

# DIRECTORS' REPORT

The directors submit to shareholders their one hundred and twelfth annual report, together with the audited accounts of the group for the year ended 31st March 2003. Pages 1 to 38 are an integral part of the report.

## Principal Activities

The group's principal activities are summarised on page 11.

## Dividends

The interim dividend of 7.8 pence per share, up 0.3 pence, was paid in February 2003. A final dividend, which will be paid as an ordinary dividend, of 17.7 pence per share, up 0.6 pence, is being proposed to shareholders as Resolution 3 at the Annual General Meeting (AGM), making a total for the year of 25.5 pence, an increase of 4% over last year. Dividends for the year total £55.5 million.

A low cost Dividend Reinvestment Plan is in place for the benefit of shareholders. This allows them to purchase additional shares in Johnson Matthey with their dividend payment. Further information and a mandate can be obtained from the Company Secretary at the company's registered office.

## Share Capital

Allotments of ordinary shares of £1 each of the company were made during the year as set out in note 24 on page 65.

The board will again seek shareholders' approval to renew the annual authority for the company to make purchases of its own ordinary shares through the market. No shares were purchased under this authority during the year ended 31st March 2003.

## Employee Share Schemes

4,472 current and former employees, representing approximately 59% of employees worldwide as at 31st March 2003, are shareholders in Johnson Matthey through the group's employee share schemes, which held 3,102,086 shares (1.41% of ordinary share capital) at 30th May 2003. A total of 864 current and former executives hold options over 5,829,632 shares through the company's executive share option schemes.

## Directors

Details of the directors of the company are shown on pages 26 and 27. Mr A M Thomson and Mr R J W Walvis, both appointed to the board on 24th September 2002, offer themselves for election at the forthcoming AGM. In accordance with the company's Articles of Association, Mr H M P Miles, Mr N A P Carson and Mr D W Morgan retire by rotation and, being eligible, offer themselves for re-election at the AGM.

## Directors' Material 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.

## Substantial Shareholdings

The company has been advised of the following interests in its ordinary share capital as at 30th May 2003:

Schroder Investment Management Ltd	9.46%	Legal & General Assurance Society Ltd	3.87%
Merrill Lynch Investment Managers	7.83%	Deutsche Asset Management	3.57%
Threadneedle Asset Management	6.55%	Government of Singapore Investment Corp	3.34%
Scottish Widows Investment Partnership Ltd	4.00%	Fidelity Investments	3.12%

## Auditors

In accordance with section 384 of the Companies Act 1985, a resolution is to be proposed at the forthcoming AGM for the reappointment of KPMG Audit Plc as auditors of the company.

## Policy on Payment of Commercial Debts

The group's policy in relation to the payment of all suppliers (set out in its Group Control Manual, which is distributed to all group operations) is that payment should be made within the credit terms agreed with the supplier. At 31st March 2003, the company's aggregate level of 'creditor days' amounted to 7 days. Creditor days are calculated by dividing the aggregate of the amounts which were owed to trade creditors at the end of the year by the aggregate of the amounts the company was invoiced by suppliers during the year and multiplying by 365 to express the ratio as a number of days.

## Donations

During the year the group donated £323,000 (2002 £298,000) to charitable organisations, of which £299,000 (2002 £274,000) was in the UK. There were no political donations made in the year (2002 £ nil).

This report was approved by the directors on 3rd June 2003 and is signed on their behalf by:



Simon Farrant  
Company Secretary