light Duty Vehicle Sales and Production

		Year to 31st March 2015 million	2014 million	% change
North America	Sales	**19.6**	18.4	+6
	Production	**16.8**	16.3	+3
Europe	Sales	**18.0**	18.1	–
	Production	**19.9**	19.9	–
Asia	Sales	**39.6**	38.5	+3
	Production	**44.9**	43.6	+3
Global	Sales	**88.5**	86.7	+2
	Production	**86.8**	85.6	+1

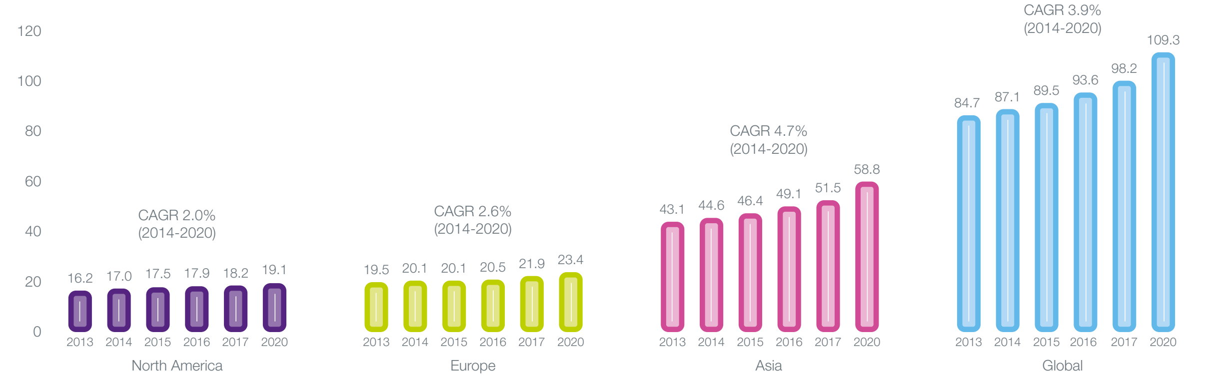
Source: LMC Automotive

Johnson Matthey's Light Duty Vehicle Catalyst Sales by Region

	2015 £ million	2014 £ million	% change	% change at constant rates
Europe	**622**	571	+9	+14
Asia	**257**	255	+1	+5
North America	**179**	183	-2	-1
Total	**1,058**	1,009	+5	+9

Light Duty Vehicle Production Outlook – 2013-2020 (calendar years)

million



Source: LMC Automotive (April 2015)

This regulation imposes a limit on the number of particulates that can be emitted and we have developed three way filter (TWF™) technology to meet this legislation. We are working closely with customers ahead of the introduction and, whilst we expect our average sales value per vehicle to approximately double for those engines requiring additional particulate control, the precise proportion of vehicles to which this will apply is not yet clear.

Our Asian LDV catalyst business increased sales slightly to £257 million but at constant rates sales were up 5%, ahead of the 3% growth in vehicle production in the region. This was driven by strong vehicle production in China which was 7% ahead of last year. This supported good sales growth in our Chinese business where we also benefited from our strong relationships with local original equipment manufacturers (OEMs). Our ongoing focus on supply chain efficiencies enabled us to compete effectively in this market. In Japan, our sales were held back this year by falling vehicle production and the consumer trend towards smaller engined vehicles. On the other hand, demand for our products in South East Asia and India increased, driven by higher production in some regions and a good performance at some of our customers.

In North America our volumes grew broadly in line with the 3% growth in vehicle production. However, our sales of £179 million were down slightly, primarily due to a less favourable product mix. With the continued phasing in of tighter greenhouse gas / fuel efficiency regulations over the next decade, there are some early indications of increasing light duty diesel penetration in the US market.

Heavy Duty Diesel Catalysts

In North America, our HDD catalyst business had a very strong year with sales up 18% to £441 million (20% at constant rates). This was slightly ahead of the 16% growth in truck production which was driven by the continued recovery in the US economy and replacement of ageing fleets. During the year we saw particularly strong sales of catalyst systems for large trucks (Class 8) which represent higher catalyst value per vehicle for Johnson Matthey. Demand for catalyst systems for non-road and stationary applications was steady and represented around 7% and 5% respectively of our total North American HDD catalyst sales.

Our European HDD catalyst business benefited from the first full year of sales of higher value filter systems to meet the new Euro VI legislation. As a result, our sales grew by 6% (up 13% at constant rates) to £225 million, despite a weak market where truck production was down 11% following pre-buying in 2013 ahead of the introduction of Euro VI. In 2014/15, Euro VI systems represented around 60% of our total European HDD catalyst sales. Sales of catalyst systems for non-road and stationary applications each represented around 9% of our European HDD catalyst business.

Our HDD catalyst business in Asia continued to make progress, growing its sales by 17% to £58 million (25% ahead at constant rates). This is mainly due to the continued roll out of Euro IV equivalent emissions standards for buses and trucks in China, which requires relatively simple non-platinum group metal catalyst technology. During the year regulations began to be phased in beyond the major cities, supported by the nationwide availability of low sulphur diesel fuel from the start of 2015. We continue to believe that full fitment is unlikely to be achieved until well into the second half of the decade and, currently, around 35% of new vehicles are being fitted with catalysts. Whilst we expect this proportion to rise, it will increasingly include smaller engined trucks and buses which require lower catalyst value per vehicle to meet the legislation.

Estimated HDD Truck Sales and Production

		Year to 31st March 2015 thousand	2014 thousand	% change
North America	Sales	**514.0**	446.6	+15
	Production	**542.9**	467.2	+16
EU	Sales	**272.9**	298.2	-8
	Production	**387.3**	436.2	-11

Source: LMC Automotive

Johnson Matthey's Heavy Duty Diesel Catalyst Sales by Region

	2015 £ million	2014 £ million	% change	% change at constant rates
North America	**441**	374	+18	+20
Europe	**225**	212	+6	+13
Asia	**58**	50	+17	+25
Total	**724**	636	+14	+18

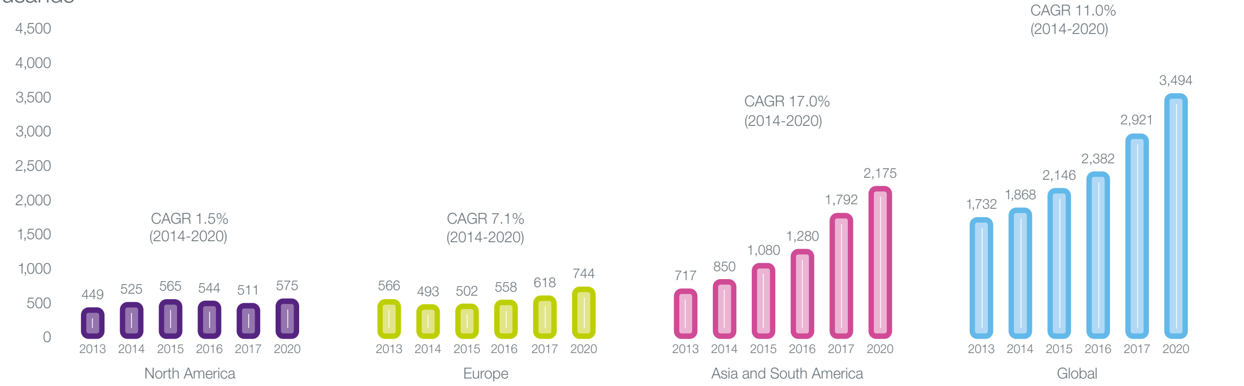
Key Investments and Developments

During the year, we completed the expansion of our manufacturing facility in Macedonia and continued work to extend filter production capacity in the UK. These will provide the capacity needed to meet our customers' requirements from the new European legislation being introduced over the next few years. We also continued to invest in expanding capacity in China to meet future demand in the country.

In addition, we have increased our testing capabilities in the UK, China and Japan to enable us to provide continued high levels of service and product development for our customers.

Heavy Duty Vehicle Production Outlook Regulated Engines – 2013-2020 (calendar years)

thousands



Source: LMC Automotive (April 2015); Johnson Matthey estimates for proportion regulated.

Financial Review of Operations continued

PROCESS TECHNOLOGIES

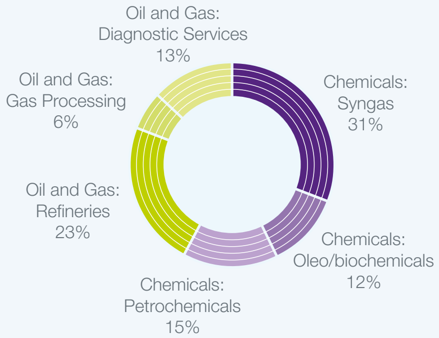
Speciality catalysts, process technologies and services for the chemicals and oil and gas industries

Key Statistics

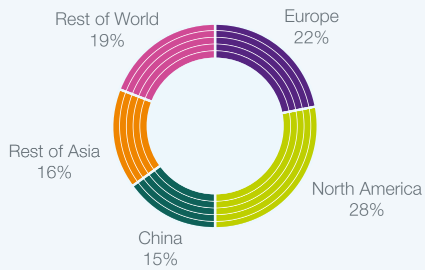
£49.7 million	**1.7**	**£33.7** million	**£725** million	**2,331**
Capital expenditure	Capex / depreciation	R&D expenditure	Average invested capital	Employees

	Year to 31st March 2015 £ million	2014 £ million	% change	% at constant rates
Revenue	**600**	580	+3	+6
Sales excluding precious metals (sales)	**591**	565	+5	+7
Underlying operating profit	**106.0**	101.9	+4	+7
Return on sales	**17.9%**	18.0%		
Return on invested capital (ROIC)	**14.6%**	15.3%		

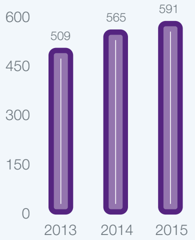
Sales



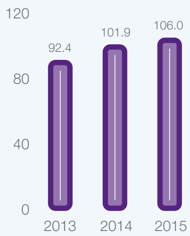
Sales by Destination



Divisional Sales
£ million



Divisional Underlying Operating Profit
£ million



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 as at 31st March 2015

	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 • BASF	• Clariant • Lurgi		• Clariant • Grace	• Albemarle • UOP	
Employees	2,331					
Locations	• Nine manufacturing facilities in six countries • Ten technical centres in four countries • Sales offices in key markets					
2014/15 Sales	£184 million	£70 million	£88 million	£133 million	£38 million	£78 million

Strategic Report
Governance
Accounts
Other Information

Financial Review of Operations continued

PROCESS TECHNOLOGIES continued

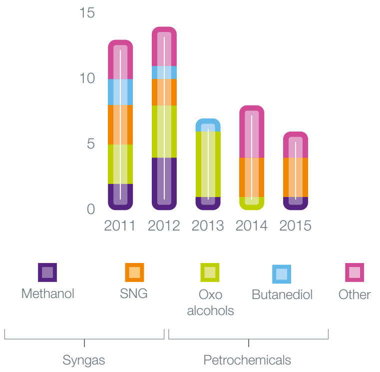
Performance in 2014/15

Process Technologies made progress with sales of its catalysts, technology licences and services up 5% to £591 million (up 7% at constant rates) and underlying operating profit 4% higher at £106.0 million (7% higher at constant rates). Demand for our catalysts and diagnostic services was strong. However, as expected, a slowdown in licensing activity in China did impact performance in the division's Chemicals businesses this year. This was offset by higher margins in our Oil and Gas businesses and, as a result, the division's return on sales remained steady at 17.9%. ROIC declined by 0.7% to 14.6% due to an increased level of working capital.

Chemicals

Sales in our Chemicals businesses were stable but underlying operating profit was slightly down as good growth in catalyst sales was largely offset by lower revenues from technology licensing. Overall, sales increased by 1% to £342 million (up 4% at constant rates), of which £76 million (2013/14 £82 million) was derived from licensing, engineering and related activities; six new licences (2013/14 eight new licences) were secured in the year.

Technology Licensing – Projects Awarded 2011-2015



Process Technologies – Chemicals Businesses' Sales

	2015 £ million	2014 £ million	% change	% change at constant rates
Syngas	**184**	166	+11	+15
Oleo/biochemicals	**70**	66	+7	+10
Petrochemicals	**88**	107	-18	-17
Total	**342**	339	+1	+4

Syngas

Sales of catalysts and licences in our Syngas business grew well and were up 11% at £184 million (15% ahead at constant rates). As expected, sales of methanol catalysts were lower this year, down 14% at £48 million, following strong demand in 2013/14. We also secured a new licence for a methanol plant in China. In ammonia, catalyst sales were 23% ahead at £56 million on the back of softer demand last year and boosted by a number of new projects, particularly in North America. Sales of catalysts and licensed technology for the manufacture of formaldehyde also increased and were 5% higher at £49 million.

In the year we agreed a further three new substitute natural gas (SNG) licences, one in India and two for small plants in China, and engineering and design work continued in relation to SNG licences secured in previous years. As previously reported, in China we are seeing a slowdown in awards of new coal to SNG projects and delays in the progress of plants already agreed. This is primarily due to increased focus by the Chinese government on the environmental aspects of the coal gasification step (the first step in the process and in which we are not involved). While we expect this will impact the growth of our Syngas business in 2015/16, we still believe that there are opportunities for coal to SNG technology and that this area should support growth in Process Technologies in the medium term.

Oleo/biochemicals

Our Oleo/biochemicals business made progress this year with sales 7% ahead at £70 million (10% up at constant rates). Demand for its nickel based catalysts, which are used by our customers in the manufacture of food and personal care products, increased and the business also benefited from two new licences for its biochemical based technologies. We also entered into two further collaborations with partners in the US to develop catalysts for the production of biochemical intermediates.

Petrochemicals

Sales in our Petrochemicals business decreased by 18% to £88 million. Demand for catalysts was steady but income from licensing fell sharply due to a continued slowdown in new plant activity in China for our technologies. This slowdown, which began during 2013/14, follows several years of expansion in the Chinese petrochemicals industry such that current production capacity for products such as oxo alcohols and butanediol is in line with demand. Consequently, our business secured no new petrochemical licences in the year. However, we continued to make progress in the commercialisation of new technologies, particularly for the production of vinyl chloride monomer (VCM).

Whilst the fall in the oil price did not materially impact trading in our Chemicals businesses in 2014/15, it has affected investment decisions in new plant builds in the chemical industry and we expect that this will impact our businesses if these lower prices are sustained.

Process Technologies – Oil and Gas Businesses' Sales

	2015 £ million	2014 £ million	% change	% change at constant rates
Refineries	**133**	124	+7	+8
Gas Processing	**38**	34	+9	+9
Diagnostic Services	**78**	68	+15	+18
Total	**249**	226	+10	+11

Oil and Gas

Our Oil and Gas businesses performed well across all sectors with sales 10% ahead at £249 million (11% up at constant rates). Underlying operating profit was also well ahead. Around three quarters of our Oil and Gas businesses serve customers in the midstream and downstream oil and gas markets where drivers, such as tighter regulations on fuel quality and emissions from refineries, remained strong.

Refineries

In our Refineries business, sales grew by 7% to £133 million (up 8% at constant rates). There was strong demand for catalysts for hydrogen manufacture, supported by new plant activity, and sales were up 13% to £66 million. Demand for our refinery additives, which are used to reduce emissions and improve performance in the fluid catalytic cracking (FCC) unit of the refinery, also increased. Sales were slightly ahead at £67 million and the business benefited from a shift in mix towards higher margin products.

Gas Processing

Our Gas Processing business, which supplies purification products used to remove mercury and sulphur impurities from natural gas, made good progress with sales up 9% to £38 million.

Diagnostic Services

In our Diagnostic Services business, sales increased by 15% to £78 million (18% up at constant rates) boosted by strong demand for our specialist measurement products and services. However, demand for reservoir studies was slightly lower as shale activity reduced in North America towards the end of the year on the back of the fall in the oil price. Our recently introduced subsea pipeline inspection technology, Discovery™, has been well received by customers and is making good early progress.

Read more on page 185.

Key Investments and Developments

During the year we completed capacity expansions at our petrochemical catalyst manufacturing plants in Germany and construction of a new technology centre in the UK to support the development of new diagnostic services.

Last year we acquired land and commissioned design work for a new SNG catalyst manufacturing plant in China. However, this project has been put on hold following the slowdown in coal to chemicals projects as noted above. On the other hand, construction of a VCM catalyst manufacturing plant, also in China, is largely complete and we expect the plant to commence operation in 2015/16. We are also investing in a new research and development facility at our site in Savannah, US, to support the development of advanced materials.

Since the year end we have agreed to invest in Shanghai Bi Ke Clean Energy Technology Co., Ltd (CECC), a Chinese chemical process technology commercialisation and licensing start-up company which focuses on technologies for the gas and syngas to chemicals and fuels markets. Following the investment, which will strengthen our existing relationship with CECC, we will work together to expand the use of methanol as a feedstock for petrochemical processes and in applying our methanol technologies.

Developing Award Winning Sustainable Technologies

Process Technologies has developed new technology that produces biodiesel from the fatty acids of cheap waste oils such as those used in industrial fryers for cooking. The resulting biodiesel is a new, clean burning, environmentally friendly fuel that can be used in place of regular diesel in cars, trucks and other vehicles.

This high grade fuel benefits both customers and the environment by recycling a byproduct that is normally hard to dispose of. It leaves global food supplies untouched, unlike many biofuels which rely on the use of vegetable oils. It is a valuable, attractive and sustainable option for many of our customers.

In the future there is scope for this technology and its applications to have a significant impact on reducing greenhouse gas emissions as the biodiesel it produces is more environmentally friendly than traditional fuels.

Johnson Matthey's technology was recognised by the UK's Institution of Chemical Engineers (IChemE) with a 'Sustainable Technology Award' in November 2014. Held annually, IChemE's global awards recognise excellence in chemical engineering.

Financial Review of Operations continued

PRECIOUS METAL PRODUCTS

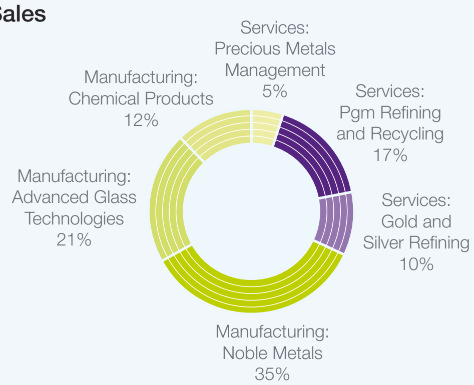
Adding value through applying expertise in pgm and related materials science

Key Statistics

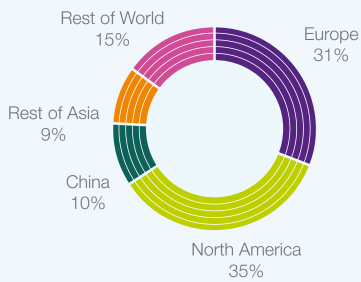
£31.6 million	1.6	£9.6 million	£469 million	2,244
Capital expenditure	Capex / depreciation	R&D expenditure	Average invested capital	Employees

	Year to 31st March 2015 £ million	2014 £ million	% change	% at constant rates
Revenue	**7,178**	8,421	-15	-14
Sales excluding precious metals (sales)	**379**	430	-12	-9
Underlying operating profit	**101.5**	130.9	-22	-21
Return on sales	**26.8%**	30.5%		
Return on invested capital (ROIC)	**21.6%**	36.6%		

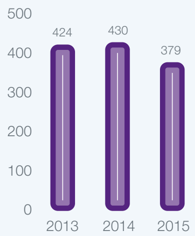
Sales



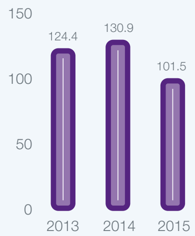
Sales by Destination



Divisional Sales
£ million



Divisional Underlying Operating Profit
£ million



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 as at 31st March 2015

	SERVICES		MANUFACTURING		
Business	**Precious Metals Management**	**Refining**	**Noble Metals**	**Advanced Glass Technologies**	**Chemical Products**
What We Do	Global management and distribution of pgms	Refining and recycling of pgms 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 pgms 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	• Heraeus • Umicore	• Ferro • DuPont • Heraeus	• Heraeus • Umicore
Employees	2,244				
Locations	• UK, US and Hong Kong	• UK, China and US	• Manufacturing sites in Europe, US 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
2014/15 Sales	£17 million	£103 million	£133 million	£82 million	£44 million

Financial Review of Operations continued

PRECIOUS METAL PRODUCTS continued

Performance in 2014/15

The performance of Precious Metal Products (PMP) was impacted by the change in our contracts with Anglo Platinum which reduced both sales and underlying operating profit by around £30 million. Sales were £379 million, down 12% (9% lower at constant rates) and underlying operating profit was 22% lower at £101.5 million (21% down at constant rates). Excluding the impact of Anglo Platinum, sales were 5% down due to lower average precious metal prices and weakness in some of our Manufacturing businesses' markets, and underlying operating profit was steady. As expected, return on sales was lower at 26.8%. ROIC also reduced to 21.6% as a result of lower profitability and increased precious metal inventories.

Services

Sales in PMP's Services businesses, which comprise its Precious Metals Management (PMM) and Refining activities, reduced by 26% to £120 million and operating profit was also significantly down. This is due to the loss of income from Anglo Platinum in our PMM business where sales declined to £17 million. This business, which provides a service supplying precious metals to Johnson Matthey and its customers, saw steady trading activity in the year. Platinum and palladium prices averaged $1,333/oz (down 7%) and $820/oz (up 12%) respectively in 2014/15. However, there was a steady decline in the price of both metals during our second half such that platinum ended the year at $1,126/oz and palladium at $741/oz.

Refining

Sales in our Refining businesses, which comprised our Pgm Refining and Recycling and our Gold and Silver Refining businesses, were 7% down at £103 million (4% down at constant rates). Underlying operating profit also reduced as performance was impacted by higher costs in pgm refining.

On 5th March 2015 we completed the sale of our Gold and Silver Refining business to Asahi Holdings, Inc. for £124 million. This was in line with our long term strategy to focus on areas where we can use our expertise in chemistry and its applications to deliver high technology solutions or that provide a strategic service to the wider Johnson Matthey group. Up until its divestment, Gold and Silver Refining delivered sales of £37 million and total intake volumes were steady year on year.

Volumes in our Pgm Refining and Recycling business were slightly ahead of last year benefiting from increased palladium intakes from Stillwater following commencement of a long term supply contract which started in July 2014. However, as precious metal prices fell, our intakes reduced in the final quarter of the year and we expect this will impact our sales in the first quarter of 2015/16. Intakes of end of life autocatalysts continued to grow in 2014/15 and accounted for around 40% of pgm refining volumes.

Overall, sales were steady at £66 million and underlying operating profit was down due to a less favourable intake mix with higher associated processing costs.

Manufacturing

Performance within our Manufacturing businesses was mixed with sales down 3% at £259 million (flat at constant rates). Underlying operating profit was slightly ahead as costs relating to the closure of our decorative ceramic colour products business impacted profit in the prior year.

Noble Metals

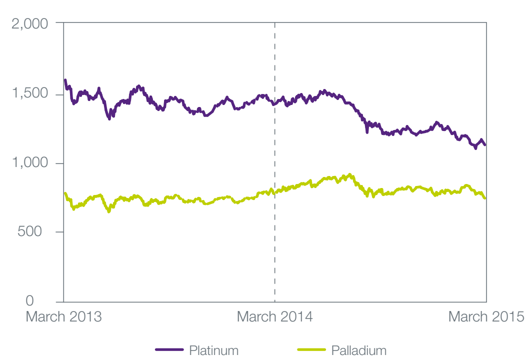
Our Noble Metals business, which supplies high technology products to the industrial, medical device and automotive sectors, had a mixed year with sales down 4% to £133 million (down 1% at constant rates). Sales of industrial products decreased 6% to £90 million. The business saw strong demand in Europe for pgm alloy catalysts used in fertiliser manufacture but this was more than offset by lower sales of other industrial products. Our sales of medical components were steady across both the US and Europe at £43 million.

Precious Metal Products – Services Businesses' Sales

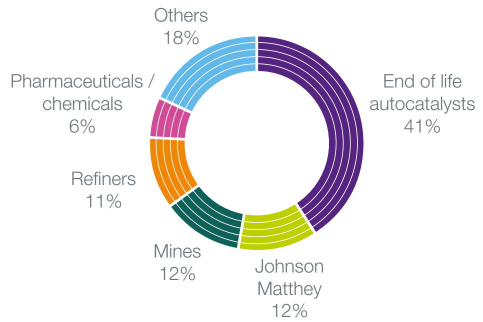
	2015 £ million	2014 £ million	% change	% change at constant rates
Precious Metals Management	**17**	51	-67	-67
Refining	**103**	111	-7	-4
Total	**120**	162	-26	-24

Platinum and Palladium Prices

US$/oz



Pgm Refining and Recycling Throughput by Sector



Advanced Glass Technologies
Sales in our Advanced Glass Technologies (formerly Colour Technologies) business were 5% lower this year at £82 million (flat at constant rates), partly as a result of our decision to exit from the decorative ceramic colour products market at the end of 2013/14. Demand for our black obscuration enamels and silver pastes for automotive glass applications was steady in the year and broadly in line with growth in global car production. During the year we expanded our presence in Asia to better serve our customers, especially in the Chinese automotive glass market.

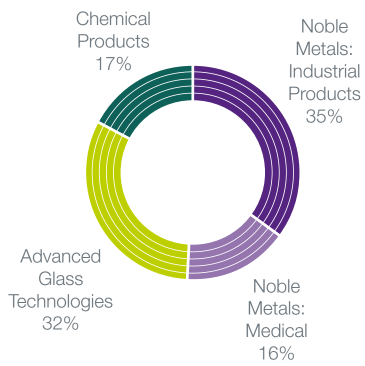
Chemical Products
Chemical Products' sales of £44 million were 4% ahead at constant rates supported by good demand for pgm chemicals for autocatalyst manufacture.

Key Investments and Developments

We have continued to invest in a number of projects which are targeting an improvement in the efficiency of our pgm refining process and R&D tests are now being piloted at our UK and US refineries. At the end of the year we also began construction of a new pgm refinery in China to support future demand in the region. We expect this to become operational during 2016/17.

We have started to increase investment in PMP's Manufacturing businesses to enable them to develop new products in higher growth markets. It will take some time for this growth to be realised but Johnson Matthey has strong expertise within these businesses and work is underway on a number of new developments.

Manufacturing Businesses' Sales



Precious Metal Products – Manufacturing Businesses' Sales

	2015 £ million	2014 £ million	% change	% change at constant rates
Noble Metals	**133**	138	-4	-1
Advanced Glass Technologies	**82**	86	-5	–
Chemical Products	**44**	44	+2	+4
Total	**259**	268	-3	–

Medical Components Sites Cut Lost Time by 60%

In 2012 two of Noble Metals' medical components sites in California, USA took on the challenge to improve health and safety locally, setting the ambitious target of reducing lost time injuries and illnesses by 50%. The team explored a number of measures it could put in place to achieve this goal. Work at these facilities often involves completing small repetitive tasks that can lead to occupational illnesses, so reducing these incidents was a key focus.

In addition to buying more ergonomic equipment to improve workers' postures and make processes safer, an onsite occupational health nurse was employed. The nurse is responsible for holding ongoing evaluations to determine exactly why injuries happen and updating the sites' plans with the best preventative actions.

So far our team has made great progress and has seen a 60% improvement over the first year, exceeding its original target. Injuries fell by more than half and occupational illness cases also dropped, representing a huge achievement. Since this renewed focus on health and safety, the equivalent of just over £100,000 has been made in lost time savings.

As we continue to make health and safety our priority at Johnson Matthey, we expect to see similar initiatives around the group. We believe that we are all responsible for minimising risks and continue to look for new ways to improve our working environments.

Financial Review of Operations continued

FINE CHEMICALS

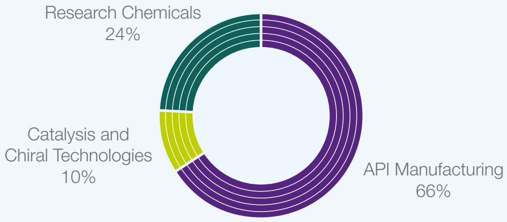
Speciality products for the pharmaceutical industry

Key Statistics

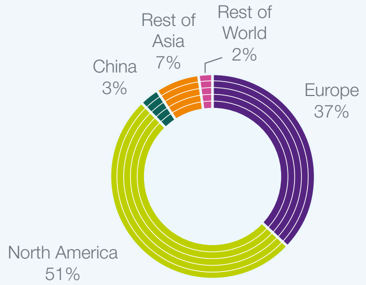
£35.7 million	1.9	£16.7 million	£481 million	1,489
Capital expenditure	Capex / depreciation	R&D expenditure	Average invested capital	Employees

	Year to 31st March 2015 £ million	2014 £ million	% change	% at constant rates
Revenue	**370**	371	–	+1
Sales excluding precious metals (sales)	**327**	322	+1	+3
Underlying operating profit	**88.8**	84.1	+6	+7
Return on sales	**27.2%**	26.1%		
Return on invested capital (ROIC)	**18.4%**	18.8%		

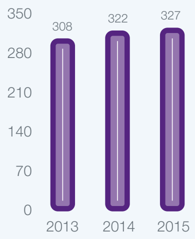
Sales



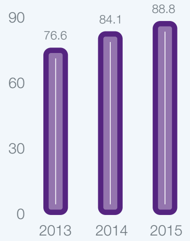
Sales by Destination



Divisional Sales
£ million



Divisional Underlying Operating Profit
£ million



Strategy

- Deliver niche products and services to pharmaceutical markets
- Leverage synergies between research, development and manufacturing
- Move further up the pharmaceutical value chain
- 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 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 extend its position in generics by **moving further up the pharmaceutical value chain**, increasing access to a high growth market segment, through coinvesting in and codeveloping formulated drug products.

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 as at 31st March 2015

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 (ADHD)	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	• Medtronic • Francopia • Cambrex • Noramco • Siegfried • AMRI	• Evonik • BASF	• Sigma Aldrich
Employees	1,489		
Locations	• Three sites in the US and two in the UK	• UK, US, Germany, India and China	• UK, US, Germany, China, India and Korea
2014/15 Sales	£216 million	£34 million	£77 million

Financial Review of Operations continued

FINE CHEMICALS continued

Performance in 2014/15

Fine Chemicals had a good year. Whilst sales of £327 million were up 1% on last year (3% ahead at constant rates), underlying operating profit was 6% ahead. Return on sales increased by 1.1% to 27.2% driven primarily by process efficiency improvements in our API Manufacturing business. ROIC was 0.4% lower at 18.4%.

Fine Chemicals – Sales by Business

	2015 £ million	2014 £ million	% change	% change at constant rates
API Manufacturing	**216**	211	+3	+3
Catalysis and Chiral Technologies	**34**	32	+4	+7
Research Chemicals	**77**	79	-3	-1
Total	**327**	322	+1	+3

API Manufacturing

Our API Manufacturing business' sales were up 3% at £216 million and operating profit was further ahead. Sales from APIs for the treatment of ADHD were broadly in line with last year, although sales of bulk opiates in Europe were down this year as one of our customers relocated production outside of the controlled UK market in which we operate. Speciality opiate sales were also lower as, in line with expectations, we saw increased competition from generic manufacturers for an API used in pain relief medication. There was good demand for the provision of custom services for API development and this supported sales growth in the business during the year.

Catalysis and Chiral Technologies (CCT)

CCT develops and supplies speciality technologies and products, many of which are used by our customers in complex multi step reactions, mainly for the production of APIs. During the year demand was good for CCT's range of catalyst products and sales grew by 4% to £34 million. Underlying operating profit also grew well.

Research Chemicals

Research Chemicals, which operates globally under the Alfa Aesar brand, employs around 480 people and has a global network of operations with eight core sites supported by five stand-alone sales offices.

In 2014/15, sales were down 3% to £77 million (1% down at constant rates) and operating profit also reduced. Steady sales in North America and Asia were held back by slower markets in Europe. During the year we completed our programme to construct new warehouses in key regions. The benefits of these are now starting to be delivered and the business saw growth in sales in the second half.

In line with our long term strategy, we have taken a decision to divest the Research Chemicals business. We are in advanced negotiations regarding its sale and expect to be in a position to announce that agreement on the sale has been reached in the near future. We anticipate that the transaction will be completed by the end of the calendar year.

This divestment is a further step in delivering our long term strategy to focus the group on areas where we can use our expertise in complex chemistry and its applications to deliver value adding sustainable technologies for our customers.

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 and move up the pharmaceutical product value chain. We are focusing on complex, typically smaller volume, APIs and are working with a number of customers / partners to formulate and develop generic drugs. To date, this work has generated a number of abbreviated new drug applications (ANDAs) that have received, or are awaiting, Food and Drug Administration (FDA) approval.

In November 2014 we purchased an API manufacturing facility in Annan, south west Scotland which strongly complements our existing global manufacturing assets. This plant offers further opportunities to optimise efficiencies across our operations and will provide additional capacity to support growth in our API Manufacturing business, especially in Europe. Refurbishment of the site is currently underway and we expect it to be regulatory compliant in mid 2016.

Financial Review of Operations continued

NEW BUSINESSES

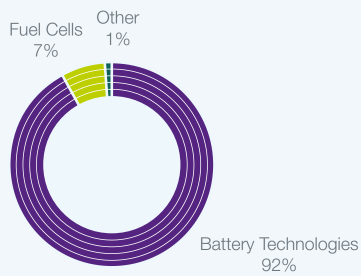
Creating growth engines of the future

Key Statistics

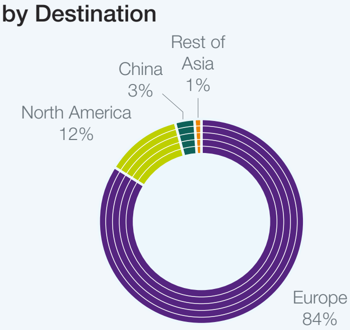
£6.5 million	1.6	£9.6 million	£106 million	898
Capital expenditure	Capex / depreciation	R&D expenditure	Average invested capital	Employees

	Year to 31st March 2015 £ million	2014 £ million	% change	% at constant rates
Revenue	**93**	79	+18	+25
Sales excluding precious metals (sales)	**91**	76	+20	+27
Underlying operating profit / (loss)	**(22.1)**	(18.3)	-21	-19

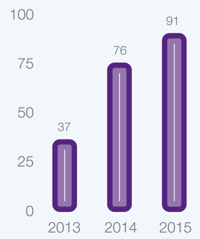
Sales



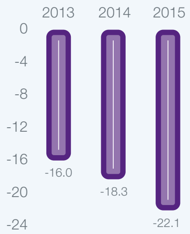
Sales by Destination



Divisional Sales
£ million



Operating Loss
£ million



Financial Review of Operations continued

NEW BUSINESSES continued

Strategy

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

We are **targeting opportunities with sales potential of around £200 million per annum in ten years.** We will focus on areas adjacent 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, high margin potential and present the opportunity for new market entry positions through a new technology solution.

We will **invest in R&D to drive growth** through developing technology for new markets. Through an ongoing process, we will identify and evaluate new opportunities 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.

Divisional Summary as at 31st March 2015

Business	Battery Technologies	Fuel Cells
What We Do	Research, development and manufacture 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	• Automotive and heavy duty vehicle customers • Lithium-ion cell manufacturers • High performance cordless tool and niche transport manufacturers	• Manufacturers of fuel cells for portable, automotive and stationary applications
Major Competitors	Systems: • LG • BMZ Materials: • BASF • Umicore	• W L Gore • 3M • Solvicore
Employees	898	
Locations	• Materials manufacturing in China and Canada • Materials R&D in UK, Germany and Singapore • Systems design, development and manufacture in UK and Poland	• Headquartered in UK • R&D capability in UK
2014/15 Sales	£84 million	£6 million

Performance in 2014/15

New Businesses made good progress with sales up 20% to £91 million. The division benefited from increased sales in Battery Technologies, and we completed two bolt-on acquisitions in this area during the year. Excluding acquisitions the division's sales were 11% ahead. We continued to invest in research and development to support other long term new business areas, such as water purification and atmosphere control technologies. As a result of this and acquisition-related costs, the division made an underlying operating loss of £22.1 million.

Battery Technologies

Our Battery Technologies business performed well with sales 23% ahead at £84 million (31% at constant rates) supported by good demand for battery systems for high performance power tools and e-bikes. Sales of battery systems to customers in the automotive sector also made progress.

Within Battery Technologies, a focus is on the development of battery materials for highly demanding applications such as for the automotive sector. In September 2014 we completed the purchase of a cathode material manufacturing facility in China from A123 Systems LLC, a leading lithium-ion (Li-ion) battery manufacturer, for US $26 million. The acquisition also includes a long term agreement where Johnson Matthey will supply A123 with lithium iron phosphate (LFP).

In February 2015 we completed the acquisition of Clariant AG's Energy Storage business for US $75 million. This includes a world scale battery materials manufacturing facility in Canada, an R&D centre and pilot plant in Germany together with the customer order book and a substantial intellectual property portfolio. The business is a leading supplier of LFP cathode material to the Li-ion battery sector for both automotive and non-automotive applications.

These two complementary transactions strengthen Johnson Matthey's position in the battery materials sector. This provides us with a strong platform in LFP from which we will develop a broader portfolio of battery materials. Integration of the two businesses into our Battery Technologies business is underway to realise benefits from R&D, manufacturing and commercial synergies. Sales of battery materials made a small contribution in 2014/15 which we expect to increase in 2015/16 as a result of a full year of ownership of the two acquired businesses.

We have also continued to invest in R&D to support our battery technologies development and the business as a whole made a small operating loss in the period.

Fuel Cells

Sales in our Fuel Cells business were £6 million, slightly lower than last year. The business was impacted in the first half of the year by the bankruptcy of a principal customer for membrane electrode assemblies (MEAs) for stationary applications. That customer was subsequently acquired by a larger organisation to which we have continued to supply our MEAs. This supported sales in the second half.

For transport applications, the phased emissions regulation in California, USA and the impact of Japan's Basic Energy Plan continue to incentivise the introduction of small numbers of fuel cell powered cars and several companies have announced plans for the commercial launch of these vehicles. We have continued to work with a number of OEMs on their development programmes and it is our strategy to convert these existing OEM relationships into volume supply in the next two to three years.

The net expense of our Fuel Cells business reduced this year to £9.9 million.

New Business Development

We invested just under £10 million in other new opportunities, the most advanced being our Water Purification and Atmosphere Control Technologies (ACT) businesses.

On 18th May 2015 we completed the acquisition of the StePac Modified Atmosphere Packaging business from DS Smith for £20 million, subject to typical post-closing adjustments. The transaction is an important step in the development of our ACT business. StePac, which employs around 90 people, is a leading provider of modified atmosphere packaging which works closely with growers and distributors of fresh produce to develop, manufacture and supply application specific products. The business is commercially active in over 60 countries and has manufacturing facilities in Israel and the US.

Combined with our expertise in functional materials, the acquisition of StePac provides a strong platform of complementary technical skills and market access to enable Johnson Matthey to accelerate the selection, development and commercialisation of new technologies. We expect our ACT business to deliver sales of around £20 million in 2015/16 and, after taking account of integration costs, the business should make a small operating profit in the year.

Financial Review

Den Jones
Group Finance Director

Summary

- Underlying profit before tax up 3% and underlying earnings per share up 6%.
- Balance sheet remains strong; net debt (including post tax pension deficits) / EBITDA of 1.7 times.
- Working capital increased due to business growth and higher precious metal inventories at year end.
- ROIC at 18.8%, down 2.0% due to loss of income from Anglo Platinum and higher working capital.
- Final dividend of 49.5 pence recommended, resulting in full year dividend up 9% at 68.0 pence.

Introduction

Johnson Matthey made good progress in 2014/15. Underlying profit before tax was 3% ahead at £440.1 million and underlying earnings per share was up 6%. At constant exchange rates and adjusting for loss of commission income from Anglo Platinum sales grew by 9% and underlying profit before tax was up 15%. Further aspects of the group's financial performance in 2014/15 are outlined below.

Corporate Costs

Corporate costs increased slightly in the year from £33.3 million to £34.0 million to support the growth in the business. In line with prior year, and as we continue to expect going forward, this represents just over 1% of sales.

Research and Development (R&D)

Gross expenditure on R&D was £169.9 million, which was up 12% compared with 2013/14. In line with previous years, this represented just over 5% of group sales. R&D expenditure in ECT and Process Technologies accounted for over 60% of total spend.

Profit Before Tax

The group's underlying profit before tax increased by 3% to £440.1 million (2013/14 £427.3 million). Profit before tax was 22% higher at £495.8 million (2013/14 £406.6 million), boosted by profit of £69.7 million from the sale of the Gold and Silver Refining business in March 2015 which was excluded from underlying profit before tax.

Underlying Profit Reconciliation

	Year ended 31st March 2015			Year ended 31st March 2014		
	Profit before tax £ million	Income tax expense £ million	Profit for the year £ million	Profit before tax £ million	Income tax expense £ million	Profit for the year £ million
Underlying basis	440.1	(74.9)	365.2	427.3	(82.7)	344.6
Amortisation of acquired intangibles	(17.3)	4.5	(12.8)	(20.7)	5.3	(15.4)
Profit on sale or liquidation of businesses	73.0	1.9	74.9	–	–	–
Tax effect of UK corporation tax rate change	–	–	–	–	9.5	9.5
Reported basis	495.8	(68.5)	427.3	406.6	(67.9)	338.7

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 at 2015 exchange	
	2015 £ million	2014 £ million	% change	rates £ million	% change
Emission Control Technologies	**236.9**	203.6	+16	195.5	+21
Process Technologies	**106.0**	101.9	+4	99.1	+7
Precious Metal Products	**101.5**	130.9	-22	127.8	-21
Fine Chemicals	**88.8**	84.1	+6	82.9	+7
New Businesses	**(22.1)**	(18.3)	-21	(18.6)	-19
Corporate	**(34.0)**	(33.3)		(33.6)	
Total group	**477.1**	468.9	+2	453.1	+5

Sterling appreciated against the majority of currencies during 2014/15 and overall, the impact of exchange rates decreased sales and underlying operating profit for the year by around £92 million and £16 million respectively, primarily in the first half of the year. However, there was volatility throughout the year and at 31st March 2015, the exchange rates of sterling against the US dollar, euro and Chinese renminbi were \$1.478, €1.372 and ¥9.16 respectively.

Of the group's underlying operating profit that is denominated in the group's principal overseas currencies, the average exchange rates during 2014/15 were:

	Share of 2014/15 non-sterling denominated underlying operating profit	Average exchange rate 2014/15	2013/14	% change
US dollar	44%	1.613	1.591	+1
Euro	23%	1.275	1.186	+8
Chinese renminbi	13%	9.99	9.73	+3

The US dollar, euro and Chinese renminbi represent about 80% of the group's non-sterling denominated 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 £0.6 million impact on underlying operating profit in a full year.

If current exchange rates are maintained throughout 2015/16, foreign currency translation will have a limited impact on reported underlying operating profit, primarily as sterling's weakness against the US dollar is offset by its strength against the euro.

Return on Sales

The group's return on sales was slightly below last year at 15.3%.

Return on Sales

	Sales excluding precious metals		Return on sales[1]	
	2015 £ million	2014 £ million	**2015 %**	2014 %
Emission Control Technologies	**1,782**	1,645	**13.3**	12.4
Process Technologies	**591**	565	**17.9**	18.0
Precious Metal Products	**379**	430	**26.8**	30.5
Fine Chemicals	**327**	322	**27.2**	26.1
New Businesses	**91**	76	**n/a**	n/a
Less inter-segment sales	**(45)**	(57)	**n/a**	n/a
Total group	**3,125**	2,981	**15.3**	15.7

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

Financial Review continued

Return on Invested Capital

The group's return on invested capital (ROIC) fell from 20.8% to 18.8%. Around 1.5% of this fall resulted from the loss of commission income in relation to the Anglo Platinum contracts, with the remainder due to an increase in working capital across the group. Underlying operating profit for the group was slightly higher than last year at £477.1 million, while average invested capital was £284 million higher at £2,538 million.

We remain committed to our 20% long term ROIC target and we will continue to invest organically in our businesses across the world to drive these returns. We will also target appropriate acquisitions that accelerate the delivery of the group's strategy which may depress ROIC in the short term but create long term value. At 18.8%, the group's ROIC is well ahead of our pre-tax cost of capital, which we estimate to be 8.8% (2013/14 10.4%).

Return on Invested Capital

	Average invested capital[1]		Return on invested capital[2]	
	2015 £ million	2014 £ million	**2015 %**	2014 %
Emission Control Technologies	**981**	970	**24.1**	21.0
Process Technologies	**725**	664	**14.6**	15.3
Precious Metal Products	**469**	357	**21.6**	36.6
Fine Chemicals	**481**	447	**18.4**	18.8
New Businesses	**106**	78	**n/a**	n/a
Corporate / other	**(224)**	(262)	**n/a**	n/a
Total group	**2,538**	2,254	**18.8**	20.8

[1] Average of opening and closing segmental net assets as shown in note 1 on the accounts on pages 143 and 144. For the group, the average of opening and closing equity plus net debt.

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

Interest

The group's net finance costs were £37.5 million, down from £42.1 million in 2013/14. This decrease was mainly due to a reduced pension interest charge and lower average interest rates following refinancing of some of our long term debt facilities in June 2013. 62% of the group's net debt at 31st March 2015 has fixed interest rates averaging approximately 3.2%.

Taxation

The group's total tax charge for the year was £68.5 million, a tax rate of 13.8% on profit before tax (2013/14 16.7%). The tax charge on underlying profit before tax was £74.9 million, which represents an effective tax rate of 17.0%, down from 19.4% last year. This decrease was primarily due to the continued reduction in the headline rate of corporation tax in the UK from 23% for 2013/14 to 21% for 2014/15.

The group will continue to benefit from a further reduction in the headline UK corporation tax rate down to 20% for the year ending 31st March 2016. Going forward, although the geographic mix of profit is uncertain, we anticipate that the rate of tax on the group's underlying profit should remain at least 3% lower than the headline rate for UK corporation tax, partly as the group benefits from the UK's 'patent box' legislation.

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 slightly higher underlying profit before tax and a lower effective tax rate meant that underlying earnings per share increased by 6% to 180.6 pence. Earnings per share rose by 26% to 211.2 pence.

Dividend

If the proposed final dividend of 49.5 pence per share is approved, the group's ordinary dividend for the full year will be 68.0 pence (2013/14 62.5 pence). At this level, the dividend would be covered 2.7 times by underlying earnings per share.

Cash Flow

During the year ended 31st March 2015 net cash inflow from operating activities was £125.8 million (2013/14 £476.9 million). The group's total working capital increased by £433.4 million from last year. Excluding the element that relates to precious metals, working capital increased by £253.0 million, from an unusually low 45 days last year to 66 days. The increase in working capital days was due to four principal factors: a strong fourth quarter's performance at Process Technologies; the growth in our ECT business in Asia where payment terms are extended compared with other regions; an increase in inventories in both of these divisions to meet expected demand in the first quarter of 2015/16; and the reduction in activity in Process Technologies' licensing business which is typically cash positive. Working capital in respect of precious metals also grew, by £180.4 million, due primarily to higher inventories at the year end within Precious Metal Products.

The group's cash flow conversion (adjusting for the effect of movements in precious metal working capital) was 44% (2013/14 82%), reflecting the increase in working capital.

Whilst we expect working capital levels to reduce somewhat from the year end, this is in the context of a growing business where we are increasing our sales in countries where customers have longer payment terms. As a result we expect working capital days to be typically in the range of 50 to 60. Cash flow conversion is also expected to improve, but with higher levels of investment planned to support business growth, we anticipate it to average around 70% over the next few years.

Capital Expenditure

Capital expenditure was £211.8 million (of which £212.1 million was cash spent in the year) which equated to 1.6 times depreciation. The principal investments were projects to:

- add further autocatalyst manufacturing capacity in Europe to meet demand from the new light duty and heavy duty legislation; and
- expand chemical catalyst manufacturing capacity in China and Europe to meet future demand from customers in the petrochemicals industry.

The divisional split of capital expenditure in the year was:

	Capital expenditure 2014/15 £ million	Capex / depreciation
Emission Control Technologies	69.2	1.2
Process Technologies	49.7	1.7
Precious Metal Products	31.6	1.6
Fine Chemicals	35.7	1.9
New Businesses	6.5	1.6
Corporate	19.1	4.2
Total group	211.8	1.6

We anticipate that capital expenditure will be around £280 million per annum for the next couple of years to support future growth across the business, and this will include investment in our core business systems. Capital expenditure to depreciation is expected to be in the range of 1.6 to 1.8 times.

Depreciation was £134.7 million in 2014/15 (2013/14 £127.4 million) and, in line with previous guidance, we expect this to rise to around £170 million by 2016/17 as a result of the increased investment across the group.

Pensions

Actuarial – Funding Basis

UK Scheme

The latest actuarial valuation of the UK scheme, effective as at 1st April 2015, is underway and the results are expected to be available later this year. As a result of the actions taken over the last few years to reduce the deficit, we anticipate that the scheme's deficit will have decreased significantly. The previous actuarial valuation, as at 1st April 2012, estimated that the scheme deficit was £214 million. In the year we made deficit funding cash contributions of £26.6 million.

US Scheme

The latest actuarial valuations of our two US pension schemes estimated that their deficits had decreased from £26 million at 30th June 2013 to £1 million at 30th June 2014.

IFRS – Accounting Basis

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

	31st March 2015 £ million	31st March 2014 £ million
UK pension scheme		
Scheme deficit	**(77.2)**	(78.6)
SPV assets	**54.4**	49.1
Net deficit[1]	**(22.8)**	(29.5)
US pension schemes	**(26.6)**	(14.1)
Other pension schemes[2]	**(32.3)**	(23.1)
	(81.7)	(66.7)
Post-retirement medical schemes	**(57.6)**	(47.0)
Total[1]	**(139.3)**	(113.7)

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

2 Deficits of £33.1 million and surplus of £0.8 million.

The deficits in the group's principal UK and US defined benefit pension schemes increased by £11.1 million principally due to a significant drop in the discount rates used to value the schemes' net liabilities.

The cost of providing post-employment benefits was £56.4 million, up from £51.5 million in 2013/14 because of one-off curtailment and settlement gains in that year. We anticipate that this will increase by £15 million for 2015/16, mainly non-cash and predominantly due to discount rates being significantly lower at 31st March 2015 compared to the same point last year. This will be included in the divisions' underlying operating profit.

Financial Review continued

For each of its pension schemes worldwide, the group continues to 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 as well as interest and inflation hedging where appropriate. Currently, 58% of the group's total pension assets are held in government and corporate bonds, up from 55% last year.

Capital Structure

Net debt at the 31st March 2015 was £994.4 million, up £265.2 million during the year. Including post tax pension deficits and bonds held to fund pensions of £43.2 million increases net debt to £1,037.6 million. The group's underlying EBITDA increased to £611.8 million (2013/14 £596.3 million). As a result, the group's net debt (including post tax pension deficits) / EBITDA was 1.7 times (31st March 2014 1.3 times), which is within our target range of 1.5 to 2.0 times.

Borrowings

	31st March 2015		31st March 2014	
	£ million	%	£ million	%
Over five years	569.8	54	649.6	68
Two to five years	92.3	9	89.9	10
One to two years	101.5	10	0.4	–
Within one year	290.2	27	211.1	22
Gross borrowings (net of swaps)	1,053.8	100	951.0	100
Less: cash and deposits	59.4		221.8	
Net debt	994.4		729.2	

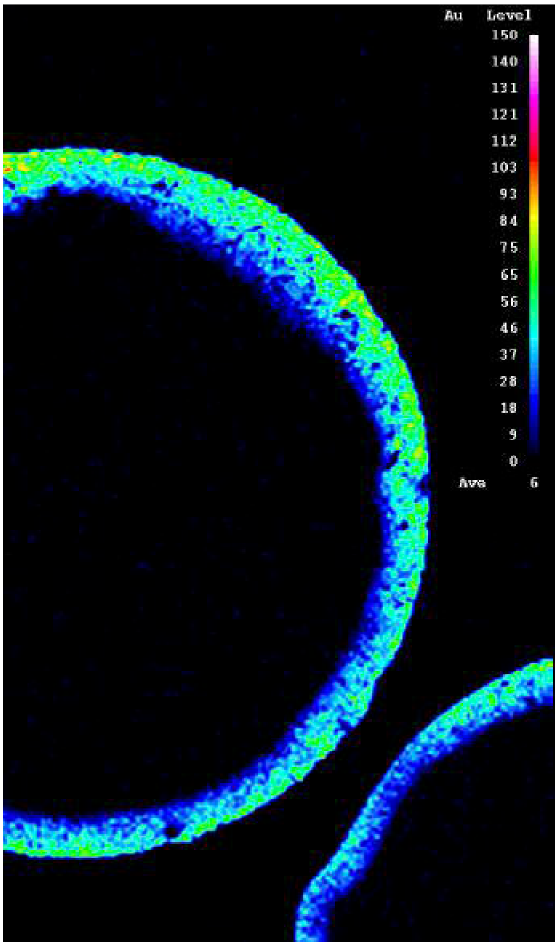
Making PVC Production More Sustainable

The manufacture of vinyl chloride monomer (VCM) is an important intermediate step in the production of poly vinyl chloride (PVC) and today, much of the world's production requires a mercury based catalyst. In October 2013, 90 countries signed the Minamata Convention on Mercury which is a binding international treaty aimed at controlling and reducing emissions of toxic mercury compounds. As a result, after 2017 VCM plants will need 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. Our catalyst uses gold as the active component which is carefully positioned on the surface of a carbon support material. This can be seen in the 'element map' on the right where the green colour represents the gold. We call this an eggshell catalyst as the gold sits only on the surface and we have specifically designed it this way to minimise the amount of gold used and to make it readily available for reaction.

As well as putting the gold in the right place, we also faced the challenge of producing it in a stable form. Through applying our expertise, we were able to stabilise the gold and produce the catalyst using an environmentally friendly manufacturing process. We are currently commissioning the catalyst production plant in China which should be ready to produce commercial quantities of the new catalyst during 2015/16.

Through combining our chemistry skills and applications knowledge, we have successfully developed a new, economically viable catalyst that will enable a more sustainable route to PVC.



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.

At 31st March 2015 the group had cash and deposits of £59.4 million and £180.6 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 54 and the chart below.

Of the committed facilities, £104.7 million falls due to be repaid in the 15 months to 30th June 2016 (the going concern period). During May 2015 £25.5 million of this was refinanced and increased to £51.0 million and an additional £40.3 million of facilities were added with relationship banks.

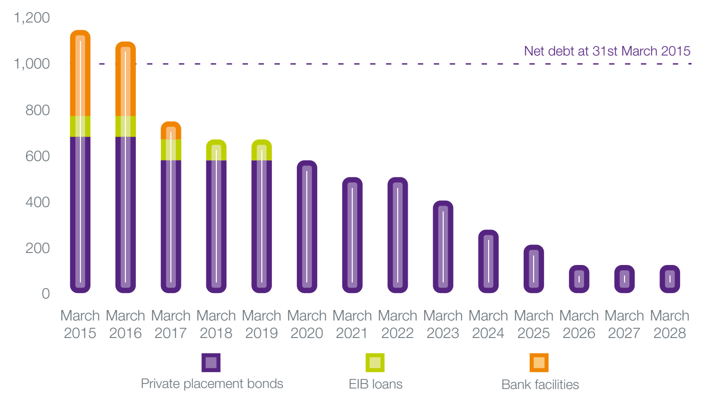
Going Concern

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 2015 the group had net borrowings of £994.4 million of which 62% was at fixed rates with an average interest rate of 3.2%. The remaining 38% of the group's net borrowings was funded on a floating rate basis. A 1% change in all interest rates would have a 0.9% impact on underlying profit before tax. This is within the range the board regards as acceptable.

Maturity Profile of Debt Facilities
At 31st March 2015 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 China, 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 2015 are shown on page 166.

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.

Currently a significant proportion 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.

3. **Health and Safety**

58 New Metrics
58 Reviewing our EHS Management System and Policies
58 Safety Performance
59 Health Performance
60 Health and Safety Culture
60 Principles for Health and Safety
60 Training and Safety Self-Assessment
60 Contractor Health and Safety
60 Governance Processes and Auditing
60 Looking Ahead to 2015/16
60 Product Stewardship
61 Regulatory Matters

45%
reduction in occupational illness cases

25%
reduction in lost time injury and illness rate

HEALTH AND SAFETY

SUSTAINABLE TECHNOLOGIES for today and for the future

Making Health and Safety our Priority

Our Fine Chemicals Division has targeted improvements in health and safety with a two pronged approach. Firstly, the management team is working with employees to establish a behaviour based safety programme and secondly, by providing new equipment, the risk of workplace injuries is being reduced.

Peter McGinnis, the environment, health and safety lead for our Fine Chemicals Division, explains how both of these investments are having a positive impact across the division.

Why is health and safety important for your division?

Health and safety is our priority across all of our divisions. In Fine Chemicals our R&D, manufacturing, and packaging teams work with a wide range of hazardous materials. This means we focus on advanced areas of process safety and chemical exposure control, as well as minimising day to day risks. We also have a responsibility to ensure that our safety systems meet the highest standards.

What improvements have you seen to health and safety this year?

Our goal is to achieve a world class health and safety culture. We are training all employees on principle driven behaviours as set out in the Johnson Matthey Behaviour Standard. The standard is designed to help all employees assess their behaviours and modify them accordingly. It's already having a positive impact. There's real engagement, which has translated into everyday activities. To support ongoing learning, our meetings begin with the 'safety minute' where an individual shares their recent safety experiences.

What else are you doing to achieve your health and safety aspirations?

We've looked at ways to improve our existing safety procedures. For example, we've examined the process for handling heavy steel drums across all our sites and are sharing best practice in this area.

However, a world class health and safety culture is not only achieved through behavioural and procedural improvements but also by investing in the latest high quality equipment. At our site in Edinburgh, UK, where we manufacture and test potent compounds, we have installed a high containment facility which includes a state of the art isolator that physically separates the employee from the hazards of the task.

At our West Deptford site in the US we are adding a tank farm to store flammable solvents. This new installation will enable us to pump the solvents straight into production vessels, minimising the need for manual handling of drums.

Is there more to come?

Definitely – in the coming year we will continue our investment in both behavioural change and equipment, moving us towards our health and safety goals.

Peter McGinnis

Health and Safety

Performance Summary

	2015	2014	% change
Lost time injury and illness rate[1]	**0.49**	0.65	-25
Total recordable injury and illness rate[1]	**1.14**	1.77	-36
Incidents of occupational illness cases per 1,000 employees	**1.2**	2.2	-45

We are focused on reinvigorating our health and safety culture with the aim of achieving world class performance. New metrics, clearer reporting and the adoption of health and safety as our priority are all contributing to improvements.

By working together, we can protect our employees, suppliers, customers and communities, and improve our health and safety performance. This is essential for our future success. This is how we have identified health and safety as one of our core values.

The Group Management Committee (GMC) is leading the company to improved health and safety performance. Over the year, our management systems and approach to health and safety have been assessed and significant changes have been made, where necessary, paving the way to a cycle of continual improvement.

New Metrics

As Johnson Matthey moves towards a world class health and safety culture, the first step is to benchmark against other companies. We had been using a metric, familiar in health and safety measurement, of 'greater than three day accidents', i.e. accidents where the employee involved was unable to work for more than three days.

When we looked at how leading global companies assess performance we discovered that they used more sensitive measurements: 'total recordable injury and illness rate' (TRIIR) and 'lost time injury and illness rate' (LTIIR).

These metrics, originally developed by the US Occupational Safety and Health Administration, are now in use globally. Seven major companies in our industry and adjacent sectors use these metrics, so we decided to join them and make the switch.

The metrics are more stringent and give a clearer and more accurate picture of performance. They also include the impact of work related illness and restricted duties.

Reviewing our EHS Management System and Policies

Our corporate environment, health and safety (EHS) management system is supported by policies and guidance documents which serve as a framework for managing EHS matters at our facilities. With the global environment rapidly changing, we regularly review our policies to ensure that they are up to date. During the year we looked at the format and content of all our policies and guidance and simplified the documents to make them easier to use. We also created a new consultation review programme to secure input from our sites. Through the programme, we solicit comments on the changes to be made to each policy. This is a highly effective means of improving our core EHS processes and our plan is to update all polices during the coming year.

As part of the review, we introduced changes to our EHS auditing. One area of change was to simplify the grading system, using grading in such a way as to encourage improvement.

Safety Performance

Our performance summary of accidents is shown in the table above and two year performance is shown opposite.

The LTIIR[1] – number of lost workday cases per 200,000 hours worked in a rolling year – improved by 25% during the year, from 0.65 in 2014 to 0.49 in 2015. The TRIIR[1] – number of recordable cases per 200,000 hours worked in a rolling year – also improved over the period from 1.77 in 2014 to 1.14 in 2015, a reduction of 36%. There were no employee or contractor fatalities at Johnson Matthey in 2014/15. The last fatality that occurred on one of our sites was in October 2010 and was a contractor who was working at our facility in Panki, India.

The reduction seen in both rates is the result of our continued focus and awareness in relation to improving health and safety. Our behavioural programmes for managers and employees have gained momentum as we target a reduction in the number of injuries with a high behavioural cause. We found that 85% of injuries across the group last year fell into this category (see LTIIR by Event Type chart opposite for full details). We will continue to build on our progress next year in our ambition to reduce both our LTIIR and TRIIR rates further and develop a world class health and safety culture.

[1] For further explanation see page 188.

Health Performance

As we reinvigorate our health and safety activities, we are putting the emphasis as much on occupational health as on safety at work. New this year is a network of global physicians, based in the UK, USA, China and India, who are specialists in occupational medicine. They provide advice and guidance on medical issues that affect Johnson Matthey and its employees and act as consultants to the occupational health teams working at our facilities around the world.

During the year we continued to develop our corporate and facility health programmes and have made good progress towards our long term health improvement goals. Some 83% 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 2014/15, broadly the same proportion as last year.

95% of 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.

There was a small reduction in performance in the areas of emergency medical management and health surveillance over the year. However, this is not unusual and a small amount of annual variation in these numbers is expected. The scores were not significantly different from recent years.

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

In 2014/15 we achieved a significant reduction in the annual incidence of employee occupational illness cases as we continue to aim for our target of zero occupational illness cases. We have invested in equipment, in raising awareness and in occupational health specialists to support this. Consequently the incidence reduced from 2.2 cases per 1,000 employees in 2013/14 to 1.2 cases per 1,000 employees in 2014/15. This represents a 45% improvement and is mainly the result of a reduced number of cases of skin disease and musculoskeletal conditions. In 2014/15 we refined our definition of occupational illness and the types of illness included to bring our measurement in line with World Health Organization specifications.

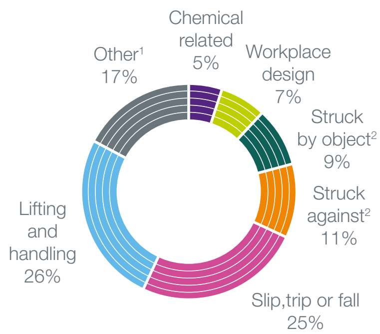
There were no reported cases of occupational illness affecting contractors working at our sites during the year.

Johnson Matthey has comprehensive processes in place to prevent, identify and manage 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 above (based on guidance provided in the Global Reporting Initiative reporting guidelines).

Occupational Illness Cases[1]

number of cases | rate / 1,000 employees

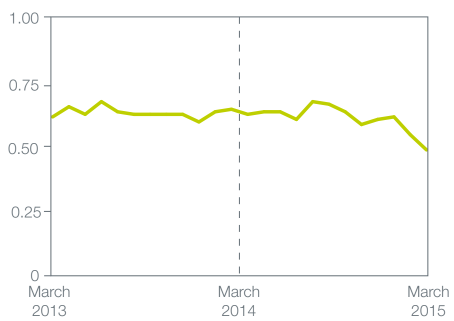
LTIIR by Event Type



¹ Sum of individual event types below 5%.
² See page 188 for definitions.

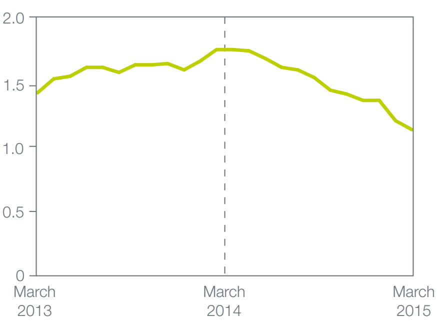
Lost Time Injury and Illness Rate

per 200,000 working hours in a rolling year



Total Recordable Injury and Illness Rate

per 200,000 working hours in a rolling year



Health and Safety continued

Health and Safety Culture

Analysis of our injuries and incidents shows that 85% have a high behavioural cause. With a stronger health and safety culture, many more of these incidents can be prevented as most of the injuries on our sites are the results of slips and trips or incorrect manual handling. We considered how safety culture can be understood and recognised the distinction between a compliance culture and a commitment culture. Under a compliance culture, there is an emphasis purely on rules and procedures, which provides an external motivation. But under a commitment culture, motivation is internal, and while rules and procedures remain important, there is wide engagement at all levels. If our performance is to be world class, we recognise that we need to strengthen commitment at an individual level.

We have adopted a maturity model to guide our health and safety practices and behaviour. The model defines five levels of maturity, from 'emerging' at level 1, through 'managing', 'involving', and 'cooperating' up to level 5 which is 'continually improving'. We consider that, as a whole, we have reached between level 2 and 3 of the model, where we are managing health and safety through training, site surveys and other activities.

The maturity model is helping us plot our course towards further improvement and shows us clearly where we want to be.

Principles for Health and Safety

Our approach is embodied in our newly adopted health and safety principles. They hold that:

- All injuries and occupational illnesses are preventable.
- We are all responsible for preventing injuries and occupational illness.
- Adherence to lifesaving policies and site safety rules is mandatory.
- Working safely is a condition of employment.
- We will promote off the job health and safety for our employees.

These principles are integral to our thinking and form the foundation for future activities.

Training and Safety Self-Assessment

With our commitment to the principle that 'we are all responsible', we began training in September 2014 with a session for the GMC, led by an external consultant.

This was followed by training for all general managers across Johnson Matthey in the form of two day workshops designed to develop a culture of awareness and improvement. At the same time, new guidance was developed, entitled the EHS Behaviour Standard, and around 50% of our sites are now implementing it.

We are working hard to ensure that everyone is engaged with health and safety and feels their commitment, so that the strongest motivations are from within. From ensuring that factory employees are lifting correctly to requiring senior managers to act as role models and lead by example, our emphasis on health and safety is already having an impact across the business. This is all part of being the best we can be and pursuing operational excellence, contributing to our business strategy for our next century of growth.

Contractor Health and Safety

We treat our contractors just as we treat our permanent employees and maintain the same concern for their health, safety and wellbeing.

We employ contractors to cover long term sickness absence and maternity leave and on sites where we experience seasonal variations in workload.

Our new metric, LTIIR, is also applied to our contractor workforce. This year our contractor LTIIR at 31st March 2015 was 0.48 (2014 0.57) representing a 16% improvement.

Governance Processes and Auditing

Compliance audits on EHS matters are conducted to verify that performance standards are in line with our corporate EHS policies. These include specialist reviews of occupational health clinical governance.

During the year we introduced improvements to the way in which we audit our sites' EHS performance and we updated our EHS audit protocols as part of the review of our EHS management system. As a result, our EHS audits are more rigorous and more transparent.

Our EHS policy is a written statement, formulated and agreed by the GMC. 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.

Looking Ahead to 2015/16

We plan to continue the momentum created on health and safety into the next year and beyond. We are extending the EHS Behaviour Standard to all our sites, together with our newly established health and safety principles.

We intend to establish new targets for reducing our injury and illness rates. Our new and more rigorous audit processes began in April 2015.

As we continue to embed behavioural changes around health and safety we will expand our training and communication efforts. We have identified safety observations (a system of reviewing safety practices on the ground) and the investigation of safety incidents as two areas that will help us raise our game.

We are maintaining our drive to secure buy in at all levels, with employees following the rules because they want to and not because they have to.

Among our management, we expect managers to show visible leadership and commitment, helping us to move up our maturity model to the higher levels of a robust and world class safety culture.

We see a strong health and safety culture as an essential building block of our vision and strategy for the future. Improvements in health and safety enhance our reputation and help the company to create value. We believe that as health and safety improves, so too do quality and productivity. There is also a positive effect on employee morale. In short, it's good for people and business.

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. 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 human health.

At Johnson Matthey, we are committed to responsible management of the chemicals we use and produce. We have well established product stewardship systems to ensure the sound management of chemicals throughout their life cycle. In these we follow a global framework introduced by the Strategic Approach to International Chemicals Management (SAICM) to promote chemical safety around the world. Our focus on sustainability also motivates us to apply green chemistry principles when selecting materials and putting effective controls in place to restrict the use of substances of concern.

We carry out rigorous evaluations of our new and existing products, assessing any risks associated with product use and determining risk management measures, which we communicate to end users and others in the supply chain. 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.

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

Performance in 2014/15 and Strategic Priorities

Johnson Matthey uses 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 2014/15, 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.

During 2014/15 we strengthened and expanded our central product stewardship team, covering the product regulatory requirements in our businesses, and responding to significantly increased new product development in our API Manufacturing business.

This included the recruitment of additional specialists in the areas of product regulation and toxicology. Particular attention was paid to the product stewardship requirements of our emerging new businesses such as battery materials and atmosphere control technologies.

We also focused on enhancing our workplace chemical exposure management, especially around the control of potent compounds in our API Manufacturing business. This included the development of a new control matrix for the definition of exposure control targets at various stages of the product development process, and a hazard and control screening system for our compound development pipeline. Comprehensive internal guidance was also developed on certain key workplace risks, such as the safe handling of chlorine at our facilities.

During the year, Johnson Matthey contributed to industry wide efforts to develop state of the art guidelines on occupational hazard and safety management information for platinum group metals and their products via the International Platinum Association Platinum Group Metals Health Science Research Group voluntary programmes.

Looking Ahead to 2015/16

In the coming year we will be introducing a more formalised stage gate assessment for new product and technology introductions across our businesses. This will focus on three key characteristics: product safety, product sustainability and regulatory compliance. From this we will be able to make full assessments earlier in product life cycles and deliver more consistency when evaluating the introduction of new products across the group. The improvement programme will roll out over a period of about three years, beginning in 2015.

We also plan to implement a number of enhanced procedures, training and improved systems to help with the management of global trade control compliance for products and technologies subject to export and import controls or other movement or sales controls.

Regulatory Matters

The EU chemical management framework known as REACH (the Registration, Evaluation, Authorisation and Restriction of Chemicals Regulation) has entered its final phase of registrations with the approach of the 2018 deadline for lower tonnage substances. Johnson Matthey anticipates making around 140 registrations during this period of peak activity and the related business and corporate programmes are on track to achieve the registrations in a timely and efficient manner. Due mainly to leveraging very cost efficient consortia partnerships, we continue to be below budget in respect of the overall REACH programme costs versus our initial estimates.

Product diversification via our New Businesses Division, together with the geographic growth of the group, has led to the expansion of the scope of our regulatory monitoring and compliance programmes. For instance, we have recently committed significant effort to regulatory horizon scanning and systems related to global legislation on food contact materials, batteries and related materials, and water purification. These efforts will support the business in the future and underpin both regulatory and product safety assessments for our products. We also continue to upgrade the effectiveness of our response to newer Asia Pacific region regulations, such as K-REACH and China-REACH. We are also anticipating important changes to the US chemical management framework via the Toxic Substances Control Act modernisation initiative (currently being considered by US Congress).

4. **Social**

64 A Sustainable Workforce
64 Talent Management
65 Developing our People
65 Reward and Recognition
66 A Growing Workforce
68 Engaging our People
69 Stakeholder Engagement
71 Governance and Human Resources
71 Human Rights

6.0%
voluntary employee turnover

£675,000
charitable donations made, including matched fundraising by employees

SOCIAL

SUSTAINABLE TECHNOLOGIES for today and for the future

Inspiring Our Next Generation of Scientists

As we continue to develop our sustainable technologies we need a pool of talent to enable us to innovate for today and for the future.

All around the world, we are supporting schools and universities, science related charities and non-profit organisations to promote STEM subjects – science, technology, engineering and maths. Many Johnson Matthey sites around the world receive visits from school children. We have several outreach programmes underway and make regular contributions to educational charities. This year for the first time we sponsored a stand at the Big Bang science fair in Birmingham, UK, an annual event for schoolchildren.

As a teenager, research scientist Sheena Hindocha was inspired by an outreach programme. This year it was her turn to motivate visitors to the Big Bang fair by showing them the exciting and rewarding opportunities from a career in science.

What inspired you to become a scientist?

As a child, I always had an interest in science. When I was 13 I spent a week at an outreach programme working on practical experiments – it was far more hands on than at school. It took science to a whole new level and was a brilliant experience.

How did you get involved in the Big Bang fair?

I had already mentioned my interest in outreach activities to my manager. I'd been involved with ScienceGrrl, an organisation that supports female scientists, and had done outreach work at the Science Museum in London, so was eager to get involved. I was responsible for coordinating the team and bringing the different parts of the project together. With so many visitors (70,000), health and safety was key. Everything on the stand was risk assessed and approved. The fair itself was great and being involved was one of the best things I've done since joining Johnson Matthey. I'd love to do something similar again!

What hands on experiments could visitors try?

We created four zones: energy, clean air, healthcare and learning. In the energy zone we used a Scalextric track to show how cars can be fuelled in different ways. In clean air we explored how our autocatalysts work to reduce harmful emissions from cars. In healthcare we set up a molecule building race, while in the learning area we created an interactive quiz.

How did the children react to the experiments?

They enjoyed the learning environment hugely. One group of primary school children were asked to name famous scientists – like Marie Curie and Tim Berners-Lee – they were all excitedly shouting "Me! Me!" It was great to see them discovering that science is fun. There was a real mix of children from different backgrounds keen to get involved and understand the activities. I think it's really important for Johnson Matthey and the larger science community to be involved in these types of events to inspire our next generation of scientists.

Sheena Hindocha

Social

Performance Summary

		2015	2014
Average number of employees		**12,148**	11,331
Total employee turnover[1]	%	**8.7**	9.0
Voluntary employee turnover[1]	%	**6.0**	5.6
Employee gender (female)[2]	%	**25**	24
Gender of new recruits (female)	%	**30**	27
Trade union representation	%	**28**	29
Training days per employee		**3.2**	3.3
Training spend per employee[3]	£	**426**	465
Internal promotions	% of all recruitment in year	**33**	26
Attendance	days lost per employee	**4.9**	5.3
Charitable donations	£ thousands	**612**	626

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.

In support of business growth, our social goals remain; to be a leader in developing our people, enhancing our relationships with our stakeholders and encouraging positive involvement with the communities where we operate. We want to be a good corporate citizen in line with our Sustainability 2017 Vision, excelling as an employer and justifying the good reputation that we have earned.

A Sustainable Workforce

As we grow our business, we are increasing our workforce and we need to make sure that we are attracting the right people and retaining them. We have a good record of low staff turnover and we promote from within. At the same time we must encourage prospective employees from outside who will add their skills and experience to our diverse mix.

Our Human Resources (HR) strategy is defined as 'attracting, engaging and growing our people to enable the effective delivery of the group's strategy over the long term'. In practical terms, that means recruiting people through new channels as well as traditional means, offering career development to meet their needs and those of our company, and rewarding employees fairly. This is the basis for a sustainable workforce.

Talent Management

We are one year into our new talent management approach, which we launched in 2014. At its heart is our value of 'recognition and development' – the goal is to identify employees across different pools of talent globally, accelerate their development and offer career opportunities to help them realise their full potential. At Johnson Matthey, anyone from anywhere can progress.

We have introduced a talent review process which focuses on strategic people issues and an in depth review of talent across all of our divisions. Twice a year, each division holds a high level meeting to look at the most critical roles for the business and succession plans. We assess employees with the potential to grow into more senior roles and ensure that sound personal development plans are in place for them. Last year, we started this process by reviewing our senior management population. Next year we plan to expand it to middle and junior management levels to achieve visibility of our best talent at more levels in the organisation. This will help us put in place the necessary leadership pipeline for the growth of our business.

To support cross divisional career development opportunities we must also complete cross divisional talent reviews. The Group Management Committee looks right across the group to gain a strategic overview and review the most senior roles. We also consider the talent needs of particular functions, for example manufacturing and finance, as well as individual countries, for example China which is a significant market for us.

We are a business with operations reaching around the world, relying on the movement of people between geographies and divisions. We are developing consistent global HR practices to make the transition for them go as smoothly as possible and as we implement our talent strategy, we are introducing a common approach and common language in this important area.

To guide our leaders at all levels we have developed a new leadership framework aligned to our 3C Strategy. This is a cornerstone of our groupwide talent strategy and will serve as a practical tool in recruitment, appraisal and development processes with a focus on positive leadership behaviours.

We want our leaders to show by example how we live our values and to understand what key actions they and their teams need to take. The new framework includes several core competences, for example customer focus, building collaborative relationships and leading change, which will all be critical for our leaders in the future. Next year we will continue to implement this framework across the group.

Employee Mobility

We remain committed to improving employee mobility across our divisions and international borders and believe it is an important aspect of people's development – individuals gain breadth and depth of experience while the company benefits from their enhanced knowledge and greater collaboration, all of which help deliver our business strategy.

Over the past year we have developed a global mobility function and recruited dedicated specialists, as well as introducing consistent processes and global supplier arrangements which will improve the effectiveness of our programmes.

Next year, we plan to implement new policies for different types of international assignment to ensure they offer guidance, support and incentives in line with our talent management activities.

Developing our People

We place strong emphasis on developing our people and this is a key element of our HR strategy. Our philosophy is to provide challenging job experiences alongside collaboration, coaching and mentoring opportunities, as well as formal training. We offer a mix of regional and global development programmes at different levels which stretch employees to learn new skills, collaborate across divisions and complete project work based on real business challenges.

One example is our global manufacturing leadership programme (see case study on page 67). This programme is helping us to strengthen our internal talent pipeline for senior manufacturing roles which we have identified as key to meeting the needs of our growing manufacturing businesses.

Another example is our Senior Leaders Programme, an executive development programme, now in its fourth year and provided in partnership with London Business School. The programme is designed to accelerate the development of our senior business and functional leaders. A business impact survey conducted in 2014 showed that the programme is having a significant positive effect on the participants and on our business, including clear benefits in terms of career progress, collaboration, strategic projects and leadership effectiveness.

Our future plans for leadership development include a new leadership curriculum which will set out our learning programme for all levels of leaders. We will define a core curriculum and specific development activities for different employee groups. Together with this, we plan to refresh our regional leadership programmes aimed at emerging leaders with further potential to progress.

Our divisions continue to be responsible for technical training and local development activities as this gives them the flexibility to identify and meet local needs. This includes our well established apprenticeship programmes in key locations, as well as divisional graduate development programmes, for example for chemical engineers.

The following table sets out, on a total and on a per employee basis, the days of training and training spend during 2014/15. The training spend does not include the cost of in house training or the cost of the employees' wages during training.

Training Days and Spend on Training
2014/15

	Total days / shifts training	Number of days / shifts training per employee	Spend per employee £
Europe	18,379	3.1	609
North America	10,126	3.1	215
Asia	5,015	2.8	285
Rest of World	3,418	6.0	214
Total group	**36,938**	**3.2**	**426**

During 2014/15, 906 internal promotions were made representing 32.8% of appointments made during the year and 132 of these were moves between our businesses. This reflects our ongoing commitment to the training and personal development of our employees.

Next year we plan to review and enhance our metrics in the area of people development and training so that we can improve how we measure progress against our objectives.

Reward and Recognition

At Johnson Matthey we aim to provide remuneration and benefit arrangements that are market competitive and valued by our employees so that we can continue to attract and retain the people we need.

During the year we reviewed our salaries and created a new bonus framework that applies to all levels of the organisation. The framework is designed to support our strategic aims for the future and recognises the importance of overall group performance as well as business and personal performance. The framework will be implemented during the next financial year for managers and thereafter for other employees.

We have also improved our pay processes to enable greater consistency of pay levels. This will be built upon next year as we develop a global job classification system, which will not only enable better pay benchmarking but also facilitate career development pathways. In addition, we will expand our performance related pay system.

We completed an audit of our global benefit arrangements to ensure good governance and the availability of data which will allow us to benchmark our reward programmes against local markets. We have also launched a new suite of communications, initially in the UK and the USA, to engage our workforce with our benefit programmes and promote the idea of total rewards through online and offline communications. Next year we will expand this to other major countries.

Social continued

A Growing Workforce

This year we experienced further steady growth in our employee numbers and an increase in promotions and moves within the group. This reflects continued growth in our existing business as well as a number of acquisitions during the year.

The following tables set out the average number of people employed by Johnson Matthey and the net change in the number of people employed during 2014/15 by geographical region and by employment contract.

Average Number of People Employed

Average headcount 2014/15

	Permanent employees	Temporary contract employees	Total
Europe	5,857	547	6,404
North America	3,278	38	3,316
Asia	1,816	46	1,862
Rest of World	566	–	566
Total group	**11,517**	**631**	**12,148**

Annual Change in People Employed

Net change between average headcount 2013/14 and 2014/15

	Permanent employees	Temporary contract employees	Total net change
Europe	+80	+212	+292
North America	+214	-4	+210
Asia	+307	-2	+305
Rest of World	+15	-5	+10
Total group	**+616**	**+201**	**+817**

The high level of employee commitment and loyalty to the group continues to bring strength to our businesses. Voluntary staff turnover increased slightly to 6.0% (2013/14 5.6%) – remaining very low compared to many other organisations. The total employee turnover figure fell slightly to 8.7% from 9.0% in 2013/14.

The following table sets out the employee turnover in 2014/15 by geographical region. The employee turnover figure 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.

Employee Turnover by Region

2014/15

	Total leavers	Employee turnover	Voluntary employee turnover
Europe	436	7.4%	4.7%
North America	303	9.2%	6.4%
Asia	221	12.2%	9.6%
Rest of World	44	7.8%	6.0%
Total group	**1,004**	**8.7%**	**6.0%**

We have reviewed our divisional and local graduate programmes and found that they provide excellent development opportunities and serve the needs of the businesses well. We are an attractive employer to high calibre graduates as well as industrial placement students. Next year we plan to enhance the experience of placement students during their time with us at Johnson Matthey. We will be holding events that will give them more information about career opportunities at Johnson Matthey, and help them meet and network with more of our people while they are with us. It's about engaging with students proactively and ensuring they have the best experience possible.

As we are a business reliant upon chemistry and its applications our future depends on the recruitment of excellent science graduates. As such we actively promote the study of STEM subjects – science, technology, engineering and maths – in schools and universities. We organise site visits from school and university students and work with local schools, at primary and secondary level, to stimulate an interest in science. Through a range of activities, we aim to draw young people to science long before we want to attract them to a job in the company.

Read more on page 63.

A growing trend in recruitment is the importance of employer brand. We want to appeal to the best people who also share our culture and values. How a company is perceived in the marketplace and its sustainability credentials are significant factors in determining whether the best applicants will want to join us. Polls on the best companies to work for are taken seriously by recruits. In 2014 we were named Britain's Most Admired Company in Management Today's peer assessed annual awards in recognition of the progress we have made in this area.

We understand that the quality of our people is a key source of competitive advantage. Next year we are reviewing our employer brand in order to continue to attract the highest calibre of graduates and experienced staff. The review will cover our online presence, including social media, and we will launch a global toolkit of resources for use by our recruitment teams that can be tailored locally.

Trade Union Representation

28% of all group employees worldwide (2013/14 29%) belong to a recognised trade union. We continue to maintain good and constructive relations with all recognised trade unions which collectively represent our employees. The following table sets out the average number and percentage of Johnson Matthey's employees who were covered by collective bargaining arrangements and represented by trade unions by geographical region in 2014/15.

During 2014/15 no working time was lost within the group due to employee action.

Trade Union Representation

Average headcount 2014/15

	Permanent employees	Represented	% represented
Europe	5,857	2,290	39%
North America	3,278	621	19%
Asia	1,816	16	1%
Rest of World	566	253	45%
Total group	**11,517**	**3,180**	**28%**

Diversity

At Johnson Matthey we offer equal opportunities for all 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. This coming year we will measure diversity across our talent pools and ensure the right questions concerning diversity are asked as part of the talent review process.

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 a diverse mix at 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 making progress.

The table below shows the gender breakdown of the group's employees as at 31st March 2015. Our policies on equal opportunities and diversity are shown on our website.

Gender Diversity Statistics

As at 31st March 2015

	Male	Female	% male	% female
Board	8	2	80%	20% (33% of non-executives)
Group Management Committee	9[1]	1	90%	10%
Subsidiary directors[2]	121[1]	18	87%	13%
Senior managers[2]	178	48	79%	21%
New recruits	1,357	578	70%	30%
Total group	9,159	3,107	75%	25%

1 Includes four males who are also on the board.

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

Managing Talent to Develop Future Leaders

Investing in our people is one of the nine building blocks of our 3C Strategy. The progress that we make each year is only made possible by their enthusiasm and dedication and it is essential that this continues as we move into our 3rd century. As global markets drive demand for advanced facilities and the right people to manage them, we have launched a leadership development programme to cultivate our manufacturing talent.

The programme is aimed at accelerating the development of those manufacturing managers with the ambition and drive to succeed. Participants take part in a wide range of activities to develop new and existing skills. They are encouraged to use knowledge gained from formal training to solve real world problems around our business. They also visit some of our major operations around the world to help them better understand our global manufacturing capabilities.

These visits have been valuable to both participants and sites. During a recent trip to our refinery additives plant in Savannah, USA, the group worked with the plant's operations team to improve its filtering processes. After analysing data and diagnosing issues they were able to recommend a number of solutions and increase output capacity to the value of approximately £400,000 per year.

Not only did this collaboration have real time benefits for the Savannah plant, since completion of the programme many of the participants have used what they learnt in their own roles and progressed in their careers. We expect to see more examples of the programme's success over the coming months as it expands further across the group.

Social continued

Engaging our People

As a global company it is important that employees, wherever they are based, connect with our 3C Strategy and vision.

Employee engagement is about our people feeling involved in the company and committed to its goals which, in turn, promotes better performance, employee retention and wellbeing. When information flows freely and employees are aware of the activities and management decisions that affect their day to day work and how they can contribute to the overall performance of the business, employees feel more engaged. At Johnson Matthey we promote two way communications and a culture that encourages employee feedback.

However, in 2013, feedback from employees suggested that our strategy was not as widely understood internally as we would have liked. So in June 2014 we launched a communications campaign to share our 3C business strategy with all of our people via a series of more than 150 local events. Post event feedback collected online was very positive. To further embed the strategy across the business, we are launching our global 3C Awards which are designed to strengthen the link between reward and recognition and the 3C Strategy. The awards aim to seek out the best of the best across the group in the areas of collaboration, customer focus and creating value.

Our groupwide intranet, 'myJM', which launched two years ago is available to all employees with computer access (about 70% of employees). The platform was designed to promote networking between employees across the world and people are using the system to link up, share information and collaborate on projects. A survey found that since its launch, myJM users believe communication between the company and its employees has improved and that it is easier to network with colleagues.

Accelerating collaboration is a key theme of both our 3C Strategy and our approach to employee engagement. A project is underway to enhance myJM to improve its functionality and to allow remote access so that information and collaboration opportunities are available to those who do not have regular access to a company networked computer.

We have also developed a 'collaboration framework' to drive an increased level of collaborative project ideas. The aim of the framework is to encourage and facilitate ideas, innovation and idea management, as well as to resource and deliver cross divisional collaboration projects across the group. Introduced towards the end of 2014/15, it will allow key stakeholders greater visibility of collaborative efforts and enable proactive engagement at a strategic level.

Attendance

Good rates of attendance were maintained this year. The average number of days lost per employee in 2014/15 due to sickness and unplanned absence was 4.9 days, down from 5.3 days in 2013/14. This represents 1.9% of lost time per employee in the working year.

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. Read more about our Macedonian team's marathon efforts on page 71.

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 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.

During the year we began a project to prepare a new code of business integrity and ethics. The code will set out the standards and principles that everyone at Johnson Matthey is expected to meet. It will bring all of our values to life by providing advice and guidance in the way we work to ensure that we are all acting legally, ethically, safely and fairly. Doing the right thing by our people, customers, shareholders and communities is a fundamental part of life at Johnson Matthey.

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 on myJM. Reports received through the website and helpline (as well as any received as e-mail or letter) are appropriately investigated in accordance with our policy on whistleblowing.

For the group, there were a total of 23 new whistleblowing reports in the calendar year 2014 (2013 16) and all but three have been resolved as at the date of approval of this annual report. At its meeting in January 2015, the Audit Committee reviewed the group's whistleblowing procedures and the matters raised during 2014.

Share Ownership Schemes and Pensions

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 (the latter is a US tax approved scheme). Through these ownership plans, Johnson Matthey's current and former employees collectively held 1.68% of the company's shares at 31st March 2015.

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.

Manufacturing Excellence

Our Manufacturing Excellence programme, which is improving efficiency and productivity across our operations, 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. During the year, five of our sites across the group attained the Silver standard.

Read more in the case study below.

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 working together with our stakeholders, through consultation or collaboration, we can make sure that the things that matter to them matter to us too. That means that the interests of these groups are considered as we make decisions on how to develop the business.

We communicate with stakeholders on an ongoing basis and in a number of ways. They include our regular publications (including this report), our website, surveys, our internal collaboration platform myJM 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 and contributing to a range of discussions that are relevant to our stakeholders, and those of the broader industry and market sectors in which we operate.

During the year we participated in a number of trade associations including the UK Chemical Industries Association, the Diesel Technology Forum, the Society of Motor Manufacturers and Traders, 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.

While much of our engagement in policy development is through trade associations, from time to time we also engage with national and local government to inform the development of policy in areas where our technology or products can play an important role.

From a broader sustainability perspective we have regular dialogue and consultation with Business in the Community, PE International (now renamed thinkstep) as a member of its Product Sustainability Round Table and the Sustainability 50 global group to keep us abreast of the latest thinking.

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

Shareholders are an important stakeholder group for us. We meet with major shareholders regularly, as described in the Corporate Governance Report on pages 96 and 97. A number of our investors are particularly interested in ethical and socially responsible investments. We discuss sustainability and CSR issues with them and provide the information they need to specialists from their organisations. We also participate in key benchmarking studies (Carbon Disclosure Project, FTSE4Good, London Benchmarking Group) and are a member of the FTSE4Good Index.

The communities where we operate are another significant partner for us. Our workforce includes a large number of people from local areas.

Driving Efficiency to Improve Our Performance

We developed the Manufacturing Excellence programme in 2012 to develop our people, identify new technologies to improve manufacturing and increase operational efficiency. Today operational excellence and sustainability is one of the nine building blocks of our 3C Strategy.

The programme includes a voluntary assessment element developed to recognise individual sites for their progressive implementation of continuous improvement methods, starting with Silver then moving up to Gold and Platinum.

This year we are pleased to announce that five more of our sites across the USA, UK, Mexico and Macedonia have achieved Silver efficiency status. Before receiving an award each site goes through a rigorous assessment whereby their overall performance is measured against the financial impact to decide which standard, if any, has been reached.

Manufacturing is a major part of our business, providing work for more than 50% of our people, and it is the way we bring our science to life. Improving our performance in this area can therefore create significant value for our business.

Our focus on improvements, such as those delivered through Manufacturing Excellence, are helping us adapt to new and changing markets. By expanding the programme further this long term investment across the group is set to bring many more benefits in the future.

Social continued

We aim 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 hardships that may arise as a result. Demand for our colour products which are used in the decorative ceramics industry continued its long term decline and we decided to exit the market resulting in the closure this year of our site in Stoke-on-Trent and the loss of 44 jobs. The bankruptcy of a customer of our Fuel Cells business during the year also resulted in the loss of 33 positions.

Material Issues

As we continue to plan long term for the sustainability of the business we are developing more systematic ways to get a better understanding of what issues are most material or relevant to our success and to engage more effectively with our stakeholders to help inform our planning.

Horizon scanning and identification of global megatrends are a key part of our long term planning. The Group Policy and 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.

By establishing a more integrated approach to defining material issues, we will, in the future, be able to better communicate our findings in a clear and simple way to stakeholders on matters of genuine importance to our long term profitability.

Working with our Communities

We have a strong tradition of encouraging our employees to get involved with their communities and build good community relations. This contributes to our Sustainability 2017 Vision to build a sustainable business and we believe that investing in our communities is an integral part of that commitment.

We invest in our communities to:

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

As a responsible business we are committed to making a positive contribution to the 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 support, providing employee time or making in kind donations.

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

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. Employees are encouraged to take the opportunity to make a contribution to their local area. We are developing processes to collect data on volunteering by our employees so that we can track progress.

The communities in which we operate face a wide range of issues 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.

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

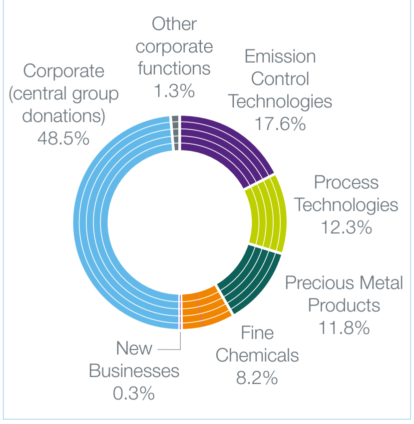
During 2014/15 the company donated £612,000 to charitable organisations. This figure only includes donations made by Johnson Matthey and does not include payroll giving, donations made by staff or employee time. The company made no political donations in the year.

At a group level, Johnson Matthey operates a charitable donations programme which represented 49% of total donations in 2014/15. This programme supports organisations working in the areas of environment and sustainability, medical and health, science and education, social welfare and international development.

This year saw us set up a global Community Investment Forum with members from all areas of our business taking part to encourage collaboration across the group. From raising the profile of local efforts to sharing new ideas and best practice, regular meetings have benefited us in multiple ways and discussions have helped to shape our plans for 2015/16. In the coming year we aim to develop relationships with our charity partners that go beyond financial support. We are also restructuring our Community Investment Committee to reflect the different locations in which we operate and the different needs of our communities.

We are now halfway into our two year partnership with Cancer Research UK, which began on 1st April 2014, with our non-UK sites being encouraged to support their national cancer research charities. Employees have been keen to support Cancer Research UK at both site and personal levels and in 2014/15 we raised more than £26,000, including a £15,000 corporate donation.

Charitable Donations 2014/15



In addition to our corporate charitable donations, we also offer matched funding for employees' fundraising efforts. 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. We saw increased participation from employees as they raised £63,000 for 52 charities which was topped up with an additional £44,000 from the company in matched contributions.

Governance and Human Resources

As a global company, we maintain progressive HR standards backed by group policies. Our sites are located in a number of countries which have different legal frameworks and requirements. Consequently, our HR practices always meet local statutory requirements and we often go beyond them to recognise regional best practice. Our global HR policies have application across all our sites and are supplemented by local policies. Site specific human resources policies and procedures are communicated to staff at inductions and through staff handbooks.

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. People with disabilities can often be denied a fair chance at work because of misconceptions about their capabilities, and we seek to enhance the opportunities available by attempting, wherever possible, to overcome the obstacles. This might mean modifying equipment, restructuring jobs or improving access to premises, provided such action does not compromise health and safety standards.

This is set down in our policy, which extends to employees who have become disabled during their employment and who will be offered employment opportunities consistent with their capabilities.

Diversity is welcomed and we see it as a core component of a sustainable business. Job applications are encouraged from all sections of the community including minority groups.

As part of our governance, our HR policies and risks are examined by the Group Management Committee and the Group Policy and Compliance Committee, with the board responsible for overseeing the overall HR strategy. In addition the Nomination Committee oversees talent and succession decisions and the Remuneration Committee deals with remuneration policy.

Human Rights

We are confident of our human rights performance in our own operations. However, business practices along the supply chain are not always transparent and this is a risk that we have to manage.

We make every effort 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 on child labour, forced labour, non-discrimination, freedom of association and collective bargaining.

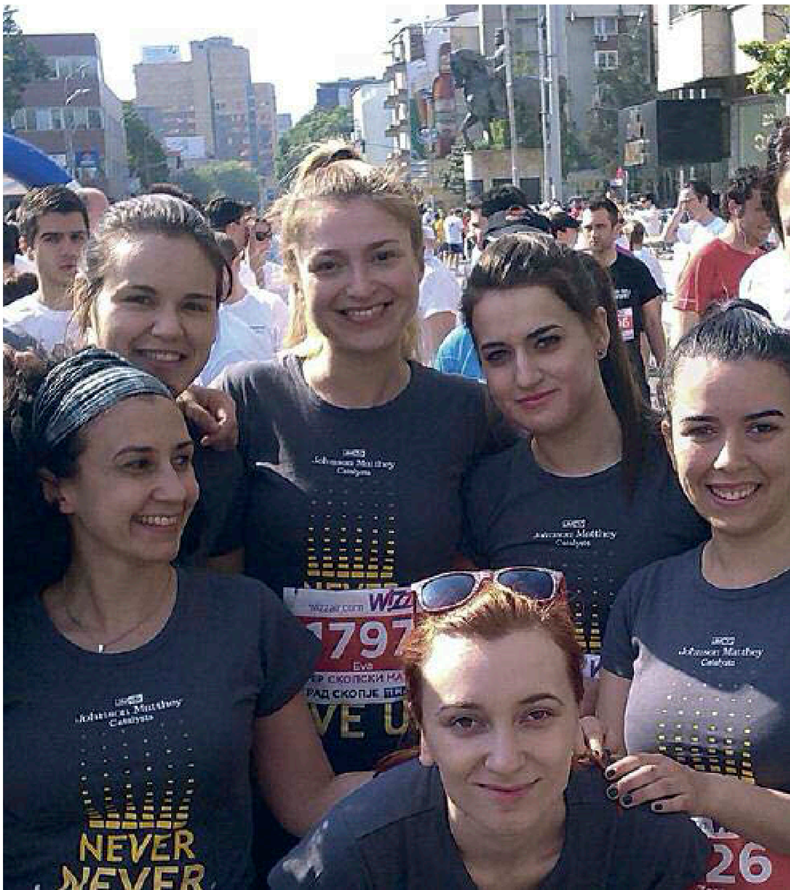
We also support the principles endorsed under the UN Global Compact and the UN Guiding Principles on Business and Human Rights (the 'Ruggie' Principles). We comply with these core principles whenever we enter into business in a new territory, make an acquisition or enter a joint venture. The principles are integrated into our risk assessment procedures and impact assessments as part of our due diligence processes.

Marathon Effort to Improve Health in Macedonia

Part of our commitment to fostering healthy working environments involves encouraging off the job health and safety among our employees. Many of our sites run health and wellbeing events, host information campaigns and enter teams into large scale sporting events. Keeping fit is a preventative measure we can all take to reduce our risk of short and long term injury and illness. Building on its participation in previous years, our site in Macedonia took part in the annual Skopje marathon for the fourth time in May 2014.

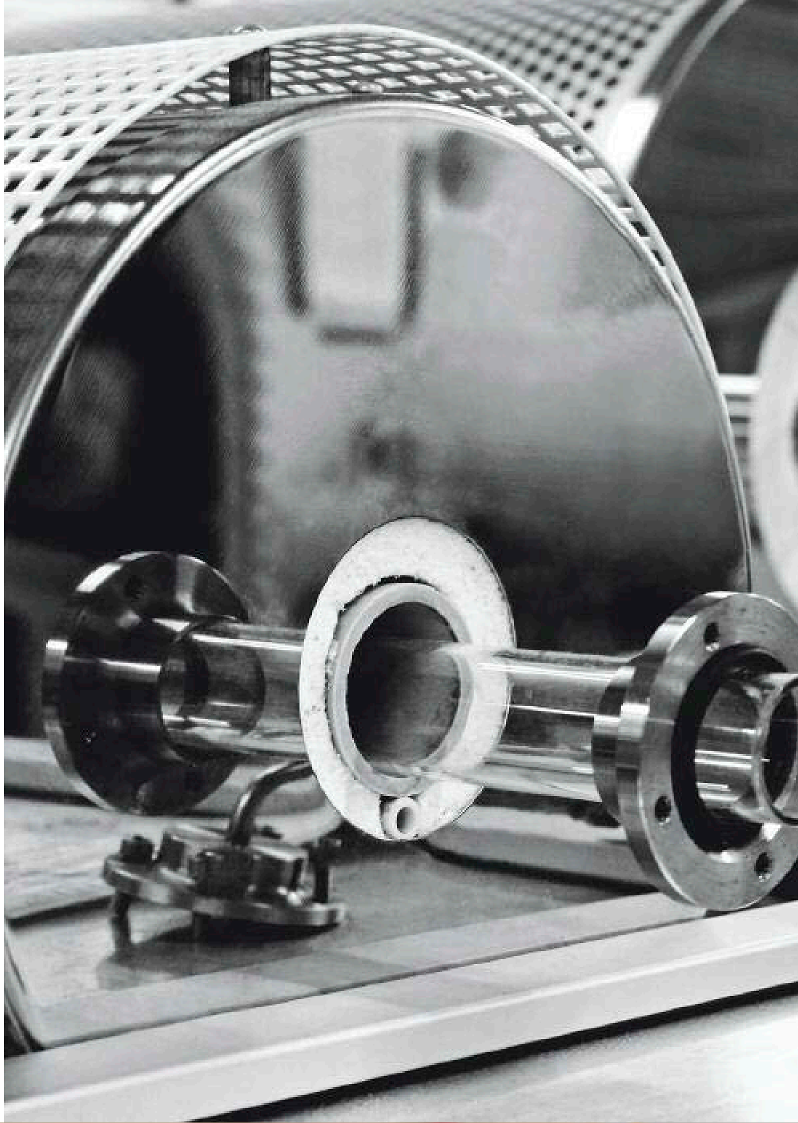
With training ongoing throughout the year it was a great team effort from sign up to race day. Employees regularly trained together to keep motivation high. In total, 70 employees took part in the event, which is around 15% of the local workforce. Not only were we recognised as the company with the largest number of participants, we were also awarded 'Most Popular Large Company'.

The team's mantra throughout training and the race itself was 'never, never give up'. This is something that the team has kept in mind during preparation for the 2015 event too.



5. **Environment**

74 Improving Our Processes and Performance
75 Environmental Performance
77 Environmental Awareness



495

thousand tonnes CO_2 equivalent, total global warming potential

9%

reduction in waste to landfill

ENVIRONMENT

SUSTAINABLE TECHNOLOGIES for today and for the future

Battery Materials for a Greener Future

Our business is built around sustainable technologies and using our expertise to find solutions that optimise the use of natural resources and protect the environment. One of our new business areas is battery technologies, where innovation could unlock the broader commercialisation of fully electric, zero emission vehicles.

We are investing in R&D to create the next generation of battery technologies that will benefit the planet and fuel our business growth. One of the newest additions to our growing network of technology centres, the Johnson Matthey research facility in Singapore, is exploring battery materials, tapping into the pool of talent that the country offers and strengthening our position in Asia. Research scientist Suzi Deng from the Singapore Technology Centre talks about her work.

What is your role at the Singapore Technology Centre and what projects are you working on?
I am a chemist by background and I'm working on new battery technologies. Battery cells consist of a number of different component materials. On the one hand, I am looking at how to optimise the formulations and synthesis of these components. On the other, I am also investigating how the components work together so we can maximise the synergies between them to deliver better material performance.

Could you tell us something about the performance of lithium-ion batteries and the current technology challenges?
What you need in an electric vehicle is a battery that provides power density (for acceleration) and energy density (which allows the vehicle to run for a reasonable distance). Lithium-ion, or Li-ion, is the most promising technology available today. Li-ion batteries have power and energy densities sufficient for hybrid electric vehicles and plug-in hybrids, but the energy density (needed for distance) must be improved if they are to meet customer expectations for fully electric vehicles. Furthermore, these batteries have to last 10 to 15 years, their cost has to be controlled and they need to be safe to use in all conditions. It is great to be working on developing new technologies to tackle these challenges.

As a scientist, how do you see the future of batteries?
Pressures on the environment have forced us to think about how we generate energy and adopt more sustainable approaches. Interest in the use of batteries is not only confined to transport. Improvements in battery technologies will also make it easier and cheaper to store on the grid the electrical power that is generated by renewable energy sources such as solar panels and wind turbines. The result would be less reliance on power sources such as oil, gas, coal and nuclear.

A lot of effort has been put into battery research and I hope this will accelerate a solution for batteries that can be used in both electric vehicles and for grid energy storage. Other battery technologies that we will be working on and have potential for the future include aluminum-ion and sodium-ion batteries, which are conceptually similar to Li-ion. This will enable the wider use of these power sources by smoothing their fluctuating output – as it's not always sunny or windy – to match the varying customer demand. There's certainly a lot happening in the area.

Suzi Deng

Environment

Performance Summary

		2015	2014	% change
Energy consumption	thousands GJ	**5,360**	5,015[1]	+7
Total global warming potential	thousand tonnes CO_2 equivalent	**495**	463[2]	+7
Total acid gas emissions	tonnes SO_2 equivalent	**394**	405	-3
Total VOC emissions	tonnes	**154**	209	-26
Total waste	tonnes	**106,494**	121,594	-12
Total waste to landfill	tonnes	**3,482**	3,819	-9
Water consumption	thousands m^3	**2,529**	2,564	-1

1 Restated to include energy derived from the combustion of bottled gases at a small number of sites.

2 Restated to include Scope 1 manufacturing process derived emissions and emissions due to the combustion of bottled gases.

At Johnson Matthey we make a major contribution to protecting the environment. We do this by responsibly managing the resources we use, the way we operate our businesses and through the effect of our products and services on the environment.

A key element of our business is the application of our expertise in chemistry to turn natural resources into value adding sustainable technologies for our customers. For example, our process catalysts that improve resource efficiency and our emission control catalysts for vehicles both have a positive impact on the environment. We invest heavily in R&D to support the development of the next generation of products with sustainability benefits and are proud to say that 89% of the products that we manufacture fit this category.

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 and even the availability of resources. So we apply our technical expertise to mitigate these risks.

We do this in three ways. Firstly, we develop products which deliver the same performance but have a lower content of critical raw materials – for example, we reduce the proportion of rare earth materials in our emission control catalysts and refinery additives. Secondly, we develop products that can be manufactured in a less resource intensive way. One example is our compact catalysed soot filter product for diesel cars. Finally, we develop products that enable our customers to lower their own environmental footprint; this is something that our process catalysts do.

Our Sustainability 2017 and Manufacturing Excellence programmes are well established, enabling us to increase resource efficiency within our own operations, generating cost savings for our business today and helping to improve our environmental performance and conserve resources for the future.

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

Improving Our Processes and Performance

In our Sustainability 2017 programme, we set ourselves a series of tough targets to improve environmental performance. We state that we want to cut our 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 identified natural gas, electricity and water as our most significant resources in the context of how available these resources are now and will be in the future (taking into account factors such as accessibility, geopolitical conditions and infrastructure), together with costs and the quantities we use. To help us to meet our targets and aspirations, we have in place long term environmental improvement plans, and performance indicators have been agreed.

Work to achieve our targets is done at business and site level. Each of our businesses sets internal reduction targets which are formally reviewed as part of the annual budget process to ensure that they are aligned with the Sustainability 2017 and Manufacturing Excellence programmes and are contributing to 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 help us realise 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. The battery systems business, acquired in October 2012, has now achieved ISO 14001 and all other recent acquisitions are on track to achieve accreditation this year.

Go online for full details of our policies and strategies at www.matthey.com/sustainability.

Read more on our Sustainability 2017 progress on page 2.

Environmental Performance

Johnson Matthey undertakes a comprehensive annual review of group environmental performance which covers all manufacturing and R&D facilities. Data is presented for a five year period for ten environmental indicators on page 187 of this report. Year on year performance is highlighted on the following pages.

We recorded decreases in seven of our ten environmental indicators this year whilst at the same time growing our business. This is the result of our ongoing Sustainability 2017 and Manufacturing Excellence programmes which aim to reduce our impact on the environment. There were increases in three indicators; energy consumption, total global warming potential (GWP) and emissions of oxides of nitrogen (NOx), primarily as a result of expansion in production at our facility in Savannah, USA. This plant has almost doubled its production capacity, leading to an increase in energy consumption. The additional facilities were designed to minimise water use, reduce waste and emissions to air, and they have proved to be very successful in these areas.

Johnson Matthey's sales excluding precious metals (sales) grew by 5% in the year. Eight of our ten indicators (all but energy consumption and total GWP) reduced relative to the rate of growth of the group's sales, demonstrating the positive impact of our efforts.

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 7% to 5,360 thousand GJ, which represents a 2% increase relative to sales. This was primarily caused by an increase in natural gas consumption due to the expansion of our manufacturing facilities at Savannah in the USA. Total electricity usage relative to sales declined by 1% although natural gas used increased 4% relative to sales. Of the energy consumed in 2014/15, 64% arose from direct sources (i.e. various fuels and natural gas combusted by the group) and 35% from consumed electricity generated by a supplier. 1% was generated locally from zero carbon sources.

Energy consumption for 2014 has been restated to include energy derived from the combustion of bottled gases at a small number of sites and which had been included in prior years' data.

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, and process derived CO_2 emissions).
- 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 2014/15 emissions of CO_2 derived from our manufacturing processes reached a level which we determined to be material and so we have included it in our Scope 1 emissions for the first time. We have also restated our total GWP for 2014 to include such manufacturing process derived emissions and also to include emissions due to the combustion of bottled gases at a small number of sites. This caused our total GWP for 2013/14 to increase compared to the total GWP reported in the 2014 annual report.

In 2014/15 the group's total GWP increased by 7% to 495 thousand tonnes CO_2 equivalent. This increase is principally due to an increase in the Scope 1 emissions at our Savannah site, as its new production facility came on line this year. Relative to sales, our total GWP increased by 2%. The breakdown of the group's total GWP is shown in the table below.

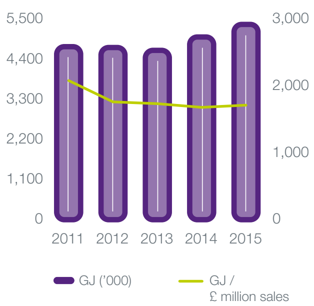
Total Global Warming Potential

	2015 thousand tonnes CO_2 equivalent	**2015 % of total GWP**	2014 thousand tonnes CO_2 equivalent[1]	2014 % of total GWP
Scope 1	**208**	**42%**	184	40%
Scope 2	**261**	**53%**	253	55%
Scope 3 (from electricity transmission and distribution)	**26**	**5%**	26	5%
Total global warming potential	**495**	**100%**	463	100%

[1] Restated to include manufacturing process derived emissions and emissions due to the combustion of bottled gases.

Energy Consumption

GJ ('000) GJ / £ million sales

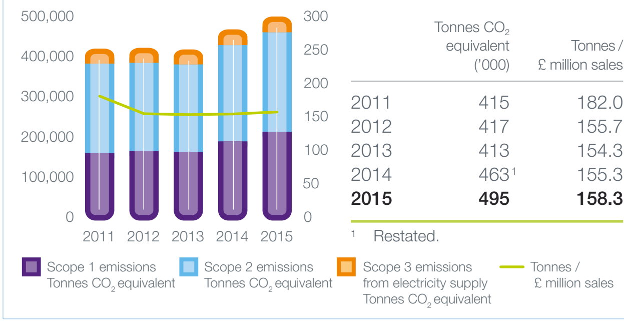


	GJ ('000)	GJ / £ million sales
2011	4,749	2,083
2012	4,726	1,764
2013	4,648	1,737
2014	5,015[1]	1,682
2015	**5,360**	**1,715**

[1] Restated.

Total Global Warming Potential

Tonnes CO_2 equivalent Tonnes / £ million sales



	Tonnes CO_2 equivalent ('000)	Tonnes / £ million sales
2011	415	182.0
2012	417	155.7
2013	413	154.3
2014	463[1]	155.3
2015	**495**	**158.3**

[1] Restated.

Environment continued

Although we consumed more natural gas than electricity, natural gas has 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. The majority of our products are high value but low volume and so the carbon associated with their 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 by 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 2014/15, our total emissions of acid gases decreased by 3% to 394 tonnes sulphur dioxide (SO_2) equivalent. Relative to sales these emissions also decreased, by 7%.

In 2014/15, our emissions of oxides of nitrogen (NOx) increased by 3% to 497 tonnes and total SO_2 emissions decreased by 31% to 46 tonnes. This is mainly due to a change in product mix at our Savannah, USA plant.

Waste

The group generated 106,494 tonnes of waste during the year, down 12% in absolute terms. Waste to landfill also decreased in the year, down 9% to 3,482 tonnes.

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 facilities worldwide evaluate their waste beyond simply a material destined for disposal and increases this year were offset by initiatives to reduce their landfilled waste, such as waste to energy opportunities.

Water Consumption

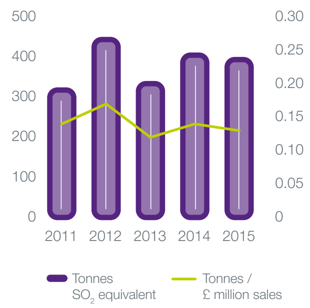
During the year, water consumption decreased by 1% compared with 2013/14 to 2.5 million m^3; relative to sales, water consumption decreased by 6%. Of the total water used by the group, 89% was supplied by local municipal water authorities and 11% was abstracted.

Total effluent remained constant at 1.7 million m^3, despite a recalculation of our 2013/14 data due to one site not reporting last year. There is some natural year on year fluctuation in our effluent data as we have some sites in geographical locations where rainwater run off from our buildings is included in effluent metering.

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 2014/15 the group discharged organic chemicals equivalent to a COD of 422 tonnes into water courses, as regulated by local emission limits at each manufacturing facility, a decrease of 3% on the previous year.

Total Acid Gas Emissions

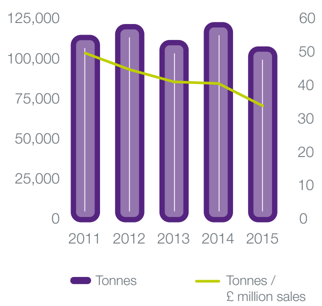
Tonnes SO_2 equivalent — Tonnes / £ million sales



	Tonnes SO_2 equivalent	Tonnes / £ million sales
2011	318	0.1395
2012	444	0.1658
2013	334	0.1248
2014	405	0.1359
2015	**394**	**0.1260**

Total Waste

Tonnes — Tonnes / £ million sales



	Tonnes	Tonnes / £ million sales
2011	113,671	49.86
2012	120,363	44.94
2013	110,448	41.27
2014	121,594	40.79
2015	**106,494**	**34.08**

Next Generation Diesel Emission Control

Diesel engines have low carbon dioxide (CO_2) emissions and good fuel economy. As such, they will play an important role in helping Europe meet its target of reducing fleet average CO_2 emissions to 95 g/km by 2020. However, diesel engines also produce harmful oxides of nitrogen (NOx) emissions that need controlling.

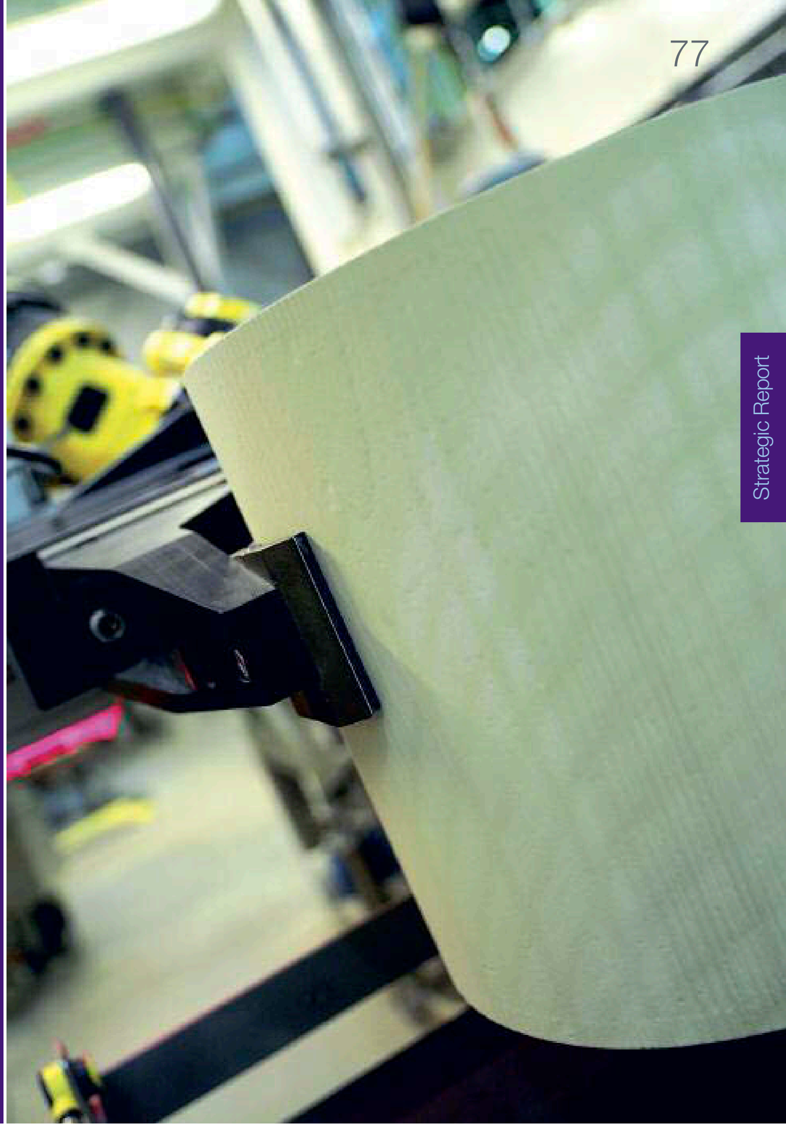
Selective catalytic reduction (SCR) technologies are used to cut these emissions. Johnson Matthey has been instrumental in developing more efficient SCR systems by improving catalyst design and choice of active materials.

In an SCR system, urea is injected into the exhaust and decomposes to ammonia, which in turn reduces NOx to harmless nitrogen gas. The SCR coating can be applied directly to the filters that are already fitted to control particulate matter, allowing for a more compact emission control system. We call this SCRF® technology.

There are challenges though; not all cars have room for a urea tank and the SCR process is not as effective below 200°C. Johnson Matthey has developed NOx adsorber catalysts (NACs) which are a useful alternative that can be used to trap NOx at lower temperatures for later conversion once the catalyst has heated up.

In the future, we expect diesel cars to combine NAC and SCRF® technologies into a more robust system that can effectively convert NOx over the widest possible range of driving conditions. This will help vehicles meet ever tightening legislation.

Today, our diesel technologies cut NOx emissions levels to 90% below those legislated for ten years ago. We are continuing our focus to develop increasingly effective emission control solutions to create value for our customers and to protect our planet for the future.



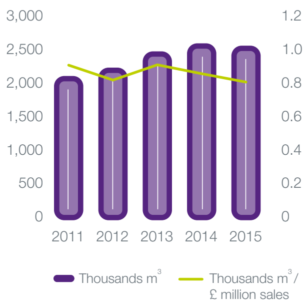
Environmental Awareness

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 2014/15 no significant spillages to the environment of raw materials, intermediates or products have been reported by the group.

We also assess emerging environmental regulations and legislation that may have an impact on our operations. In 2014, the UK Energy Savings Opportunities Scheme (ESOS) was introduced in response to the 2012 EU Energy Efficiency Directive (EED). During the coming months we will be working to ensure that our UK operations comply with this regulation and we are assessing the implications of the EED on our other European operations.

Water Consumption

Thousands m³ / Thousands m³ / £ million sales



	Thousands m³	Thousands m³ / £ million sales
2011	2,076	0.911
2012	2,201	0.822
2013	2,444	0.913
2014	2,564	0.860
2015	**2,529**	**0.809**

The Strategic Report was approved by the board on 3rd June 2015 and is signed on its behalf by:

Robert MacLeod
Chief Executive

80 Letter from the Chairman
81 Sustainability and Governance
82 Board of Directors
84 Corporate Governance Report
98 Nomination Committee Report
101 Audit Committee Report
108 Remuneration Report
127 Directors' Report
131 Responsibility of Directors

- **Effective governance framework has supported transition in leadership**
- **Board composition further strengthened with appointment of new non-executive director**
- **Externally facilitated board evaluation conducted during 2014/15**

GOVERNANCE

SUSTAINABLE TECHNOLOGIES for today and for the future

Building a Sustainable Future

At Johnson Matthey when a new facility is needed we look to design it sustainably from the outset, including energy and water efficient features where feasible. Our new laboratory at Brimsdown, UK has energy saving features and our new measurement technology centre in Billingham, UK received a Royal Institute of Chartered Surveyors award in the 'Design through Innovation' category. Elsewhere, new energy efficient laboratories in Singapore have achieved BCA (Building and Construction Authority) Green Mark certification.

We also focus on reducing the use of natural resources within our existing facilities as part of our Sustainability 2017 Vision. At our Germiston site in South Africa, energy saving projects have produced impressive results over the last year. Gavin Puckle, a member of the site's local energy team, explains what has been achieved.

Why is it important to make energy savings at Germiston?

Reducing our energy consumption is a key element of our Sustainability 2017 Vision, so it's very important to us. South Africa also suffers from energy shortages and regular outages. This has led to a steep rise in energy prices, so reducing our usage not only helps the environment but there's a financial benefit too.

How did you set about energy saving?

We took a multi level approach. We set up an energy management system which ultimately allowed us to achieve certification to ISO 50001 – the international standard which gives guidelines on these systems. As part of the initiative we identified a number of areas for energy savings within our operations. And finally, we focused on raising general awareness and championed behavioural change. Everyone is part of the drive to save energy, not just the energy team, and people have responded exceptionally well. It's been a truly group effort.

What energy saving projects did you set up?

The key projects included those areas that are significant energy users: air compressors, chiller units, mixing vessels and the calcination oven – and we looked at how we could operate them with greater efficiency. So far we've cut our energy use by 28% from 2013 to 2015 amounting to £777,000 in financial savings – all very encouraging.

Are there any further plans to make the site more sustainable?

Definitely. We're exploring more ways we can change people's behaviour to drive sustainability benefits along with further improvements in our manufacturing processes. For me the future is all about operational excellence – working smarter, faster and greener.

Gavin Puckle

Letter from the Chairman

Tim Stevenson
Chairman

Dear Shareholder

Good governance will be fundamental to the continuing success of Johnson Matthey. We are working to ensure that our structures and processes are aligned with this requirement and are fit for the purpose of implementing our ambitious strategy. This year has been an important one for the governance of the group, with Robert MacLeod taking over as our Chief Executive and Den Jones joining as our Group Finance Director in June 2014. Our effective governance framework at board level and throughout the organisation has helped support this transition in leadership. However, as a board we recognise that there is always scope for improvement to make us better able to achieve the aspirations we have set for the company and to deal with the challenges we face.

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 2015.

My Role as Chairman

My role is to ensure that Johnson Matthey has a board which works effectively under my leadership. One of my most important jobs in this regard is to maintain the right dynamic on the board, which requires effective contributions and constructive challenge from individual directors. I am pleased to say that we have directors on our board with a broad range and balance of skills, expertise and attributes, all of which contribute to our effectiveness. Communication is good and working relations are open and constructive. My relationship with Robert, our Chief Executive, is positive; we are in frequent contact, meeting in person or by telephone at least once a week, covering both the hard and soft issues with which the executive team has to deal. As Chairman, I lead the setting of the board's agenda, ensuring we have a plan which allows for adequate time to discuss all necessary items, particularly the development and implementation of strategy.

Board and Committee Evaluation

I see regular and appropriate board and committee evaluation as vital to improving board effectiveness. This year we conducted an externally facilitated evaluation process. We report on the methodology used and the outcomes.

Succession Planning and Diversity

Proper planning for board succession and refreshing and selection of the right individuals for the board and senior management team from a diverse talent pool are also key issues for me and for the board. Again, this has been an important year with the appointment of our new non-executive director, Chris Mottershead. 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 2012 version of the UK Corporate Governance Code and related guidance. We show how we have applied the Code's main principles and complied with its provisions. I am pleased to report that, except in two particular respects (one continuing throughout the year and one for only a short period in the year), Johnson Matthey has complied with all relevant provisions throughout the year and 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 have in place to achieve our vision. We launched our Sustainability 2017 programme in 2007 and our progress to date is outlined on page 2.

Our Framework

We have established policies, processes and management systems to support our governance and sustainability efforts which apply to all our operations around the world. They cover:

- 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. Further details, together with information about progress and developments over the year, can be found on our website.

Our employment contracts, handbooks and policies specify acceptable business practices and a code of business integrity and ethics, built on our culture and values, will be released later in 2015 to help embed these across the organisation. The Group Control Manual, which is distributed to all our sites, and security manuals provide further operational guidelines.

The Corporate Governance Report on pages 84 to 97 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 executive Group Management Committee (GMC). The GMC also addresses risk and control issues and reviews key EHS, social and governance issues. The Group Policy and Compliance Committee (GPCC), a sub-committee of the GMC, has specific executive responsibility for the identification and monitoring of risks and material issues 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 details of sustainability and manufacturing excellence projects 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 GMC 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.

In 2014/15, approximately £26 million of savings were reported by our businesses as a result of our Sustainability 2017 and Manufacturing Excellence programmes. This equates to cumulative savings of around £90 million since the launch of Sustainability 2017.

Understanding Material Issues

The group's sustainability strategy incorporates 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.

The area of sustainability continues to develop rapidly and we proactively monitor emerging issues, regulation, legislation, standards and good practice. Responsibility for identifying and assessing these material issues lies with the group sustainability team and the GPCC.

We recognise Johnson Matthey's role within the value chains in which we operate and we monitor emerging risks and opportunities. A key area of focus in 2014/15 has been supply chain governance. We have appointed an external consultancy to conduct a responsible sourcing review (a supply chain health check), implemented improved audit processes with suppliers and assessed the implications of new legislation such as the UK Modern Slavery Act 2015 and European conflict minerals regulation.

We constantly monitor developments on mandatory and voluntary reporting practices and for reporting purposes, 2014/15 is the final year that we will self declare using the GRI G3.1 guidance. We will report to appropriate standards / guidelines in 2016.

Sustainability remains a cornerstone of our 3C Strategy and as we continue to review our progress, plans are underway to redefine our strategy and targets beyond 2017.

Read more:
Business Integrity and Ethics page 68
Supply chains pages 25 and 71
Material Issues page 70
Whistleblowing page 68
Environment, health and safety pages 60, 61 and 77
Human resources page 71
Human Rights page 71

Board of Directors

Tim Stevenson, OBE – Chairman
Appointed to board: March 2011

Experience:
Appointed Chairman Designate in March 2011 and as Chairman in July 2011. He was Chairman of The Morgan Crucible Company plc from December 2006 to July 2012 and Chairman of Travis Perkins plc from November 2001 to May 2010. He has also sat on a number of other boards including National Express plc, where he was the Senior Independent Director and Chairman of the Audit Committee, and Partnerships UK and Tribal PLC where he chaired the Remuneration Committee. He was Chief Executive at Burmah Castrol plc from 1998 to 2000. He is a qualified barrister and is Lord Lieutenant of Oxfordshire.

Committees:
Remuneration Committee, Nomination Committee (Chairman)

Robert MacLeod – Chief Executive
Appointed to board: June 2009

Other Current Appointments:
Non-executive director, Aggreko plc.

Experience:
Appointed as Chief Executive in June 2014 having joined Johnson Matthey as Group Finance Director in 2009. Previously he was Group Finance Director of WS Atkins plc for five years. He is a Chartered Accountant with a degree in Chemical Engineering.

Den Jones – Group Finance Director
Appointed to board: June 2014

Experience:
Joined Johnson Matthey in June 2014 as Group Finance Director. Previously interim Chief Financial Officer from September 2012 at BG Group. He held an executive director position on its board between February and November 2013. Prior to that he held a number of senior finance positions including Group Financial Controller and Regional Finance Director of Asia and the Middle East. Before joining BG Group, he spent more than a decade with the investment banking arm of Citibank / Salomon Smith Barney and PwC within their Corporate Finance and Recovery division. He is a Chartered Accountant.

Alan Ferguson – Senior Independent Director
Appointed to board: January 2011

Other Current Appointments:
Non-executive director of Croda International Plc, The Weir Group PLC and Marshall Motor Holdings plc.

Experience:
Appointed a non-executive director of Johnson Matthey in January 2011 and as Senior Independent Director in July 2014. He was previously Chief Financial Officer and a Director of Lonmin Plc. Prior to this he was Group Finance Director of The BOC Group until it was acquired by Linde Group in 2006. Before joining BOC, he worked for Inchcape plc for 22 years in a variety of roles including Group Finance Director from 1999 until 2005. He is a Chartered Accountant and sits on the Business Policy Committee of the Institute of Chartered Accountants of Scotland.

Committees:
Audit Committee (Chairman), Remuneration Committee, Nomination Committee

Odile Desforges – non-executive director
Appointed to board: July 2013

Other Current Appointments:
Non-executive director of Safran SA, Dassault Systemes and Sequana.

Experience:
Odile's automotive industry experience began with the French Government's Transport Research Institute and developed with Renault SA and AB Volvo. She has held senior positions in purchasing, 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. She was appointed a Knight of the French Legion of Honour in 2009.

Committees:
Audit Committee, Remuneration Committee, Nomination Committee

Colin Matthews, CBE – non-executive director
Appointed to board: October 2012

Other Current Appointments:
Non-executive Chairman, Highways England.

Experience:
Colin has been Chief Executive Officer of Heathrow Airport (previously BAA), Hays plc and Severn Trent plc. He was also Managing Director of Transco and Engineering Director of British Airways. Earlier he worked in the motor industry in Japan and the UK, in strategy consulting and in General Electric Company in the UK, France and Canada. He has also served as non-executive director of Mondi plc.

Committees:
Audit Committee, Remuneration Committee, Nomination Committee

Tim Stevenson, OBE | Robert MacLeod | Den Jones | Alan Ferguson | Odile Desforges

Chris Mottershead – non-executive director
Appointed to board: January 2015

Other Current Appointments:
Vice Principal, Research and Innovation, at King's College London. Non-executive director of The Carbon Trust, the Francis Crick Institute and Imanova Limited.

Experience:
Prior to joining King's College in 2009, Chris had a 30 year career at BP, most recently as Global Advisor on Energy Security and Climate Change. Before this, he was Technology Vice President for BP's Global Gas, Power and Renewables businesses, and was also the technical manager for its North Sea exploration and production activities. He is also Chairman of the UK Government's Transport Energy Task Force and a governor of King's College Hospital NHS Foundation Trust. He is a Chartered Engineer and Fellow of the Royal Society of Arts.

Committees:
Audit Committee, Remuneration Committee, Nomination Committee

Dorothy Thompson, CBE – non-executive director
Appointed to board: September 2007

Other Current Appointments:
Chief Executive, Drax Group plc and non-executive director, Court of the Bank of England.

Experience:
Prior to joining Drax Group in 2005 Dorothy 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.

Committees:
Audit Committee, Remuneration Committee (Chairman), Nomination Committee

John Walker – Executive Director, Emission Control Technologies
Appointed to board: October 2013

Experience:
Joined Johnson Matthey in 1984; appointed Division Director, Emission Control Technologies in 2009 after holding a series of positions within the division in the USA, Asia and Europe. Appointed Executive Director, Emission Control Technologies in October 2013.

Larry Pentz – Executive Director
Appointed to board: August 2003

Other Current Appointments
Chairman, Victrex plc.

Experience:
Joined Johnson Matthey in 1984; appointed Division Director, Process Catalysts and Technologies in 2001. 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.

Board Diversity

Sector Experience

Automotive
40%

Chemicals
60%

Energy
30%

Financial
30%

Infrastructure
50%

Manufacturing
70%

Mining
10%

Oil and Gas
50%

Professional Services
20%

Technology
20%

Gender

Male
80%

Female
20%

Board Tenure

International Experience

Simon Farrant – Company Secretary and Group Legal Director
Joined Johnson Matthey 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).

Colin Matthews, CBE — Chris Mottershead — Dorothy Thompson, CBE — John Walker — Larry Pentz — Simon Farrant

Corporate Governance Report

Contents

85 **Introduction**
85 UK Corporate Governance Code

85 **Leadership**
85 Governance Framework
86 Key Responsibilities
87 Board Meetings
89 Board Committees
89 Board Attendance

90 **Effectiveness**
90 Our Board's Composition
90 Independence of the Non-Executive Directors
90 Appointing to Our Board and its Committees
91 Terms of Appointment of the Non-Executive Directors
91 Succession Planning
91 Boardroom Diversity
92 Time Commitment of the Chairman and the Non-Executive Directors
92 Director Induction and Development
93 Indemnification of Directors and Insurance
93 Directors' Conflicts of Interest
93 Evaluation of the Board, Board Committees and Directors
95 Review of the Chairman's Performance
95 Review of Executive Director Performance
95 Annual Re-Election of Directors

95 **Accountability**
95 Financial and Business Reporting
95 Risk Management and Internal Control
96 The Audit Committee

96 **Remuneration**

96 **Relations with Shareholders**
96 Dialogue with Our Shareholders
96 Reporting of Results and the Investor Day
96 Contact with Our Shareholders
97 Annual General Meetings

Introduction

Our board of directors is responsible to our shareholders for ensuring the sound running of the company. This can only be achieved if the board is supported by appropriate and well managed governance processes. The key elements of these processes are described in this Corporate Governance Report.

UK Corporate Governance Code

The UK Corporate Governance Code was published by the Financial Reporting Council (FRC) in May 2010 and a revised version was published in September 2012 (the Code). The Code contains broad principles and specific provisions which set out standards of good practice in relation to **leadership, 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. We have complied with all relevant provisions of the Code throughout the year except in relation to Senior Independent Director contact with major shareholders and, for a brief period, in relation to board composition. These are explained in more detail on pages 97 and 90 respectively.

Leadership

Governance Framework

The group's principal decision making body is the board. It has responsibility for setting the group's strategic direction and for ensuring that the group manages risk effectively. The board is accountable to shareholders for the group's financial and operational performance.

Responsibility for implementing operational decisions and the day to day management of the business is delegated to the Chief Executive who is supported by the Group Management Committee (GMC).

The GMC is supported by four sub-committees – the Group Policy and Compliance Committee, the Finance and Administration Committee, the IT Committee and the Contracts Review Committee, each of which has responsibility for certain areas within the group.

The governance framework is described below.

NOMINATION COMMITTEE

Membership: Five independent non-executive directors and the group Chairman.

Chaired by: Tim Stevenson.

- Considers structure, size, composition and succession needs of the board.
- Oversees succession planning for senior executives.

REMUNERATION COMMITTEE

Membership: Five independent non-executive directors and the group Chairman.

Chaired by: Dorothy Thompson.

- Determines remuneration policy for executive directors and the Chairman.
- Reviews and monitors the level and structure of remuneration for senior executives.

BOARD

Membership: Ten directors (Chairman, four executive directors and five independent non-executive directors).

- Provides entrepreneurial leadership of the company and direction for management.
- Has collective responsibility and accountability to shareholders for the long term success of the group.
- Reviews the performance of management and the operating and financial performance of the group.
- Sets strategy.
- Determines risk appetite.
- Ensures that appropriate risk management and internal control systems are in place.
- Sets the company's values and standards.
- Ensures good governance and promotes good behaviour.

CHAIRMAN

Tim Stevenson

AUDIT COMMITTEE

Membership: Five independent non-executive directors.

Chaired by: Alan Ferguson.

- Assists 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.

CHIEF EXECUTIVE

Robert MacLeod

GROUP MANAGEMENT COMMITTEE

Membership: Chief Executive, Group Finance Director, executive directors, division directors, Group Director, Corporate and Strategic Development, Group Human Resources Director, Group Legal Director and Company Secretary.

Chaired by: Robert MacLeod.

- Has responsibility for the executive management of the group's businesses.
- Recommends strategic and operating plans to the board.

GROUP POLICY AND COMPLIANCE COMMITTEE

Chaired by: Larry Pentz.

- Provides leadership, oversight and assurance in relation to certain environment, health and safety, sustainability, human resources and legal compliance matters.

FINANCE AND ADMINISTRATION COMMITTEE

Chaired by: Den Jones.

- Has responsibility for certain of the group's finance and corporate restructuring matters.

IT COMMITTEE

Chaired by: Den Jones.

- Has responsibility for oversight of the group's IT.

CONTRACTS REVIEW COMMITTEE

Chaired by: Simon Farrant.

- Reviews contract and litigation risk for the group.

Corporate Governance Report continued

Key Responsibilities

Chairman	• Leads our board. • Ensures an effective board, including effective contribution from our directors. • Ensures that Johnson Matthey maintains effective communications with our shareholders.
Chief Executive	• Has day to day responsibility for running the group's operations. • Recommends to the board and implements group strategy. • Applies group policies. • Promotes the company's culture and standards.
Executive Directors	• Have specific responsibilities for areas of the group's business. • Discharge duties in respect of the group as a whole.
Non-Executive Directors	• Constructively challenge our executive directors in all areas. • Scrutinise management's performance. • Help develop proposals on strategy. • Satisfy themselves on the integrity of financial information and on the effectiveness of financial controls and risk management systems. • Determine appropriate level of remuneration for executive directors.
Senior Independent Director	• Provides a sounding board for the Chairman. • Acts, if necessary, as a focal point and intermediary for the other directors. • Ensures that any key issues not addressed by the Chairman or the executive management are taken up. • Is available to shareholders should they have concerns. • Leads the annual appraisal of the Chairman's performance.
Company Secretary	• Acts as secretary to our board and its committees. • Together with the Chairman, keeps the efficacy of the company's and our board's governance processes under review. • Has responsibility for compliance with board procedures. • Provides advice on corporate governance issues.

Further information on the role of our board and its committees and on how they operate is set out in the Investor Relations / Corporate Governance section of our website. We also explain further the respective roles of our Chairman, our Chief Executive, our executive directors, our non-executive directors, our Senior Independent Director and our Company Secretary.

There is a clear division of responsibilities between the running of the board and the executive responsibility for the running of the business. The Chairman's and Chief Executive's roles are separate. This division of responsibilities is clearly established in a written statement which is set out in full in the Investor Relations / Corporate Governance section of our website.

Board Meetings

Annual Agenda Plan
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.

Board Activities During the Year
Our board usually meets formally six times a year. During the year these meetings were held at various locations and additional activities were carried out as shown on the right.

Date of Board Meeting	Location	Additional Activities
3rd June 2014	London, UK	–
22nd July 2014	London, UK	–
1st October 2014	Skopje, Macedonia	Tour of Emission Control Technologies' plant Strategy and business presentations from local and regional management
18th November 2014	London, UK	–
27th January 2015	London, UK	–
31st March 2015 1st April 2015	Royston, UK	Tour of Precious Metal Products' Noble Metals plant Strategy and business presentations from local and regional management

In addition to the above formal meetings, during the year board members participated in two scheduled board telephone conference calls. The purpose of these was to give the executive directors the opportunity to update the non-executive directors on key matters during the longer gaps between scheduled board meetings.

Board Visit to ECT Macedonia

In October 2014 the board visited Emission Control Technologies' (ECT's) plant in Skopje, Macedonia. We had a day discussing group strategy (including the purchase of the battery materials business of Clariant AG and the strategy and growth opportunities of our Fine Chemicals Division). We also held a board meeting, toured the plant and spent time with managers and staff from the site and from ECT more broadly. We gained a real insight into the history and operation of this significant part of ECT's operations in Europe and its challenges, successes and opportunities. It was particularly engaging to witness the everyday 'gemba' meeting at the start of a plant shift, which vividly brought to life for the non-executive directors the emphasis placed on the health and safety of all who work in the plant. We also saw the power of 'lean' manufacturing and were shown the advances we are making through our Manufacturing Excellence efforts at our sites. The visit brought home to us again the importance of our non-executive directors seeing our operations on the ground and meeting the teams who make them successful.

Corporate Governance Report continued

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. Specific areas of focus by the board during the year included:

Strategy	• Group strategy update. • Deeper strategic dives into: – Fine Chemicals; – Process Technologies - Chemicals; – Precious Metal Products; – Fuel Cells; – HR; and – Collaboration and strategic marketing. • Acquisition and disposal opportunities (including disposal of Gold and Silver Refining business and Research Chemicals business and acquisition of Clariant AG's battery materials business).
Environment, health and safety	• Health and safety performance across the group. • Groupwide health and safety activities including safety leadership workshops, EHS behaviour safety programme, safety principles, lifesaving policies and EHS audit programme.
Risk	• Group's principal risks. • Risk appetite. • Risk management and internal control systems. • Business risks plus specific additional risk areas, including: – Legal and compliance; – HR; – Tax and treasury; and – IT.
Financial	• Full year results, half year results and trading updates. • Shareholder distributions. • Annual Report and Accounts. • Group budget 2015/16 and three year plan. • Group's and individual businesses' financial performance against budget and forecast. • Key treasury and tax matters.
Operational	• Capital expenditure (including acquisition of Annan, UK, facility in Fine Chemicals). • Post-investment reviews and lessons learned.
Shareholders	• Analyst and investor feedback. • Annual general meeting briefing. • Investor relations strategy.
Governance	• Board composition (including appointment of Chris Mottershead as a non-executive director). • Board and committee performance evaluation. • Non-executive directors' independence. • Directors' conflicts of interest. • Reports from board committees on their activities. • Annual board agenda plan.

Board Committees

Our board has three committees: the Nomination Committee, the Audit Committee and the Remuneration Committee. Their 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 was as follows:

	Role	Date of appointment to board	Number of meetings eligible to attend	Number of meetings attended	% attended
Tim Stevenson	Chairman	29th March 2011[1]	6	6	100%
Neil Carson	Former Chief Executive / Executive director	1st August 1999	2[2]	2	100%
Odile Desforges	Non-executive director	1st July 2013	6	6	100%
Alan Ferguson	Non-executive director	13th January 2011	6	6	100%
Den Jones	Group Finance Director	5th June 2014	5[3]	5	100%
Robert MacLeod	Chief Executive	22nd June 2009[4]	6	6	100%
Colin Matthews	Non-executive director	4th October 2012	6	6	100%
Chris Mottershead	Non-executive director	27th January 2015	1[5]	1	100%
Larry Pentz	Executive director	1st August 2003	6	6	100%
Michael Roney	Non-executive director	1st June 2007	2[6]	2	100%
Dorothy Thompson	Non-executive director	1st September 2007	6	6	100%
John Walker	Executive director	9th October 2013	6	6	100%

1 Tim Stevenson was appointed Chairman on 19th July 2011.

2 Neil Carson retired from the board on 30th September 2014.

3 Den Jones was appointed to the board on 5th June 2014.

4 Robert Macleod was appointed Chief Executive on 5th June 2014.

5 Chris Mottershead was appointed to the board on 27th January 2015.

6 Michael Roney retired from the board on 23rd July 2014.

Since the end of the year, the board has met once and all members attended.

The attendance of members at board committee meetings in the year is set out in the Audit Committee Report, the Nomination Committee Report and the Remuneration Report (in respect of the Remuneration Committee) on pages 101, 98 and 118 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, as part of the formal annual review of their performance.

Corporate Governance Report continued

Effectiveness

Our Board's Composition

As at 31st March 2015 and as at the date of approval of this annual report, our board comprised the Chairman, four executive directors and five non-executive directors, each of whom is determined by the board to be independent. Biographical details of all our directors can be found on pages 82 and 83.

The following board changes occurred during the year:

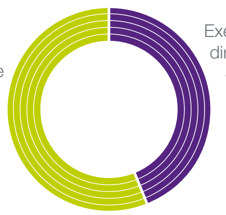
- Neil Carson retired as Chief Executive on 5th June 2014 and from the board on 30th September 2014.
- Robert MacLeod appointed as Chief Executive on 5th June 2014.
- Den Jones appointed as Group Finance Director on 5th June 2014.
- Michael Roney retired from the board on 23rd July 2014.
- Chris Mottershead appointed as a non-executive director on 27th January 2015.

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.

Compliance with the UK Corporate Governance Code

During the period following Michael Roney's retirement on 23rd July 2014 up to Neil Carson's retirement on 30th September 2014, the board comprised five executive directors and four independent non-executive directors (excluding the Chairman). Whilst this was not in compliance with the Code (Provision B.1.2, which states that at least half the board excluding the chairman should comprise non-executive directors determined by the board to be independent), the board was comfortable with its composition for this brief period knowing that the executive and independent non-executive balance would be restored following Neil's retirement. The board believes that its balance of skills, experience and independence was not compromised during this period and that no one individual, or group of individuals, were able to dominate the board's decision taking. Following Chris Mottershead's appointment on 27th January 2015, the board comprises the Chairman, four executive directors and five independent non-executive directors, which means that more than half of our board, excluding the Chairman, now comprises independent non-executive directors.

Current Board Composition[1]



[1] Under the Code, the Chairman is excluded when considering the independent non-executive director composition of the board.

Independence of the Non-Executive Directors

The board formally reviews non-executive director independence annually, most recently at its meeting in June 2015. 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.

Information on the company's procedures for authorising potential conflicts of interest is set out under 'Directors' Conflicts of Interest' on page 93.

Appointing to Our Board and its Committees

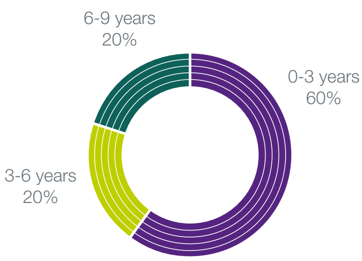
The board, through the Nomination Committee, follows a formal, rigorous and transparent procedure to select and appoint new board directors. The processes are similar for the appointment of executive and non-executive directors. The Nomination Committee leads the process and makes recommendations to the board. 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. The board 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.

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.

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 2015 AGM, has served on our board for almost eight years. Her term of appointment was reviewed and extended in 2012/13 to 31st August 2016.

Non-Executive Director Tenure



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 consistent 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, is actively engaged in succession planning to ensure plans are in place for the orderly and progressive refreshing of its membership and to identify and develop senior management with potential for board and GMC 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 GMC positions. Each of our divisions and corporate functions prepare and maintain succession plans, assisted by divisional and group Human Resources. The GMC 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 GMC. The GMC's review of the succession plans generally leads to further refinement and changes, resulting in the final plans which are submitted to the Nomination Committee. Each year the Nomination Committee, with input from the Group Human Resources Director, reviews the management development and succession planning processes for the directors and senior executives, approves succession plans for the board and considers succession plans for senior executives.

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 being developed and introduced which are designed to support current strategic imperatives. Key initiatives continued this year are our 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. The board (through the Nomination Committee) will continue to focus during the coming year in particular on the key issues of active talent management, mobility across the group 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 / Our Policies section of our website. We have not set express diversity quotas or measurable objectives for implementing the policy. However, in recent non-executive director selection processes the board has encouraged applications from women subject to the selection criteria being met.

As at 31st March 2015, 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 67.

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 at 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 remain 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 2014/15. Further information is set out under 'Evaluation of the Board, Board Committees and Directors' on page 93.

Appointments to the Board

As described under 'Appointing to Our Board and its Committees' on page 90, 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.

Corporate Governance Report continued

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 other board members' other significant commitments are set out on pages 82 and 83.

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.

Chris Mottershead's Induction

During the year, the Chairman and the Company Secretary devised a comprehensive induction programme for Chris Mottershead who joined the board at the end of January 2015. This programme, which is designed to be carried out over a six month period and is currently ongoing, involves Chris meeting individually the Chairman, Chief Executive and certain other board members, all members of the GMC, our Technology Centre Director and our KPMG lead audit partner. Chris is also meeting members of our senior and middle management teams. These meetings are taking place at a range of Johnson Matthey sites in the UK, giving Chris the opportunity to tour the sites to learn more about our people, products and processes. The induction programme will be reviewed with Chris after its completion at which time his views will be sought as to any further induction requirements he might have. Feedback on the programme will be sought from Chris 12 to 18 months after his appointment. This feedback will be used to help design future non-executive director induction programmes.

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.

The board 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 such meetings were held during the year as detailed on page 87. 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 93, our Chairman, Tim Stevenson, discusses any individual training and development requirements. Tim is also available throughout the year to discuss these areas.

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

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.

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 2015 the board undertook an annual review 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 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.

Our Chairman led internal review processes in each of the prior three years, supported by the committee chairmen and the Company Secretary. In 2014/15 the board underwent an external evaluation process. This was led by external consultants, JCA Group. JCA Group have no other connection with the company.

This exercise was a facilitated self-evaluation based on input from all members of the board, the Company Secretary, the Group HR Director and the KPMG lead audit partner. Following discussions with the Chairman, JCA Group prepared a discussion guideline which formed the basis for all individual meetings.

In January and February 2015 JCA Group met individually with the directors for an open, confidential, unattributed conversation using the discussion guideline to steer but not prescribe the topics. JCA Group submitted a draft report to the Chairman and the Chief Executive and presented the final report to the board in March 2015. On the basis of their findings, JCA Group made a number of recommendations for consideration by the board. These have been debated by the board and follow up actions and responsibilities considered. The board also discussed the evaluation process itself and agreed that external evaluation had been appropriate and effective.

Key discussion topics in the review included: overall view of the board, organisation of the board, board dynamics, strategy, judgment of business performance, risk management, stakeholder management, committees, board composition and succession management, corporate governance and overall board effectiveness. A summary of the actions we undertook following last year's review and the key findings and recommendations from this year's review can be found on the following page.

Corporate Governance Report continued

Actions Undertaken Following 2013/14 Review:

Strategy and Risk Management

- Updating telephone conference calls were added to the schedule in the longer gaps between board meetings.
- Board dinners prior to board meetings continued to be used to enable both informal debate and for the non-executive directors to be better informed about softer issues affecting the group.
- The regularity of timetabling and discussion of certain agenda items was assessed and efforts were renewed to ensure that at each meeting there is a substantial element of strategy discussed and an appropriate balance with governance items.
- Agendas were revisited to ensure continued focus by the board and the Audit Committee on key risks areas.

Board Composition and Succession Management

- Responsibility for ensuring there is a robust process for succession planning and talent management oversight was moved to the Nomination Committee from the Remuneration Committee.

2014/15 Review:

The board is operating effectively to support the business. However, there is still more progress to make to improve its effectiveness and all board members are in support of and are committed to this.

Following the review the board is considering recommendations for action in the following areas:

Board dynamics	• Continued strengthening of engagement, contribution and constructive challenge by all board members.
Strategy	• Creating time for further discussion on the longer term strategy for the business to gain maximum benefit from the collective experience and input of all board members. • Ensuring ongoing dialogue by the board to continue to evaluate investment decisions and, in particular, to ensure the board is able to provide effective challenge as it considers expansion into new areas and / or new geographies.
Judgment of business performance	• Improving how performance is measured, beyond financial delivery. • Allowing the board to gain a deeper read on the culture of Johnson Matthey. • Ensuring effective induction for newly appointed non-executive directors and ongoing education of the board.
Risk management	• Continuing to give close attention to risk management, including non-financial risk, and the further embedding of risk management into Johnson Matthey's culture. • Ensuring the board demonstrates its full support for the reinforcement of ethical conduct and the leadership of this from the Chief Executive.
Environment, health and safety (EHS)	• Continuing to challenge and support the executives in enhancing the group's EHS culture and performance.
Board composition and succession management	• Continuing to ensure appropriate board composition and mix of experience. • Continuing to focus on succession management, including providing the board with a deeper understanding and visibility of talent and higher potentials in the group below GMC level.
Corporate governance	• Focusing more on progress in respect of compliance matters. • Continuing to attend closely to corporate governance and ethics as the group grows into new geographies and new sectors.

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.

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 Alan Ferguson, 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 2015, the non-executive directors, led by Alan, 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, his time commitment, the setting of appropriate agendas and the effectiveness of structuring and leading discussions. In reviewing Tim's performance, the views of executive directors were also taken into account. Alan subsequently reported the outcome to the board that Tim's leadership of the board was unanimously agreed to be effective and, in particular, that he had handled key succession issues very well.

Review of Executive Director Performance

The Chairman met with the non-executive directors without the executive directors being present in November 2014 in order to review the executive directors' performance.

Annual Re-Election of Directors

In accordance with the Code, all directors retire at each Annual General Meeting (AGM) and offer themselves for re-election by shareholders. At the 2015 AGM, all directors will be offering themselves for re-election (or election in the case of Chris Mottershead as he has been appointed to the board since the 2014 AGM).

Our 2015 AGM 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).

Accountability

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 GMC 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 groupwide 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 groupwide 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 GMC, 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 22 to 27.

Corporate Governance Report continued

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 101, 104 and 105).

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 and the related risk management and internal control systems 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 Audit Committee

The composition of the Audit Committee is set out in the Audit Committee Report (pages 101 to 107), 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.

Remuneration

The board has established a Remuneration Committee. The composition of the Remuneration Committee is set out in the Remuneration Report (pages 118 to 126), which describes the work of the Remuneration Committee 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 shareholders or employee shareholders. The board takes responsibility for ensuring that such dialogue takes place.

Reporting of Results 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 trading updates (issued respectively in July and in late January / early February each year) are also posted on our website.

In addition, we hold an Investor Day for our institutional investors and analysts. At the January 2015 Investor Day, held in Reading and at our nearby technology centre in Sonning Common, we gave presentations on our group strategy, the strategy of each of our divisions and a review of key R&D developments. 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 have 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 six 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. It is planned that the next such survey will be undertaken in September 2015. The purpose of these surveys is to obtain the views and opinions of a broad range of shareholders and non-shareholders.

The Remuneration Committee undertakes detailed 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.

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.

Compliance with the UK Corporate Governance Code

Code provision E.1.1 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. We have not complied with this provision throughout the year. 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.

Annual General Meetings

The AGM is an important part of effective communication with shareholders. Our AGM takes place in London. Notice is sent to shareholders at least 20 working days beforehand and is 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 who are able to attend our AGMs do so. In 2014 the entire board attended. Our board welcomes the opportunity for face to face communication with our shareholders. Shareholders are encouraged to participate and all directors 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 may direct their proxy to vote either for or against 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 rather than on a show of hands and poll voting is carried out by electronic means. The results of the poll are announced as soon as possible and posted on our website. This shows votes for and against as well as votes withheld.

Our 2015 AGM will be held on 22nd July 2015. The notice, together with an explanation of the resolutions to be considered, is set out in a circular to shareholders.

Nomination Committee Report

Tim Stevenson
Chairman of the Nomination Committee

Our job as a Committee is to ensure that Johnson Matthey has the right leadership including a board with the appropriate mix of attributes and skills to effectively develop, and to help ensure delivery of, the company's strategy. This year was again an important one for the Committee. In June 2014 it saw the succession of Robert MacLeod to the role of Chief Executive following the retirement of Neil Carson, and the external recruitment of Den Jones to the position of Group Finance Director. In January 2015 we recommended to the board the appointment of a new non-executive director, Chris Mottershead, following the retirement of Michael Roney. During the year, we assumed from the Remuneration Committee responsibility for oversight of the management development and succession planning processes for senior executives.

Role

The principal role of our Nomination Committee is to keep under review the structure, size and composition of the board and to make appropriate recommendations to the board with respect to any necessary changes. We also consider the adequacy and effectiveness of management development and succession planning processes for board members and senior executives and ensure the adequacy and effectiveness of the group's processes for identifying and developing the future senior management pipeline.

Our terms of reference, which were updated during the year and took effect in September 2014, 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.

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.

Simon Farrant, 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 five times during the year ended 31st March 2015. I also kept Committee members up to date by means of telephone calls and e-mail 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 non-executive director recruitment.

The attendance of members at committee meetings in the year was as follows:

	Date of appointment to Committee	Number of meetings eligible to attend	Number of meetings attended	% attended
Tim Stevenson	29th March 2011[1]	5	5	100%
Odile Desforges	1st July 2013	5	5	100%
Alan Ferguson	13th January 2011	5	5	100%
Colin Matthews	4th October 2012	5	5	100%
Chris Mottershead	27th January 2015	1	1	100%
Michael Roney	1st June 2007	2[2]	2	100%
Dorothy Thompson	1st September 2007	5	5	100%

[1] Tim Stevenson was appointed group Chairman on 19th July 2011.

[2] Michael Roney retired from the board and Committee on 23rd July 2014.

Since the end of the year, the Committee has met once and all members attended.

Committee Activities During the Year

Our Committee has been active in addressing several key matters in the course of the year:

Non-executive director succession	Considered non-executive director succession and succession to the roles of Senior Independent Director and Chairman of the Remuneration Committee in view of the prospective retirement as a non-executive director of Michael Roney. Conducted a search process for a new non-executive director with the assistance of Russell Reynolds Associates. Recommended to the board the appointment of Chris Mottershead as a new non-executive director. Recommended to the board that on the retirement of Michael Roney in July 2014, Alan Ferguson should take on the role of Senior Independent Director and Dorothy Thompson should chair the Remuneration Committee.
Talent review process	Received a presentation from the Group Talent and Learning Director on the group's integrated talent management process addressing the talent requirements for delivery of its strategic aspirations.
Succession planning and senior management changes	Reviewed the 2014 succession plans in respect of the Group Management Committee (GMC) and other senior executives in each division. Discussed certain proposed senior (non-GMC) moves.
Chief Technology Officer	Considered the process for, and progress in, appointing a Chief Technology Officer for the group.
Committee terms of reference	Agreed new terms of reference for the Committee and recommended them to the board for approval, with effect from September 2014.
Review of performance and effectiveness during 2014/15	With the assistance of external consultants, JCA Group, reviewed our Committee's performance and effectiveness.
Nomination Committee Report	Reviewed and approved the draft Nomination Committee Report for 2014/15.

Nomination Committee Report continued

Board Appointments

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 already 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 need 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. While the board has not set express diversity quotas or measurable objectives, in the selection process leading to the appointment of Odile Desforges as a non-executive director in July 2013 and in making the most recent non-executive director appointment of Chris Mottershead in January 2015 the board encouraged applications from women subject to the selection criteria being met.

Succession Planning

A key role of the Nomination Committee is to ensure that plans are in place for the orderly and progressive refreshing of the board and to identify and develop individuals with potential for board and GMC positions. The Nomination Committee will continue to focus in particular during the coming year on the key issues of active talent management, mobility across the group and diversity.

Non-Executive Director Succession

We considered non-executive director succession in view of an indication from Michael Roney that he wished to step down from the board due to a desire to take on a new and substantial non-executive commitment in the USA. We announced on 28th April 2014 that Michael would be retiring from the board with effect from the close of our AGM on 23rd July 2014 after seven years as a non-executive director including three years as our Senior Independent Director and Chairman of our Remuneration Committee.

We also announced on 28th April 2014 that Alan Ferguson, one of our non-executive directors and Chairman of the Audit Committee, would be appointed to the role of Senior Independent Director and that Dorothy Thompson, one of our non-executive directors, would be appointed as Chairman of the Remuneration Committee, 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 engaged Russell Reynolds Associates in a search process which led to the appointment of Chris Mottershead as a non-executive director of the company with effect from 27th January 2015. Russell Reynolds Associates have no other connection with the company.

Our 2014/15 Performance Review

Last year, one outcome of our performance review was that it was felt that it would further improve the effectiveness of the Committee to add to its role responsibility for considering management development and succession planning for senior executives (formerly part of the responsibilities of our Remuneration Committee). This change was effected during the year. This year we reviewed our performance with the assistance of external consultants, JCA Group. The views were sought 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. The outcome of the review was summarised at our March 2015 meeting and discussed by the board. While the importance of giving appropriate attention to succession planning and board balance was emphasised, there were no areas where significant change or improvement was felt necessary.

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 2015. This report is intended to give a meaningful insight into the workings of the Committee during the previous 12 months in order to demonstrate how we have performed our responsibilities in relation to financial reporting, internal controls and risk management and in relation to the external auditor.

It has been another interesting and progressive year for the Committee. External appointments were made to two key roles in the group – a new Group Finance Director, Den Jones, was appointed in June 2014 and a new Head of Corporate Assurance and Risk, Angela O'Hara, was appointed in September 2014. Both roles are of real importance to this Committee and we have spent time over the year helping to ensure a seamless transition from Den's and Angela's predecessors. We have also discussed with both of them their initial observations on Johnson Matthey and their priorities for the short and long term.

Each year we look in depth at the control environment of our individual divisions and this year we focused on Process Technologies and Precious Metal Products, with the finance directors of both divisions presenting to the Committee. Throughout the year we have also had the opportunity to discuss, debate and challenge on risk and control matters with a number of senior managers who have attended our meetings and we have worked closely with the Head of Corporate Assurance and Risk to ensure delivery of a well targeted and comprehensive internal audit plan. We continue to work closely with KPMG, our external auditor, who performed well in the year and who has met our expectations.

Looking forward to the next 12 months, as well as undertaking our usual business, we will focus more on risk assurance mapping across the group. This will help us to better identify any assurance gaps and target our reviews of the mitigating controls over the group's principal risks. We will consider in greater detail the implications of the 2014 changes to the UK Corporate Governance Code in relation to risk management and internal controls and how these might impact our agenda. As the group starts to significantly increase its investment in business information systems, we will look more closely at the associated risks and controls and we will continue to review cyber security.

Role

Our principal role 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. More details on our role and responsibilities can be found in our terms of reference which are available in the Investor Relations / Corporate Governance section of our website.

Composition

There are five members on the Committee – myself as Chairman and our four other independent non-executive directors. This is my fourth year as Chairman of the Committee. I am a Chartered Accountant and, throughout my career, I have held a series of senior finance roles at Inchcape, BOC and at Lonmin Plc where I was Chief Financial Officer until the end of 2010.

In my role as Chairman I am supported by Committee members who bring a wide range and depth of financial and commercial experience across various industries. Our collective knowledge, skills, experience and objectivity enable us to work effectively and to probe and challenge management.

The secretary to the Committee is Simon Farrant, Company Secretary.

Committee Meetings During the Year

We met five times during the year ended 31st March 2015 at key times in the group's financial reporting and audit calendar. Attendance at the meetings was as follows:

	Date of appointment to Committee	Number of meetings eligible to attend	Number of meetings attended	% attended
Alan Ferguson	13th January 2011[1]	5	5	100%
Odile Desforges	1st July 2013	5	5	100%
Colin Matthews	4th October 2012	5	5	100%
Chris Mottershead	27th January 2015	1	1	100%
Michael Roney	1st June 2007	2[2]	2	100%
Dorothy Thompson	1st September 2007	5	5	100%

[1] Alan Ferguson was appointed Chairman of the Committee on 19th July 2011.

[2] Michael Roney retired from the board and Committee on 23rd July 2014.

Since the end of the year, the Committee has met once and all members attended.

Audit Committee Report continued

During the year we invited the group Chairman, Chief Executive, Group Finance Director, the Head of Corporate Assurance and Risk, the KPMG lead audit partner, other representatives from KPMG and other senior management to attend our meetings. At least once a year, immediately following a Committee meeting, we meet separately with our KPMG lead audit partner and with the Head of Corporate Assurance and Risk to give them the opportunity to discuss matters without executive management being present.

I frequently hold separate one to one meetings with the Group Finance Director, the Head of Corporate Assurance and Risk, other senior management and with KPMG. These are often before Committee meetings as this allows me to better understand the issues and areas of concern and to make sure adequate time is devoted to these at the subsequent meeting.

How we Discharged our Responsibilities During the Year

During the year, we undertook the following activities:

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 trading updates, and considered the significant accounting policies, principal estimates and accounting judgments used in their preparation.
- Considered the judgments and methodologies applied in determining the accounting treatment of the disposal of the Gold and Silver Refining business to Asahi Holdings, Inc., the acquisition from Clariant AG of its battery materials business and the intended disposal of the Research Chemicals business.
- 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 2015 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.

Revenue Recognition

We asked management and KPMG to undertake more detailed analysis on revenue recognition at Johnson Matthey. For the most part, revenue recognition in our company is straightforward and linked to product delivery but we wanted to explore and deepen our understanding of those revenue recognition areas of the business where greater judgment might be required. We reviewed each of these areas, considered how judgment was applied and also looked at other factors which are relevant to assessing the quality of revenue recognised. We were satisfied with what we found.

Fair, Balanced and Understandable

The board has established a process to assist it in its determination of whether the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and has delegated to the Committee the responsibility for reviewing and assessing this process. The process involves certain of our senior managers undertaking a detailed review of the sections of the Annual Report and Accounts which fall within their areas of responsibility. Subject to being satisfied, each reviewer is asked to certify that the relevant section is fair, balanced and understandable. Following these individual reviews, the Annual Report and Accounts is subject to an overarching review by a separate senior manager, effectively a cold read. In addition, key sections of the Annual Report and Accounts are reviewed by our external advisers. Issues identified at any stage in the review process are passed to the Group Finance Director and modifications are made as necessary. We believe that this process has worked well in assisting the board in its determination of fair, balanced and understandable.

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	Work undertaken by the Committee in forming an opinion
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 40 on page 179). It should be noted that whilst this will remain an area of significant judgment in future years, the number of refineries, and hence the amount at risk relating to this judgment area, has been reduced following the sale of the Gold and Silver Refining business.	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 the refinery stock takes 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 and concurred with management's opinion that it was. The refining process and stock takes were also an area of focus for KPMG which reported its findings to us. Due to the industry wide South African labour issues in the first half of our year which created a scarcity in the palladium sponge market, management decided that shutting down the West Deptford, USA refinery in order to perform a stock take was too high a risk given the need to meet commitments to customers as they fell due. Management conducted a review to ensure there were adequate controls in place over metal at West Deptford to mitigate the risk of not performing the annual stock take and concluded that the controls gave them sufficient comfort. Management discussed their decision with us and we agreed with their conclusion. A stock take will take place at West Deptford in 2015.
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 40 on pages 159, 160 and 179 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. All the impairment tests resulted in significant headroom over the carrying value of the relevant CGU's net assets. We concluded that management's key assumptions were reasonable.
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 40 on page 179).	We reviewed explanatory papers from management which included a review of the appropriateness of the tax provisions. The Group Tax Director attended a Committee meeting to discuss how the group manages its tax risks, with particular emphasis on risks associated with indirect taxes. KPMG also reported its findings in this area to us and we reviewed these findings. We concluded that the judgments and estimates were reasonable and appropriate.
Post-employment benefits Key judgments are made in relation to the assumptions used when valuing post-employment benefits obligations (note 14 on pages 151 to 158).	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. We concluded that the assumptions used are appropriate for the group's post-employment benefit plans.

Audit Committee Report continued

2 Internal Control, Risk Management Systems and Internal Audit

- Received regular reports from the Head of Corporate Assurance and Risk on:
  - *Internal controls*. At our June 2014 meeting, we received a report on the key control questionnaire for the year ended 31st March 2014. The key control questionnaire is a bottom up process by which management across all our businesses are required to certify the existence and effectiveness of certain key controls within their areas of responsibility. It forms one part of our overall assurance programme. We considered the nature and quality of responses, significant findings and themes and how management planned to address any unsatisfactory findings. We also looked at how well the process had operated. At our meeting in January 2015, our Head of Corporate Assurance and Risk outlined her plans for updating and finessing the process for the year ended 31st March 2015. At our June 2015 meeting we considered the findings of this revised process and examined how well it operated.
  - *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.
  - *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. Specifically this year, we spent time considering the findings of security vulnerability testing which had been undertaken by an external party and we discussed with management the nature and timing of necessary follow up actions.
  - *Risk management processes*. The reports described the processes followed within the divisions and at group level to identify and monitor risks and to review the operation and effectiveness of risk mitigation activities. In addition, we discussed with our Head of Corporate Assurance and Risk the group's new risk management process guidance which has recently been rolled out to all of our sites. This provides enhanced guidance on risk identification, assessment and management processes and seeks to standardise these processes across the group.
- Reviewed and approved the corporate assurance and risk plan for 2015/16.
- Kept the effectiveness of our Corporate Assurance and Risk function under review throughout the year, especially given the change at the head of the function. We continued to pay close attention to the resourcing of the function and to monitor the use and effectiveness of any external specialist providers who are engaged to support certain audits.
- Received a report 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 2014.
- Received a presentation from the Group Head, Legal Compliance, on the implementation of anti-bribery and corruption policies and procedures across the group, particularly in relation to our recently enhanced third party intermediary review process.
- Reviewed the risk management and control statements in the Annual Report and Accounts before they were approved by the board.

Internal Audit and Group Security

At our January 2015 meeting, Angela O'Hara, our new Head of Corporate Assurance and Risk, set out her initial observations in the areas of policy, processes, systems and people and discussed with us her key priorities and more detailed objectives. Carrying on the work of her predecessor, this included the further strengthening and development of the Internal Audit and Group Security function. Linked to this, I attended a team building session with all members of the function where we discussed how the function should be organised to ensure delivery of a high quality, efficient and independent audit. With effect from 1st April 2015, various changes were implemented which included integrating the internal audit and security teams into single teams and reorganising them along regional lines (Asia, the Americas and Europe / Rest of World). Where practical, combined internal audit and security reviews will now be carried out. As part of this reorganisation, the function has been renamed Corporate Assurance and Risk. As a Committee we reviewed and discussed these changes at our March 2015 meeting.

Corporate Assurance and Risk Plan

At our March 2015 meeting we spent considerable time debating the proposed corporate assurance and risk plan for 2015/16. The starting point for the plan was the Group Risk Register with audit activity being mapped to our principal risks (as described on pages 22 to 27). In planning audit activity, particular attention is paid to assurance over the integrity of our financial controls. This draft plan was then compared to prior years' plans, the risk profile of individual sites and the time lapse since their last audit. Other factors were also taken into account such as any issues or themes arising from last year's key control questionnaire process. This year, the plan has a greater focus on the group's compliance with anti-bribery and corruption policies. Selected sites will now undergo more rigorous testing of their level of compliance with such policies. In addition, comprehensive testing and auditing activity has been included in the plan to provide assurance in relation to the group's continued investment in business information systems. We believe that the plan addresses the key risks and its geographic coverage is right for the size and nature of the group. On that basis, we approved the plan.

Our Control Environment

We invited a number of senior managers from the divisions and group functions to attend our meetings to discuss relevant issues within their areas of responsibility; in particular we wanted to look deeper at their financial control environment. The Divisional Finance Directors of Process Technologies and Precious Metal Products separately attended meetings to discuss their key financial risks, how these were being managed and to give their assessment on the quality and effectiveness of their divisions' key controls. They also discussed their divisions' IT strategies and associated risks, as well as explaining the structure of their divisional finance teams, giving their assessment on the quality of those teams. This detailed walk through by the Divisional Finance Directors gave us the opportunity to probe and challenge and, in particular, gave us good insight into where divisional efforts need to be focused to further strengthen the financial control environment.

Continuing from work we undertook last year, the Divisional Finance Director of Precious Metal Products also gave us an update on the improvement actions which had either been completed or were underway in the refining businesses and discussed how the longer term plans to reduce the overall level of risk in the refining businesses were progressing.

Our Group Tax Director attended a meeting to discuss the group's control framework in relation to tax risks with particular emphasis on risks associated with indirect taxes. We received an overview of how these risks were managed and of plans to further strengthen the controls in this area.

3 External Auditor

- Reviewed KPMG's performance and the effectiveness of the external audit process.

Last year we reported on our internal process to review KPMG's performance during the 2013/14 audit. The results showed an overall level of satisfaction with KPMG but scope for improvement was identified in some minor areas of the audit including in relation to communication and day to day project management. Our lead audit partner set out his plans for improvement in these areas.

Towards the end of the 2014/15 external audit, and following the format used in the prior year, a feedback questionnaire was circulated to the executive directors and senior management. Respondents were asked to rate how satisfied they were with KPMG, including its level of planning and coordination, ability to meet delivery dates and objectives, industry / specialist knowledge, preparedness and organisation, ability to firmly challenge management, independence, level and quality of communication and value for money.

We examined the results of this questionnaire with particular focus on those areas which had been identified in the prior year's review as requiring improvement. We also looked at other factors such as the quality of reports issued by KPMG, the performance of our lead audit partner and the views of the Group Finance Director and Group Reporting Controller following their extensive interactions with KPMG during the audit process. To supplement our review, we also considered the FRC's Audit Quality Inspection Report 2013/14 on KPMG.

Following the above, we concluded that KPMG continued to provide an effective audit. In particular, we were pleased to note that there had been improvements during the year to some aspects of service delivery.

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. As previously noted, the Committee also meets with the lead audit partner without executive management being present. These meetings provide a useful forum for open discussion of the issues connected with the external audit.

- Took steps to ensure that external auditor objectivity and independence were safeguarded. We did this by:
  - reviewing compliance against our policy on the provision of non-audit services and considered whether this policy continued to be appropriate. We concluded that the policy (see below) remained fit for purpose and no changes were needed;
  - reviewing details of the non-audit services provided by KPMG and associated fees.

    Non-audit fees in the year were £0.2 million compared to audit fees of £1.9 million. The non-audit fees predominantly comprised expenditure on direct and indirect tax compliance and advisory services. 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; and
  - reviewing the procedures followed by KPMG to safeguard its objectivity and independence. We received confirmation from KPMG that it was compliant with APB Ethical Standards in relation to the audit engagement.

Our Policy on the Provision of Non-Audit Services – Summary

- 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, there were no items requiring my, or the Committee's, approval.

Audit Committee Report continued

- Approved KPMG's proposed terms of engagement, audit plan and fees for 2014/15.
- Considered the timing for putting our external audit out to tender.

External Audit Plan

At our November 2014 meeting, our lead audit partner presented KPMG's audit plan for 2014/15. Integral to the development of this plan was KPMG's identification and assessment of those risks in the group which would impact their audit approach and effort. Those risks having the greatest impact – the key audit risks – are referred to by KPMG in the Independent Auditor's Report on pages 181 and 182. Outside of these key audit risks, KPMG also identified and graded other risks which would impact their audit approach and effort.

In reviewing the appropriateness of KPMG's proposed plan, as well as considering the above, we reviewed KPMG's proposed audit materiality and the proposed audit scope, paying close attention to those businesses which would be audited by KPMG, either through a full scope audit or specified procedures, and those which fell outside of KPMG's remit. Following discussion, we concluded that the proposed plan was sufficiently comprehensive for the purpose of the audit of the group's accounts (see the Independent Auditor's Report on page 182 for the coverage percentages).

Our approach to 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. Our current lead audit partner was appointed in 2013/14 and since then he has refreshed KPMG's approach to certain aspects of its audit.

As disclosed in last year's annual report, and in the light of changes to the UK Corporate Governance Code in 2012 relating to audit tendering and the publication of the Financial Reporting Council 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 and Markets Authority (CMA) investigation into the supply of statutory audit services to large companies in the UK and developments at EU level.

The Committee has followed regulatory developments in the last 12 months and has considered the new EU audit reform legislation (passed in July 2014 and in force from 17th June 2016) and the CMA's final order in relation to the above-mentioned investigation (published in October 2014 and in force for financial years beginning on or after 1st January 2015). Under transitional arrangements for these two regimes, KPMG's last possible audit of our group would be for the year ending 31st March 2020.

It remains our intention to put the external audit out to tender 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 2015/16 as we are satisfied with the work KPMG is carrying out on behalf of our shareholders. The lead audit partner's term will expire after completion of the 2017/18 audit 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. This approach is in accordance with EU legislation and the CMA final order as it is well within the time frames specified by their transitional arrangements.

- Recommended to the board the reappointment of KPMG. A resolution proposing the reappointment of KPMG is included in the notice of the 2015 AGM.

4 Other Activities

- Reviewed our own performance and effectiveness during 2014/15.
- Reviewed and approved the draft Audit Committee Report for 2014/15.
- Received reports on, and monitored, key governance and regulatory developments.

Performance Review

During the year, an externally facilitated performance review was undertaken in relation to the board and its committees. We discussed the findings of the review in relation to the Committee at our June 2015 meeting. The findings were encouraging with all respondents agreeing that the Committee is effective with a well structured agenda and is focusing on the right things at the right time. However, there are some findings which we will work on over the coming year, for example in relation to risk management activities, where we will seek to ensure that the division of responsibilities between the board and the Committee is the right one.

Our Priorities

In last year's annual report we set out our priorities for 2014/15. Below we report on the status of these and set out our priorities for 2015/16.

2014/15	Comments
• Monitor and respond to changing regulatory environment particularly in relation to external audit quality and tendering.	Completed.
• Be proactive in helping to ensure a seamless transition following the appointment of a new Group Finance Director and a new Head of Corporate Assurance and Risk.	Completed.
• Focus on reviewing the mitigating controls over the group's principal risks.	We did not make as much progress in this area as we had hoped given the change in Head of Corporate Assurance and Risk and our focus on further developing the Corporate Assurance and Risk function. This will continue to be an area of focus for us in 2015/16.

2015/16

- Increased focus on assurance mapping across the group and on reviewing the mitigating controls over the group's principal risks and assessing the level of assurance being provided.
- Consider the implications for the Committee of the 2014 changes to the UK Corporate Governance Code in relation to risk management and internal controls.
- Look more closely at risks and controls associated with the group's continued investment in business information systems.

On behalf of the Audit Committee:

Alan Ferguson
Chairman of the Audit Committee

Remuneration Report

Contents

108 Introduction
109 Remuneration Policy
118 Annual Report on Remuneration

Dorothy Thompson
Chairman of the Remuneration Committee

Introduction

Corporate Performance and Incentive Outcomes

In 2014/15, Johnson Matthey made good progress with a particularly strong performance from Emission Control Technologies (ECT). There were increases in our measures of underlying profit before tax (PBT) and underlying earnings per share (EPS). The financial results have been matched by further development of new businesses and products which place the company in a healthy position for the future.

The performance conditions attached to our incentive plans are appropriately challenging and so, although good progress has been delivered, maximum levels of payout have not been reached. The bonus payments are 54% of maximum payout while the 2012 Long Term Incentive Plan (LTIP) allocation for executive directors did not achieve its threshold target of 7% over its three year performance period ended 31st March 2015.

Commentary on Changes Over the Year

In 2014, our first year of reporting under the new reporting regulations, we were pleased with the level of shareholder support received for both our 2014 directors' Remuneration Report and our Remuneration Policy which we said would apply for three years. For 2015 there are no revisions proposed to our Remuneration Policy, and we remain committed to continued transparency and engagement with our shareholders on proposed changes to our executive arrangements.

The overall objective of the company is to deliver '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 reward is firmly based on growth as measured by increases in underlying EPS, and annual bonuses require strong near term delivery against challenging targets.

During the year the Committee considered the performance range of the LTIP, which is currently 6%-15% compound annual growth in underlying EPS. The Committee decided that to reflect the changes in macro economic conditions and a low inflation environment the performance range for the 2015 LTIP allocation will be changed from 6%-15%, to 6%-12% compound annual growth in underlying EPS. The Committee believes that this performance range will continue to provide executives with an appropriately challenging and meaningful incentive to drive performance.

During the year the Committee also reviewed the performance measures associated with the annual bonus plan and decided to amend the financial measures used to determine the bonus for John Walker for performance periods after 31st March 2015. With effect from 1st April 2015 the performance measures will be 60% based on the performance against the group's budgeted underlying PBT and 40% based on the financial performance of ECT. The Committee believes this change is important to ensure alignment in driving forward ECT and its contribution to the group. The performance measures of the other executive directors remain fully based on the group's performance against budgeted underlying PBT.

As a result of the significant contribution of ECT to the company's overall performance this year the Committee decided to exercise its discretion and award a higher bonus to John Walker, Executive Director, ECT, than the annual bonus formulaic outcome would otherwise provide. The additional bonus awarded amounts to £50,000 (13% of his base salary), and, in line with our Remuneration Policy, 50% will be deferred into shares for a three year period.

The Committee remains committed to good corporate governance and with the issue of the revised UK Corporate Governance Code in September 2014 the Committee revisited its malus and clawback provisions which it originally introduced in 2014. As a result of this review the Committee has strengthened its clawback provisions such that it will now also apply to the cash element of the annual bonus and the LTIP post-vesting deferral period. The clawback provisions can be applied at any time up to the third anniversary of the end of the performance period.

Conclusion

With continued uncertainty in global markets the year ahead is challenging but the variable elements of executive remuneration will remain strongly focused on the simple and transparent measures of underlying PBT and underlying EPS.

The Committee will continue to set targets that are appropriately challenging with maximum payouts only possible for exceptional performance.

We believe that our policy remains well aligned with the interests of our shareholders whilst providing appropriate incentives for our executives relative to performance.

Dorothy Thompson

Remuneration Policy

Below we publish the 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. This Remuneration Policy took effect immediately following the 2014 AGM and applies to all remuneration for the year commencing 1st April 2014.

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 Remuneration Committee will take account of performance of the individual director against a broad set of parameters including financial, environmental, social and governance issues. The Remuneration Committee 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 FTSE 100, 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 salary table below)

Base salaries at the last review are shown below:

Director	**Salary as at 1st August 2014 £**	Salary as at 1st August 2013 £	% change
Robert MacLeod	**750,000**	457,537	64[1]
Den Jones	**465,000**	–	n/a
Larry Pentz	**452,000**	438,690	3
John Walker	**395,000**	365,000[2]	8

[1] Robert MacLeod was appointed as Chief Executive on 5th June 2014.

[2] John Walker was appointed as an executive director 9th October 2013. The salary disclosed is at this date.

The increase awarded to John Walker is to account for some market realignment and his increased board experience following his appointment in October 2013.

Maximum opportunity
No salary increase will be awarded which results in a base salary which exceeds the competitive market range.

New salaries 2015
The base salary of executive directors will be reviewed on 1st August 2015 in accordance with the policy.

Remuneration Report continued

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. Bonus deferral as well as malus and clawback provisions ensure that longer term considerations are properly taken into account in the pursuit of annual targets.	The Remuneration Committee sets annual bonus performance measures and targets at the start of the year. At the end of the year, the Remuneration Committee determines the extent to which these have been achieved. The Remuneration Committee 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 Remuneration Committee 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 Remuneration Committee 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 Remuneration Committee 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 Remuneration Committee 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 120. 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.

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 Remuneration Committee 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 Remuneration Committee 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 Remuneration Committee 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 Remuneration Committee does not wish to discourage long term investment and acquisitions which might depress short term ROIC. Therefore the Remuneration Committee has not implemented a hard numerical measure to the assessment of the satisfactory development of ROIC. The Remuneration Committee 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 the compound annual growth rate (CAGR) of underlying EPS over the three year performance period. Vesting is also subject to a discretionary ROIC underpin that is monitored by the Remuneration Committee. ROIC is assessed against internal expectations and forecasts. The Remuneration Committee 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 2015 are shown on page 122. **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

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 Remuneration Committee. 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.

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 Remuneration Committee; 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 Remuneration Committee 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. Non-executive director fees are 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 2014 are shown below: Non-executive Chairman – £330,000. Non-executive directors – £60,000. Audit Committee chairmanship additional fee – £15,000. Remuneration Committee chairmanship additional fee – £15,000. Senior Independent Director (SID) additional fee – £16,000. Where the SID is also the chairman of a committee an additional fee of £2,000 will be paid, such that the total payable is £18,000.

Remuneration Report continued

Selection of Performance Targets

Annual bonus	Financial performance targets under the annual bonus plan are set by the Remuneration Committee 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 2015/16 are based upon budgeted underlying PBT to ensure that there is strong attention paid to delivery of current operational plans and operational efficiency[1]. 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 2015/16.
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 Remuneration Committee 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.

[1] Following a review of the performance measures the Committee amended the measures for John Walker for periods after 31st March 2015 such that they will now be 60% based on the performance against the group's budgeted underlying PBT and 40% based on the financial performance of ECT.

Group Employee Considerations

The Remuneration Committee 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 the 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. The group's senior executives plus senior and middle managers (1,300 employees) participate in the annual bonus plan (with performance conditions similar to those described in the Remuneration Policy). In addition they 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).

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.

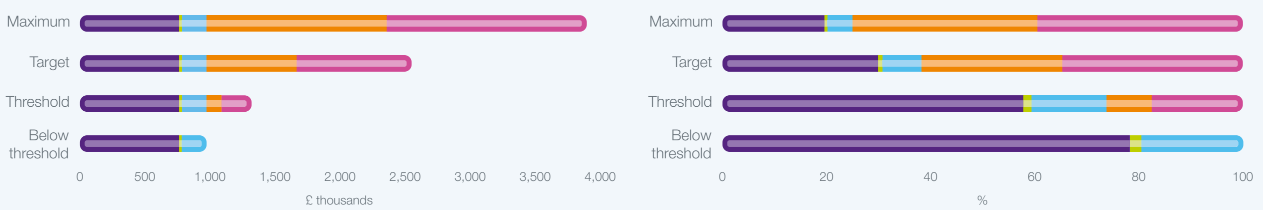
The key element of remuneration for those below management grades is base salary and Johnson Matthey's policy is to ensure that basic salaries are fully competitive in the local markets. General pay increases take into account local salary norms, local inflation and business conditions.

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 2015, both in absolute terms and as a proportion of the total package under different performance scenarios.

Value of Package | **Composition of Package**

Robert MacLeod



Den Jones

Larry Pentz

John Walker

Base salary | Benefits | Pension | Annual bonus | LTIP[1]

[1] The LTIP values shown are in respect of shares granted during 2015 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 Remuneration Committee 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 Remuneration Committee 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 Remuneration Committee in accordance with the principles set out in the policy table on page 109.
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 112.
Annual bonus	The maximum level of opportunity is as set out in the policy table on page 110. The Remuneration Committee 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 111. In order to achieve rapid alignment with Johnson Matthey's and shareholder interests, the Remuneration Committee 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 Remuneration Committee 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 Remuneration Committee 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 Remuneration Committee 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 112.

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 Remuneration Committee 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 remuneration reporting requirements.

The following table describes the contractual conditions pertaining to the contracts for Robert MacLeod, Den Jones, Larry Pentz and John Walker and for any future executive director.

Summary of Key Provisions of Executive Directors' Service Contracts and Treatment of Payments on Termination

	Robert MacLeod	Den Jones	Larry Pentz[1]	John Walker[1]
Date of service agreement	31st January 2014	10th February 2014	31st January 2014	31st January 2014
Date of appointment as director	22nd June 2009	5th June 2014	1st August 2003	9th October 2013
Employing company	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 Remuneration Committee. 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 Remuneration Committee: • 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 Remuneration Committee 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 Remuneration Committee 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

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. Neither 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)	R, N	29th March 2011	July 2017	6 months	6 months
Odile Desforges	A, R, N	1st July 2013	30th June 2016	1 month	1 month
Alan Ferguson	A, R, N	13th January 2011	12th January 2017	1 month	1 month
Colin Matthews	A, R, N	4th October 2012	3rd October 2015	1 month	1 month
Chris Mottershead	A, R, N	27th January 2015	26th January 2018	1 month	1 month
Michael Roney[1]	A, R, N	1st June 2007	31st May 2016	1 month	1 month
Dorothy Thompson	A, R, N	1st September 2007	31st August 2016	1 month	1 month

A: Audit Committee R: Remuneration Committee N: Nomination Committee

1 Michael Roney retired from the board on 23rd July 2014.

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[1]	Amec Foster Wheeler plc	Non-executive director	61
	PayPoint plc	Non-executive director	40
Robert MacLeod	Aggreko plc	Non-executive director	80
Larry Pentz[2]	Victrex plc	Non-executive director	50

1 Neil Carson retired from the board on 30th September 2014.

2 Larry Pentz was appointed non-executive Chairman of Victrex plc on 1st October 2014.

Annual Report on Remuneration

The following section provides details of how the Remuneration Policy was implemented during the year.

The Remuneration Committee

The Remuneration Committee is a committee of the board and comprises all the independent non-executive directors of the company as set out above including the group Chairman.

The members of the Remuneration Committee and their attendance at committee meetings during the year ended 31st March 2015 is shown below.

	Committee role	Date of appointment	Meeting attendance 2nd June 2014	22nd July 2014	17th November 2014	31st March 2015
Michael Roney	Chairman	1st June 2012	✓	✓	–[1]	–[1]
Dorothy Thompson	Chairman[2]	1st September 2007	✓	✓	✓	✓
Odile Desforges	Member	1st July 2013	✓	✓	✓	✓
Alan Ferguson	Member	13th January 2011	✓	✓	✓	✓
Colin Matthews	Member	4th October 2012	✓	✓	✓	✓
Chris Mottershead	Member	27th January 2015	–	–	–	✓
Tim Stevenson	Member	29th March 2011	✓	✓	✓	✓

1 Michael Roney retired from the board and the Committee on 23rd July 2014.

2 Upon the retirement of Michael Roney, Dorothy Thompson was appointed Chairman of the Committee.

Since the end of the year, the Remuneration Committee has met once and all members attended.

The Remuneration Committee'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 Remuneration Committee 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 Remuneration Committee.

Key Topics Covered at Remuneration Committee Meetings 2014/15

The Remuneration Committee met on four occasions during the last year. The principal activities carried out were as described below.

Meeting	Agenda items
2nd June	Review of executive directors' salary and bonus. Review of salary increases for the Group Management Committee and senior managers. Review of pay within the group. Approval of the Remuneration Report.
22nd 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. Review of Chairman's fees.
17th November	Review of the LTIP and annual bonus composition. Review of salaries for the Group Management Committee.
31st March	Review of the LTIP and annual bonus composition. Approval of changes to incentive plans to take account of latest Corporate Code of Governance.

Advisers to the Committee

In determining the remuneration structure, the Remuneration Committee appoints and receives advice from independent remuneration consultants on the pay and incentive arrangements prevailing in comparably sized industrial companies in each country in which Johnson Matthey has operations. During the year, such advice was received from PricewaterhouseCoopers LLP.

PricewaterhouseCoopers was appointed independently by the Remuneration Committee. The Remuneration Committee 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 £9,500. 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, review of some financial controls as well as IT system reviews and due diligence on acquisition and disposal activities. 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 Remuneration Committee 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 Remuneration Committee. This advice was charged on an hourly basis. The Remuneration Committee 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 2015 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 2014 and the year ended 31st March 2015.

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	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
Executive directors												
Robert MacLeod	**697**	450	**21**	19	**702**	406	**–**	676	**174**	113	**1,594**	1,664
Den Jones	**382**	–	**13**	–	**307**	–	**–**	–	**95**	–	**797**	–
Larry Pentz	**448**	432	**183**[1]	53	**363**	390	**–**	648	**113**	108	**1,107**	1,631
John Walker[2]	**385**	174	**10**	19	**367**[3]	321	**37**[4]	380	**96**	46	**895**	940
Former executive directors												
Neil Carson[5]	**422**	830	**10**	22	**408**	899	**–**	1,559	**105**	419[6]	**945**	3,729
Bill Sandford	**–**	199	**–**	25	**–**	175	**–**	483	**–**	50	**–**	932

1 The value of Larry Pentz's benefits includes living accommodation costs while he is working away from his country of residence.

2 John Walker was appointed to the board on 9th October 2013. The base salary, pension and benefit values shown in 2014 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 a member of the board but are in respect of performance periods that include time before and after his appointment to the board.

3 This figure represents the annual bonus awarded for the year ended 31st March 2015 plus a discretionary bonus of £50,000 awarded by the Committee.

4 The 2015 LTIP paid to John Walker in 2015 while a member of the board is in respect of a performance period that includes time before and after his appointment to the board.

5 Neil Carson retired from the board on 30th September 2014. Salary, benefits and pension supplement were paid to the date of cessation of office. Neil Carson was awarded an annual bonus payment (as described on page 124) and will receive a vesting of the LTIP award in respect of the performance period ending 31st March 2015 (as described on page 122), each on a pro-rata basis.

6 Of this amount £208k was a cash supplement paid in lieu of continued pension accrual.

Remuneration Report continued

Single Figure Table of Remuneration (continued)

	Base salary / fees £'000		Benefits £'000		Annual bonus £'000		LTIP £'000		Pension £'000		Total £'000	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
Non-executive directors												
Tim Stevenson	**320**	300	**–**	–	**–**	–	**–**	–	**–**	–	**320**	300
Odile Desforges	**58**	41	**–**	–	**–**	–	**–**	–	**–**	–	**58**	41
Alan Ferguson	**74**	65	**–**	–	**–**	–	**–**	–	**–**	–	**74**	65
Colin Matthews	**58**	55	**–**	–	**–**	–	**–**	–	**–**	–	**58**	55
Chris Mottershead[7]	**11**	–	**–**	–	**–**	–	**–**	–	**–**	–	**11**	–
Michael Roney	**21**	68	**–**	–	**–**	–	**–**	–	**–**	–	**21**	68
Dorothy Thompson	**68**	55	**–**	–	**–**	–	**–**	–	**–**	–	**68**	55

[7] Chris Mottershead was appointed to the board on 27th January 2015.

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 2015. The figure includes any amounts deferred and awarded as shares.
LTIP	The 2014 figure represents the value of shares which vested in July 2014. The volume weighted average share price at vest was 3,013 pence. The 2015 figure represents the estimated value of the shares which are due to vest in August 2015 based on achievement of performance conditions over the three years to 31st March 2015, calculated using the average share price from 1st January 2015 to 31st March 2015 which was 3,394 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 2015

The annual bonus for 2014/15 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 2015.

	Required underlying PBT performance	Bonus as % of base salary	
		Chief Executive	Executive directors
Threshold	95% of budget	15%	15%
Target	100% of budget	90%	75%
Maximum	110% of budget	180%	150%

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 annual budget was set at £437.0 million. The actual underlying PBT achieved after the loss of the Anglo American Platinum Limited contract and adverse foreign currency movements was £440.1 million, 0.7% 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 2014/15 and the previous years.

Year	Budgeted £ million	Underlying PBT Actual £ million	Actual growth %	Actual % of budget	Bonus awarded Chief Executive[1] % of base salary	Executive directors % of base salary
2012/13	464.6	389.2	-9	84	–	–
2013/14	410.0	427.3	12[2]	104	89	89
2014/15	437.0	440.1	3	101	94	80

1 Robert MacLeod was appointed Chief Executive on 5th June 2014. Prior to this he was an executive director and as such the figure shown for 2013/14 represents the bonus awarded to Robert as an executive director.

2 In 2013/14 the underlying PBT for 2012/13 was restated for the adoption of new and revised accounting standards.

For bonus payments earned in relation to the year ended 31st March 2015 the following rules of deferral apply:

- For the Chief Executive and other executive directors, 50% of the bonus payable is awarded as shares and deferred for a period of three years.
- There are no further performance conditions attached to the deferred element.
- Dividend equivalents are paid on the proportion of any bonus awarded in shares during the deferral period. These are paid at the end of the deferral period and are equal to the value the executive director would have received had they held the shares directly.
- The Remuneration Committee is entitled to apply forfeiture to the deferred element in the case of misstatement or misconduct.

The Remuneration Committee retains discretion in awarding annual bonuses to vary the level of annual bonuses from the formulaic outcome. For the year ended 31st March 2015, the Remuneration Committee decided to award a discretionary bonus to John Walker of £50,000 to recognise his contribution to the exceptional performance of Emission Control Technologies for which he is responsible. Of this amount 50% is deferred for a period of three years.

2 LTIP Vesting for the Three Year Performance Period Ended 31st March 2015

The table below sets out the opportunity and performance targets for the LTIP award made in August 2012 with a three year performance period which ended 31st March 2015.

Required underlying EPS performance	Proportion of award which may vest	Vesting as % of base salary at time of award Chief Executive[1]	Executive directors[2]
Threshold 7% CAGR	15%	21%	21%
Maximum 16% CAGR	100%	140%	140%

1 Robert MacLeod was appointed Chief Executive on 5th June 2014. Prior to this he was an executive director and as such the figure shown represents the 2012 LTIP awarded to him as an executive director.

2 John Walker became an executive director on 9th October 2013. Mr Walker's 2012 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% and 15% CAGR respectively for service up to 9th October 2013 and 7% and 16% CAGR thereafter.

The awards vest on a straight line basis between threshold and maximum. In addition to the EPS performance condition, the Remuneration Committee considers the performance of ROIC over the performance period to ensure that earnings growth is achieved in a sustainable and efficient manner.

The 2012 LTIP award was originally granted with a performance range from threshold to maximum of 6%-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 Remuneration Committee therefore considered the impact of the share consolidation on the EPS performance targets for outstanding incentives, where those performance targets were agreed by the Remuneration Committee before the consolidation was announced. The Remuneration Committee 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 Remuneration Committee 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, 2011 (both previously vested) and 2012 (vested during the year).

Remuneration Report continued

LTIP Outcomes

The 2012 LTIP awards will vest on 1st August 2015. The performance to the end of the performance period on 31st March 2015 was a compound annual growth in underlying EPS of 6.07% 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] £
Executive directors					
Robert MacLeod	140	27,222	–	–	–
Den Jones	–	–	–	–	–
Larry Pentz	140	26,100	–	–	–
John Walker[2]	125	13,883	7.9	1,102	37,402
Former executive directors					
Neil Carson[3]	175	52,252	–	–	–
Bill Sandford[4]	140	11,895	–	–	–

1 The value of the 2012 award, which will vest on 1st August 2015, is estimated using the average share price for the period 1st January 2015 to 31st March 2015 which was 3,394 pence.

2 John Walker became an executive director on 9th October 2013. The awards shown are those awarded in 2012 prior to his appointment as an executive director.

3 Neil Carson retired from the board on 30th September 2014. The LTIP shares awarded to Mr Carson in August 2012 (62,737) were, on leaving, pro-rated to 52,252 based on his completed service since the start of the performance period. Due to the performance conditions not being met these shares will lapse on 1st August 2015.

4 Bill Sandford retired from the board on 9th October 2013. The LTIP shares awarded to Mr Sandford in August 2012 (23,427) were, on leaving, pro-rated to 11,895 based on his completed service since the start of the performance period. Due to the performance conditions not being met these shares will lapse on 1st August 2015.

3 Variable Pay Awarded During the Year Ended 31st March 2015 (LTIP Awards Subject to Future Performance)

In August 2014 awards were made to the executive directors under the LTIP in respect of the three year performance period to 31st March 2017. 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 table below sets out the details of the actual awards made on 1st August 2014 as a percentage of base salary.

	% of base salary	Shares awarded	Face value[1]
Robert MacLeod	200	47,709	1,499,971
Den Jones	175	25,882	813,730
Larry Pentz	175	25,159	790,999
John Walker	175	21,986	691,240

1 Face value is calculated using the share price on the date of award of 3,144 pence.

No LTIP award was made to Mr Carson in 2014 as he had announced, in January 2014, his intention to retire from the board on 30th September 2014.

4 LTIP Awards to be Made During the Year Commencing 1st April 2015

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 12% CAGR	100%	200%	175%

The Remuneration Committee expects to set a similar performance target range in future years unless there is a significant change in the external environment.

For LTIP awards made after 31st March 2014, dividend equivalents are accrued on shares held during the post-vesting deferral period. These are paid on the fifth anniversary of the initial LTIP award date and are equal to the value the executive director would have received had they held the shares directly.

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] £
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	676,180
	2012	2015	140	27,222	6.07%	–	–	–
	2013	2016	140	24,476	n/a	n/a		
	2014	2017	200	47,709	n/a	n/a		
Den Jones	2014	2017	175	25,882	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	648,344
	2012	2015	140	26,100	6.07%	–	–	–
	2013	2016	140	23,468	n/a	n/a		
	2014	2017	175	25,159	n/a	n/a		
John Walker[3]								
	2011	2014	125	15,214	13.3%	83	12,599	379,559
	2012	2015	125	13,883	6.07%	8	1,102	37,402
	2013	2016	125	12,483	n/a	n/a		
	2014	2017	175	21,986	n/a	n/a		

1 The value of the 2012 award, which will vest in August 2015, is estimated using the average share price for the period 1st January 2015 to 31st March 2015, which was 3,394 pence.

2 In 2009, Robert MacLeod joined the group as Group Finance Director and was awarded a one-off allocation of 170% of base salary to ensure alignment of his objectives with those of shareholders.

3 John Walker became an executive director on 9th October 2013. The performance targets of Mr Walker's 2012 LTIP are 6% and 15% CAGR respectively for service up to 9th October 2013 and 7% and 16% CAGR thereafter.

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, Robert MacLeod, John Walker and Larry Pentz have each accrued a pension entitlement in respect of a prior period of pensionable service in one or more of the group's pension arrangements.

Robert MacLeod ceased pensionable service in the UK pension scheme (JMEPS) 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 2015 in the UK and US pension schemes are given below:

	Total accrued annual pension entitlement at 31st March 2015 £'000
Robert MacLeod[1]	10
Den Jones	–
Larry Pentz[2]	64
John Walker[3]	70

1 Pension payable from age 65 based on pensionable service in the UK pension scheme up to 31st March 2011.

2 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.

3 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

Payments for Loss of Office

Neil Carson received his salary, normal benefits and pension supplement up until 30th September 2014, being the date of his cessation of office. The Remuneration Committee determined that it was appropriate to award Neil Carson a bonus on a pro-rated basis, which amounted to £407,825, one half of which was awarded as shares subject to a three year deferral period.

Mr Carson was awarded 12,902 deferred shares under the annual bonus plan in 2012. These will be released to him on the normal release date in August 2015. No bonus was paid in 2013 and so there is no deferred bonus award in respect of this year. Mr Carson was awarded 9,538 shares under the annual bonus plan in 2014. These will be released to him on the normal release date in 2017.

Shares allocated to Mr Carson in August 2012 and August 2013 under the Johnson Matthey LTIP will be released to him on the normal vesting dates in 2015 and 2016 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 52,252 and 28,178 shares. The final vesting will be determined by reference to the achievement of the performance conditions. No LTIP award was made to Mr Carson in 2014.

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 2015.

		Unvested scheme interests	
	Ordinary shares[1]	Subject to ongoing performance conditions[2]	Not subject to further performance conditions[3]
Executive directors			
Robert MacLeod	31,396	99,407	6,085
Den Jones	–	25,882	–
Larry Pentz	25,587	74,727	5,776
John Walker	10,159	48,352	4,352
Neil Carson[4]	213,644	80,430	22,440
Non-executive directors			
Tim Stevenson	5,250	–	–
Odile Desforges	1,500	–	–
Alan Ferguson	2,200	–	–
Colin Matthews	2,000	–	–
Chris Mottershead	–	–	–
Michael Roney[5]	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 30th September 2014, the date of Neil Carson's retirement.

5 Shares held as at 23rd July 2014, the date of Michael Roney's retirement.

Directors' interests as at 3rd June 2015 were unchanged from those listed above, other than that the trustees of the all employee share matching plan have purchased on behalf of Robert MacLeod and John Walker a further 21 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 2014	Awarded during the year	Vested during the year	Lapsed during the year	**Shares subject to ongoing performance conditions as at 31st March 2015**
Executive directors					
Robert MacLeod	81,677	47,709	22,445	7,534	**99,407**
Den Jones	–	25,882	–	–	**25,882**
Larry Pentz	78,312	25,159	21,521	7,223	**74,727**
John Walker	41,580	21,986	12,599	2,615	**48,352**
Former executive directors					
Neil Carson	188,242	–	51,733	56,079	**80,430**
Bill Sandford	33,306	–	16,030	5,381	**11,895**

1 All LTIP awards are subject to the EPS performance condition as described on pages 121 and 122.

Statement of Directors' Shareholding (continued)

Deferred Bonus Plan	Shares no longer subject to ongoing performance conditions as at 31st March 2014	Awarded during the year	Vested during the year	Lapsed during the year	Shares no longer subject to ongoing performance conditions as at 31st March 2015
Executive directors					
Robert MacLeod	3,499	2,586	–	–	6,085
Den Jones	–	–	–	–	–
Larry Pentz	3,355	2,421	–	–	5,776
John Walker	2,307	2,045	–	–	4,352
Former executive directors					
Neil Carson	12,902	9,538	–	–	22,440
Bill Sandford	2,968	1,115	–	–	4,083

Executive directors are expected to build up a shareholding in the company over five years. The minimum shareholding requirement, as set out on page 113, is 200% of base salary for the Chief Executive and 150% of base salary for 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 2015 (% of base salary)[1,2]
Robert MacLeod[3]	170
Den Jones[4]	–
Larry Pentz	236
John Walker	125

1 Value of shares as a percentage of base salary is calculated using a share value of 3,394 pence which was the average share price prevailing between 1st January 2015 and 31st March 2015.

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 Remuneration Committee) 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.

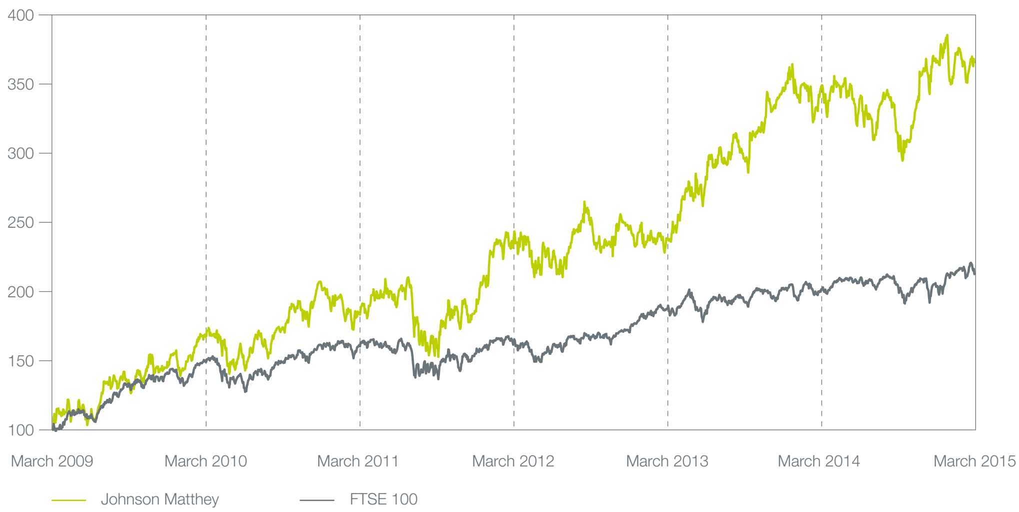
3 Robert MacLeod took up the role of Chief Executive on 5th June 2014 and became subject to a higher shareholding requirement and is building his holding over time in line with the Remuneration Policy.

4 Den Jones joined Johnson Matthey on 5th June 2014 and will build his shareholding over time in line with the Remuneration Policy.

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 six year period from 31st March 2009 to 31st March 2015 against the FTSE 100 as the most appropriate comparator group, rebased to 100 at 1st April 2009.



As at 31st March 2015, Johnson Matthey was ranked 61 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	2014/15[1]
Single total figure of remuneration	1,596	2,095	1,870	3,025	3,855	1,594
Bonus award (% of maximum)	100	100	75	–	71	54
LTIP vesting (% of award)[2]	–	52	100	100	75	–

[1] The figure for 2014/15 is in respect of Robert MacLeod who was appointed as Chief Executive on 5th June 2014. Prior to this the figures shown are for the prior Chief Executive, Neil Carson.

[2] 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 119.

Change in Chief Executive's Remuneration

The table below shows how the remuneration of the Chief Executive has changed over the year ended 31st March 2015. This is then compared to a group of appropriate employees, being those based in the UK. This comparator group was used because the Remuneration Committee believes it gives a reasonable understanding of the underlying increases, based on similar annual bonus performance measures, while at the same time 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[1]	Comparator group
Salary	An increase of 64%.	An increase of 3.5%.
Bonus	An increase of 73%.	An increase of 7.5%.
Benefits	No change in benefits policy. No change on overall costs between 2013/14 and 2014/15.	No change in benefits policy. No change on overall costs between 2013/14 and 2014/15.

[1] Including promotions.

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 2014 and 31st March 2015.

	Year ended 31st March 2014 £ million	Year ended 31st March 2015 £ million	% change
Payments to shareholders – ordinary dividends	118.6	129.9	10
Total remuneration (all employees)	555.5	591.5	6[1]

[1] This increase in part reflects the increase in total headcount of 6% 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 Policy and the directors' Remuneration Report at the July 2014 AGM.

Resolution	Number of votes cast	For	Against	Votes withheld
Remuneration Policy	142,717,124	139,293,726 (97.60%)[1]	3,423,398 (2.40%)[1]	524,316
Remuneration Report	140,854,071	139,540,322 (99.07%)[1]	1,313,749 (0.93%)[1]	2,389,696

[1] Percentage of votes cast, excluding votes withheld.

The Remuneration Committee believes that the 97.60% vote in favour of its Remuneration Policy and the 99.07% 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 3rd June 2015 and signed on its behalf by:

Dorothy Thompson
Chairman of the Remuneration Committee

Directors' Report

For the year ended 31st March 2015

Contents

127 2015 Annual General Meeting (AGM)
127 Dividends
127 Dividend Payments and DRIP
127 Share Allotments
127 Share Capital and Control
128 Listing of the Company's Shares
128 American Depositary Receipt Programme
128 Employee Share Schemes
128 Interests in Voting Rights
129 Contracts with Controlling Shareholders
129 Directors
129 Appointment and Replacement of Directors
129 Powers of the Directors
129 Indemnification of Directors
129 The Interests of Directors in the Company's Shares
129 Directors' Interests in Contracts
129 The Company's Articles of Association
129 Change of Control
130 Branches
130 Political Donations and Expenditure
130 Disabled Persons
130 Information Set Out in the Strategic Report
130 Important Events since 31st March 2015
130 Auditors and Disclosure of Information
130 Management Report

2015 Annual General Meeting (AGM)

Our 2015 AGM will be held at 11.00 am on Wednesday 22nd July 2015 at The Royal Society, 6-9 Carlton House Terrace, London SW1Y 5AG.

The notice of the 2015 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 18.5 pence per share (2014 17.0 pence) was paid in February 2015.

The directors recommend a final dividend of 49.5 pence per share in respect of the year (2014 45.5 pence), making a total for the year of 68.0 pence per share (2014 62.5 pence), payable on 4th August 2015 to shareholders on the register at the close of business on 12th June 2015.

Other than as referred to under 'Employee Share Schemes' on page 128, 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 191 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 2015 was 204,917,749 ordinary shares of 104 16⁄21 pence each (excluding treasury shares).

As at 31st March 2015, 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 2014 AGM shareholders renewed the company's authority to make market purchases of up to 20,491,774 ordinary shares of 104 16⁄21 pence each, representing 10% of the issued share capital of the company (excluding treasury shares) as at 16th June 2014. This authority subsisted at 31st March 2015.

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 2015 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 2015 and as at the date of approval of this annual report, except as referred to on page 128, 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 2015 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 191.

Employee Share Schemes

At 31st March 2015, 4,857 current and former employees representing approximately 40% of employees worldwide, were shareholders in the company through the group's employee share schemes. Through these schemes, current and former employees held 3,435,520 ordinary shares (1.68% of issued share capital, excluding treasury shares). As at 31st March 2015, 14 current and former employees held options over 19,967 ordinary shares through the company's executive share option schemes. Also as at 31st March 2015, 2,262,365 ordinary shares had been allocated but had not yet vested under the company's long term incentive plan to 1,251 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 to 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 2015:			
BlackRock, Inc.	Indirect	20,181,149	9.85%
	Financial Instrument (CFD)	209,763	0.10%
Artisan Partners Limited Partnership[1]	Indirect	10,308,291	5.03%
Ameriprise Financial, Inc.	Direct	131,805	0.064%
	Indirect	9,874,924	4.819%
Norges Bank	Direct	8,576,485	4.19%

[1] The full names of the persons subject to the notification obligation, as notified to the company, are Artisan Partners Limited Partnership, Artisan Investments GP LLC, Artisan Partners Holdings LP and Artisan Partners Asset Management Inc.

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 2015 and 3rd June 2015.

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 (retired 30th September 2014)
- Odile Desforges
- Alan Ferguson
- Den Jones (appointed 5th June 2014)
- Robert MacLeod
- Colin Matthews
- Chris Mottershead (appointed 27th January 2015)
- Larry Pentz
- Michael Roney (retired 23rd July 2014)
- Dorothy Thompson
- John Walker

The biographical details of all the directors serving at 31st March 2015 are shown on pages 82 and 83.

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 2015 AGM, Chris Mottershead, who was appointed by the directors in January 2015, will be offering himself 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 he or she (i) ceases to be a director by virtue of any provision of the 2006 Act or becomes prohibited by law from being a director, or (ii) becomes bankrupt or makes any arrangement or composition with his or her creditors generally, or (iii) is suffering from a mental disorder, or (iv) 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) 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) 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 127.

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 93.

The Interests of Directors in the Company's Shares

The interests of persons who were directors of the company at 31st March 2015, 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 108 to 126. The Remuneration Report also sets out details of any changes in those interests between 31st March 2015 and 3rd June 2015.

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. The 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 2015 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 2015 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.

Directors' Report continued

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.

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 2015 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 71.

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 64 to 71);
- **Research and Development Activities**
  An indication of the activities of the group in the field of research and development (pages 18 and 19);
- **Likely Future Developments**
  An indication on likely future developments in our business (page 12);
- **Greenhouse Gas Emissions**
  Disclosures relating to greenhouse gas emissions (pages 75 and 76); 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 166 to 172).

Disclosures required by Listing Rule 9.8.4R

Disclosures required by the FCA's Listing Rule 9.8.4R can be found on the following pages:

- Statement of capitalised interest – page 158
- Long term incentive schemes – pages 111 and 123
- Waiver of dividends – page 128

Important Events since 31st March 2015

There have been no important events affecting the company or any subsidiary since 31st March 2015.

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 3rd June 2015 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

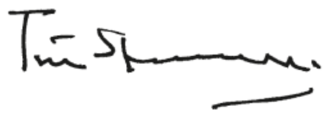
Each of the directors as at the date of the Annual Report and Accounts, whose names and functions are set out below:

- Tim Stevenson, Chairman
- Robert MacLeod, Chief Executive
- Den Jones, 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
- Chris Mottershead, 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 3rd June 2015 and is signed on its behalf by:



Tim Stevenson
Chairman

7. **Accounts**

134 Consolidated Income Statement
134 Consolidated Statement of Total Comprehensive Income
135 Consolidated and Parent Company Balance Sheets
136 Consolidated and Parent Company Cash Flow Statements
137 Consolidated Statement of Changes in Equity
138 Parent Company Statement of Changes in Equity
139 Accounting Policies
143 Notes on the Accounts
181 Independent Auditor's Report

£495.8 million

profit before tax, up 22%

211.2 pence

basic earnings per share, up 26%

ACCOUNTS

SUSTAINABLE TECHNOLOGIES for today and for the future

Investing to Meet Growing Demand for APIs

Our pharmaceutical customers rely on Johnson Matthey for the active pharmaceutical ingredients – or APIs – that go into their products. We also provide important development and manufacturing services to our customers.

We are responding to these requirements with plans for strategic growth across Europe, including an expansion of our services business and manufacturing facilities in the UK. Helen Ogden explains how the business is working with customers to produce the medicines that society needs.

What is driving the demand in the API market?

We have a growing and ageing global population which means there is a greater demand for medicines. This can put pressure on the economy of a country as health services struggle to meet the needs of the population. This has led to growth in the generic pharmaceuticals market as a cost effective solution to the problem. When a drug patent expires, other companies can replicate the formulation. When generic products become available the market competition often leads to substantially lower prices, and this requires manufacturing efficiency. This fits well with our focus on operational excellence.

How is Johnson Matthey responding to customers' needs?

As a leading technology provider and large scale manufacturer we are making investments in our operations across the UK and expect to do more in the future. In 2014 we acquired a manufacturing site at Annan in Scotland. This is a multi purpose site which will increase our capacity and flexibility to deliver increased service levels to our customers.

How do you work with customers on products and services?

We collaborate with customers at all stages of the product life cycle, from clinical development to commercial manufacturing. Take, for example, a smaller pharma company, they will look for a development and manufacturing partner with the right technical capabilities that offers a high quality service. They will often seek out a local partner to outsource to, viewing them as an extension of their own capability.

How are you creating value for your customers?

The value is in applying our technology and manufacturing strengths, such as our technical expertise in catalysis and complex chemistries. We work together with our pharmaceutical customers, developing effective routes to sophisticated APIs and then reliably produce these on commercial scales.

Does our API business contribute to a sustainable society?

The products we provide to our pharmaceutical customers are used in treatments such as managing severe pain, anaesthetics and in treatments for psychiatric disorders. Patients rely upon these products and we are meeting real needs. Our technologies and expertise ensure our materials are manufactured both ethically and sustainably. I'm proud of what we do and our commitment to doing things right.

Helen Ogden

Consolidated Income Statement

for the year ended 31st March 2015

	Notes	2015 £ million	2014 £ million
Revenue	1,2	10,059.7	11,155.2
Cost of sales		(9,242.0)	(10,356.1)
Gross profit		817.7	799.1
Distribution costs		(133.3)	(137.3)
Administrative expenses		(207.3)	(192.9)
Profit on sale or liquidation of businesses	3	73.0	–
Amortisation of acquired intangibles	4	(17.3)	(20.7)
Operating profit	1,6	532.8	448.2
Finance costs	7	(47.0)	(50.4)
Finance income	8	9.5	8.3
Share of profit of joint venture		0.5	0.5
Profit before tax		495.8	406.6
Income tax expense	9	(68.5)	(67.9)
Profit for the year		427.3	338.7
Attributable to:			
Owners of the parent company		428.7	340.2
Non-controlling interests		(1.4)	(1.5)
		427.3	338.7

	Notes	pence	pence
Earnings per ordinary share attributable to the equity holders of the parent company			
Basic	11	211.2	167.7
Diluted	11	210.7	166.9

Consolidated Statement of Total Comprehensive Income

for the year ended 31st March 2015

	Notes	2015 £ million	2014 £ million
Profit for the year		427.3	338.7
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Remeasurements of post-employment benefit assets and liabilities	14	(52.1)	43.5
Tax on above items taken directly to or transferred from equity	32	13.7	(19.3)
		(38.4)	24.2
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences	33	(11.6)	(95.3)
Cash flow hedges	33	(16.2)	9.3
Fair value gains on net investment hedges	33	26.5	9.7
Fair value gain / (loss) on available-for-sale investments		6.1	(0.4)
Tax on above items taken directly to or transferred from equity	32	2.3	0.3
		7.1	(76.4)
Other comprehensive expense for the year		(31.3)	(52.2)
Total comprehensive income for the year		396.0	286.5
Attributable to:			
Owners of the parent company		397.2	288.3
Non-controlling interests		(1.2)	(1.8)
		396.0	286.5

The notes on pages 143 to 180 form an integral part of the accounts.

Consolidated and Parent Company Balance Sheets

as at 31st March 2015

	Notes	Group 2015 £ million	Group 2014 £ million	Parent company 2015 £ million	Parent company 2014 £ million
Assets					
Non-current assets					
Property, plant and equipment	15	**1,081.0**	1,023.4	**289.6**	266.3
Goodwill	16	**548.0**	571.0	**121.1**	113.3
Other intangible assets	17	**187.5**	183.3	**35.0**	12.0
Investments in subsidiaries	18	**–**	–	**1,881.2**	1,611.3
Investment in joint venture	19	**3.9**	3.3	**–**	–
Deferred income tax assets	30	**21.6**	32.1	**–**	–
Available-for-sale investments	20	**62.8**	57.5	**–**	–
Interest rate swaps	26	**19.0**	12.1	**19.0**	12.1
Other receivables	22	**15.3**	9.9	**939.7**	705.6
Post-employment benefit net assets	14	**6.9**	8.2	**–**	–
Total non-current assets		**1,946.0**	1,900.8	**3,285.6**	2,720.6
Current assets					
Inventories	21	**859.4**	672.5	**224.0**	133.7
Current income tax assets		**20.6**	27.4	**–**	–
Trade and other receivables	22	**1,130.9**	955.3	**1,439.8**	948.1
Cash and cash equivalents – cash and deposits	26	**59.4**	221.8	**13.3**	181.4
Interest rate swaps	26	**–**	4.0	**–**	4.0
Other financial assets	27	**14.4**	7.5	**19.4**	7.8
Assets classified as held for sale	25	**149.0**	–	**–**	–
Total current assets		**2,233.7**	1,888.5	**1,696.5**	1,275.0
Total assets		**4,179.7**	3,789.3	**4,982.1**	3,995.6
Liabilities					
Current liabilities					
Trade and other payables	23	**(799.5)**	(830.0)	**(2,153.8)**	(1,680.4)
Current income tax liabilities		**(95.9)**	(124.4)	**(4.1)**	(12.2)
Cash and cash equivalents – bank overdrafts	26	**(55.5)**	(39.2)	**(40.1)**	(35.7)
Other borrowings, finance leases and related swaps	26	**(234.7)**	(175.9)	**(192.2)**	(125.6)
Other financial liabilities	27	**(25.5)**	(3.1)	**(29.2)**	(5.0)
Provisions	29	**(36.4)**	(17.4)	**(5.1)**	(5.5)
Liabilities classified as held for sale	25	**(49.8)**	–	**–**	–
Total current liabilities		**(1,297.3)**	(1,190.0)	**(2,424.5)**	(1,864.4)
Non-current liabilities					
Borrowings, finance leases and related swaps	26	**(782.6)**	(752.0)	**(780.7)**	(752.0)
Deferred income tax liabilities	30	**(70.0)**	(89.3)	**(9.8)**	(3.9)
Employee benefit obligations	14	**(203.4)**	(173.5)	**(88.4)**	(88.0)
Provisions	29	**(20.8)**	(28.6)	**(12.3)**	(13.9)
Other payables	23	**(5.5)**	(2.7)	**(278.4)**	(1.6)
Total non-current liabilities		**(1,082.3)**	(1,046.1)	**(1,169.6)**	(859.4)
Total liabilities		**(2,379.6)**	(2,236.1)	**(3,594.1)**	(2,723.8)
Net assets		**1,800.1**	1,553.2	**1,388.0**	1,271.8
Equity					
Share capital	31	**220.7**	220.7	**220.7**	220.7
Share premium account		**148.3**	148.3	**148.3**	148.3
Shares held in employee share ownership trust (ESOT)		**(54.7)**	(52.7)	**(54.7)**	(52.7)
Other reserves	33	**(21.0)**	(27.9)	**(8.9)**	1.6
Retained earnings		**1,517.3**	1,271.1	**1,082.6**	953.9
Total equity attributable to owners of the parent company		**1,810.6**	1,559.5	**1,388.0**	1,271.8
Non-controlling interests		**(10.5)**	(6.3)	**–**	–
Total equity		**1,800.1**	1,553.2	**1,388.0**	1,271.8

The accounts were approved by the Board of Directors on 3rd June 2015 and signed on its behalf by:

R J MacLeod
D G Jones Directors

The notes on pages 143 to 180 form an integral part of the accounts.

Consolidated and Parent Company Cash Flow Statements

for the year ended 31st March 2015

	Notes	Group 2015 £ million	Group 2014 £ million	Parent company 2015 £ million	Parent company 2014 £ million
Cash flows from operating activities					
Profit before tax		**495.8**	406.6	**296.9**	367.5
Adjustments for:					
Share of profit of joint venture		**(0.5)**	(0.5)	**–**	–
Profit on sale of continuing activities		**(69.7)**	–	**–**	–
Depreciation, amortisation, impairment losses and loss / (profit) on sale of non-current assets and investments		**153.2**	150.9	**(60.6)**	35.2
Share-based payments		**7.7**	10.5	**4.8**	4.9
Increase in inventories		**(223.3)**	(67.7)	**(90.4)**	(24.3)
Increase in receivables		**(143.5)**	(164.9)	**(721.4)**	(57.6)
(Decrease) / increase in payables		**(25.3)**	188.5	**779.6**	47.5
Increase / (decrease) in provisions		**5.6**	(0.8)	**(3.2)**	(0.9)
Contributions in excess of employee benefit obligations charge		**(29.5)**	(38.7)	**(21.9)**	(16.3)
Changes in fair value of financial instruments		**(0.7)**	(0.5)	**(1.5)**	0.5
Dividends received from subsidiaries		**–**	–	**(47.9)**	(236.5)
Net finance costs		**37.5**	42.1	**(22.1)**	(13.1)
Income tax paid		**(81.5)**	(48.6)	**(8.3)**	(5.7)
Net cash inflow from operating activities		**125.8**	476.9	**104.0**	101.2
Cash flows from investing activities					
Dividends received from joint venture		**0.4**	–	**–**	–
Dividends received from subsidiaries		**–**	–	**47.9**	236.5
Purchases of non-current assets and investments	34	**(212.1)**	(213.7)	**(359.1)**	(52.8)
Proceeds from sale of non-current assets and investments		**3.8**	3.5	**118.2**	–
Purchases of businesses	34	**(76.8)**	(8.0)	**(16.7)**	(8.1)
Net proceeds from sale of businesses	34	**113.7**	–	**–**	–
Net cash outflow from investing activities		**(171.0)**	(218.2)	**(209.7)**	175.6
Cash flows from financing activities					
Net cost of ESOT transactions in own shares	34	**(17.1)**	(19.3)	**(17.1)**	(19.3)
Proceeds from borrowings and finance leases	34	**49.1**	78.8	**55.9**	46.6
Dividends paid to equity holders of the parent company	10	**(129.9)**	(118.6)	**(129.9)**	(118.6)
Settlement of currency swaps for net investment hedging		**2.8**	(0.1)	**2.8**	(0.1)
Interest paid		**(40.9)**	(41.7)	**(44.6)**	(52.2)
Interest received		**7.4**	6.4	**66.1**	66.2
Net cash outflow from financing activities		**(128.6)**	(94.5)	**(66.8)**	(77.4)
(Decrease) / increase in cash and cash equivalents in the year		**(173.8)**	164.2	**(172.5)**	199.4
Exchange differences on cash and cash equivalents		**–**	(3.0)	**–**	–
Cash and cash equivalents at beginning of year		**182.6**	21.4	**145.7**	(53.7)
Transferred to current assets classified as held for sale		**(4.9)**	–	**–**	–
Cash and cash equivalents at end of year	35	**3.9**	182.6	**(26.8)**	145.7
Reconciliation to net debt					
(Decrease) / increase in cash and cash equivalents in the year		**(173.8)**	164.2	**(172.5)**	199.4
Proceeds from borrowings and finance leases		**(49.1)**	(78.8)	**(55.9)**	(46.6)
Change in net debt resulting from cash flows		**(222.9)**	85.4	**(228.4)**	152.8
Transferred to assets classified as held for sale		**(4.9)**	–	**–**	–
Exchange differences on net debt		**(37.4)**	21.0	**(36.5)**	23.1
Movement in net debt in year		**(265.2)**	106.4	**(264.9)**	175.9
Net debt at beginning of year		**(729.2)**	(835.6)	**(715.8)**	(891.7)
Net debt at end of year	26	**(994.4)**	(729.2)	**(980.7)**	(715.8)

The notes on pages 143 to 180 form an integral part of the accounts.

Consolidated Statement of Changes in Equity

for the year ended 31st March 2015

	Share capital £ million	Share premium account £ million	Shares held in ESOT £ million	Other reserves (note 33) £ million	Retained earnings £ million	Total attributable to equity holders £ million	Non-controlling interests £ million	Total equity £ million
At 1st April 2013	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
Profit for the year	–	–	–	–	428.7	428.7	(1.4)	427.3
Remeasurements of post-employment benefit assets and liabilities	–	–	–	–	(52.1)	(52.1)	–	(52.1)
Cash flow hedges	–	–	–	(16.2)	–	(16.2)	–	(16.2)
Net investment hedges	–	–	–	26.5	–	26.5	–	26.5
Available-for-sale investments	–	–	–	6.1	–	6.1	–	6.1
Currency translation differences	–	–	–	(11.8)	–	(11.8)	0.2	(11.6)
Tax on other comprehensive income	–	–	–	2.3	13.7	16.0	–	16.0
Total comprehensive income	–	–	–	6.9	390.3	397.2	(1.2)	396.0
Dividends paid (note 10)	–	–	–	–	(129.9)	(129.9)	(0.2)	(130.1)
Purchase of non-controlling interests (note 39)	–	–	–	–	(6.6)	(6.6)	(2.8)	(9.4)
Purchase of shares by ESOT	–	–	(17.1)	–	–	(17.1)	–	(17.1)
Share-based payments	–	–	–	–	14.6	14.6	–	14.6
Cost of shares transferred to employees	–	–	15.1	–	(22.2)	(7.1)	–	(7.1)
At 31st March 2015	**220.7**	**148.3**	**(54.7)**	**(21.0)**	**1,517.3**	**1,810.6**	**(10.5)**	**1,800.1**

The notes on pages 143 to 180 form an integral part of the accounts.

Parent Company Statement of Changes in Equity

for the year ended 31st March 2015

	Share capital £ million	Share premium account £ million	Shares held in ESOT £ million	Other reserves (note 33) £ million	Retained earnings £ million	Total equity £ million
At 1st April 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
Profit for the year	–	–	–	–	284.0	284.0
Remeasurements of post-employment benefit assets and liabilities	–	–	–	–	(22.2)	(22.2)
Cash flow hedges	–	–	–	(13.9)	–	(13.9)
Currency translation differences	–	–	–	0.6	–	0.6
Tax on other comprehensive income	–	–	–	2.8	4.3	7.1
Total comprehensive income	–	–	–	(10.5)	266.1	255.6
Dividends paid (note 10)	–	–	–	–	(129.9)	(129.9)
Purchase of shares by ESOT	–	–	(17.1)	–	–	(17.1)
Share-based payments	–	–	–	–	11.7	11.7
Cost of shares transferred to employees	–	–	15.1	–	(19.2)	(4.1)
At 31st March 2015	**220.7**	**148.3**	**(54.7)**	**(8.9)**	**1,082.6**	**1,388.0**

The notes on pages 143 to 180 form an integral part of the accounts.

Accounting Policies

for the year ended 31st March 2015

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 either:

- when the goods are despatched or delivered in line with the International Chamber of Commerce's International Commercial Terms (Incoterms®) as detailed in the relevant contract;
- when they are made available to the customer and ownership transfers before despatch; or
- on notification that the product has been used when the goods are consignment products located at customers' premises.

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. Where they are part of a long term contract with a single overall profit margin, revenue is recognised by reference to the stage of completion of the contract.

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.

Accounting Policies

for the year ended 31st March 2015

Finance costs and finance income

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

Grants

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

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.

Other intangible assets

Other intangible assets are stated at cost less accumulated amortisation and any provisions for impairment. Customer contracts are amortised when the relevant income stream occurs. All other intangible assets are amortised 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 10 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.

Accounting Policies

for the year ended 31st March 2015

Cash and cash equivalents

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

Derivative financial instruments

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

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

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

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

Changes in the fair value of derivative financial instruments designated as cash flow hedges are recognised in 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 or liquidated.

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.

Accounting Policies

for the year ended 31st March 2015

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.

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

Amendments to IAS 32 – 'Offsetting Financial Assets and Financial Liabilities', Amendments to IFRS 10, IFRS 12 and IAS 27 – 'Investment Entities', IFRIC 21 – 'Levies', Amendments to IAS 36 – 'Recoverable Amount Disclosures for Non-Financial Assets' and 'Amendments to IAS 39 – 'Novation of Derivatives and Continuation of Hedge Accounting' were adopted during the year. 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' and IFRS 15 – 'Revenue from Contracts with Customers' are still being evaluated.

The effects of any standards and interpretations amended or issued after 30th April 2015 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 2015

1 Segmental information

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 32 to 49. 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 2015

	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	3,321.4	593.3	5,690.2	362.6	92.2	–	10,059.7
Inter-segment revenue	256.3	6.3	1,487.8	7.7	1.1	(1,759.2)	–
Total revenue	3,577.7	599.6	7,178.0	370.3	93.3	(1,759.2)	10,059.7
External sales excluding precious metals	1,781.2	585.1	346.8	322.0	89.6	–	3,124.7
Inter-segment sales	0.7	6.1	32.5	4.6	0.9	(44.8)	–
Sales excluding precious metals	1,781.9	591.2	379.3	326.6	90.5	(44.8)	3,124.7
Segmental underlying operating profit / (loss)	236.9	106.0	101.5	88.8	(22.1)	–	511.1
Unallocated corporate expenses							(34.0)
Underlying operating profit							477.1
Profit on sale or liquidation of businesses (note 3)							73.0
Amortisation of acquired intangibles (note 4)							(17.3)
Operating profit							532.8
Net finance costs							(37.5)
Share of profit of joint venture							0.5
Profit before tax							495.8
Segmental net assets	1,033.8	778.3	554.2	509.5	134.0	–	3,009.8
Net debt							(994.4)
Post-employment benefit net assets and liabilities							(196.5)
Deferred income tax assets and liabilities							(48.4)
Provisions and non-current other payables							(62.7)
Investment in joint venture							3.9
Non-segmental assets and liabilities classified as held for sale							4.0
Unallocated corporate net assets							84.4
Net assets							1,800.1
Segmental capital expenditure	69.2	49.7	31.6	35.7	6.5	–	192.7
Other additions to non-current assets (excluding financial, deferred tax and post-employment benefit net assets)	–	10.0	1.4	–	60.7	–	72.1
Segmental total additions to non-current assets	69.2	59.7	33.0	35.7	67.2	–	264.8
Corporate capital expenditure							19.1
Total additions to non-current assets							283.9
Segment depreciation and amortisation	57.8	29.7	20.3	18.4	4.0	–	130.2
Corporate depreciation							4.5
Amortisation of acquired intangibles (note 4)							17.3
Total depreciation and amortisation							152.0

Notes on the Accounts

for the year ended 31st March 2015

1 Segmental information (continued)

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
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

The group received £1,258.0 million of revenue from one external customer (2014 £1,514.0 million) which is 13% (2014 14%) of the group's revenue from external customers. The revenue is reported in Precious Metal Products as it is generated by the group's precious metal management activities and so has a very low return on sales.

Notes on the Accounts

for the year ended 31st March 2015

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	
	2015 £ million	2014 £ million	**2015 £ million**	2014 £ million
UK	**2,421.7**	3,063.5	**772.1**	735.9
Germany	**1,176.9**	911.3	**190.8**	217.4
Rest of Europe	**1,137.5**	1,431.5	**216.4**	252.3
USA	**2,492.9**	2,467.3	**388.6**	355.8
Rest of North America	**226.6**	126.9	**32.0**	31.0
China (including Hong Kong)	**1,145.9**	1,744.0	**107.1**	72.0
Rest of Asia	**952.2**	941.4	**107.9**	107.1
Rest of World	**506.0**	469.3	**20.7**	19.2
Total	**10,059.7**	11,155.2	**1,835.6**	1,790.7

2 Revenue

	2015 £ million	2014 £ million
Sale of goods	**9,846.8**	10,916.2
Rendering of services	**172.0**	187.6
Royalties and licence income	**40.9**	51.4
Total revenue	**10,059.7**	11,155.2

3 Profit on sale or liquidation of businesses

On 5th March 2015 the group sold its Precious Metal Products' Gold and Silver Refining business to Asahi Holdings, Inc., a collector, refiner and recycler of precious and rare metals from waste materials, for £124.3 million (£126.2 million in cash with a £1.9 million refund due back) resulting in a profit of £69.7 million. This is in line with the group's long term strategy to focus on areas where it can use its expertise in chemistry and its applications to deliver high technology solutions or that provide a strategic service to the rest of the group.

The net assets disposed of were:

	£ million
Property, plant and equipment	**33.3**
Post-employment benefit net assets	**0.7**
Inventories	**4.7**
Trade and other receivables	**14.1**
Cash and cash equivalents	**8.4**
Trade and other payables	**(6.1)**
Current income tax assets	**2.5**
Deferred income tax liabilities	**(4.4)**
Total net assets	**53.2**

During the year the group liquidated a Belgian subsidiary and a Malaysian subsidiary and so reclassified £3.3 million of cumulative exchange gains from equity to operating profit.

These are excluded from underlying operating profit.

4 Amortisation of acquired intangibles

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

Notes on the Accounts
for the year ended 31st March 2015

5 Fees payable to auditors

	2015 £ million	2014 £ million
Fees payable to the company's auditor and its associates for:		
The audit of these accounts	**0.6**	0.6
The audit of the accounts of the company's subsidiaries	**1.3**	1.4
Total audit	**1.9**	2.0
Audit-related assurance services	**0.2**	0.1
Total audit and audit-related services	**2.1**	2.1
Taxation compliance services	**0.1**	0.1
Taxation advisory services	**0.1**	–
All other assurance services	**–**	0.1
Total fees payable to the company's auditor and its associates	**2.3**	2.3

Audit fees paid to other auditors were £0.1 million (2014 £0.1 million).

6 Operating profit

	2015 £ million	2014 £ million
Operating profit is arrived at after charging / (crediting):		
Total research and development expenditure	**169.9**	152.3
less development expenditure capitalised	**(8.5)**	(3.6)
Research and development charged	**161.4**	148.7
less external funding received – from government grants	**(8.1)**	(7.0)
– from other organisations	**(4.3)**	(5.0)
Net research and development	**149.0**	136.7
Inventories recognised as an expense	**8,430.4**	9,562.4
Write-down of inventories recognised as an expense	**5.8**	7.6
Reversal of write-down of inventories arising from increases in net realisable value	**(1.7)**	(2.9)
Net (losses) / gains on foreign exchange	**(0.7)**	0.4
Net gains on foreign currency forwards held for trading	**0.2**	0.4
Cash flow hedges transferred from equity – revenue	**(1.2)**	(2.4)
– cost of sales	**(15.1)**	2.9
– finance costs	**0.4**	–
– total	**(15.9)**	0.5
Depreciation of property, plant and equipment	**122.3**	115.1
Amortisation of internally generated intangible assets included in cost of sales	**4.9**	8.5
Amortisation of other intangible assets included in – cost of sales	**4.3**	0.7
– distribution costs	**–**	0.1
– administrative expenses	**3.2**	3.0
– amortisation of acquired intangibles (note 4)	**17.3**	20.7
Operating lease rentals payable – minimum lease payments	**17.1**	16.3
– sublease payments received	**(0.1)**	(0.2)

Notes on the Accounts

for the year ended 31st March 2015

7 Finance costs

	2015 £ million	2014 £ million
Net loss on remeasurement of foreign currency swaps held for trading	0.1	–
Net losses on financial assets and liabilities classified as held for trading	0.1	–
Interest payable on financial liabilities measured at amortised cost	39.3	39.7
Interest on post-employment benefits	7.3	10.4
Unwinding of discount on provisions	0.3	0.3
Total finance costs	**47.0**	50.4

8 Finance income

	2015 £ million	2014 £ million
Interest receivable on interest rate swaps	5.1	3.7
Net gains on financial assets and liabilities classified as held for trading	5.1	3.7
Net gain on remeasurement of fair value hedges and related hedged items to fair value	0.5	–
Interest receivable on available-for-sale investments, loans and receivables	3.9	4.6
Total finance income	**9.5**	8.3

9 Taxation

	2015 £ million	2014 £ million
Current tax		
Corporation tax on profits for the year	65.6	75.5
Adjustment for prior years	(9.0)	(9.0)
Total current tax	56.6	66.5
Deferred tax		
Origination and reversal of temporary differences	10.7	9.3
Changes in tax rates and laws	–	(10.0)
Write-downs, or reversal of previous write-downs, of deferred tax assets	1.2	2.1
Total deferred tax	11.9	1.4
Income tax expense	**68.5**	67.9

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

	2015 £ million	2014 £ million
Profit before tax	495.8	406.6
Tax expense at UK corporation tax rate of 21% (2014 23%)	104.1	93.5
Effects of:		
Overseas tax rates	15.3	14.2
Expenses not deductible for tax purposes	1.6	1.6
Unutilised losses	2.4	0.8
Utilisation of tax losses and tax holidays	(7.1)	(8.5)
Adjustments for prior years	(7.8)	(6.9)
Innovation – tax incentives	(10.4)	(9.2)
Reduction in deferred tax resulting from decrease in UK tax rates	–	(9.5)
Disposal	(14.1)	–
Other	(15.5)	(8.1)
Tax expense for the year	68.5	67.9

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

Notes on the Accounts

for the year ended 31st March 2015

10 Dividends

	2015 £ million	2014 £ million
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
2013/14 final ordinary dividend paid – 45.5 pence per share	92.3	–
2014/15 interim ordinary dividend paid – 18.5 pence per share	37.6	–
Total dividends	129.9	118.6

A final dividend of 49.5 pence per ordinary share has been proposed by the board which will be paid on 4th August 2015 to shareholders on the register at the close of business on 12th June 2015, subject to shareholders' approval. The estimated amount to be paid is £100.5 million and has not been recognised in these accounts.

11 Earnings per ordinary share

	2015 pence	2014 pence
Basic	211.2	167.7
Diluted	210.7	166.9

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

	2015 £ million	2014 £ million
Earnings		
Profit for the year attributable to equity holders of the parent company	428.7	340.2

	2015	2014
Weighted average number of shares in issue		
Basic	202,993,386	202,831,354
Dilution for share options and long term incentive plans	500,635	1,029,944
Diluted	203,494,021	203,861,298

Underlying earnings per ordinary share are calculated as follows:

	2015 £ million	2014 £ million
Profit for the year attributable to equity holders of the parent company	428.7	340.2
Profit on sale or liquidation of businesses (note 3)	(73.0)	–
Amortisation of acquired intangibles (note 4)	17.3	20.7
Tax thereon	(6.4)	(5.3)
Tax effect of UK corporation tax rate change	–	(9.5)
Underlying profit for the year	366.6	346.1

	pence	pence
Underlying earnings per share		
Basic	180.6	170.6
Diluted	180.2	169.8

Notes on the Accounts

for the year ended 31st March 2015

12 Employee and key management personnel costs

12a Employee numbers

	2015	2014
The average monthly number of employees during the year was:		
Emission Control Technologies	4,574	4,239
Process Technologies	2,230	2,038
Precious Metal Products	2,577	2,609
Fine Chemicals	1,450	1,300
New Businesses	733	640
Corporate and Central Research	584	505
Average number of employees	**12,148**	11,331
Actual number of employees at 31st March	**12,266**	11,556

The number of temporary employees included above at 31st March 2015 was 617 (2014 349).

The actual number of staff was:

	At 31st March 2015			At 31st March 2014		
	Actual employees	Agency staff	Total headcount	Actual employees	Agency staff	Total headcount
Emission Control Technologies	4,683	499	5,182	4,334	467	4,801
Process Technologies	2,331	278	2,609	2,095	278	2,373
Precious Metal Products	2,244	118	2,362	2,615	202	2,817
Fine Chemicals	1,489	25	1,514	1,341	41	1,382
New Businesses	898	138	1,036	637	68	705
Corporate and Central Research	621	35	656	534	9	543
Total	**12,266**	**1,093**	**13,359**	11,556	1,065	12,621

12b Employee benefits expense

	2015 £ million	2014 £ million
Wages and salaries	469.9	439.4
Social security costs	50.6	47.5
Pension and other post-employment costs	56.4	51.5
Share-based payments	14.6	17.1
Total employee benefits expense	**591.5**	555.5

Termination benefits of £0.9 million (2014 £3.6 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, which during the year was renamed to the Group Management Committee (GMC). During the year ended 31st March 2015 the GMC had an average of 10 members (2014 11 members). Their compensation charged in the year was:

	2015 £ million	2014 £ million
Short term employee benefits	6.4	7.3
Pension and other post-employment costs	0.3	0.5
Share-based payments	2.5	3.1
Non-executive directors' fees and benefits	0.6	0.6
Total compensation of key management personnel	**9.8**	11.5

Termination benefits not included above were £ nil (2014 £0.1 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 108 to 126.

Notes on the Accounts

for the year ended 31st March 2015

13 Share-based payments

Long Term Incentive Plan (LTIP)

Under the LTIP, shares are allocated to approximately 1,300 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 2015, shares allocated in 2012, 2013 and 2014 (at 31st March 2014, shares allocated in 2011, 2012 and 2013) 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. Shares allocated in 2014 onwards to the executive directors only are also subject to a deferred release whereby a third is released on the third anniversary of the date of the allocation and the remaining vested shares are released in equal instalments on the fourth and fifth anniversaries of the date of the allocation; plus the Remuneration Committee is entitled to claw back the allocations in cases of misstatement or misconduct. Of the shares allocated in 2011, 52.42% were released during the year.

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 Group Management 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 further awards were made in August 2013 for the 2012/13 bonus and August 2014 for the 2013/14 bonus. The 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 base 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 108 to 126.

Activity relating to share options was:

	2015 Number of options	**2015 Weighted average exercise price pence**	2014 Number of options	2014 Weighted average exercise price pence
Outstanding at the start of the year	**32,303**	**1,213.6**	303,196	1,143.8
Forfeited during the year	**(7,493)**	**1,151.7**	(14,820)	1,268.0
Exercised during the year	**(4,843)**	**1,173.8**	(256,073)	1,128.0
Outstanding at the end of the year	**19,967**	**1,246.5**	32,303	1,213.6
Exercisable at the end of the year	**19,967**	**1,246.5**	32,303	1,213.6

Notes on the Accounts

for the year ended 31st March 2015

13 Share-based payments (continued)

Share options were exercised on a regular basis throughout the year. The average share price during the year was 3,196.8 pence (2014 2,917.4 pence).

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

	2015 Number of options	2015 Weighted average remaining life years	2014 Number of options	2014 Weighted average remaining life years
Range of exercise price				
800 pence to 900 pence	**–**	**–**	1,569	0.3
1,000 pence to 1,100 pence	**3,344**	**0.3**	7,537	1.3
1,200 pence to 1,300 pence	**16,623**	**1.3**	23,197	2.3
	19,967	**1.2**	32,303	2.0

The fair value of the shares allocated during the year under the LTIP was 2,683.7 pence per share allocation (2014 2,717.5 pence per share allocation). The fair value was based on the share price at the date of allocation of 2,884.0 pence (2014 2,883.4 pence) adjusted for the present value of the expected dividends that will not be received at an expected dividend rate of 2.17% (2014 1.98%).

Activity relating to the LTIP was:

	2015 Number of allocated shares	2014 Number of allocated shares
Outstanding at the start of the year	**2,513,341**	2,574,451
Allocated during the year	**728,488**	819,276
Forfeited during the year	**(131,463)**	(120,409)
Released during the year	**(700,852)**	(759,977)
Expired during the year	**(147,149)**	–
Outstanding at the end of the year	**2,262,365**	2,513,341

24,080 (2014 1,289) shares were awarded during the year under the deferred bonus rules. The fair value was 2,644.8 pence per share award (2014 2,664.0 pence per share award), based on the share price at the date of award of 2,884.0 pence (2014 2,883.0 pence) adjusted for the present value of the expected dividends that will not be received at an expected dividend rate of 2.17% (2014 1.98%). These share awards are still outstanding at the end of the year.

186,180 (2014 191,302) matching shares under the SIP and 31,394 (2014 35,810) shares under the 401k plans were allocated to employees during the year. They are nil cost awards on which performance conditions are substantially completed at the date of grant. Consequently the fair value of these awards is based on the market value of the shares at that date.

The total expense recognised during the year in respect of equity settled share-based payments, taking into account expected lapses due to leavers and the probability that EPS performance conditions will not be met, was £14.6 million (2014 £17.1 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 ten years.

Notes on the Accounts
for the year ended 31st March 2015

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 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 on 1st October 2012 but remains open to future accrual for existing members. All new entrants 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 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 the 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 is 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. The SPV is exempt from the requirement to prepare audited annual accounts as it is included on a consolidated basis in these accounts.

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 2014. 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 2015

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 2015. 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:

	2015 UK plans %	**2015 US plans %**	**2015 Other plans %**	2014 UK plans %	2014 US plans %	2014 Other plans %
First (2014 first 2) year rate of increase in salaries	**3.10**	**3.30**	**2.69**	3.40	3.30	3.11
Ultimate rate of increase in salaries	**3.85**	**3.30**	**2.69**	4.15	3.30	3.11
Rate of increase in pensions in payment	**3.00**	**–**	**1.70**	3.30	–	1.61
Discount rate	**3.40**	**3.80**	**1.82**	4.60	4.50	3.87
Inflation		**2.20**	**1.75**		2.75	1.67
– UK RPI	**3.10**			3.40		
– UK CPI	**2.30**			2.70		
Current medical benefits cost trend rate	**5.50**	**7.18**	**–**	6.10	7.48	–
Ultimate medical benefits cost trend rate	**5.50**	**4.50**	**–**	5.50	4.50	–

Notes on the Accounts

for the year ended 31st March 2015

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	22.0	21.7	24.3	23.8
Female	25.1	23.9	27.5	26.1

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 2015:

	0.1% increase		0.1% decrease	
	UK plan £ million	US plans £ million	UK plan £ million	US plans £ million
Effect of discount rate	(34.1)	(3.9)	35.1	4.0
Effect of inflation	33.8	–	(32.9)	–
Effect of rate of increase in salaries	8.1	1.2	(8.0)	(1.1)

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

	UK plan £ million	US plans £ million
Pension defined benefit obligation	37.5	4.6

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	1.6	12.2	(1.3)	(9.3)

Estimated effect on future cash flows

It is estimated that the group will contribute about £67 million to the post-employment defined benefits plans during the year ending 31st March 2016.

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 2015 are:

	UK pension years	UK post-retirement medical benefits years	US pensions years	US post-retirement medical benefits years
Weighted average duration	21.6	14.3	14.2	19.5

Notes on the Accounts
for the year ended 31st March 2015

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 £ million	UK post-retirement medical benefits £ million	US pensions £ million	US post-retirement medical benefits £ million	Other £ million	Total £ million
At 1st April 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
Interest income	56.3	–	9.2	–	1.8	67.3
Settlement gains	–	–	(0.7)	–	(0.1)	(0.8)
Return on plan assets excluding interest	250.0	–	19.4	–	13.3	282.7
Employee contributions	3.8	–	0.8	0.2	0.3	5.1
Company contributions	52.7	0.3	10.3	0.7	3.1	67.1
Benefits paid	(40.3)	(0.3)	(10.3)	(0.9)	(2.4)	(54.2)
Sale of business (note 3)	–	–	–	–	(17.2)	(17.2)
Exchange adjustments	–	–	27.4	–	(4.1)	23.3
At 31st March 2015	**1,538.9**	**–**	**249.9**	**–**	**40.5**	**1,829.3**

The fair values of plan assets were:

	2015 UK pension £ million	**2015 US pensions £ million**	**2015 Other £ million**	2014 UK pension £ million	2014 US pensions £ million	2014 Other £ million
Quoted corporate bonds	**864.3**	**115.8**	**3.7**	673.5	76.4	2.9
Inflation and interest rate swaps	**17.1**	**–**	**–**	(1.2)	–	–
Quoted government bonds	**15.8**	**69.0**	**–**	–	41.0	11.2
Cash and cash equivalents	**33.2**	**0.6**	**0.9**	24.6	0.4	1.3
Quoted equity	**547.6**	**64.5**	**1.5**	466.7	76.0	5.3
Unquoted equity	**6.6**	**–**	**–**	3.5	–	–
Property	**54.3**	**–**	**0.2**	49.3	–	0.1
Insurance policies	**–**	**–**	**34.2**	–	–	25.0
	1,538.9	**249.9**	**40.5**	1,216.4	193.8	45.8

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 2015 the defined benefit obligation related to the contributory cash balance section was £11.9 million and the fair value of the plan assets was £11.9 million.

A settlement gain arose in the US pension plans as some deferred pensioners were bought out during the year. A curtailment gain and past service costs arose in the US pension and post-retirement medical benefits plans during the year due to the sale of a business (note 3). Past service costs in the other plans arose mainly due to plan amendments caused by legislation changes in the Netherlands which decreased the maximum accrual rate.

Notes on the Accounts

for the year ended 31st March 2015

14 Post-employment benefits (continued)

14a Group (continued)

Financial information (continued)

Movements in the defined benefit obligation during the year were:

	UK pension £ million	UK post-retirement medical benefits £ million	US pensions £ million	US post-retirement medical benefits £ million	Other £ million	Total £ million
At 1st April 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)
Current service cost – in operating profit	(26.5)	(0.1)	(7.8)	(1.2)	(2.4)	(38.0)
Current service cost – capitalised	(0.3)	–	–	–	–	(0.3)
Past service costs	–	–	(0.2)	(0.7)	0.6	(0.3)
Interest cost	(60.0)	(0.4)	(9.9)	(2.0)	(2.5)	(74.8)
Curtailment gains	–	–	1.6	1.0	–	2.6
Settlement gains	–	–	1.3	–	0.3	1.6
Employee contributions	(3.8)	–	(0.8)	(0.2)	(0.3)	(5.1)
Remeasurements due to changes in:						
Demographic assumptions	6.1	–	(4.0)	(2.2)	(0.9)	(1.0)
Financial assumptions	(276.9)	(1.4)	(29.0)	(0.2)	(26.7)	(334.2)
Benefits paid	40.3	0.3	10.3	0.9	2.4	54.2
Transferred to liabilities classified as held for sale (note 25)	–	–	–	–	2.2	2.2
Sale of business (note 3)	–	–	–	–	16.5	16.5
Exchange adjustments	–	–	(30.1)	(5.7)	7.9	(27.9)
At 31st March 2015	**(1,616.1)**	**(11.0)**	**(276.5)**	**(52.7)**	**(72.8)**	**(2,029.1)**

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. This is accounted for as a reimbursement right and is shown on the balance sheet in post-employment benefits net assets. 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 and is accounted for as a reimbursement right but has been transferred to assets classified as held for sale (note 25).

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 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
Interest income	–	–	–	0.2	–	0.2
Return on assets excluding interest	–	–	–	0.4	–	0.4
Company contributions	–	–	–	–	0.1	0.1
Transferred to assets classified as held for sale (note 25)	–	–	–	–	(1.0)	(1.0)
Exchange adjustments	–	–	–	0.7	(0.1)	0.6
At 31st March 2015	**–**	**–**	**–**	**6.1**	**–**	**6.1**

Notes on the Accounts
for the year ended 31st March 2015

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 2015						
Defined benefit obligation	**(1,616.1)**	**(11.0)**	**(276.5)**	**(52.7)**	**(72.8)**	**(2,029.1)**
Fair value of plan assets	**1,538.9**	**–**	**249.9**	**–**	**40.5**	**1,829.3**
Reimbursement rights	**–**	**–**	**–**	**6.1**	**–**	**6.1**
Net post-employment benefit assets and liabilities	**(77.2)**	**(11.0)**	**(26.6)**	**(46.6)**	**(32.3)**	**(193.7)**
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)

These are included in the balance sheet as:

	2015 Post-employment benefit net assets £ million	**2015 Employee benefit obligations £ million**	**2015 Total £ million**	2014 Post-employment benefit net assets £ million	2014 Employee benefit obligations £ million	2014 Total £ million
UK pension plan	**–**	**(77.2)**	**(77.2)**	–	(78.6)	(78.6)
UK post-retirement medical benefits plan	**–**	**(11.0)**	**(11.0)**	–	(9.4)	(9.4)
US pension plans	**–**	**(26.6)**	**(26.6)**	0.1	(14.2)	(14.1)
US post-retirement medical benefits plan	**6.1**	**(52.7)**	**(46.6)**	4.8	(42.4)	(37.6)
Other plans	**0.8**	**(33.1)**	**(32.3)**	3.3	(26.4)	(23.1)
Total post-employment plans	**6.9**	**(200.6)**	**(193.7)**	8.2	(171.0)	(162.8)
Other long term employee benefits		**(2.8)**			(2.5)	
Total long term employee benefit obligations		**(203.4)**			(173.5)	

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

	2015 £ million	2014 £ million
Operating profit		
Current service cost	**(38.0)**	(43.4)
Past service costs	**(0.3)**	1.1
Curtailment gains	**2.6**	8.3
Settlement gains	**0.8**	2.5
Defined benefit post-employment costs charged to operating profit	**(34.9)**	(31.5)
Defined contribution plans' expense	**(13.5)**	(9.3)
Other long term employee benefits	**(0.7)**	(0.3)
Charge to operating profit	**(49.1)**	(41.1)
Finance costs		
Interest on plan liabilities	**(74.8)**	(73.9)
Interest income on plan assets	**67.3**	63.1
Interest income on reimbursement rights	**0.2**	0.4
Charge to finance costs	**(7.3)**	(10.4)
Charge to consolidated income statement	**(56.4)**	(51.5)

Notes on the Accounts

for the year ended 31st March 2015

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 2013	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
Additions	26.6	1.9	62.4	93.8	184.7
Acquisitions (note 39)	10.0	0.5	28.8	0.2	39.5
Reclassifications	11.2	1.7	78.0	(90.9)	–
Transferred to assets classified as held for sale (note 25)	(18.8)	(0.3)	(24.1)	(0.3)	(43.5)
Disposals	(0.4)	(0.5)	(13.2)	–	(14.1)
Sale of business (note 3)	(25.0)	–	(35.3)	(0.3)	(60.6)
Exchange adjustments	5.9	1.2	40.9	3.9	51.9
At 31st March 2015	492.2	17.4	1,529.8	110.5	2,149.9
Accumulated depreciation and impairment					
At 1st April 2013	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
Charge for the year	17.5	1.1	103.7	–	122.3
Impairment losses	–	–	0.2	–	0.2
Transferred to assets classified as held for sale (note 25)	(2.8)	(0.2)	(12.4)	–	(15.4)
Disposals	(0.1)	(0.5)	(11.7)	–	(12.3)
Sale of business (note 3)	(10.1)	–	(17.2)	–	(27.3)
Exchange adjustments	4.5	0.7	27.5	0.1	32.8
At 31st March 2015	167.7	7.6	892.3	1.3	1,068.9
Carrying amount at 31st March 2015	**324.5**	**9.8**	**637.5**	**109.2**	**1,081.0**
Carrying amount at 31st March 2014	324.0	6.4	590.1	102.9	1,023.4
Carrying amount at 1st April 2013	300.3	7.3	553.6	131.3	992.5

The carrying amount of plant and machinery includes £0.8 million (2014 £1.1 million) in respect of assets held under finance leases.

Compensation received for impaired or lost property, plant and equipment was £ nil (2014 £0.5 million).

Finance costs capitalised were £1.5 million (2014 £3.4 million) and the capitalisation rate used to determine the amount of finance costs eligible for capitalisation was 4.1% (2014 4.3%).

There were no impairments for freehold land and buildings (2014 £0.6 million in administrative expenses). Impairment losses for plant and machinery of £0.2 million have been included in cost of sales (2014 £1.0 million in administrative expenses). The impairment losses are included in the underlying operating profit of Emission Control Technologies.

The reversal of impairment losses is £ nil (2014 long and short leaseholds £0.1 million included in cost of sales and construction in progress £0.1 million included in cost of sales).

Notes on the Accounts

for the year ended 31st March 2015

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 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
Additions	9.2	–	33.9	16.8	59.9
Reclassifications	8.1	–	7.7	(15.8)	–
Disposals	(0.3)	–	(7.4)	–	(7.7)
At 31st March 2015	121.3	1.4	473.2	16.6	612.5
Accumulated depreciation and impairment					
At 1st April 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
Charge for the year	3.8	0.1	30.9	–	34.8
Disposals	–	–	(5.9)	–	(5.9)
At 31st March 2015	46.3	0.5	276.1	–	322.9
Carrying amount at 31st March 2015	**75.0**	**0.9**	**197.1**	**16.6**	**289.6**
Carrying amount at 31st March 2014	61.8	1.0	187.9	15.6	266.3
Carrying amount at 1st April 2013	59.9	1.2	174.6	11.6	247.3

The carrying amount of plant and machinery includes £0.7 million (2014 £1.0 million) in respect of assets held under finance leases.

Finance costs capitalised were £0.7 million (2014 £0.9 million) and the capitalisation rate used to determine the amount of finance costs eligible for capitalisation was 4.1% (2014 4.3%).

16 Goodwill

	Group £ million	Parent company £ million
Cost		
At 1st April 2013	584.6	110.5
Acquisitions	3.2	2.8
Exchange adjustments	(16.8)	–
At 31st March 2014	571.0	113.3
Acquisitions (note 39)	8.0	7.8
Transferred to assets classified as held for sale (note 25)	(21.8)	–
Exchange adjustments	(9.2)	–
At 31st March 2015	548.0	121.1
Impairment		
At 1st April 2013, 31st March 2014 and 31st March 2015	–	–
Carrying amount at 31st March 2015	**548.0**	**121.1**
Carrying amount at 31st March 2014	571.0	113.3
Carrying amount at 1st April 2013	584.6	110.5

Notes on the Accounts

for the year ended 31st March 2015

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. Goodwill is allocated as follows:

	Group		Parent company	
	2015 £ million	2014 £ million	**2015 £ million**	2014 £ million
Emission Control Technologies – Non-light Duty Catalysts	**71.9**	79.9	**–**	–
Process Technologies	**302.4**	305.1	**112.6**	113.0
Precious Metal Products	**7.9**	7.9	**–**	–
Fine Chemicals				
Macfarlan Smith	**117.1**	117.1	**–**	–
Pharmaceutical Materials and Services	**22.7**	19.8	**–**	–
Research Chemicals	**–**	22.0	**–**	–
Other	**1.3**	1.3	**–**	–
New Businesses				
Battery Technologies	**22.1**	15.0	**8.2**	–
Other	**2.6**	2.9	**0.3**	0.3
	548.0	571.0	**121.1**	113.3

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 three (2014 four) year plans have been approved by management. The cash flow projections have been extrapolated using a long term average growth rate of 3.0% (2014 3.0%). The discount rate used was 9.7% (2014 11.3%).

For the Battery Technologies CGU three (2014 four) year plans have been approved by management. Over the next decade management expects the business to grow rapidly as its portfolio of battery materials is developed and so the cash flow projections for years four to ten have been extrapolated using a 15.0% (2014 18.0% for years five to ten) growth rate. The long term growth rate is then 5.0% (2014 5.0%) and the discount rate was 11.0% (2014 14.8%).

For Process Technologies the long term average growth rate used was 2.9% (2014 3.4%) and the discount rate was 10.0% (2014 11.4%). For Macfarlan Smith the long term average growth rate used was 3.0% (2014 2.5%) and the discount rate was 5.6% (2014 7.3%). For Pharmaceutical Materials and Services the long term average growth rate used was 3.0% (2014 3.0%) and the discount rate was 6.6% (2014 8.6%).

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.

Notes on the Accounts

for the year ended 31st March 2015

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 2013	150.1	57.5	30.0	51.7	114.2	403.5
Additions	–	4.1	0.3	–	3.6	8.0
Acquisitions	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
Additions	–	18.6	–	–	8.5	27.1
Acquisitions (note 39)	3.1	–	10.3	5.9	–	19.3
Transferred to assets classified as held for sale (note 25)	(0.7)	(8.3)	–	(0.5)	–	(9.5)
Disposals	–	(0.1)	–	–	–	(0.1)
Exchange adjustments	(11.1)	0.5	0.4	(3.8)	4.8	(9.2)
At 31st March 2015	133.2	68.9	39.8	57.9	123.7	423.5
Accumulated amortisation and impairment						
At 1st April 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
Charge for the year	9.4	5.2	2.4	7.9	4.8	29.7
Transferred to assets classified as held for sale (note 25)	(0.2)	(5.8)	–	–	–	(6.0)
Disposals	–	(0.1)	–	–	–	(0.1)
Exchange adjustments	(3.1)	0.3	(0.3)	(0.8)	3.7	(0.2)
At 31st March 2015	72.8	46.4	20.3	17.9	78.6	236.0
Carrying amount at 31st March 2015	**60.4**	**22.5**	**19.5**	**40.0**	**45.1**	**187.5**
Carrying amount at 31st March 2014	75.2	11.4	10.9	45.5	40.3	183.3
Carrying amount at 1st April 2013	93.7	12.7	13.4	45.5	47.5	212.8

Notes on the Accounts

for the year ended 31st March 2015

17 Other intangible assets (continued)

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 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
Additions	13.7	0.1	–	1.1	14.9
Acquisitions	–	5.9	5.4	–	11.3
At 31st March 2015	32.7	6.9	11.4	10.1	61.1
Accumulated amortisation and impairment					
At 1st April 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
Charge for the year	2.1	0.3	0.4	0.4	3.2
At 31st March 2015	17.7	0.4	0.4	7.6	26.1
Carrying amount at 31st March 2015	**15.0**	**6.5**	**11.0**	**2.5**	**35.0**
Carrying amount at 31st March 2014	3.4	0.8	6.0	1.8	12.0
Carrying amount at 1st April 2013	3.0	0.6	–	2.3	5.9

18 Investments in subsidiaries

	Cost of investments in subsidiaries £ million	Accumulated impairment £ million	Carrying amount £ million
At 1st April 2013 and at 31st March 2014	1,797.5	(186.2)	1,611.3
Additions	279.5	–	279.5
Purchase of non-controlling interest	6.0	–	6.0
Disposals	(15.6)	–	(15.6)
At 31st March 2015	**2,067.4**	**(186.2)**	**1,881.2**

The principal subsidiaries are shown in note 41.

19 Investment in joint venture

	2015 £ million	2014 £ million
At beginning of year	**3.3**	3.1
Group's share of profit of joint venture for the year	**0.5**	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**	0.2
Dividends	**0.4**	–
At end of year	**3.9**	3.3

Notes on the Accounts

for the year ended 31st March 2015

20 Non-current available-for-sale investments

	2015 £ million	2014 £ million
Quoted bonds purchased to fund pension deficit	**54.4**	49.1
Unquoted investments	**8.4**	8.4
	62.8	57.5

The quoted bonds are measured at fair value using level 1 inputs (note 27). 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 27). 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 2013	8.2
Purchases	0.2
At 31st March 2014 and at 31st March 2015	**8.4**

21 Inventories

	Group		Parent company	
	2015 £ million	2014 £ million	2015 £ million	2014 £ million
Raw materials and consumables	**188.8**	162.3	**25.2**	22.8
Work in progress	**426.3**	245.2	**139.1**	57.4
Finished goods and goods for resale	**244.3**	265.0	**59.7**	53.5
	859.4	672.5	**224.0**	133.7

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

22 Trade and other receivables

	Group		Parent company	
	2015 £ million	2014 £ million	2015 £ million	2014 £ million
Current				
Trade receivables	**805.2**	754.1	**176.2**	150.8
Amounts receivable from long term contract customers	**15.2**	15.5	**–**	–
Amounts receivable from subsidiaries classified as held for sale	**40.1**	–	**–**	–
Amounts receivable from subsidiaries	**–**	–	**1,184.7**	750.7
Prepayments and accrued income	**75.8**	61.4	**20.4**	21.4
Value added tax and other sales tax receivable	**41.0**	44.7	**7.2**	5.2
Other receivables	**153.6**	79.6	**51.3**	20.0
Current trade and other receivables	**1,130.9**	955.3	**1,439.8**	948.1
Non-current				
Amounts receivable from subsidiaries	**–**	–	**897.9**	662.8
Prepayments and accrued income	**15.1**	9.7	**41.8**	42.8
Other receivables	**0.2**	0.2	**–**	–
Non-current trade and other receivables	**15.3**	9.9	**939.7**	705.6

Notes on the Accounts

for the year ended 31st March 2015

23 Trade and other payables

	Group 2015 £ million	Group 2014 £ million	Parent company 2015 £ million	Parent company 2014 £ million
Current				
Trade payables	**384.2**	391.0	**134.6**	128.3
Amounts payable to long term contract customers	**64.0**	83.0	**–**	–
Amounts payable to subsidiaries classified as held for sale	**17.2**	–	**–**	–
Amounts payable to subsidiaries	**–**	–	**1,902.4**	1,383.5
Accruals and deferred income	**279.7**	295.8	**95.1**	91.8
Other payables	**54.4**	60.2	**21.7**	76.8
Current trade and other payables	**799.5**	830.0	**2,153.8**	1,680.4
Non-current				
Amounts payable to subsidiaries	**–**	–	**275.4**	0.6
Accruals and deferred income	**0.2**	0.3	**–**	–
Other payables	**5.3**	2.4	**3.0**	1.0
Non-current trade and other payables	**5.5**	2.7	**278.4**	1.6

24 Long term contracts

	2015 £ million	2014 £ million
Contract revenue recognised	**91.8**	103.6
Contracts in progress at the year end:		
Costs incurred plus recognised profits less recognised losses to date	**311.5**	358.1
Amount of advances received	**61.7**	86.9

25 Assets and liabilities classified as held for sale

The group's long term strategy is to focus on areas where it can use its expertise in chemistry and its applications to deliver high technology solutions or that provide a strategic service to the rest of the group. In line with this strategy, during the year the board decided to sell Fine Chemicals' Research Chemicals business and negotiations with several interested parties have taken place. This business has been classified as a disposal group held for sale and presented separately on the balance sheet. We are in advanced stage negotiations regarding its sale and expect to be in a position to announce that agreement on the sale has been reached in the near future. We anticipate that the transaction will be completed by the end of the calendar year. The proceeds less costs to sell are expected to substantially exceed the book value of the net assets and so no impairment loss has been recognised.

The major classes of assets and liabilities comprising the business classified as held for sale are:

	2015 £ million
Property, plant and equipment	28.1
Goodwill	21.8
Other intangible assets	3.5
Deferred income tax assets	0.6
Post-employment benefit net assets	1.0
Inventories	55.5
Current income tax assets	0.7
Trade and other receivables	32.8
Cash and cash equivalents – cash and deposits	4.9
Other financial assets	0.1
Total assets classified as held for sale	**149.0**
Trade and other payables	(47.1)
Current income tax liabilities	(0.3)
Other financial liabilities	(0.1)
Deferred income tax liabilities	(0.1)
Employee benefit obligations	(2.2)
Total liabilities classified as held for sale	**(49.8)**
Net assets of disposal group	99.2

Notes on the Accounts

for the year ended 31st March 2015

26 Net debt

	Group		Parent company	
	2015 £ million	2014 £ million	**2015 £ million**	2014 £ million
Non-current borrowings, finance leases and related swaps				
Bank, other loans and related swaps				
3.39% US Dollar Bonds 2028	**121.4**	107.6	**121.4**	107.6
3.14% US Dollar Bonds 2025	**88.0**	78.0	**88.0**	78.0
3.57% Sterling Bonds 2024	**65.0**	65.0	**65.0**	65.0
2.44% Euro Bonds 2023	**14.6**	16.5	**14.6**	16.5
2.99% US Dollar Bonds 2023	**111.6**	99.0	**111.6**	99.0
3.26% US Dollar Bonds 2022	**106.0**	89.2	**106.0**	89.2
4.66% Euro Bonds 2021	**72.8**	82.6	**72.8**	82.6
1.945% Euro European Investment Bank (EIB) loan 2019	**90.3**	102.4	**90.3**	102.4
5.67% US Dollar Bonds 2016	**109.9**	101.0	**109.9**	101.0
Interest rate 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	**0.5**	0.4	**0.5**	0.4
Other repayable from two to three years	**1.9**	–	**–**	–
Finance leases repayable				
From three to four years	**–**	0.2	**–**	0.2
From two to three years	**0.2**	0.4	**0.2**	0.4
From one to two years	**0.4**	0.4	**0.4**	0.4
Non-current borrowings, finance leases and related swaps	**782.6**	752.0	**780.7**	752.0
Current borrowings, finance leases and related swaps				
4.95% US Dollar Bonds 2015	**–**	123.9	**–**	123.9
Other bank and other loans	**234.3**	50.1	**191.8**	(0.2)
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**	0.4
Current borrowings, finance leases and related swaps excluding bank overdrafts	**234.7**	175.9	**192.2**	125.6
Bank overdrafts	**55.5**	39.2	**40.1**	35.7
Current borrowings, finance leases and related swaps	**290.2**	215.1	**232.3**	161.3
Total borrowings and finance leases	**1,072.8**	967.1	**1,013.0**	913.3
Less interest rate swaps designated as fair value hedges	**9.8**	5.9	**9.8**	5.9
Less cross currency interest rate swaps designated as cash flow hedges	**0.2**	–	**0.2**	–
Less cross currency interest rate swaps designated as net investment hedges	**4.4**	0.3	**4.4**	0.3
Less other interest rate swaps classified as held for trading	**4.6**	5.9	**4.6**	5.9
Less interest rate swaps designated as fair value hedges – current	**–**	4.0	**–**	4.0
Less cash and deposits	**59.4**	221.8	**13.3**	181.4
Net debt	**994.4**	729.2	**980.7**	715.8

Of the 4.95% US Dollar Bonds 2015, US $35.0 million had been swapped into sterling at 5.15% and US $165.0 million had 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%. The 3.26% US Dollar Bonds 2022 have been swapped into floating rate US dollars. US $100.0 million of the 3.14% US Dollar Bonds 2025 have been swapped into sterling at 2.83%. 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 27). 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.

Notes on the Accounts

for the year ended 31st March 2015

27 Other financial assets and liabilities

	Group		Parent company	
	2015 £ million	2014 £ million	2015 £ million	2014 £ million
Other financial assets				
Forward foreign exchange contracts and options designated as cash flow hedges	11.9	5.5	17.1	6.0
Forward foreign exchange contracts and currency swaps held for trading	2.3	2.0	2.3	1.8
Foreign exchange swaps designated as hedges of a net investment in foreign operations	0.2	–	–	–
Other financial assets	14.4	7.5	19.4	7.8
Other financial liabilities				
Forward foreign exchange contracts and options designated as cash flow hedges	(10.0)	(0.7)	(13.6)	(2.6)
Forward precious metal price contracts designated as cash flow hedges	(12.3)	–	(12.3)	–
Forward foreign exchange contracts and currency swaps held for trading	(3.0)	(2.4)	(3.3)	(2.4)
Foreign exchange swaps designated as hedges of a net investment in foreign operations	(0.2)	–	–	–
Other financial liabilities	(25.5)	(3.1)	(29.2)	(5.0)

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. All other financial liabilities are measured at fair value using level 2 inputs.

The fair value of forward foreign exchange contracts, forward precious metal price 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 was:

	Group £ million	Parent company £ million
At 1st April 2013	0.8	0.8
Gains recognised in cost of sales	2.4	2.4
Settlements	(3.2)	(3.2)
At 31st March 2014 and at 31st March 2015	–	–

28 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 2015

28 Financial risk management (continued)

28a 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 £230.6 million (2014 £284.9 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 2015 £ million	Borrowings 2014 £ million	**Cash 2015 £ million**	Cash 2014 £ million	**Borrowings 2015 £ million**	Borrowings 2014 £ million	**Cash 2015 £ million**	Cash 2014 £ million
Sterling	**169.1**	324.7	**261.5**	390.0	**160.6**	330.5	**260.4**	394.6
US dollar	**704.7**	619.8	**96.2**	197.2	**699.2**	618.2	**79.2**	191.4
Euro	**356.5**	311.9	**1.4**	51.3	**358.3**	312.4	**–**	47.4
Swedish krona	**69.4**	94.6	**3.4**	1.2	**69.3**	93.0	**2.9**	0.8
Hong Kong dollar	**–**	–	**54.4**	52.3	**–**	–	**52.2**	49.9
Chinese renminbi	**59.5**	46.1	**14.6**	24.3	**44.3**	28.1	**3.1**	–
Japanese yen	**19.7**	22.1	**0.2**	0.5	**19.7**	22.0	**0.2**	0.5
South African rand	**13.4**	20.4	**0.6**	1.2	**11.0**	18.1	**0.5**	0.1
Indian rupee	**17.3**	18.9	**1.6**	0.6	**–**	–	**–**	–
Canadian dollar	**17.6**	0.2	**0.2**	17.1	**17.7**	–	**–**	16.9
Brazilian real	**14.7**	14.2	**0.9**	1.3	**9.8**	–	**–**	–
South Korean won	**0.6**	1.7	**–**	–	**–**	–	**–**	–
Other currencies	**11.1**	11.2	**24.2**	19.6	**3.9**	9.5	**14.6**	14.4
	1,453.6	1,485.8	**459.2**	756.6	**1,393.8**	1,431.8	**413.1**	716.0

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 2016.

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% (8.1 cent (2014 8.0 cent)) movement in the average exchange rate for the US dollar against sterling would have had a £9.7 million (2014 £9.3 million) impact on operating profit. The group is also exposed to the euro and a 5% (6.4 cent (2014 5.9 cent)) movement in the average exchange rate for the euro against sterling would have had a £5.1 million (2014 £5.0 million) impact on operating profit. This exposure is part of the group's economic risk of operating globally which is essential to remain competitive in the markets in which the group operates.

For financial instruments the main exposures are to the US dollar and euro and are due to loans, swaps and cash flow hedges on forecast receipts and payments. A 5% (7.4 cent (2014 8.3 cent)) movement in the closing exchange rate for the US dollar against sterling would have had a £3.1 million (2014 £6.7 million) impact on operating profit and a £36.6 million (2014 £24.3 million) impact on equity for these instruments. A 5% (6.9 cent (2014 6.1 cent)) movement in the closing exchange rate for the euro against sterling would have had a £4.7 million (2014 £7.2 million) impact on operating profit and a £22.4 million (2014 £17.8 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 £6.0 million (2014 £3.2 million) for the US dollar and £4.5 million (2014 £4.7 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 2015

28 Financial risk management (continued)

28b 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 three (2014 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 2015 were £0.8 million (2014 £6.9 million) and the gains on the bonds attributable to the hedged risk were £1.2 million (2014 £6.9 million). The group and parent company have designated the (2014 two) US dollar fixed interest rate to sterling fixed interest rate cross currency swap as a cash flow hedge as it hedges the movement in the cash flows of the hedged bond attributable to changes in the US dollar / sterling exchange rate. The cash flow on one cross currency swap occurred in March 2015 when the related bond matured. The remaining cross currency swap's cash flows are expected to occur in 2025 when the bond which it hedges matures. The interest element of the cash flow hedges is realised in the income statement each year. The exchange effect on the matured swap was realised in the income statement in 2015 and the exchange effect on the remaining swap is expected to be realised in the income statement in 2025. At 31st March 2015, 62% (2014 88%) of the group's net debt and 63% (2014 90%) of the parent company's net debt were at fixed rates with an average interest rate of 3.23% (2014 3.06%). 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 £3.8 million (2014 £0.9 million) impact on the group's profit before tax. This is within the range the board regards as acceptable.

28c Fair value of financial instruments

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

	2015		2014	
Group	**Carrying amount £ million**	**Fair value £ million**	Carrying amount £ million	Fair value £ million
US Dollar Bonds 2015, 2016, 2022, 2023, 2025 and 2028	**(536.9)**	**(536.7)**	(598.7)	(580.3)
Euro Bonds 2021 and 2023	**(87.4)**	**(104.0)**	(99.1)	(114.1)
Euro EIB loan 2019	**(90.3)**	**(94.6)**	(102.4)	(104.6)
Sterling Bonds 2024	**(65.0)**	**(69.8)**	(65.0)	(63.7)
Other bank loans repayable from two to three years	**(1.9)**	**(1.3)**	–	–

	2015		2014	
Parent company	**Carrying amount £ million**	**Fair value £ million**	Carrying amount £ million	Fair value £ million
Amounts receivable from subsidiaries	**2,082.6**	**2,178.1**	1,413.5	1,471.7
US Dollar Bonds 2015, 2016, 2022, 2023, 2025 and 2028	**(536.9)**	**(536.7)**	(598.7)	(580.3)
Euro Bonds 2021 and 2023	**(87.4)**	**(104.0)**	(99.1)	(114.1)
Euro EIB loan 2019	**(90.3)**	**(94.6)**	(102.4)	(104.6)
Sterling Bonds 2024	**(65.0)**	**(69.8)**	(65.0)	(63.7)

The fair values are calculated using level 2 inputs (note 27) 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 27) during the year.

28d 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 2015 the group and parent company had borrowings under committed bank facilities of £192.0 million (2014 £ nil). The group and parent company also have a number of uncommitted facilities, including metal leases, and overdraft lines at their disposal.

	Group		Parent company	
	2015 £ million	2014 £ million	**2015 £ million**	2014 £ million
Undrawn committed borrowing facilities				
Expiring within one year	**50.0**	41.3	**50.0**	41.3
Expiring in more than one year but not more than two years	**126.4**	110.0	**126.4**	110.0
Expiring in more than two years	**4.2**	118.9	**4.2**	118.9
	180.6	270.2	**180.6**	270.2

Notes on the Accounts

for the year ended 31st March 2015

28 Financial risk management (continued)

28d 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 2015	Within 1 year £ million	1 to 2 years £ million	2 to 5 years £ million	After 5 years £ million	Total £ million
Bank overdrafts	55.5	–	–	–	55.5
Bank and other loans – principal	233.8	101.0	92.2	569.8	996.8
Bank and other loans – interest payments	29.8	26.6	61.3	77.8	195.5
Finance lease obligations	0.4	0.4	0.2	–	1.0
Financial liabilities in trade and other payables	687.8	0.2	0.5	1.8	690.3
Total non-derivative financial liabilities	1,007.3	128.2	154.2	649.4	1,939.1
Foreign exchange forwards, options and swaps – payments	382.1	4.4	–	–	386.5
Foreign exchange forwards, options and swaps – receipts	(369.4)	(3.7)	–	–	(373.1)
Total derivative financial liabilities	12.7	0.7	–	–	13.4

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)

Parent company as at 31st March 2015	Within 1 year £ million	1 to 2 years £ million	2 to 5 years £ million	After 5 years £ million	Total £ million
Bank overdrafts	40.1	–	–	–	40.1
Bank and other loans – principal	191.9	101.0	90.3	569.8	953.0
Bank and other loans – interest payments	26.6	26.6	60.7	77.8	191.7
Finance lease obligations	0.4	0.4	0.2	–	1.0
Financial liabilities in trade and other payables	2,147.6	0.1	0.3	277.1	2,425.1
Total non-derivative financial liabilities	2,406.6	128.1	151.5	924.7	3,610.9
Foreign exchange forwards, options and swaps – payments	415.3	4.6	–	–	419.9
Foreign exchange forwards, options and swaps – receipts	(407.7)	(3.8)	–	–	(411.5)
Total derivative financial liabilities	7.6	0.8	–	–	8.4

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

Notes on the Accounts

for the year ended 31st March 2015

28 Financial risk management (continued)

28e 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 2015 trade receivables for the group amounted to £805.2 million (2014 £754.1 million) (parent company £176.2 million (2014 £150.8 million)). £550.9 million (2014 £500.8 million) of these receivables at group level (£107.7 million (2014 £101.7 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 2015 (and at 31st March 2014) 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	
	2015 £ million	2014 £ million	**2015 £ million**	2014 £ million
Amounts neither past due nor impaired	**719.7**	666.7	**162.3**	140.0
Amounts past due but not impaired				
less than 30 days	**61.7**	50.1	**10.2**	6.5
30 – 90 days	**16.4**	28.5	**2.1**	2.3
more than 90 days	**7.7**	9.5	**1.6**	2.0
Total past due but not impaired	**85.8**	88.1	**13.9**	10.8
Amounts impaired	**4.6**	6.1	**1.0**	2.0
Specific allowances for bad and doubtful debts	**(3.8)**	(5.9)	**(1.0)**	(2.0)
Carrying amount of impaired receivables	**0.8**	0.2	**–**	–
Other allowances for bad and doubtful debts	**(1.1)**	(0.9)	**–**	–
Trade receivables net of allowances	**805.2**	754.1	**176.2**	150.8

Movements in the allowances for impairments were:

	Group		Parent company	
	2015 £ million	2014 £ million	**2015 £ million**	2014 £ million
At beginning of year	**6.8**	5.7	**2.0**	2.1
Charge for year	**1.2**	4.0	**0.5**	1.5
Acquisitions	**–**	0.1	**–**	–
Released	**(1.6)**	(1.1)	**(0.5)**	(0.3)
Utilised	**(1.6)**	(1.7)	**(1.0)**	(1.3)
Exchange adjustments	**0.1**	(0.2)	**–**	–
At end of year	**4.9**	6.8	**1.0**	2.0

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 2015, the maximum exposure with a single bank for deposits was £15.2 million (2014 £9.7 million) for the group and £7.7 million (2014 £3.2 million) for the parent company, whilst the largest mark to market exposure for derivative financial instruments to a single bank was £9.3 million (2014 £5.0 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 2015 the group's and parent company's exposure to these funds was £ nil (2014 £176.2 million). The amounts on deposit at the year end represent the group's and parent company's maximum exposure to credit risk on cash and deposits.

The parent company also guarantees some of its subsidiaries' borrowings, partly through interest netting arrangements, payables and precious metal leases and its exposure at 31st March 2015 was £33.8 million (2014 £38.6 million).

Notes on the Accounts
for the year ended 31st March 2015

28 Financial risk management (continued)

28f 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 2015	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	122.5	(63.1)	59.4	–	59.4
Other financial assets	14.4	–	14.4	(10.5)	3.9
Cash and cash equivalents – bank overdrafts	(118.6)	63.1	(55.5)	–	(55.5)
Other financial liabilities	(25.5)	–	(25.5)	10.5	(15.0)

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)

Parent company as at 31st March 2015	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	41.9	(28.6)	13.3	–	13.3
Other financial assets	19.4	–	19.4	(9.9)	9.5
Cash and cash equivalents – bank overdrafts	(68.7)	28.6	(40.1)	–	(40.1)
Other financial liabilities	(29.2)	–	(29.2)	9.9	(19.3)

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)

Notes on the Accounts

for the year ended 31st March 2015

28 Financial risk management (continued)

28g 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 52 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 54 for more information.

	Group		Parent company	
	2015 £ million	2014 £ million	**2015 £ million**	2014 £ million
Net debt	**994.4**	729.2	**980.7**	715.8
Equity	**1,800.1**	1,553.2	**1,388.0**	1,271.8
Capital employed	**2,794.5**	2,282.4	**2,368.7**	1,987.6

	Group	
	2015 £ million	2014 £ million
Net debt	**994.4**	729.2
Pension deficits	**136.9**	119.2
Bonds purchased to fund pensions	**(54.4)**	(49.1)
Related deferred taxation	**(39.3)**	(16.1)
Net debt (including post tax pension deficits)	**1,037.6**	783.2
EBITDA	**611.8**	596.3
Return on invested capital	**18.8%**	20.8%
Net debt (including post tax pension deficits) to EBITDA	**1.7 times**	1.3 times

29 Provisions and contingent liabilities

29a Group

	Restructuring provisions £ million	Warranty and technology provisions £ million	Other provisions £ million	Total £ million
At 1st April 2014	7.1	24.0	14.9	46.0
Charge for year	5.5	7.6	12.7	25.8
Acquisitions (note 39)	–	–	1.7	1.7
Utilised	(3.0)	(1.9)	(1.3)	(6.2)
Released	(0.3)	(3.5)	(7.0)	(10.8)
Unwinding of discount	–	–	0.3	0.3
Exchange adjustments	(0.1)	(0.6)	1.1	0.4
At 31st March 2015	**9.2**	**25.6**	**22.4**	**57.2**

	2015 £ million	2014 £ million
Current	**36.4**	17.4
Non-current	**20.8**	28.6
Total provisions	**57.2**	46.0

The restructuring provisions arise across the group and are expected to be fully spent by 2017/18.

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, Process Technologies and New Businesses. 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.

Notes on the Accounts
for the year ended 31st March 2015

29 Provisions and contingent liabilities (continued)

29b Parent company

	Restructuring provisions £ million	Other provisions £ million	Total £ million
At 1st April 2014	4.8	14.6	19.4
Charge for year	0.4	0.9	1.3
Utilised	(2.1)	–	(2.1)
Released	(0.4)	(2.0)	(2.4)
Acquisitions (note 39)	–	1.2	1.2
At 31st March 2015	**2.7**	**14.7**	**17.4**

	2015 £ million	2014 £ million
Current	**5.1**	5.5
Non-current	**12.3**	13.9
Total provisions	**17.4**	19.4

The restructuring provisions relate to 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 28e.

30 Deferred taxation

30a Group

	Property, plant and equipment £ million	Post-employment benefits £ million	Provisions £ million	Inventories £ million	Intangibles £ million	Other £ million	Total deferred tax (assets) / liabilities £ million
At 1st April 2013	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
Charge / (credit) to income	6.2	4.9	(2.2)	4.4	(5.4)	4.0	11.9
Acquisitions (note 39)	(1.0)	–	–	–	1.4	0.1	0.5
Sale of business (note 3)	(4.7)	(0.2)	0.2	0.3	–	–	(4.4)
Transferred to assets / liabilities classified as held for sale (note 25)	(1.2)	0.4	0.1	1.1	–	0.1	0.5
Tax on items taken directly to or transferred from equity	–	(13.7)	–	–	–	(2.4)	(16.1)
Exchange adjustments	4.1	(2.1)	(1.7)	(0.7)	(1.0)	0.2	(1.2)
At 31st March 2015	**67.6**	**(39.3)**	**(21.8)**	**(15.6)**	**39.6**	**17.9**	**48.4**

	2015 £ million	2014 £ million
Deferred tax assets	**(21.6)**	(32.1)
Deferred tax liabilities	**70.0**	89.3
	48.4	57.2

Deductible temporary differences, unused tax losses and unused tax credits not recognised on the balance sheet are £99.5 million (2014 £100.9 million).

Deferred tax liabilities have not been recognised on temporary differences of £919.0 million (2014 £815.7 million) associated with investments in subsidiaries.

Notes on the Accounts

for the year ended 31st March 2015

30 Deferred taxation (continued)

30b Parent company

	Property, plant and equipment £ million	Post-employment benefits £ million	Provisions £ million	Inventories £ million	Intangibles £ million	Other £ million	Total deferred tax (assets) / liabilities £ million
At 1st April 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
Charge / (credit) to income	1.6	4.4	0.5	4.2	0.1	1.3	12.1
Tax on items taken directly to or transferred from equity	–	(4.4)	–	–	–	(1.8)	(6.2)
At 31st March 2015	**20.0**	**(7.0)**	**(0.4)**	**(10.5)**	**0.4**	**7.3**	**9.8**

Deductible temporary differences, unused tax losses and unused tax credits not recognised on the balance sheet are £3.0 million (2014 £3.0 million).

31 Share capital

	Number	£ million
Issued and fully paid ordinary shares		
At 1st April 2013, 31st March 2014 and 31st March 2015	**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.

At the last annual general meeting on 23rd July 2014, shareholders approved a resolution for the company to make purchases of its own shares up to a maximum number of 20,491,774 ordinary shares of 104$^{16}/_{21}$ pence each. The resolution remains valid until the conclusion of this year's annual general meeting. The company will purchase its own shares when the board believes it to be in the best interests of the shareholders generally and will result in an increase in earnings per share.

The group and parent company's employee share ownership trust (ESOT) also buys shares on the open market and holds them in trust for employees participating in the group's executive share option schemes and long term incentive plan. At 31st March 2015 the ESOT held 1,930,562 shares (2014 2,068,308 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 (2014 5,725,246) at a total cost of £91.7 million (2014 £91.7 million).

32 Tax effects relating to other comprehensive income

	2015			2014		
	Before tax £ million	**Tax £ million**	**Net of tax £ million**	Before tax £ million	Tax £ million	Net of tax £ million
Currency translation differences	**(11.6)**	**(0.2)**	**(11.8)**	(95.3)	2.5	(92.8)
Cash flow hedges	**(16.2)**	**4.4**	**(11.8)**	9.3	(2.2)	7.1
Fair value gains on net investment hedges	**26.5**	**(1.9)**	**24.6**	9.7	–	9.7
Fair value gain / (loss) on available-for-sale investments	**6.1**	**–**	**6.1**	(0.4)	–	(0.4)
Remeasurements of post-employment benefit assets and liabilities	**(52.1)**	**13.7**	**(38.4)**	43.5	(19.3)	24.2
Total other comprehensive (expense) / income	**(47.3)**	**16.0**	**(31.3)**	(33.2)	(19.0)	(52.2)

Notes on the Accounts
for the year ended 31st March 2015

33 Other reserves

33a Group

	Capital redemption reserve £ million	Foreign currency translation £ million	Available-for-sale reserve £ million	Hedging reserve £ million	Total other reserves £ million
At 1st April 2013	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)
Cash flow hedges – losses taken to equity	–	–	–	(0.4)	(0.4)
Cash flow hedges – transferred to income statement	–	–	–	(15.8)	(15.8)
Fair value gains on net investment hedges taken to equity	–	20.7	–	–	20.7
Fair value losses on net investment hedges transferred to profit on sale or liquidation of businesses (note 3)	–	5.8	–	–	5.8
Fair value gains on available-for-sale investments	–	–	6.1	–	6.1
Currency translation differences on foreign currency net investments and related loans taken to equity	–	2.8	–	–	2.8
Currency translation differences transferred to profit on sale or liquidation of businesses (note 3)	–	(14.6)	–	–	(14.6)
Tax on items taken directly to or transferred from equity	–	(2.1)	–	4.4	2.3
At 31st March 2015	**6.5**	**(20.3)**	**5.4**	**(12.6)**	**(21.0)**

33b Parent company

	Capital redemption reserve £ million	Foreign currency translation £ million	Hedging reserve £ million	Total other reserves £ million
At 1st April 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
Cash flow hedges – losses taken to equity	–	–	(1.6)	(1.6)
Cash flow hedges – transferred to income statement	–	–	(12.3)	(12.3)
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 2015	**6.5**	**(3.4)**	**(12.0)**	**(8.9)**

34 Gross cash flows

34a Purchases of non-current assets and investments

	Group		Parent company	
	2015 £ million	2014 £ million	**2015 £ million**	2014 £ million
Purchases of property, plant and equipment	**185.0**	205.5	**58.6**	50.6
Purchases of intangible assets	**27.1**	8.0	**15.0**	2.2
Investment in subsidiaries	**–**	–	**285.5**	–
Purchases of available-for-sale investments	**–**	0.2	**–**	–
	212.1	213.7	**359.1**	52.8

Notes on the Accounts

for the year ended 31st March 2015

34 Gross cash flows (continued)

34b Purchases of businesses

	Group 2015 £ million	Group 2014 £ million	Parent company 2015 £ million	Parent company 2014 £ million
Purchases of businesses	68.9	9.5	16.1	8.1
Purchases of non-controlling interests	9.4	–	–	–
Cash acquired with businesses	(2.6)	–	–	–
Consideration refunded for prior years' acquisitions	–	(1.5)	–	–
Consideration paid for prior years' acquisitions	1.1	–	0.6	–
	76.8	8.0	16.7	8.1

34c Net proceeds from sale of businesses

	Group 2015 £ million	Group 2014 £ million	Parent company 2015 £ million	Parent company 2014 £ million
Sale of business	122.1	–	–	–
Cash disposed of with business	(8.4)	–	–	–
	113.7	–	–	–

34d Net cost of ESOT transactions in own shares

	Group 2015 £ million	Group 2014 £ million	Parent company 2015 £ million	Parent company 2014 £ million
Purchase of own shares by ESOT	(17.1)	(22.2)	(17.1)	(22.2)
Release of own shares by ESOT	–	2.9	–	2.9
	(17.1)	(19.3)	(17.1)	(19.3)

34e Proceeds from borrowings and finance leases

	Group 2015 £ million	Group 2014 £ million	Parent company 2015 £ million	Parent company 2014 £ million
Proceeds from borrowings falling due within one year	200.8	34.7	191.4	–
Repayment of borrowings falling due within one year	(153.2)	(257.0)	(135.1)	(254.6)
Proceeds from borrowings falling due after more than one year	1.9	301.5	–	301.5
Capital element of finance lease rental payments	(0.4)	(0.4)	(0.4)	(0.3)
	49.1	78.8	55.9	46.6

35 Cash and cash equivalents

	Group 2015 £ million	Group 2014 £ million	Parent company 2015 £ million	Parent company 2014 £ million
Cash and deposits	59.4	221.8	13.3	181.4
Bank overdrafts	(55.5)	(39.2)	(40.1)	(35.7)
Cash and cash equivalents	3.9	182.6	(26.8)	145.7

Notes on the Accounts

for the year ended 31st March 2015

36 Precious metal operating leases

The group leases, rather than purchases, precious metals to fund temporary peaks in metal requirements provided market conditions allow. These leases are from banks for specified periods (typically a few months) and for which the group pays a fee. These arrangements are classified as operating leases. The group holds sufficient precious metal inventories to meet all the obligations under these lease arrangements as they fall due. At 31st March 2015 precious metal leases were £18.7 million (2014 £55.7 million).

37 Commitments

	Group		Parent company	
	2015 £ million	2014 £ million	**2015 £ million**	2014 £ million
Future capital expenditure contracted but not provided	**28.8**	18.2	**16.7**	6.1
Future minimum amounts payable under non-cancellable operating leases				
Within one year	**16.9**	16.4	**2.0**	2.6
From one to five years	**31.7**	27.8	**4.0**	5.2
After five years	**34.5**	38.6	**11.1**	11.3
	83.1	82.8	**17.1**	19.1
Future minimum sublease payments expected to be received under non-cancellable operating leases	**–**	(0.1)	**–**	(0.1)
Future minimum amounts payable under finance leases				
Within one year	**0.4**	0.5	**0.4**	0.4
From one to five years	**0.6**	1.1	**0.6**	1.0
	1.0	1.6	**1.0**	1.4
Less future finance charges	**(0.1)**	(0.1)	**(0.1)**	(0.1)
Present value of finance lease obligations	**0.9**	1.5	**0.9**	1.3

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.

38 Transactions with related parties

Transactions between the parent company and its subsidiaries, which are related parties, have been eliminated on consolidation and so are only disclosed for the parent company's accounts. The group's joint venture is a related party. Guarantees of subsidiaries' liabilities are disclosed in note 28e.

	Group		Parent company	
	2015 £ million	2014 £ million	**2015 £ million**	2014 £ million
Trading transactions with joint venture				
Purchases of goods	**–**	0.3	**–**	0.3
Trading transactions with subsidiaries				
Sale of goods	**–**	–	**1,828.0**	2,778.6
Purchases of goods	**–**	–	**418.8**	382.9
Income from service charges	**–**	–	**29.3**	24.3
Amounts receivable from subsidiaries	**–**	–	**208.4**	187.1
Amounts payable to subsidiaries	**–**	–	**30.3**	29.0
Loans to subsidiaries	**–**	–	**1,874.2**	1,226.4
Loans from subsidiaries	**–**	–	**2,147.5**	1,355.1

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 2015

39 Acquisitions

If all the acquisitions in the year had been completed on 1st April 2014 the revenue for the group would have been £10,065.2 million and its profit for the year £421.6 million.

The group's long term strategy is to establish new businesses in adjacent markets with strong growth potential that align to the group's technology competences. One of these new businesses the group is establishing is its Battery Technologies business and two acquisitions were completed during the year to further develop it. On 26th September 2014 the group acquired a cathode material manufacturing facility and related business from A123 Systems LLC (A123) and the goodwill arising is attributable to opportunities to access expertise and processes in this area. On 28th February 2015 the group acquired the battery materials business of Clariant AG (Clariant) and the goodwill arising is attributable to the synergies anticipated.

Two other acquisitions were completed during the year. On 2nd September 2014 the group acquired the business and assets of Catacel Corporation, a supplier of novel technology centred on the use of metal foil coated catalysts and sorbents, which will allow the group to offer an enhanced range of market leading catalyst technologies for hydrogen or syngas manufacture. On 12th February 2015 the group acquired 100% of Illumink Limited, a printed liquid crystal laser technology company, which gives the group access to a newly developed on surface anti-counterfeiting solution which could be a tracer solution for the oil and gas reservoir sector. The goodwill arising is attributable to the synergies arising from these opportunities and the group's existing businesses. Contingent consideration has been calculated based on the discounted cash flows after assessing the probability of achieving the various agreed sales, technical and knowledge transfer milestones. On an undiscounted basis, the range of possible outcomes is £ nil to £3.5 million.

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:

	A123 £ million	Clariant £ million	Other £ million
Net assets acquired			
Property, plant and equipment	9.8	29.5	0.2
Intangible assets	1.2	11.6	6.5
Non-current other receivables	1.0	–	–
Inventories	0.5	2.9	0.3
Trade and other receivables	0.1	5.4	0.4
Cash and cash equivalents	–	2.6	–
Trade and other payables	(0.7)	(6.2)	(0.2)
Deferred income tax assets / (liabilities)	0.7	(1.1)	(0.1)
Provisions	(0.4)	(0.1)	(1.2)
Non-current other payables	–	–	(0.1)
Total net assets acquired	12.2	44.6	5.8
Goodwill on acquisition	3.4	4.1	0.5
	15.6	48.7	6.3
Satisfied by			
Purchase consideration – cash	15.5	49.1	4.1
Purchase consideration – deferred	0.1	–	0.2
Purchase consideration – to be refunded	–	(0.4)	–
Purchase consideration – contingent	–	–	2.0
	15.6	48.7	6.3
Acquisition-related costs charged to administrative expenses	0.2	1.1	0.1
Revenue since acquisition	4.9	1.8	1.4
Profit / (loss) since acquisition	0.5	(0.4)	0.1
Trade and other receivables – gross contractual amounts receivable	0.1	5.4	0.4

The goodwill arising on acquisition of Clariant is expected to be deductible for tax purposes.

For the acquisition of A123 and Clariant, the fair value of the consideration and the fair value of the net assets acquired are provisional as the completion accounts have yet to be agreed with the vendors.

On 13th May 2014 the group acquired the 49% of Alfa Aesar Synmax (HK) Ltd it did not already own and on 11th September 2014 the group acquired the 8% of Johnson Matthey Sdn. Bhd. it did not already own. The consideration given was £9.4 million and the non-controlling interests were £2.8 million. These have been accounted for as equity transactions.

Notes on the Accounts

for the year ended 31st March 2015

39 Acquisitions (continued)

On 18th May 2015 the group acquired 100% of Stepac L.A. Ltd. and its subsidiaries plus related assets (Stepac) for £20.3 million. Stepac is a provider of modified atmosphere packaging. Combined with the group's expertise in functional materials, it will provide a strong platform of complementary technical skills and market access to enable the group to accelerate the selection, development and commercialisation of new technologies. The initial accounting for the acquisition is incomplete and the fair value of the consideration and net assets are not finalised as the completion accounts are yet to be prepared and agreed with the vendors.

40 Key sources of estimation uncertainty

Determining the carrying amounts of some assets and liabilities requires estimation of the effects of uncertain future events on those assets and liabilities at the balance sheet date. The group and parent company have made appropriate estimates when applying the accounting policies, but the actual outcome may differ from those calculated.

The key sources of estimation uncertainty at the balance sheet date which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

Post-employment benefits

The group's and parent company's defined benefit plans are assessed annually by qualified independent actuaries. The details of the plans and assumptions used are described in note 14.

Goodwill and other intangible assets

Annual impairment reviews of goodwill of £548.0 million (parent company £121.1 million) are performed which require various assumptions (note 16). Other intangible assets which are not yet being amortised are also subject to annual impairment reviews. Other assets are assessed for impairment when there is a triggering event that provides evidence that an asset may be impaired. Impairment reviews are based on discounted cash flow projections. Actual outcomes could vary significantly from such estimates. Factors such as changes in discount rates, presence of competition, technical obsolescence and lower than anticipated sales could lead to shorter lives or impairment.

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 50 million oz of silver each year but following the sale of the Gold and Silver Refining business on 5th March 2015 the quantity of gold and silver processed has decreased significantly. 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 2015

41 Principal subsidiaries

The group's subsidiaries at 31st March 2015 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 odpowiedzialnoćścią	Poland
Macfarlan Smith Limited	Scotland
Johnson Matthey AB	Sweden
Johnson Matthey Formox AB	Sweden
Johnson Matthey & Brandenberger AG	Switzerland
North America	
The Argent Insurance Co. Limited	Bermuda
Johnson Matthey Battery Materials 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

	Country of incorporation
Asia	
Johnson Matthey (Shanghai) Catalyst 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.	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 Plc 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 2015 set out on pages 134 to 180.

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 2015 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 103 (Audit Committee Report) and page 179 (financial disclosures).

The risk	Our response
The group refines a significant amount of metal as set out in note 40. 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 stock takes which take place at different times earlier than the financial year end. 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. As noted in the Audit Committee Report, a full stock take was not undertaken this year at the West Deptford, USA refinery. The group's 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, including at the disposed Gold and Silver Refining business. 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. At West Deptford we undertook additional audit procedures including enhanced testing of assay estimates for metal received and despatched. 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 103 (Audit Committee Report), page 140 (accounting policies) and pages 159 to 162 and 179 (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 Plc only

Opinions and conclusions arising from our audit (continued)

2 Our assessment of risks of material misstatement (continued)

Post-employment benefits

Refer to page 103 (Audit Committee Report), page 142 (accounting policy) and pages 151 to 158 (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 103 (Audit Committee Report), page 141 (accounting policy) and page 179 (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 4% of group profit before tax and 5% of group profit before tax adjusted for profit on sale or liquidation of businesses and amortisation of acquired intangibles 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 86% of group revenue, 85% of group profit before tax and 83% 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 11% of group revenue; 7% of group profit before tax and 8% 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 2015, the group audit team visited operations in the UK, the US, China, the Netherlands and Poland.

Independent Auditor's Report

to the members of Johnson Matthey Plc only

Opinions and conclusions arising from our audit (continued)

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

Our opinion on the directors' Remuneration Report only covers the part which we have audited. The part of the directors' Remuneration Report which we have audited extends from the Single Figure Table of Remuneration to the Statement of Directors' Shareholding from pages 119 to 125. It includes the Explanation of Figures on page 120, the Variable Pay – Additional Disclosures, Including Bases of Calculation and Outcomes on pages 120 to 123, the Pension Entitlements on page 123 and the Payments for Loss of Office on page 124.

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 55, 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 131, 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

3rd June 2015

8. Other Information

186 Five Year Record – Financial Data
187 Five Year Record – Non-Financial Data
188 Basis of Reporting – Non-Financial Data
189 Verification of Non-Financial Data
190 Shareholder Information
192 Global Reporting Initiative (GRI) Summary
193 Glossary of Terms
194 Index
195 Financial Calendar 2015/16
196 Company Details

11%
compound annual growth in underlying earnings per share since 2010/11

10%
compound annual growth in ordinary dividend since 2010/11

OTHER INFORMATION

SUSTAINABLE TECHNOLOGIES for today and for the future

New Scanning Technology Helps Oil and Gas Customers

Pipelines transporting oil or gas from the sea bed sometimes become blocked or corroded. Up until recently, it was necessary either to use an internal 'PIG' device, or to remove the protective coating of a pipe in order to diagnose the problem externally.

Johnson Matthey's Diagnostic Services business, Tracerco, has launched a new technology, Discovery™, which scans the pipe from the outside through any type of coating to identify the problem and where it lies. "Like a CT scanner that is used in hospitals to diagnose issues in the human body, we can carry out a CT scan from the outside of a pipeline to diagnose what's happening within," says Tracerco's Kim Thye Lee, who explains how this multi award winning product was developed.

What customer issues led to the invention of Discovery™?

We regularly collaborate with our customers, who tell us about their challenges and ask for our help in solving them. One particular customer was experiencing the common issue of 'hydrate build up' in a pipeline, caused by low temperatures and high pressure. Crystals were forming on the inside, restricting the flow in the line. This meant less oil was produced, thus generating less revenue. They asked us to help using existing technology, but the same question kept coming up: 'What if there was a better way?'

How was Discovery™ developed?

Customer collaboration was vital. Creating the technical specification is essential, but it was only from drawing on our customer's experience, technical skills and knowledge of operating conditions, and analysing their data that we were able to use our own R&D expertise to develop a solution – Discovery™.

What happens during a Discovery™ investigation?

A team of our highly skilled engineers operate Discovery™ remotely and interpret the data onsite so that results are available quickly. The scans show what is going on inside the pipe, if there is a blockage and what it consists of, and any pipe wall defects. After remedial action the area can be rescanned to verify the condition has been fixed.

How are customers benefiting?

There has been a very positive response. Companies are often required to meet high output targets so it's crucial not to disrupt production. Discovery™ helps with this. As you don't have to remove the protective coating, there is also no risk of corrosion or damage to the pipe during the process. Finally, the information can highlight any potential to extend the operational life of the pipeline beyond its expected life cycle. There is a real sustainability benefit here, as well as a financial one.

What's next for Discovery™?

We're developing the technology to work with much larger diameter pipes and are also working on a screening technology that will quickly identify potential hotspots over long lengths of pipeline prior to deploying Discovery™. We have a strong history of collaborating with our customers: they bring their needs to us and push us to do more, so we're always thinking about what's next. That's what is great about working here.

Kim Thye Lee

Five Year Record – Financial Data

	2011 £ million	2012 £ million	2013 £ million	2014 £ million	**2015 £ million**
Revenue	9,984.8	12,023.2	10,728.8	11,155.2	**10,059.7**
Sales excluding the value of precious metals	2,280.3	2,678.6	2,675.7	2,980.8	**3,124.7**
EBITDA	489.4	576.2	542.7	596.3	**611.8**
Depreciation	(108.3)	(108.5)	(111.2)	(115.1)	**(122.3)**
Amortisation	(14.9)	(17.6)	(15.4)	(12.3)	**(12.4)**
Underlying operating profit	366.2	450.1	416.1	468.9	**477.1**
Net finance costs	(20.7)	(24.1)	(33.2)	(42.1)	**(37.5)**
Share of profit of joint venture	–	–	–	0.5	**0.5**
Underlying profit before tax	345.5	426.0	382.9	427.3	**440.1**
Amortisation of acquired intangibles	(14.5)	(16.7)	(16.9)	(20.7)	**(17.3)**
Profit on sale or liquidation of businesses, major impairment and restructuring charges	(71.8)	–	(17.4)	–	**73.0**
Dissolution of associate	0.1	–	–	–	**–**
Profit before tax	259.3	409.3	348.6	406.6	**495.8**
Income tax expense	(75.5)	(93.9)	(77.5)	(67.9)	**(68.5)**
Profit after taxation	183.8	315.4	271.1	338.7	**427.3**
Loss from discontinued operations	(1.9)	–	–	–	**–**
Non-controlling interests	(0.4)	0.5	0.7	1.5	**1.4**
Profit attributable to owners of the parent company	181.5	315.9	271.8	340.2	**428.7**
Underlying earnings per ordinary share	119.0p	153.7p	147.7p	170.6p	**180.6p**
Earnings per ordinary share	85.2p	148.7p	132.3p	167.7p	**211.2p**
Dividend per ordinary share	46.0p	55.0p	57.0p	62.5p	**68.0p**
Summary Balance Sheet					
Assets employed:					
Goodwill	528.7	519.3	584.6	571.0	**548.0**
Property, plant and equipment / other intangible assets	1,060.6	1,036.7	1,205.3	1,206.7	**1,268.5**
Non-current investments / associates / joint venture	8.0	10.8	61.0	60.8	**66.7**
Inventories	556.3	629.5	664.3	672.5	**859.4**
Receivables / current investments / tax assets / financial assets	952.2	895.3	915.6	1,032.2	**1,351.8**
Payables / provisions / tax liabilities / financial liabilities	(932.2)	(938.5)	(960.4)	(1,095.5)	**(1,103.4)**
Post-employment benefit net assets / employee benefit obligations	(130.4)	(167.1)	(243.9)	(165.3)	**(196.5)**
	2,043.2	1,986.0	2,226.5	2,282.4	**2,794.5**
Financed by:					
Net debt	639.4	455.4	835.6	729.2	**994.4**
Retained earnings	1,001.2	1,171.0	1,029.7	1,271.1	**1,517.3**
Share capital, share premium, shares held in ESOTs and other reserves	401.5	361.8	365.5	288.4	**293.3**
Non-controlling interests	1.1	(2.2)	(4.3)	(6.3)	**(10.5)**
Capital employed	2,043.2	1,986.0	2,226.5	2,282.4	**2,794.5**
Return on invested capital (Underlying operating profit / average capital employed)	19.4%	22.3%	19.8%	20.8%	**18.8%**

In 2014, 2013 and the balance sheet for 2012 were restated for the adoption of IFRS 10 – 'Consolidated Financial Statements', IFRS 11 – 'Joint Arrangements', IFRS 12 – 'Disclosure of Interests in Other Entities' and the revisions to IAS 19 – 'Employee Benefits', IAS 27 – 'Separate Financial Statements' and IAS 28 – 'Investments in Associates and Joint Ventures'. In 2012, 2011 was restated for changes to Intercat, Inc.'s fair values at acquisition.

Five Year Record – Non-Financial Data

		2011	2012	2013	2014	**2015**
Social						
Average employee numbers		9,388	9,914	10,498	11,331	**12,148**
Total employee turnover[1]	%	8.5	11.7	9.1	9.0	**8.7**
Voluntary employee turnover[1]	%	5.6	6.4	6.5	5.6	**6.0**
Employee gender (female)	%	22	22	25	24	**25**
New recruits gender (female)	%	23	25	25	27	**30**
Trade union representation	%	38	35	31	29	**28**
Training days per employee		2.6	3.1	2.7	3.3	**3.2**
Training spend per employee[2]	£	390	335	433	465	**426**
Internal promotions	% of all recruitment in year	33	35	36	26	**33**
Attendance	days lost per employee	5.2	5.0	5.2	5.3	**4.9**
Sickness absence rate	%	2.1	2.0	2.2	2.0	**1.9**
Charitable donations	£ thousands	517	645	615	626	**612**
Health and Safety						
Lost time injury and illness rate		–[3]	–[3]	0.58	0.65	**0.49**
Total recordable injury and illness rate		–[3]	–[3]	1.41	1.77	**1.14**
Greater than three day accidents	per 1,000 employees	2.99	2.38	2.98	2.68	**2.25**
Occupational illness cases[4]	per 1,000 employees	2.3	2.7	2.5	2.2	**1.2**
Environment						
Energy consumption	thousands GJ	4,749	4,726	4,648	5,015[5]	**5,360**
Total global warming potential	thousands tonnes CO_2 equivalent	415	417	413	463[6]	**495**
Total acid gas emissions	tonnes SO_2 equivalent	318	444	334	405	**394**
Total NOx emissions	tonnes	393	566	420	483	**497**
Total SO_2 emissions	tonnes	43.0	47.5	39.9	67.0	**46.1**
Total VOC emissions	tonnes	185.7	189.8	185.6	209.3	**153.9**
Total waste	tonnes	113,671	120,363	110,448	121,594	**106,494**
Total waste to landfill	tonnes	6,165	10,708	3,218	3,819	**3,482**
Water consumption	thousands m^3	2,076	2,201	2,444	2,564	**2,529**
Emissions to water (chemical oxygen demand)	tonnes	251	260	226	436	**422**

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 Not measured.

4 Restated to bring our measurement in line with World Health Organization specifications.

5 Restated to include energy derived from the combustion of bottled gases at a small number of sites.

6 Restated to include Scope 1 manufacturing process derived emissions and emissions due to combustion of bottled gases.

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. 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 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 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 180). 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. 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 and Scope 3 electricity transmission and distribution losses. We report greenhouse gas (GHG) emissions from processes 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 2014 Defra published new carbon intensity factors 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 2014/15.

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 75.

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 189.

Injury and Illness Calculation Definitions

The following metrics are used in this report:

Lost time injury and illness rate (LTIIR) is defined as the number of lost workday cases per 200,000 hours worked in a rolling year.

A lost workday case is defined as an incident where an employee or contractor is unable to work for more than one scheduled working day as a result of a work related injury or illness.

Total recordable injury and illness rate (TRIIR) is defined as the number of recordable cases per 200,000 hours worked in a rolling year.

A recordable case (as defined under the OSHA Regulations) is defined as a work related accident or illness that results in one or more of the following; absence of more than one day, medical treatment beyond first aid, death, loss of consciousness and restricted work or transfer to another job.

200,000 is the base for 100 full time equivalent workers working 40 hours per week for 50 weeks per year.

LTIIR by Event Type Definitions

Struck against: Injury occurring as a result of coming into contact with a surface or object in which the action was initiated by the person (for example when a screwdriver slips).

Struck by: Injury occurring as a result of an accelerated mass striking the body causing injury (for example, falling objects or projectiles).

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 Group Management Committee.

Johnson Matthey uses 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.

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; and
- to benchmark our corporate performance against peer group companies.

Our information disclosures take many forms including investor interviews, customer questionnaires, independent CSR / sustainability / 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.

We continue to implement the recommendations from the 2012/13 assurance process.

In 2014/15 we commissioned further external assurance covering our energy consumption, global warming potential and water consumption data. Carbon Smart Ltd, has subsequently provided the following verification:

"Johnson Matthey commissioned Carbon Smart Ltd to verify to a limited level some of the data collected and processed, as well as the data management processes and calculations used to report emissions.

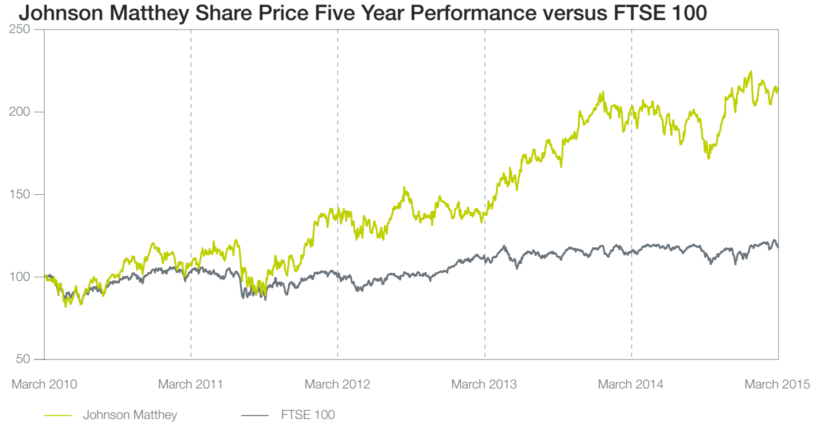
The Carbon Smart verification team is an independent consultancy of experienced and qualified experts. The data verification included Scope 1 fuel and gas based emissions sources and Scope 2 emissions due to use of purchased electricity and Scope 3 emissions due to transmission and distribution of electricity. It also included total water consumption. The verification covered data collected from all Johnson Matthey's sites for the financial year 2014/15. The verification was carried out in accordance with the principles and requirements of ISO 14064 part three.

Within the constraints of the limited verification, Carbon Smart found no evidence to suggest that material errors or misstatements were present in the data provided, the data management processes or the carbon footprint calculations followed by Johnson Matthey."

The full verification statement is available in the Sustainability section of our website.

Shareholder Information

Johnson Matthey Share Price Five Year Performance versus FTSE 100

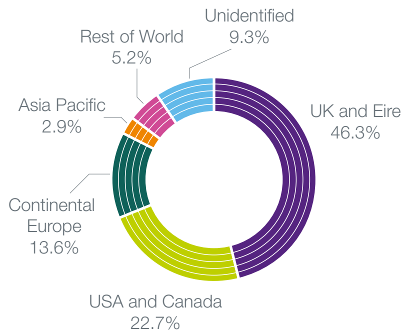


Johnson Matthey Share Price as at 31st March

2010	2011	2012	2013	2014	2015
1,746p	1,860p	2,359p	2,300p	3,271p	3,386p

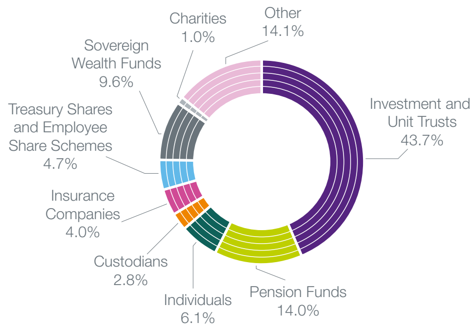
Analysis of Ordinary Shareholders as at 30th April 2015

By Location



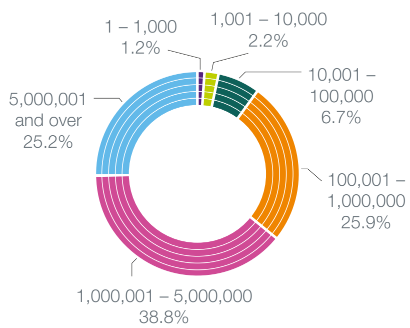
By location	Number of shares	Percentage
UK and Eire	97,513,340	46.3
USA and Canada	47,750,839	22.7
Continental Europe	28,588,345	13.6
Asia Pacific	6,172,889	2.9
Rest of World	11,076,199	5.2
Unidentified	19,541,383	9.3
Total	210,642,995	100.0

By Category



By category	Number of shares	Percentage
Investment and Unit Trusts	92,103,988	43.7
Pension Funds	29,577,200	14.0
Individuals	12,740,852	6.1
Custodians	5,855,522	2.8
Insurance Companies	8,522,127	4.0
Treasury Shares and Employee Share Schemes	9,894,528	4.7
Sovereign Wealth Funds	20,148,665	9.6
Charities	2,168,904	1.0
Other	29,631,209	14.1
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	7,330	75.6	2,477,850	1.2
1,001 – 10,000	1,767	18.2	4,591,274	2.2
10,001 – 100,000	379	3.9	14,057,046	6.7
100,001 – 1,000,000	181	1.8	54,663,302	25.9
1,000,001 – 5,000,000	37	0.4	81,760,553	38.8
5,000,001 and over	6	0.1	53,092,970	25.2
	9,700	100.0	210,642,995	100.0

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

	2011	2012	2013	2014	2015
Interim	12.5	15.0	15.5	17.0	18.5
Final	33.5	40.0	41.5	45.5	49.5
Total ordinary	46.0	55.0	57.0	62.5	68.0
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 2010/11, underlying earnings per share have grown at a compound annual growth rate of 11.0% p.a. The board is proposing a final dividend for 2014/15 of 49.5 pence to take the total for the year to 68.0 pence, which is 9% 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 US. 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	10-12
	1.2	Key impacts, risks and opportunities	15, 22-27, 81
	2.1 – 2.10	Organisational profile	inner flap, 14, 30-49, 66, 128, 135, 145, 149, 180, 186, 196
	3.1 – 3.4	Report parameters	188, 196
	3.5 – 3.13	Report scope, boundary and assurance	22-27, 69-71, 81, 139-142, 188-189, 192
Organisational governance	4.1 – 4.10	Corporate governance	2, 30-31, 69-71, 80-131
	4.11 – 4.13	Commitments to external initiatives	69-70, 77, 81
	4.14 – 4.17	Stakeholder engagement	68-71, 96-97
	Economic Performance		
	Management approach		15-17
	EC1	Direct economic value generated and distributed	30-54, 70-71, 130, 147-149
	EC2	Financial implications due to climate change	22-27, 49, 54, 69, 73
	EC3	Coverage of the organisation's defined benefit plan obligations	151-158
	EC4	Significant financial assistance received from government	146
	EC8	Development and impact of infrastructure investments and services provided primarily for public benefit	70-71
	Environmental Performance		
The environment	Management approach		59, 74-77, 81
	EN3, EN4	Energy	75
	EN8	Water	76-77
	EN16, EN17, EN20	Emissions	75-76
	EN21	Wastewater	75
	EN22	Waste	76
	EN23	Significant spills	77
	EN24	Hazardous waste	76
	EN28	Compliance	75
	Social Performance – Labour Practices		
Labour practices	Management approach		58-61, 64-71, 81
	LA1, LA2, LA4	Employment	64-69
	LA7	Occupational health and safety	58-60, 68
	LA10	Training and education	63-69, 92
	Social Performance – Human Rights		
Human rights	Management approach		71, 81
	HR1	Significant investment agreements	71
	HR6, HR7	Child labour, forced labour, compulsory labour	71
	HR11	Grievances addressed and resolved	69
	Social Performance – Society		
Fair operating practices / community involvement and development	Management approach		69-71, 81
	SO1	Community	70-71
	SO2, SO3	Corruption	22-27, 71, 93
	SO6	Political contributions	70, 130
	Social Performance – Product Responsibility		
Consumer (customer) issues	Management approach		60-61
	PR1	Customer health and safety	60-61
	PR2, PR4, PR9	Compliance	61

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
ACT	Atmosphere Control Technologies
ADHD	Attention Deficit Hyperactivity Disorder
ADR	American Depositary Receipt
AGM	Annual general meeting
Alfa Aesar	Brand name of Johnson Matthey's Research Chemicals business
ANDA	Abbreviated new drug application
APB	Auditing Practices Board
API	Active pharmaceutical ingredient
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
CGU	Cash-generating unit
CO_2	Carbon dioxide
COD	Chemical oxygen demand
CPI	Consumer price index
CMA	Competition and Markets Authority
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
ESOS	The UK's Energy Savings Opportunities Scheme
ESOT	Employee Share Ownership Trust
EU	European Union
EU EED	EU Energy Efficiency Directive
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
GMC	Group Management Committee
GPCC	Group Policy and Compliance Committee
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
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
Incoterms®	The International Chamber of Commerce's International Commercial Terms
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
JMEPS	Johnson Matthey Employees Pension Scheme
KPI	Key performance indicator
LDV	Light duty vehicle
LFP	Lithium iron phosphate, a cathode material
Li-ion	Lithium-ion, a battery technology
LTIIR	Long term illness and injury rate
LTIP	Long term incentive plan
MEA	Membrane electrode assembly
NAC	NOx adsorber catalyst
NOx	Oxides of nitrogen
OEM	Original equipment manufacturer
OHSAS 18001	Internationally recognised standard on occupational health and safety management
OSHA	Occupational Safety and Health Administration
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
RC 14001	An internationally recognised standard, an expansion of ISO 14001
ROIC	Return on invested capital
RPI	Retail price index
SAICM	Strategic Approach to International Chemicals Management
SCR	Selective catalytic reduction
SCRF®	Johnson Matthey's selective catalytic reduction filter technology
SIC	Standing Interpretations Committee
SIP	Share incentive plan
SNG	Substitute natural gas
SO_2	Sulphur dioxide
SPV	Special purpose vehicle
SRI	Socially responsible investment
STEM	Science, technology, engineering and maths
Syngas, synthesis gas	A mixture of hydrogen and carbon oxides
TRIIR	Total recordable injury and illness rate
The Code	The UK Corporate Governance Code, issued by the FRC
TWF™	Johnson Matthey's three way filter technology
UN	United Nations
VCM	Vinyl chloride monomer
VOC	Volatile organic compound

Index

	Page
Accounting Policies	139-142
Accounts	132-183
Acquisitions (note 39)	178-179
Amortisation of acquired intangibles (note 4)	145
Assets and liabilities classified as held for sale (note 25)	164
Audit Committee Report	101-107
Audit fees (note 5)	146
Auditor's report	181-183
Balance sheets	135
Basis of Reporting – Non-Financial Data	188
Board of Directors	82-83
Borrowings (and note 26)	54, 165
Building our 3rd Century	15
Business	13-14
Business Model	15
Capital expenditure (and note 1)	53, 143-144
Capital structure and management (and note 28g)	54, 172
Cash and cash equivalents (note 35)	176
Cash flow hedges transferred to income (note 6)	146
Cash flow statements (and note 34)	53, 136, 175-176
Chairman's Statement	8-9
Changes in equity	137-138
Chief Executive's Statement	10-12
Commitments (note 37)	177
Community investment and charitable programmes	70-71
Company Details	196
Comprehensive income (and note 32)	134, 174
Contingent liabilities (note 29)	172-173
Corporate Governance Code	85
Corporate Governance Report	84-97
Deferred tax (notes 9, 30)	147, 173-174
Depreciation and amortisation (note 6)	146
Directors' Report	127-130
Dividends (and note 10)	52, 148
Divisions at a Glance	inner flap
Earnings per ordinary share (and note 11)	52, 148
Emission Control Technologies	32-35
Employee numbers and expense (note 12)	149
Employee share ownership trust (ESOT) (note 31)	174
Environment	72-77
Finance costs / income (notes 7, 8)	147
Finance leases (notes 26, 37)	165, 177
Financial assets and liabilities (note 27)	166
Financial Calendar	195
Financial Review	50-54
Financial Review of Operations	32-49
Financial risk management (and note 28)	55, 166-172
Fine Chemicals	44-46
Five Year Record – Financial Data	186
Five Year Record – Non-Financial Data	187
Foreign exchange gains and losses (note 6)	146
Global Reporting Initiative (GRI) Summary	192
Glossary of Terms	193
Going Concern	55
Goodwill (note 16)	159-160
Governance	78-131
Grants (note 6)	146

	Page
Group Performance Review	30-31
Guarantees (note 28)	170
Health and Safety	56-61
Human Resources and Human Rights Policies	71
Income statement	134
Intangible assets (note 17)	161-162
Inventories (notes 6, 21)	146, 163
Investment in joint venture (note 19)	162
Investments in available-for-sale assets (note 20)	163
Johnson Matthey at a glance	outer flap
Key management personnel (note 12c)	149
Key Performance Indicators	20-21
Key sources of estimation uncertainty (note 40)	179
Long term contracts (note 24)	164
Net debt (note 26)	165
New Businesses	47-49
Nomination Committee Report	98-100
Non-controlling interests	137
Operating leases (notes 6, 36, 37)	146, 177
Operating profit (note 6)	146
Other Information	184-196
Other reserves (note 33)	175
Outlook	12
Payables (note 23)	164
Pensions and other post-employment benefits (and note 14)	53-54, 151-158
Performance Highlights	inner flap
Precious metal operating leases (note 36)	177
Precious Metal Products	40-43
Process Technologies	36-39
Profit on sale or liquidation of businesses (note 3)	145
Property, plant and equipment (note 15)	158-159
Provisions (note 29)	172-173
Receivables (note 22)	163
Related parties (note 38)	177
Remuneration Report	108-126
Research and development (and note 6)	18-19, 146
Responsibility of Directors	131
Return on invested capital	52
Revenue analysis (note 2)	145
Risks and Uncertainties	22-27
Segmental information (note 1)	143-145
Share-based payments (note 13)	150-151
Share capital (note 31)	174
Shareholder Information	190-191
Social	62-71
Stakeholder engagement	69-71
Standards adopted in year	142
Standards not yet applied	142
Strategic Report	6-77
Strategy	16-17
Subsidiaries (notes 18, 41)	162, 180
Sustainability and Governance	81
Taxation (and notes 9, 30)	52, 147, 173-174
Treasury Policies	55
Verification of Non-Financial Data	189
Year in Brief	4-5

Financial Calendar 2015/16

2015

11th June
Ex dividend date

12th June
Final dividend record date

22nd July
124th Annual General Meeting (AGM)

4th August
Payment of final dividend subject to declaration at the AGM

19th November
Announcement of results for the six months ending 30th September 2015

26th November
Ex dividend date

27th November
Interim dividend record date

2016 (provisional)

2nd February
Payment of interim dividend

2nd June
Announcement of results for year ending 31st March 2016

9th June
Ex dividend date

10th June
Final dividend record date

20th July
125th AGM

2nd August
Payment of final dividend subject to declaration at the AGM

Company Details

Registered Office

Johnson Matthey Plc
5th Floor
25 Farringdon Street
London EC4A 4AB
Telephone: +44 (0)20 7269 8400
Fax: +44 (0)20 7269 8433
Internet address: www.matthey.com
E-mail: jmpr@matthey.com

Registered in England – Number 33774

Professional Advisers

Auditor
KPMG LLP
15 Canada Square
London E14 5GL

Brokers
Bank of America Merrill Lynch
2 King Edward Street
London EC1A 1HQ

J. P. Morgan Cazenove
25 Bank Street
Canary Wharf
London E14 5JP

Lawyers
Herbert Smith Freehills LLP
Exchange House
Primrose Street
London EC2A 2EG

Registrars
Equiniti
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA
Telephone: 0871 384 2344 (in the UK)*
+44 (0)121 415 7047 (outside the UK)
Internet address: www.shareview.co.uk

* Calls to this number are charged at 8p per minute plus network extras. Lines are open 8.30am to 5.30pm (UK time) Monday to Friday (excluding bank holidays).

The paper in this report contains material sourced from responsibly managed forests, certified in accordance with the FSC® (Forest Stewardship Council) and is totally recyclable and acid-free.

Pureprint Ltd is FSC certified, PEFC certified and ISO 14001 certified showing that it is committed to all round excellence and improving environmental performance is an important part of this strategy. Pureprint Ltd aims to reduce at source the effect its operations have on the environment and is committed to continual improvement, prevention of pollution and compliance with any legislation or industry standards.

Pureprint Ltd is a Carbon Neutral Printing Company.

FSC
www.fsc.org
MIX
Paper from responsible sources
FSC® C022913

Designed and produced by **MAGEE**
www.magee.co.uk
Printed by Pureprint Ltd

Johnson Matthey

5th Floor
25 Farringdon Street
London EC4A 4AB
United Kingdom
Tel: +44 (0)20 7269 8400

www.matthey.com/AR15