Johnson Matthey Davy Technologies Limited

Annual Report and Accounts

For the year ended 31 March 2020

Registered number: 00635311

Johnson Matthey Davy Technologies Limited

Contents

Johnson Matthey Davy Technologies Limited

Strategic report

Principal activities
The principal activities of Johnson Matthey Davy Technologies Limited (the "company") are the design and sale of licensed technology to the petroleum, chemicals, food, pharmaceuticals and other related industries and the provision of engineering and commissioning services for the construction of related plants. Another metric the company uses to assess performance, is the ability to sell both existing and new technology licences to existing and most importantly, new customers across the globe. This will also include the ability to generate new customers in geographical locations where the company has no existing client base.

Performance during and position at the end of the year
The company had a good year and benefited from the sale of one oxo alcohols licence, two methanol licences, one SNG licence and a second MEG licence, for a total of five licences sold during the year (2019: four). The MEG licence is for the second plant in furtherance to the first MEG licence sold in the prior year. This is encouraging for the business in this technology and offers potential for further sales in future years. Other Key Performance Indicators of the company are Revenue and Operating profit.

The increased volume of catalyst refills from existing licensees has resulted in revenue increasing to £61,454,000, 35.7% higher than the prior year. The increase in catalyst sales was largely driven by growth in China, Indonesia and Saudi Arabia, this was offset by a decrease in other countries, most notably in Saudi Arabia and the USA. Licence income increased from the prior year due to FID on Methanol revenue earned in the USA. Further, engineering revenue was up on prior year buoyed by progress on the MEG project in China and on the new Methanol project in Russia. Commercialisation of new technology has been, and will continue to be, impacted by the relatively lower oil price as it has affected investment decisions in the global chemical industry and the wider global political landscape.

Operating profit increased to £22,222,000 (2019: £145,000) due to the revenue growth in the current year. The impairment of the company's investment in the company's subsidiary, Johnson Matthey Davy Technologies International Limited was reversed in the year, and will be liquidated in the year ending 31 March 2021.

The net assets of the company increased to £27,893,000 (2019: £8,354,000) driven by an increase in trade and other receivables largely driven by intercompany receivables from the parent company, and the reversal of impairment balances in relation to Johnson Matthey Davy Technologies International Limited.

COVID-19 has impacted the company in the months post the financial year end. At 31 March 2020 the effects on the pandemic had not yet been felt on the operations of the business. However, the company had received requests from customers to delay the start of agreed projects. All of these projects are currently underway in the current year, with only a delay to the start schedule. The company is in a strong position, as it moves through the year its current work in hand brought forward and R&D projects will ensure that in the short term it continues to remain operational and profitable. Further, the company has won 9 new licenses post 31 March 2020.

Principal risks and uncertainties
Future financial performance in any one year will be dependent on the timing and nature of contracts undertaken which in turn are to some extent dependent on activity in the company's global markets.

The long term performance of the company is influenced by factors including the price of oil, base commodities, natural gas and other chemicals, by political developments in key markets, by technological change within the industry and, importantly, the need to retain strong research and development capabilities to maintain the company's leading position in key technologies. The company monitors its strategy by continually reviewing it in light of new information and appropriate investment in research and development and identification of talent processes are in place to support the realisation of the strategy.

Revenue from export sales may be impacted by movements in foreign exchange rates. The company follows the group Treasury policy and uses forward exchange contracts to hedge foreign exposures. There is also the need to manage cash flows and credit risks associated with large clients to ensure the stability of the business.

Johnson Matthey Davy Technologies Limited

Strategic report

Section 172 statement
The directors consider that they have acted, in good faith, in a way that is most likely to promote the long-term success of the company for the benefit of its members as a whole. In doing so, the board considers the interest of a range of stakeholders impacted by the business, as well as its duties as set out in law. This statement details how the directors have discharged their duties under section 172 of the Companies Act 2006 during the year under review.

For each matter which comes before the board, stakeholders who may be affected are identified and their interest considered as part of the board's decision process. The board is mindful of the group's governance framework and ensures compliance with this as well as upholding the values and ethical standards set by the group. The board utilises some of the wider group policies and practices to ensure effective stakeholder engagement, and to ensure that the directors' obligations to its shareholder and to its stakeholders are met. Details of the group's stakeholder engagement can be found on pages 28 to 31 of Johnson Matthey Plc, the company's ultimate shareholder, 2020 Annual Report and Accounts which can be viewed online at www.matthey.com/AR20.

During the year under review, the board worked closely with the company's management to mitigate the impact on the business and customers as a result of COVID-19. They continue to work closely with management to ensure the needs of customers are met and any issues are appropriately escalated.

The board reviewed and approved the company's Modern Slavery and Human Trafficking Transparency Statement. As part of this approval, the board discussed the actions taken to ensure that slavery or human trafficking had not taken place in any supply chain or part of the business. All group supplier related activity is managed in line with the Group Procurement Policies which ensure that supply risk is managed appropriately, this includes our Supplier Code of Conduct and supplier due diligence programme. The group promotes a 'speak up' culture and provides employees and third parties with an independently run speak up helpline where concerns about slavery or human trafficking can also be raised. In addition, the board recognises the importance of fostering good business relationships with suppliers, and as part of this the board reviewed the company's payment practices reports and associated actions for the six months ended 30 September 2019 and 31 March 2020.

As a member of the wider Johnson Matthey group, the company supports a truly inclusive organisation that fosters employee engagement and development within a diverse and global workforce. Throughout the year the group has engaged with the workforce through several formal and informal channels. Further information on the group's policies and employee engagement practices can be found on pages 41 and 42 of Johnson Matthey Plc's 2020 Annual Report and Accounts.

The company plays an active role in the local community and the group's initiatives are designed to empower our employees to have a positive impact on their local communities. The board and management are supported by the group's corporate social responsibility committees and community ambassadors who facilitate volunteering in local communities and engagement on specific topics.

The ultimate shareholder is Johnson Matthey Plc and there is ongoing communication and engagement with the Johnson Matthey Plc board and its relevant committees.

On behalf of the board

DocuSigned by:
Graham Andrews
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G Andrews
Director
18 December 2020

Johnson Matthey Davy Technologies Limited

Directors' report

The directors present their report and audited accounts for the year ended 31 March 2020.

Results and dividends
The company's profit for the year ended 31 March 2020 is £19,637,000 (2019: £17,000). The income statement is set out on page 7. The increase in profit is driven by an increase in revenue, and the reversal of impairments in the current year made on balances in relation to Johnson Matthey Davy International Limited in the prior year. The directors do not recommend the payment of a final ordinary dividend for the year ended 31 March 2020 (2019: £nil).

Going concern
The company has net current assets of £25,929,000 as at 31 March 2020. Current amounts receivable have been assessed for recoverability and deemed to be recoverable. Consequently, the directors have prepared the accounts on a going concern basis.

Future research and development
The company continues to invest in and prioritise commercially focused research and development activities to enable the company to enhance its existing technologies, maintain its strong position in China and develop new technologies to expand the existing portfolio in the longer term.

Financial risk management
The company's activities expose it to certain financial risks including credit risk, liquidity risk and cash flow risk.

Credit risk
The company's principal financial assets are bank balances and trade and other receivables. The company's credit risk is primarily attributable to its trade receivables. Counterparties are assessed against the appropriate credit ratings, trading experience and market position. Credit limits are then defined and exposures monitored against these limits.

Liquidity risk
In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments the company uses short-term loans from group companies.

Cash flow risk
A significant portion of the company profit is earned outside the UK. In order to protect the company's sterling balance sheet, the company uses forward exchange contracts to hedge foreign exchange exposures.

Directors
The directors of the company who were in office during the year and up to the date of signing the accounts were G Andrews, J Gordon, and M Danks (appointed 9 September 2019).

Directors' indemnity
Under a Deed Poll dated 31 January 2017, the ultimate parent company granted indemnities in favour of each director of its subsidiaries in respect of any liability that he or she may incur to a third party in relation to the affairs of any group member. Such indemnities were in force during the year ended 31 March 2020 for the benefit of all persons who were directors of the subsidiaries at any time during the year ended 31 March 2020 and remain in force for the benefit of all persons who are directors of the subsidiaries at the date when this report was approved.

Disclosure of information to auditors
So far as each person currently serving as a director of the company at the date this report is approved is aware, there is no relevant audit information of which the company's auditors are unaware and each director hereby confirms that he or she has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent auditors
In accordance with sections 485 and 487 of the Companies Act 2006, PricewaterhouseCoopers LLP are re-appointed as auditors of the company.

Statement of Directors' responsibilities in respect of the Directors' report and the accounts

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

* select suitable accounting policies and then apply them consistently;
* state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
* make judgements and accounting estimates that are reasonable and prudent; and
* prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations
In the case of each director in office at the date the Directors' Report is approved:

* so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
* they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board

DocuSigned by:
Graham Andrews
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G Andrews
Director
18 December 2020

Johnson Matthey Davy Technologies Limited

Independent auditors’ report to the members of Johnson Matthey Davy Technologies Limited

Report on the audit of the financial statements

Opinion

In our opinion, Johnson Matthey Davy Technologies Limited’s financial statements:

- give a true and fair view of the state of the company’s affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 “Reduced Disclosure Framework”, and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts (the “Annual Report”), which comprise: the Balance sheet as at 31 March 2020; the Income statement, the Statement of comprehensive income and the Statement of changes in equity for the year then ended; the Accounting policies; and the notes to the financial statements.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (“ISAs (UK)”) and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors’ responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC’s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors’ use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company’s ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company’s ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors’ report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors’ Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Independent auditors' report to the members of Johnson Matthey Davy Technologies Limited

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities in respect of the Directors' report and the accounts set out on page 4, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Jason Burkitt (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
18 December 2020

Johnson Matthey Davy Technologies Limited

Income statement

For the year ended 31 March 2020

	Notes	2020 £'000	2019 £'000
Revenue	1	**61,454**	45,296
Cost of sales		**(32,783)**	(30,042)
Gross profit		**28,671**	15,254
Distribution costs		**(2,458)**	(2,396)
Administrative expenses		**(8,579)**	(8,125)
Major impairment and restructuring reversal/(charges)	4	**4,588**	(4,588)
Operating profit	4	**22,222**	145
Finance income	2	**131**	1,433
Finance costs	3	**(94)**	(123)
Profit before tax		**22,259**	1,455
Income tax expense	7	**(2,622)**	(1,438)
Profit for the year		**19,637**	17

Statement of comprehensive income

For the year ended 31 March 2020

		2020 £'000	2019 £'000
Profit for the year		**19,637**	17
Other comprehensive expense:			
Items that will not be reclassified to the income statement:			
Cash flow hedges		**(121)**	-
Fair value losses on investments at fair value through other comprehensive income	11	**-**	(3,030)
Items that may be reclassified to the income statement			
Cash flow hedges		**-**	(58)
Tax on above items taken directly to or transferred from equity		**23**	11
		23	(47)
Other comprehensive expense for the year		**(98)**	(3,077)
Total comprehensive income / (expense) for the year		**19,539**	(3,060)

The accompanying notes set out on pages 16 to 28 are an integral part of the accounts.

Johnson Matthey Davy Technologies Limited

Balance sheet

As at 31 March 2020

	Notes	2020 £'000	2019 £'000
Assets			
Non-current assets			
Intangible assets	9	**7**	94
Property, plant and equipment	10	**7,346**	7,891
Investment in subsidiaries	11	**1,191**	-
Right-of-use-assets	15	**1,954**	-
Deferred income tax asset	17	**938**	529
Total non-current assets		**11,436**	8,514
Current assets			
Inventories	12	**1,048**	91
Trade and other receivables	13	**72,323**	37,649
Cash and cash equivalents		**-**	909
Total current assets		**73,371**	38,649
Total assets		**84,807**	47,163
Liabilities			
Current liabilities			
Trade and other payables	14	**(40,950)**	(28,078)
Current income tax liabilities		**(5,615)**	(3,798)
Lease liabilities	15	**(601)**	-
Bank overdraft		**(276)**	-
Total current liabilities		**(47,442)**	(31,876)
Non-current liabilities			
Accruals and deferred income	14	**(542)**	(450)
Lease liabilities	15	**(1,228)**	-
Provisions	16	**(7,702)**	(6,483)
Total non-current liabilities		**(9,472)**	(6,933)
Total liabilities		**(56,914)**	(38,809)
Net assets		**27,893**	8,354
Equity			
Share capital	18	**12,000**	12,000
Other reserves		**(3,128)**	(3,030)
Retained earnings/(accumulated losses)		**19,021**	(616)
Total equity		**27,893**	8,354

The accounts on pages 7 to 8 were approved by the board on 18 December 2020 and signed on its behalf by:

DocuSigned by:
Graham Andrews
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G Andrews
Director
Company registration number: 00635311

The accompanying notes set out on pages 16 to 28 are an integral part of the accounts.

Johnson Matthey Davy Technologies Limited

Statement of changes in equity

For the year ended 31 March 2020

	Share capital	Hedging reserve	Fair Value through OCI reserve	Retained earnings / (accumulated losses)	Total equity
	£'000	£'000	£'000	£'000	£'000
At 1 April 2018	12,000	47	-	(633)	11,414
Profit for the year	-	-	-	17	17
Cash flow hedges - transferred to income statement	-	(58)	-	-	(58)
Tax on items taken directly to or transferred from equity (note 17)	-	11	-	-	11
Fair value losses on investments at fair value through other comprehensive income	-	-	(3,030)	-	(3,030)
Total comprehensive expense	-	(47)	(3,030)	17	(3,060)
Share-based payments	-	-	-	409	409
Cash paid in relation to share-based payments	-	-	-	(409)	(409)
At 31 March 2019	12,000	-	(3,030)	(616)	8,354
Profit for the year	-	-	-	19,637	19,637
Cash flow hedges - losses taken to equity	-	(121)	-	-	(121)
Tax on items taken directly to or transferred from equity (note 17)	-	23	-	-	23
Total comprehensive income	-	(98)	-	19,637	19,539
Share-based payments	-	-	-	297	297
Cash paid in relation to share-based payments	-	-	-	(297)	(297)
At 31 March 2020	**12,000**	**(98)**	**(3,030)**	**19,021**	**27,893**

The accompanying notes set out on pages 16 to 28 are an integral part of the accounts.

Johnson Matthey Davy Technologies Limited

Accounting policies

For the year ended 31 March 2020

Johnson Matthey Davy Technologies Limited is a private company limited by shares incorporated, domiciled and registered in England in the United Kingdom. The address of its registered office is 5th Floor, 25 Farringdon Street, London, EC4A 4AB.

Basis of preparation
The accounts are prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The accounts are prepared under the historical cost convention and derivative financial assets and financial liabilities are measured at fair value through profit or loss, and in accordance with Companies Act 2006. The accounting policies have been applied consistently, other than where new policies have been adopted.

The company has net current assets of £25,929,000 as at 31 March 2020. Current amounts receivable have been assessed for recoverability and deemed to be recoverable. Consequently, the directors have prepared the accounts on a going concern basis.

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 Share-based Payment
- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91 to 99 IFRS 13 Fair Value Measurement
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15, Revenue from Contracts with Customers
- the requirements of paragraphs 10(d), 38A, 111 and 134 to 136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member

The company has applied the exemption from consolidation under IAS 27 – 'Separate Financial Statements'. The ultimate parent company (note 22) prepares accounts that comply with IFRS and have been produced for public use.

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the company operates ('the functional currency'). The financial statements are presented in 'Pounds Sterling' (£), which is also the company's functional currency.

New standards effective for the current financial year
IFRS 16 became applicable to the company on 1st April 2019 and the company has changed its accounting policies as a result of adopting the new standard. The impact of adoption is set out in note 23.

Critical accounting estimates and judgements

The company has made a critical estimate and judgement in relation to its technology position, the purpose of the provision is to provide for the costs associated with the possible failure of the company's licensed technologies to meet the contracted guarantees with customers. The company, through its development programme, will develop its portfolio of technologies and provide a basis to the Project team. The Project team uses this basis to deliver a project specific Basic Engineering Package (BEP) to a contracted customer, addressing its plant and performance specifications. If the Project team designs the BEP on this basis using normal and correct practices and the plant fails to meet the expected performance, then this is a failing of the technology and the rectification costs would be covered by the Technology Provision. These costs would include development effort to understand and then rectify the problem and the results of such development would be applied to other plants using the same technology. Failings of the technology become evident typically within a year of plant start-up as supported by the provision release profile. The method of calculation is based on the following criteria, plant size, population factor, probability factor, novelty of the technology and the cost associated with rectification. This is considered a critical estimate because a change in any of these criteria could result in a material effect on the technology provision calculation.

Revenue

Revenue represents income derived from contracts for the provision of goods and services by the company to customers in exchange for consideration in the ordinary course of the company's activities.

Performance obligations

Upon approval by the parties to a contract, the contract is assessed to identify each promise to transfer either a distinct good or service or a series of distinct goods or services that are substantially the same and have the same pattern of transfer to the customer. Goods and services are distinct and accounted for as separate performance obligations in the contract if the customer can benefit from them either on their own or together with other resources that are readily available to the customer and they are separately identifiable in the contract.

The company typically sells licences to its intellectual property together with other goods and services and, since these licences are not generally distinct in the context of the contract, revenue recognition is considered at the level of the performance obligation of which the licence forms part. Revenue in respect of performance obligations containing bundles of goods and services in which a licence with a sales or usage-based royalty is the predominant item is recognised when sales or usage occur.

The company provides a warranty in its contracts, please refer to Critical accounting estimates and judgements.

Transaction price

At the start of the contract, the total transaction price is estimated as the amount of consideration to which the company expects to be entitled in exchange for transferring the promised goods and services to the customer, excluding sales taxes. Variable consideration, such as trade discounts, is included based on the expected value or most likely amount only to the extent that it is highly probable that there will not be a reversal in the amount of cumulative revenue recognised. The transaction price does not include estimates of consideration resulting from contract modifications until they have been approved by the parties to the contract. The total transaction price is allocated to the performance obligations identified in the contract in proportion to their relative stand-alone selling prices. Many of the company's products and services are bespoke in nature and, therefore, stand-alone selling prices are estimated based on cost plus margin or by reference to market data for similar products and services.

Revenue (continued)

Revenue recognition

Revenue is recognised as performance obligations are satisfied as control of the goods and services is transferred to the customer.

For each performance obligation within a contract, the company determines whether it is satisfied over time or at a point in time. Performance obligations are satisfied over time if one of the following criteria is satisfied:

- the customer simultaneously receives and consumes the benefits provided by the company's performance as they perform;
- the company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the company's performance does not create an asset with an alternative use to the company and it has an enforceable right to payment for performance completed to date.

If the over time criteria are met, revenue is recognised using an input method based on costs incurred to date as a proportion of estimated total contract costs. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised immediately as an expense.

If the over time criteria for revenue recognition are not met, revenue is recognised at the point in time that control is transferred to the customer, which is usually when legal title passes to the customer and the business has the right to payment, for example, 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 or on notification that the goods have been used when they are consignment products located at customers' premises.

Consideration payable to customers

Consideration payable to customers in advance of the recognition of revenue in respect of the goods and services to which it relates is capitalised and recognised as a deduction to the revenue recognised upon transfer of the goods and services to the customer.

Costs to fulfil a contract

Contract fulfilment costs in respect of over time contracts are expensed as incurred. Contract fulfilment costs in respect of point in time contracts are accounted for under IAS 2, Inventories.

Contract receivables

Contract receivables represent amounts for which the company has an unconditional right to consideration in respect of unbilled revenue recognised at the balance sheet date. The company applies the simplified approach to measuring expected credit losses under IFRS 9, Financial Instruments, which requires lifetime expected credit losses to be recognised from initial recognition for trade and contract receivables. A provision matrix is used to calculate lifetime expected credit losses using historical loss rates based on days past due and a broad range of forward-looking information.

Contract liabilities

Contract liabilities represent the obligation to transfer goods or services to a customer for which consideration has been received, or consideration is due, from the customer.

Finance costs and finance income

Finance costs are recognised in the income statement in the year incurred. 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.

Foreign currencies

Foreign currency transactions are recorded at the rate of exchange at the date of the transaction. Foreign currency monetary assets and liabilities are retranslated at exchange rates at the balance sheet date. Foreign exchange differences arising on translation are recognised in income statement.

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 recognition criteria for capitalisation. When the recognition criteria have been met, any further development expenditure is capitalised as an intangible asset.

Pensions and other retirement benefits

The company is included in the Johnson Matthey Employee Pension Scheme which consists of defined benefit and defined contribution schemes. The Johnson Matthey Employee Pension Scheme includes employees of several companies in the Johnson Matthey group. There is no contractual agreement or stated policy for charging the net defined benefit cost for the scheme to the individual group entities. Information about the scheme is disclosed in the ultimate parent company's consolidated accounts (note 22). The cost of the Company's contributions to these schemes is charged to the income statement as incurred.

Derivative financial instruments

Derivative financial instruments are measured at their fair value. Derivative financial instruments may be designated at inception as cash flow hedges if appropriate. Derivative financial instruments which are not designated as hedging instruments 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 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 the 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 the 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.

Intangible assets

Intangible assets not yet ready for use are not amortised, but are subject to annual impairment reviews. The impairment reviews require the use of estimates of future profit and cash generation based on financial budgets and plans approved by management covering a three-year period and the pre-tax discount rates used in discounting projected cash flows.

Intangible assets are stated at cost less accumulated amortisation and any provisions for impairment. The 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:

- computer software – 3 to 10 years; and
- patents, licences and trademarks – 3 to 20 years

Property, plant and equipment

Property, plant and equipment is 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:

- short leasehold improvements – the life of the lease;
- freehold buildings – 30 years; and
- plant and machinery – 4 to 10 years.

Freehold land is not depreciated.

Leases – applied since 1st April 2019

Leases are recognised as a right-of-use asset, together with a corresponding lease liability, at the date at which the leased asset is available for use.

The right-of-use asset is initially measured at cost, which comprises the initial value of the lease liability, lease payments made (net of any incentives received from the lessor) before the commencement of the lease, initial direct costs and restoration costs. The right-of-use asset is depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term in operating profit. The useful life of right-of-use land and buildings are typically 5 years.

The lease liability is initially measured as the present value of future lease payments discounted using the interest rate implicit in the lease or, where this rate is not determinable, the company's incremental borrowing rate, which is the interest rate the company would have to pay to borrow the amount necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. Interest is charged to finance costs at a constant rate of interest on the outstanding lease liability over the lease term.

Payments in respect of short-term leases and low-value leases are charged to the income statement on a straight-line basis over the lease term in operating profit.

Leases – applied to 31st March 2019

Under IAS 17, Leases, all of the company's leases were classified as operating leases and lease payments made (net of any incentives received from the lessor) were charged to the income statement on a straight-line basis over the lease term.

Leases are classified as finance leases whenever they transfer substantially all the risks and rewards of ownership to the company. 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 in operating profit.

Investments

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

Inventories

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 cost formula is used to value inventories.

Trade and other receivables

The company applies the simplified approach to measuring expected credit losses under IFRS 9, Financial Instruments, which requires lifetime expected credit losses to be recognised from initial recognition for trade and contract receivables. A provision matrix is used to calculate lifetime expected credit losses using historical loss rates based on days past due and a broad range of forward-looking information.

Taxation
Current and deferred tax are recognised in the income statement, except when they relate to items recognised directly in equity, in which case 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 amounts 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.

Borrowings
Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs.

Provisions and contingencies
Provisions are recognised when the company 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 restructuring. Otherwise, material contingent liabilities are disclosed unless the probability of the transfer of economic benefits is remote. Contingent assets are only disclosed if an inflow of economic benefits is probable.

Share-based payments
The fair value of shares awarded to employees under the performance share plan, restricted share plan, long term incentive plan and deferred bonus 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 performance periods, adjusted to reflect actual and expected levels of vesting where appropriate.

Reserves
The reserves held by the company include the hedging reserve and the fair value through other comprehensive income reserve.

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments. All amounts recorded in reserves at year end in relation to cash flow hedges relate to continuing hedge relationships.

The fair value through other comprehensive income reserve represents the equity movements on financial assets held within this category.

Johnson Matthey Davy Technologies Limited

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For the year ended 31 March 2020

1. Revenue

	2020	2019
	£'000	£'000
By activity		
Sale of goods	**26,626**	19,032
Rendering of services	**18,531**	13,509
Royalties and licence income	**16,297**	12,755
	61,454	45,296
By geographical market		
United Kingdom	**1,100**	1,085
Europe	**10,200**	5,047
Middle East	**2,839**	4,763
China	**20,584**	14,038
Rest of Asia	**17,221**	15,157
Africa	**327**	775
Rest of World	**9,183**	4,431
	61,454	45,296

The company supplies goods and services on payment terms that are consistent with those standard across the industry and it does not have any contracts with a material financing component. Where revenue is recognised over time, payment terms can be dissimilar to the timeframe over which revenue is recognised depending on the customer, industry and geographical location, thus creating significant contract assets and liabilities.

2. Finance income

	2020	2019
	£'000	£'000
Interest receivable from ultimate parent company	**131**	74
Other interest receivable	**-**	1,359
Total finance income	**131**	1,433

During the prior year, interest (£1,359,000) on the loan to International Diol Company Limited was written back to income statement.

3. Finance costs

	2020	2019
	£'000	£'000
Interest payable to subsidiaries	**38**	35
Interest payable on leases	**56**	-
Other interest payable	**-**	88
Total finance costs	**94**	123

4. Operating profit

	2020	2019
	£'000	£'000
Operating profit is arrived after charging / (crediting):		
Depreciation of property, plant and equipment	**1,046**	1,569
Depreciation of right-of-use assets	**658**	-
Amortisation of intangible assets included in		
- cost of sales	**42**	1,090
- administrative expenses	**55**	28
Amortisation of government grants receivable	**(30)**	(56)
Inventories recognised as an expense	**17,818**	13,355
Research and development charged	**6,814**	6,848
Net losses on foreign exchange	**721**	571
Fees payable to the Company's auditors for the audit of the annual accounts	**55**	51

During the prior year, as a result of the decision to liquidate the company's subsidiary, Johnson Matthey Davy Technologies International Limited, an investment impairment charge of £1,191,000 and a write down of intercompany balances of £3,397,000 was incurred, for a total charge of £4,588,000. In the current year, a new approach for liquidating Johnson Matthey Davy Technologies International Limited has been determined, which has resulted in the write back of the investment impairment charge of £1,191,000 and the intercompany balances of £3,397,000, for a total write back of £4,588,000. The subsidiary will be liquidated in the year ending 31 March 2021.

5. Employee costs and numbers

	2020 £'000	2019 £'000
Aggregate remuneration comprised:		
Wages and salaries	**11,075**	10,959
Social security costs	**1,147**	1,146
Post-employment costs (note 21)	**1,474**	1,709
Share-based payments (note 20)	**297**	409
	13,993	14,223

	2020 Number	2019 Number
The average monthly number of employees during the year was:		
Engineering / construction / technical	**156**	151
Administration	**13**	13
	169	164

The employee numbers and costs above include all employees who work for and are paid by the company, including certain employees whose contracts of service are with the ultimate parent company (note 22).

6. Directors' remuneration

G Andrews, J Gordon, and M Danks were remunerated by the ultimate parent company. No remuneration (2019 £ nil) was paid to these directors in respect of services to this company.

During the year none of the directors (2019 none), exercised share options in the parent company and none of the directors (2019 five) received shares under the parent company long term incentive plan.

7. Income tax expense

	2020	2019
	£'000	£'000
Current tax		
UK corporation tax on profits for the year	**2,122**	(298)
Adjustment for prior years	**298**	431
Foreign taxation on profits for the year	**588**	1,493
Total current tax expense	**3,008**	1,626
Deferred tax		
Origination and reversal of timing differences	**154**	70
Changes in tax rates and laws	**(108)**	55
Adjustment for prior years	**(432)**	(313)
Total deferred tax	**(386)**	(188)
Income tax expense	**2,622**	1,438

The income tax expense can be reconciled to the profit per the income statement as follows:

	2020	2019
	£'000	£'000
Profit before tax	**22,259**	1,455
Income tax expense / (credit) at UK corporation tax rate of 19% (2019 19%)	**4,229**	276
Effects of:		
Overseas tax rates	**3**	615
Expenses not deductible for tax purposes	**27**	993
Non-taxable income	**(859)**	(634)
Share-based payments	**61**	15
Adjustments for prior years	**(675)**	118
Impact of changes in tax rates and laws	**(108)**	55
Patent box	**(56)**	-
Income tax expense	**2,622**	1,438

In October 2015 the UK government substantively enacted changes in the UK corporation tax rate from 19% to 18% from 1 April 2020. In September 2016 a further change to 17% from 1 April 2020 was enacted so the UK deferred tax balances at 31 March 2019 are calculated at this rate. In March 2020, the government announced that the UK corporation tax for the years starting 1 April 2020 and 2021 would remain at 19%, so the UK deferred tax balances at 31 March 2020 are calculated at this rate.

Johnson Matthey Davy Technologies Limited

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For the year ended 31 March 2020

8. Dividends

The directors do not recommend the payment of a final ordinary dividend for the year ended 31 March 2020 (2019: £nil).

9. Intangible assets

	Computer software £'000	Patents, licences and trademarks £'000	Total £'000
Cost			
At beginning of year	1,333	17,159	18,492
Additions	10	-	10
At end of year	1,343	17,159	18,502
Accumulated amortisation			
At beginning of year	1,281	17,117	18,398
Charge for the year	55	42	97
At end of year	1,336	17,159	18,495
Carrying amount at 31 March 2020	**7**	**-**	**7**
Carrying amount at 31 March 2019	52	42	94

Johnson Matthey Davy Technologies Limited

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For the year ended 31 March 2020

10. Property, plant and equipment

	Freehold land and buildings £'000	Short leasehold improvements £'000	Plant and machinery £'000	Assets in the course of construction £'000	Total £'000
Cost					
At beginning of year	7,889	1,917	19,608	1,601	31,015
Additions	-	-	-	501	501
Disposals	-	-	(118)	-	(118)
Transfers	-	444	517	(961)	-
Exchange adjustments	-	-	-	-	-
At end of year	7,889	2,361	20,007	1,141	31,398
Accumulated depreciation					
At beginning of year	3,587	1,607	17,930	-	23,124
Charge for the year	191	73	782	-	1,046
Disposals	-	-	(118)	-	(118)
At end of year	3,778	1,680	18,594	-	24,052
Carrying amount at 31 March 2020	**4,111**	**681**	**1,413**	**1,141**	**7,346**
Carrying amount at 31 March 2019	4,302	310	1,678	1,601	7,891

11. Investment in subsidiaries

	£'000
Carrying value	
At beginning of the year	-
Impairment reversal	1,191
At end of year	**1,191**

The investments of the company as at 31 March 2020 comprised:

Entity	**Registered address**	**Equity ordinary share holding and votes held**
Johnson Matthey Davy Technologies International Limited	5th Floor, 25 Farringdon Street, London, EC4A 4AB, England	100%
International Diol Company Limited	1st Basic Industrial Road 218, P.O. Box 12021, Jubail Industrial City, 31961, Saudi Arabia	4.35%

During the prior year, the investment held in the company's subsidiary, Johnson Matthey Davy Technologies International Limited, was fully impaired by £1,191,000 due to the proposed liquidation of the subsidiary. In the current year the impairment of the investment in Johnson Matthey Davy Technologies International Limited was reversed due to a new approach for the proposed liquidation of the subsidiary.

During the prior year, the investment held in International Diol Company Limited was impaired by £3,030,000 as the company expects to realise a nominal amount from its sale expected in the year ended 31 March 2021.

12. Inventories

	2020	2019
	£'000	£'000
Raw materials and consumables	**61**	47
Finished goods	**987**	44
	1,048	91

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Notes to the accounts

For the year ended 31 March 2020

13. Trade and other receivables

	2020	2019
	£'000	£'000
Current		
Trade receivables	**9,827**	3,534
Contract receivables	**12,278**	15,134
Amounts receivable from subsidiaries	**4,104**	-
Amounts receivable from ultimate parent company	**43,089**	16,509
Amounts receivable from other Johnson Matthey companies	**281**	47
Prepayments and other receivables	**2,744**	2,425
	72,323	37,649

Amounts receivable from ultimate parent company includes short-term loans to Johnson Matthey Plc which are repayable on demand and bear interest at one-month LIBOR less 0.125%.

14. Trade and other payables

	2020	2019
	£'000	£'000
Current		
Trade payables	**2,423**	1,308
Contract liabilities	**24,026**	19,709
Amounts payable to subsidiaries	**699**	-
Amounts payable to ultimate parent company	**10,370**	2,486
Amounts payable to other Johnson Matthey companies	**227**	179
Other payables	**940**	706
Forward foreign exchange contracts designated as cash flow hedges	**121**	-
Accruals and deferred income	**2,144**	3,690
	40,950	28,078
Non-current		
Accruals and deferred income	**542**	450

The revenue recognised in the current reporting period relating to carried-forward contract liabilities was £16,178,000 (2019: £8,490,000). The revenue for unsatisfied performance obligations is all due within 1 year.

Amounts payable to ultimate parent company include short term loans to Johnson Matthey Plc which bear interest at market rates and are repayable on demand.

Included in deferred income is £25,000 (2019: £56,000) due under one year and £547,000 (2019: £450,000) due after more than one year of unamortised grant income received from the EU and from Teesside Development Corporation in respect of the company’s technology centre.

During the prior year, the loan (£1,921,000) related to International Diol Company Limited was written back to the income statement.

15. Leases

Leasing activities
The company leases some of its land and buildings which are used in its operations. The impact of the company's transition to IFRS 16 is disclosed in note 23.

Right of use assets

	Land and buildings £'000
At 1 April 2019 on transition to IFRS 16	2,612
Depreciation charge for the year	(658)
At 31 March 2020	**1,954**

Lease liabilities

	2020 £'000
Current	(601)
Non-current	(1,228)
	(1,829)

	2020 £'000
Total cash outflow for leases	(690)
Interest expense	(56)

The expense relating to low-value and short term leases is immaterial.

The maturity analyses for lease liabilities showing the remaining contractual undiscounted cash flows, including future interest payments are:

At 31 March 2020	Within 1 year	1 to 2 years	2 to 5 years	After 5 years	Total
	£'000	£'000	£'000	£'000	£'000
Lease liabilities - principal	642	632	632	-	1,906
Lease liabilities - interest payments	(42)	(25)	(10)	-	(77)
Total	**600**	**607**	**622**	**-**	**1,829**

16. Provisions

	Licences and contracts £'000	Other provisions £'000	Total £'000
At beginning of year	6,047	436	6,483
Charge for the year	4,163	57	4,220
Released	(2,807)	-	(2,807)
Utilised	(54)	(140)	(194)
At end of year	**7,349**	**353**	**7,702**

The licences and contract provisions represent management's best estimate of the company's liability for remedial work required under technology licences based on past experience. This work generally covers a period of up to 10 years.

The other provisions include legal provisions and the 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 utilised within the next 20 years.

17. Deferred income tax asset

	Property, plant and equipment £'000	Share-based payments £'000	Hedging reserve £'000	General provisions £'000	Total deferred tax liabilities / (assets) £'000
At 1 April 2018	(297)	(44)	11	-	(330)
Credit to income	(107)	(1)	-	(80)	(188)
Tax on items taken directly to or transferred from equity	-	-	(11)	-	(11)
At 31 March 2019	(404)	(45)	-	(80)	(529)
(Credit)/debit to income	(371)	37	-	(52)	(386)
Tax on items taken directly to or transferred from equity	-	-	(23)	-	(23)
At 31 March 2020	**(775)**	**(8)**	**(23)**	**(132)**	**(938)**

18. Share capital

Issued and fully paid ordinary shares of £1 each

	Number	£'000
At beginning and end of year	12,000,000	12,000

19. Related party transactions

There were no related party transactions during the year other than between the company and other Johnson Matthey group companies.

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20. Share-based payments

Performance Share Plan (PSP)
From 2017, shares in the ultimate parent company are awarded to certain of the company's directors and senior managers under the PSP based on a percentage of salary and are subject to performance targets over a three-year period. At 31 March 2020, no shares were outstanding. The minimum release of 15% of the award is subject to achieving underlying earnings per share (uEPS) growth of 4% compound per annum and the full release is subject to uEPS growing by at least 10% compound per annum. The number of awarded shares released varies on a straight-line basis between these points. Awards lapse if the uEPS growth is less than the minimum.

Restricted share plan (RSP)
From 2017, shares in the ultimate parent company are awarded to certain of the company's directors and senior managers under the RSP based on a percentage of salary. Awards under the RSP are not subject to performance targets. The shares are subject only to the condition that the employee remains employed by the group on the vesting date (three years after the award date). At 31 March 2020, shares awarded in 2017, 2018 and 2019 were outstanding.

All employee share incentive plan (SIP)
Under the SIP, all employees with at least one year of service within the Johnson Matthey Plc 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. If the employee sells or transfers partnership shares within three years from the date of award, the linked matching shares are forfeited.

Long term incentive plan (LTIP)
Prior to 2017, shares in the ultimate parent company were awarded to certain directors, senior managers of the company under the LTIP based on a percentage of salary and were subject to performance targets over a three year period. At 31 March 2020, there were no shares outstanding (31 March 2019: shares awarded in 2016 were outstanding). For the 2016 awards, the minimum release of 15% of the award was subject to the ultimate parent company achieving underlying earnings per share (uEPS) growth of 4% compound per annum over the three-year period to 31st March 2019 and the full release is subject to uEPS growing by at least 10% compound per annum. Actual uEPS growth was 7.7%, which represented 67% of the full award. In August 2019, 67% of the outstanding shares were released. The remainder expired.

21. Post-employment costs

The company is included in the Johnson Matthey Employees Pension Scheme which consists of defined benefit and defined contribution schemes. The scheme includes employees of several companies in the Johnson Matthey group. There is no contractual agreement or stated policy for charging the net defined benefit cost for the scheme to the individual group entities. Information about the scheme is disclosed in the ultimate parent company's consolidated accounts (note 22). The cost of the company's contributions to the defined benefit scheme for the year ended 31 March 2020 amounted to £953,000 (2019: £1,483,000). The amount recognised as an expense for defined contribution schemes amount to £518,000 (2019: £226,000).

22. Ultimate parent company

The company's immediate and ultimate parent company is Johnson Matthey Plc. The largest and only group in which the results of the company are consolidated is that headed by Johnson Matthey plc. The consolidated accounts of Johnson Matthey Plc are available to the public and may be obtained from 5th Floor, 25 Farringdon Street, London EC4A 4AB or www.matthey.com.

23. Changes in accounting policies

This note explains the impact on the company's accounts of the adoption of IFRS 16, Leases, that has been applied from 1st April 2019.

IFRS 16 became effective from 1st April 2019, replacing IAS 17, 'Leases', and related interpretations. Whilst lessor accounting is similar to IAS 17, lessee accounting is significantly different. Under IFRS 16, the company recognise on the balance sheet a right-of-use asset and a lease liability for future lease payments in respect of all leases unless the underlying assets are of low value or the lease term is 12 months or less. In the income statement, rental expense on the impacted leases is replaced with depreciation on the right-of-use asset and interest expense on the lease liability.

The company have applied the modified retrospective transition approach and has not restated comparative amounts for the year ended 31st March 2019. Under this approach, the company have chosen to measure right-of-use assets at 1st April 2019 at an amount equal to the lease liability as adjusted for lease prepayments, accrued lease expenses and onerous lease provisions.

The company have elected to adopt the following practical expedients on transition:

- not to capitalise a right-of-use lease asset or lease liability where the lease expired before 31st March 2020;
- not to reassess contracts to determine if the contract contains a lease;
- to utilise onerous lease provisions to reduce right-of-use asset values;
- to use hindsight in determining the lease term;
- to exclude initial direct costs from the measurement of the right of use asset; and
- to apply the portfolio approach when determining a discount rate where a group of leases has similar characteristics.

Impact of adoption on the primary statements

Income statement
The adoption of IFRS 16 has not had a material impact on the company's profit for the year.

23. Changes in accounting policies (continued)

Balance sheet

The following table shows the effect of adopting IFRS 16 on the company's balance sheet at 1st April 2019.

	1 April 2019
	£'000
Non-current assets	
Right-of-use-assets	2,612
Total non-current assets	2,612
Total assets	2,612
Current liabilities	
Lease liabilities	(634)
Total current liabilities	(634)
Non-current liabilities	
Lease liabilities	(1,978)
Total non-current liabilities	(1,978)
Total liabilities	(2,612)
Net assets	-

The weighted average incremental borrowing rate applied to lease liabilities was 3.2%.

Reconciliation between operating lease commitments and lease liabilities

The following table reconciles between the operating lease commitments disclosed under IAS 17 at 31st March 2019 and the lease liabilities recognised in the balance sheet of the company on transition to IFRS 16 at 1st April 2019:

	£'000
Future minimum amounts payable under IAS 17 at 31st March 2019	2,824
Low-value or short-term leases	(212)
Lease liabilities recognised on transition to IFRS 16 at 1st April 2019	2,612

24. Post balance sheet events

The impact of the COVID-19 pandemic on the company's operations is discussed in the principal risks and uncertainties section of the strategic report. Subsequent to the balance sheet date the company has monitored its trading performance and external factors, such as changes in government restrictions and considered the impact on its receivables in the period since 31st March 2020.