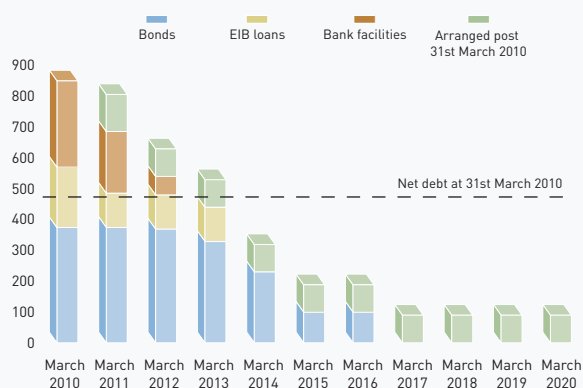


Borrowings

	31st March 2010		31st March 2009	
	£ million	%	£ million	%
Five to ten years	99.6	15	242.6	37
Two to five years	383.3	59	268.5	41
One to two years	56.1	9	88.9	14
Within one year	113.5	17	49.6	8
Gross borrowings (net of swaps)	652.5	100	649.6	100
Less: cash and deposits	179.1		115.2	
Net debt	473.4		534.4	

Maturity Profile of Debt Facilities

At 31st March 2010 exchange rates
£ million



Treasury Policies

Financial Risk Management and Treasury Policies

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

Interest Rate Risk

At 31st March 2010 the group had net borrowings of £473.4 million. Some 65% of this debt was at fixed rates with an average interest rate of 5.1%. The remaining 35% of the group's net borrowings was funded on a floating rate basis. A 1% change in all interest rates would have a 0.7% impact on underlying profit before tax. This is within the range the board regards as acceptable.

Foreign Currency Risk

Johnson Matthey's operations are located in over 30 countries, providing global coverage. The majority of its profits are earned outside the UK. In order to protect the group's sterling balance sheet and reduce cash flow risk the group has financed most of its investment in the USA 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 and credit exposure. To a lesser extent the group has also financed a portion of its investment in China, Japan and South Africa using currency borrowings and swaps. The group uses forward exchange contracts to hedge foreign exchange exposures arising on forecast receipts and payments in foreign currencies. Currency options are occasionally used to hedge foreign exchange exposures, usually when the forecast receipt or payment amounts are uncertain. Details of the contracts outstanding on 31st March 2010 are shown on pages 92 and 93.

Precious Metal Prices

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

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

Liquidity and Going Concern

The group's policy on funding capacity is to ensure that we always have sufficient long term funding and committed bank facilities in place to meet foreseeable peak borrowing requirements. At 31st March 2010 the group had cash and deposits of £179.1 million and £230.0 million of undrawn committed bank facilities available to meet future funding requirements. The group also has a number of uncommitted facilities, including metal leases, and overdraft lines at its disposal.

Gross borrowings (net of related swaps) of £652.5 million at 31st March 2010 included £570.3 million of debt arranged under long term bond issues and long term funding from the European Investment Bank (EIB). Of this, £84.4 million falls due to be repaid in the 15 months to 30th June 2011 (the going concern period). This has been refinanced by a new ten year €100 million (£89.2 million) loan arranged since 31st March 2010. £200.0 million of the committed bank facilities have expiry dates after 30th June 2011. The maturity dates of the group's debt and borrowing facilities are illustrated in the table and chart above.

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