

# **BPB Limited (formerly BPB Plc)**

## **Directors' report and financial statements**

Registered number 147271

Year Ended 31 March 2007

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## BPB Limited

Registered Number 147271

### **DIRECTORS**

B Bazin	(resigned 06/06/2007)
P-A de Chalender	(resigned 06/06/2007)
E A M Chartier	(appointed 06/06/2007)
J-P Clavel	
A Dombre	(resigned 06/06/2007)
M V Higson	(resigned 31/05/2006)
C R A Imauven	
R Lazard	

### **SECRETARY**

A R Oxenham

### **AUDITORS**

KPMG Audit Plc  
St Nicholas House  
Park Row  
Nottingham  
NG1 6FQ  
United Kingdom

### **BANKERS**

Barclays Bank plc  
Bishop Meadow Road  
Loughborough  
Leicestershire  
LE11 5RB

### **REGISTERED OFFICE**

Aldwych House  
81 Aldwych  
London  
WC2B 4HQ

## Directors' Report

The directors submit their report and financial statements for the year ended 31 March 2007.

### RESULTS AND DIVIDENDS

The company made a profit for the year ended 31 March 2007 of £29.1 million (2006: £79.4 million, after restatement for pensions, financial instruments and share based payments under adopted IFRS). No interim dividend was paid during the year (2006: £7.4 million). The directors do not recommend the payment of a final dividend for the year ended 31 March 2007 (2006: £nil, 2005: £54.0 million which is shown in the 2006 results under IFRS), resulting in total dividends of £nil (2006: £61.4 million). Since the year end, interim dividends of £723.0 million, £142.5 million and £98.0 million have been made on the 12 June 2007, 14 June 2007 and 21 May 2008 respectively, following receipt of dividends from its subsidiary.

### REVIEW OF THE BUSINESS

The company acts as an intermediate investment holding company within the gypsum division of its ultimate parent, Compagnie de Saint-Gobain ("Saint-Gobain"). It employs a number of people working in divisional head office technical and administrative functions in connection with Saint-Gobain's global gypsum business. From 1 April 2006 the company commenced a stock management and risk avoidance function whereby a stock of paper, to be used in production of plasterboard, is maintained at various sites and used to supply group companies when required. This function provided revenue in the year amounting to £11.8 million (2006: £nil), gross profits amounting to £4.9 million (2006: £nil) and operating profit amounting to £1.0 million (2006: £nil).

In the normal course of business, BPB Limited seeks to recover the operating costs of its head office functions through charging group subsidiaries for technical know-how. The operating loss of the company for the year was £0.8 million (2006: £54.7 million). The company also received dividend income from subsidiaries of £nil (2006: £126.2 million).

On 5 June 2006 the company repaid two \$100 million bonds which were re-financed by Saint-Gobain treasury.

In the year to 31 March 2007 the company's profit after tax was £29.1 million (2006: £79.4 million), with the movement in profitability explained principally by a reduction in dividends received from subsidiary companies from £126.2m in 2006 to £nil in 2007, and by £45.0 million of one-off costs in 2006. The one-off costs relate to the costs of defending the initial takeover bid from Saint-Gobain and to costs for restructuring following the acquisition of the company by Saint-Gobain.

### CHANGE OF NAME

On 5 June 2007, the company re-registered as a private limited company, changing its name from BPB plc to BPB Limited. The purpose of this re-registration was to remove administrative restrictions now that the company is a wholly-owned subsidiary of Compagnie de Saint-Gobain.

### PRINCIPAL RISKS AND UNCERTAINTIES

As noted above, the company's principal remaining external financing arrangements have now been repaid and re-financed by Saint-Gobain treasury.

Risks facing the Saint-Gobain Group, which includes BPB Limited, are discussed in the Annual Report of Saint-Gobain.

### CREDITOR PAYMENT POLICY

It is the company's policy to agree terms of payment prior to commencing trade with any supplier and to abide by those terms based on the timely submission of satisfactory invoices. The number of trade creditor days for the year ended 31 March 2007 was 11 (2006: 41 days).

### RESEARCH AND DEVELOPMENT

During the year the company spent £3.6 million (2006: £3.0 million) on increasing manufacturing efficiency, improving product quality and introducing new products on behalf of its subsidiary companies.

## CHARITABLE AND POLITICAL CONTRIBUTIONS

Donations for charitable purposes in the UK amounted to £1,000 (2006: £74,000) mainly in support of organisations providing shelter for the homeless. The company did not make donations to or incur expenses to benefit any UK or other EU political or organisations (2006: £nil).

## DISCLOSURE OF INFORMATION TO AUDITORS

The directors of the company at the year end confirm that:

- As far as they are aware, there is no relevant audit information of which the company's auditor are unaware; and
- They have taken all reasonable steps as directors to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

## DIRECTORS AND DIRECTORS' INTERESTS

The directors of the company who served during the year and at the date of this report are as listed on page 1.

The company is exempt from disclosing the interest (if any) of the directors and their families in the share capital of the ultimate parent company by virtue of the Companies (Disclosure of Directors' Interests) (Exceptions) Regulations 1985 (SI 1985/802).

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company.

According to the register of directors' interests, no rights to subscribe for shares in BPB Limited or any other group company were granted to any of the directors or their immediate families, or exercised by them, during the financial year.

## AUDITORS

Ernst & Young LLP resigned as auditors and KPMG Audit Plc were appointed to fill the vacancy arising. In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



A R Oxenham  
Secretary

Aldwych House  
81 Aldwych  
London  
WC2B 4HQ  
9 February 2009

## **Statement of directors' responsibilities in respect of the Directors' Report and the financial statements**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and applicable laws.

The financial statements are required by law to present fairly the financial position and the performance of the company; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

In preparing these financial statements, 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 IFRSs as adopted by the EU; 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 responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

## KPMG Audit Plc

St Nicholas House  
Park Row  
Nottingham  
NG1 6FQ  
United Kingdom

### **Report of the independent auditors to the members of BPB Limited**

We have audited the financial statements of BPB Limited for the year ended 31 March 2007 which comprise the income statement, the balance sheet, the cash flow statement, statement of recognised income and expense and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU are set out in the Statement of Directors' Responsibilities on page 4.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion, the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

#### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Report of the independent auditors to the members of BPB Limited** *(continued)*

**Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the company's affairs as at 31 March 2007 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

*KPMG Audit Plc*

*9 February 2009*

**KPMG Audit Plc**  
*Chartered Accountants*  
*Registered Auditor*



**Income statement**  
*for year ended 31 March 2007*

	Note	Year Ended 31/03/07 £m	Year Ended 31/03/06 £m
Revenue	1	11.8	-
Cost of sales		(6.9)	-
<b>Gross profit</b>		<b>4.9</b>	<b>-</b>
Other operating income	2	25.2	43.9
Distribution expenses		(1.4)	-
Administrative expenses	3	(29.5)	(98.6)
<b>Operating loss</b>	1,3,4,5	<b>(0.8)</b>	<b>(54.7)</b>
Financial income	6	91.0	234.5
Financial expenses	6	(61.2)	(111.6)
<b>Net financing income</b>		<b>29.8</b>	<b>122.9</b>
<b>Profit before tax</b>		<b>29.0</b>	<b>68.2</b>
Taxation	7	0.1	11.2
<b>Profit for the year</b>		<b>29.1</b>	<b>79.4</b>

**Statement of recognised income and expense**  
*for year ended 31 March 2007*

	Note	Year Ended 31/03/07 £m	Year Ended 31/03/06 £m
Effective portion of changes in fair value of cash flow hedges net of recycling		-	0.9
Actuarial gains and losses on defined benefit pension plans		(0.8)	20.6
Tax recognised on income and expenses recognised directly in equity		0.2	(6.2)
<b>Net (expenses)/income recognised directly in equity</b>		<b>(0.6)</b>	<b>15.3</b>
<b>Profit for the year</b>		<b>29.1</b>	<b>79.4</b>
<b>Total recognised income and expense</b>	20	<b>28.5</b>	<b>94.7</b>

**Balance sheet**  
**at 31 March 2007**

	Note	2007 £m	2006 £m
<b>Non-current assets</b>			
Intangible assets	8	1.4	1.5
Investment in subsidiaries	9	1,060.7	1,060.7
Other financial assets	10	182.1	1,731.1
Deferred tax assets	12	19.0	27.7
		<u>1,263.2</u>	<u>2,821.0</u>
<b>Current assets</b>			
Inventories	13	2.8	-
Tax receivable		-	27.2
Other financial assets	10	1,345.7	142.3
Trade and other receivables	14	7.2	1.2
Cash and cash equivalents	15	4.1	106.6
		<u>1,359.8</u>	<u>277.3</u>
<b>Total assets</b>	1	<u>2,623.0</u>	<u>3,098.3</u>
<b>Current liabilities</b>			
Bank overdraft	15	-	(54.2)
Trade and other payables	17	(5.9)	(11.4)
Tax payable		(9.9)	-
Provisions	19	(1.1)	(11.9)
Other financial liabilities	11	(772.7)	(1,681.9)
		<u>(789.6)</u>	<u>(1,759.4)</u>
<b>Non current liabilities</b>			
Other interest-bearing loans and borrowings	16	(3.7)	(118.4)
Employee benefits	18	(57.4)	(91.4)
Other financial liabilities	11	(614.7)	-
		<u>(675.8)</u>	<u>(209.8)</u>
<b>Total liabilities</b>		<u>(1,465.4)</u>	<u>(1,969.2)</u>
<b>Net assets</b>	1	<u>1,157.6</u>	<u>1,129.1</u>
<b>Equity</b>			
Share capital	20	717.9	717.9
Share premium	20	292.7	292.7
Capital redemption reserve	20	32.7	32.7
Retained earnings	20	114.3	85.8
<b>Total equity</b>		<u>1,157.6</u>	<u>1,129.1</u>

These financial statements were approved by the board of directors on 9 February 2009 and were signed on its behalf by:

  
**Roland Lazard**  
 Director

**Cash flow statement**  
*for year ended 31 March 2007*

	Note	2007 £m	2006 £m
<b>Cash flows from operating activities</b>			
Profit for the year		29.1	79.4
Adjustments for:			
Depreciation, amortisation and impairment		0.1	-
Foreign exchange losses		-	0.2
Financial income		(9.5)	(170.3)
Financial expense		24.3	74.5
Equity settled share based payment expenses		-	11.4
Taxation		(0.1)	(11.2)
<b>Operating profit before changes in working capital and provisions</b>		<b>43.9</b>	<b>(16.0)</b>
Increase in trade and other receivables		(1.6)	(3.8)
Increase in stock		(2.8)	-
Decrease in trade and other payables		(5.5)	-
Decrease in provisions and employee benefits		(45.7)	(12.5)
<b>Cash generated from the operations</b>		<b>(11.7)</b>	<b>(32.3)</b>
Tax refunded/(paid)		46.2	(7.9)
<b>Net cash from operating activities</b>		<b>34.5</b>	<b>(40.2)</b>
<b>Cash flows from investing activities</b>			
Interest received		9.8	5.4
Dividends received		-	126.2
<b>Net cash from investing activities</b>		<b>9.8</b>	<b>131.6</b>
<b>Cash flows from financing activities</b>			
Proceeds from the issue of share capital		-	48.6
Increase in amounts due to group companies		54.4	70.1
Proceeds from close-out of Eurobond		(0.8)	16.6
Interest paid		(24.3)	(29.7)
Repayment of borrowings		(114.7)	(136.0)
Dividends paid		(7.2)	(54.0)
<b>Net cash from financing activities</b>		<b>(92.6)</b>	<b>(84.4)</b>
Net increase in cash and cash equivalents		(48.3)	7.0
Cash and cash equivalents at 1 April		52.4	47.0
Effect of exchange rate fluctuations on cash held		-	(1.6)
<b>Cash and cash equivalents at 31 March 2007</b>	15	<b>4.1</b>	<b>52.4</b>

## Notes

### *(Forming part of the financial statements)*

#### **1 Accounting policies**

BPB Limited (formerly BPB Plc) is a company incorporated in the United Kingdom.

The company is exempt by virtue of section 228 of the Companies Act 1985 from the requirement to prepare group financial statements. These financial statements present information about the company as an individual undertaking and not about its group.

The company financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs").

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements and in preparing an opening IFRS balance sheet at 1 April 2005 for the purposes of the transition to Adopted IFRSs. The directors have not made any estimates with a significant risk of material adjustment in the next year or any judgements in applying accounting policies that have significant effect on the financial statements, other than as disclosed under the relevant sub-heading.

#### **Transition to Adopted IFRSs**

The company is preparing its financial statements in accordance with Adopted IFRS for the first time and consequently has applied IFRS 1. An explanation of how the transition to Adopted IFRSs has affected the reported financial position, financial performance and cash flows of the company is provided in note 27.

In addition to exempting companies from the requirement to restate comparatives for IAS 32 and IAS 39, IFRS 1 grants certain exemptions from the full requirements of IFRSs in the transition period. The following exemptions have been taken in these financial statements:

- Business combinations – Business combinations that took place prior to 1 April 2005 have not been restated.
- Employee benefits – All cumulative actuarial gains and losses on defined benefit plans have been recognised in equity at 1 April 2005.

#### **Measurement convention**

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments and financial instruments classified as fair value through the profit or loss or as available-for-sale. Non-current assets and disposal groups held for sale are stated at the lower of previous carrying amount and fair value less costs to sell.

#### **Foreign currency**

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rates ruling at the dates the fair value was determined.

#### **Classification of financial instruments issued by the company**

Following the adoption of IAS 32, financial instruments issued by the company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions.

- a) They include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and
- b) Where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

## **Notes** *(continued)*

### **1**      **Accounting policies** *(continued)*

#### **Classification of financial instruments issued by the company** *(continued)*

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Where a financial instrument that contains both equity and financial liability components exists these components are separated and accounted for individually under the above policy. The finance cost on the financial liability component is corresponding over the life of the instrument.

Finance payments associated with financial liabilities are dealt with as part of finance expenses. Finance payments associated with financial instruments are classified in equity as dividends and are recorded directly in equity.

#### **Investments in debt and equity securities**

Investments in associates and subsidiaries are carried at cost less impairment. Financial instruments held for trading or designated upon initial recognition or at the IAS 39 transition date if later are stated at fair value, with any resultant gain or loss being recognised in profit or loss.

#### **Derivative financial instruments and hedging**

##### *Derivative financial instruments*

Derivative financial instruments are recognised at fair value. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

The fair value of interest rate swaps is the estimated amount that the company would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price.

##### *Foreign exchange derivatives*

The company uses foreign exchange derivatives to hedge its exposure to changes in exchange rates that may arise in its ordinary business operations.

In accordance with IAS 32 and IAS 39, all of these instruments are recognised in the balance sheet at fair value, irrespective of whether or not they are part of a hedging relationship that qualifies for hedge accounting under IAS 39.

Changes in the fair value both of derivatives that are designated and qualify as fair value hedges and derivatives that do not qualify for hedge accounting are taken to the income statement. However, the effective portion of the gain or loss arising from changes in fair value of derivatives that qualify as cash flow hedges is recognised directly in equity, whereas the ineffective portion is recognised in the income statement.

##### *Derivatives that do not qualify for hedge accounting*

Changes in the fair value of derivatives that do not qualify for hedge accounting are recognised in the income statement. The instruments concerned mainly relate to forward foreign exchange contracts.

## **Notes** *(continued)*

### **1**      **Accounting policies** *(continued)*

#### **Intangible assets and goodwill**

Subject to the transitional relief in IFRS 1, all unincorporated business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of businesses. In respect of business acquisitions that have occurred since 1 April 2005, goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

Identifiable intangibles are those which can be sold separately or which arise from legal rights regardless of whether those rights are separable.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associate.

In respect of acquisitions prior to 1 April 2005, goodwill is included at April 2005 on the basis of its deemed cost, which represents the amount recorded under UK GAAP which was broadly comparable save that only separable intangibles were recognised.

Negative goodwill arising on an acquisition is recognised in profit or loss.

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the company has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses.

Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred.

Other intangible assets that are acquired by the company are stated at cost less accumulated amortisation and impairment losses.

#### **Trade and other receivables**

Trade and other receivables are stated at their nominal amount (discounted if material) less impairment losses.

#### **Stocks**

Stocks are stated at the lower of cost and net realisable value. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

#### **Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the company's cash management are included as a component of cash and cash equivalents for the purpose only of the statement of cash flows.

## Notes (continued)

### 1 Accounting policies (continued)

#### Impairment

The carrying amounts of the company's assets, other than inventories and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use were tested for impairment as at 1 April 2005, the date of transition to Adopted IFRSs, even though no indication of impairment existed. This was done as part of the review of assets and carrying value following the acquisition of the BPB Plc Group by the Compagnie de Saint-Gobain on 1 December 2005.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

#### Calculation of recoverable amount

The recoverable amount of the company's investments in held-to-maturity securities and receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e., the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

#### Reversals of impairment

An impairment loss in respect of a held-to-maturity security or receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of an investment in an equity instrument classified as available for sale is not reversed through profit or loss. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, an impairment loss is reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.



## Notes (continued)

### 1 Accounting policies (continued)

#### Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

#### Employee benefits

##### *Defined contribution plans*

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement when due.

##### *Defined benefit plans*

The company's net obligation in respect of defined benefit pension plans and other post employment benefits is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value and the fair value of any plan assets (at bid prices) is deducted. The liability discount rate is the yield at the balance sheet date on the AA credit rated bonds that have maturity dates approximating to the terms of the company's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the income statement.

All actuarial gains and losses as at 1 April 2005, the date of transition to Adopted IFRSs, were recognised. In respect of actuarial gains and losses that arise subsequent to 1 April 2005 in calculating the company's obligation in respect of a plan, these are recognised immediately directly in equity.

Where the calculation results in a benefit to the company, the asset recognised is limited to the net total of any unrecognised actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

The company is the sponsoring employer of a group wide defined benefit pension plan. As there is no contractual agreement or stated group policy for charging the net defined benefit cost of the plan to participating entities, the net defined benefit cost of the pension plan is recognised fully by the sponsoring employer, which is the company. Contributions are then made by individual companies in proportion to the pensionable pay of their employees. Those contributions are shown as finance income within these financial statements.

##### *Share-based payment transactions*

The share option programme allows company employees to acquire shares of the ultimate parent company; these awards are granted by the ultimate parent. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option valuation model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is due only to share prices not achieving the threshold for vesting.

Share appreciation rights are also granted by the company to employees. The fair value of the amount payable to the employee is recognised as an expense with a corresponding increase in liabilities. The fair value is initially measured at grant date and spread over the period during which the employees become unconditionally entitled to payment. The fair value of the share appreciation rights is measured based on an option valuation model, taking into account the terms and conditions upon which the instruments were granted. The liability is re-measured at each balance sheet date and at settlement date and any changes in fair value recognised in profit or loss spread equally over the vesting period.

## Notes (continued)

### 1 Accounting policies (continued)

#### Provisions

A provision is recognised in the balance sheet when the company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

#### Revenue

Revenue generated by the sale of goods or services is recognised when the risks and rewards of ownership have been transferred to the customer or when the services have been rendered, net of rebates, discounts and sales taxes.

#### Expenses

##### *Operating lease payments*

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

##### *Finance lease payments*

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

##### *Net financing costs*

Net financing costs comprise interest payable, finance charges on shares classified as liabilities and finance leases, interest receivable on funds invested, dividend income, foreign exchange gains and losses and gains and losses on hedging instruments that are recognised in the income statement (see page 2 of accounting policies).

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method.

#### Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

#### Non-current assets held for sale and discontinued operations

A non-current asset or a group of assets containing a non-current asset (a disposal group) is classified as held for sale if its carrying amount will be recovered principally through sale rather than through continuing use, it is available for immediate sale and sale is highly probable within one year.

On initial classification as held for sale, non-current assets and disposal groups are measured at the lower of previous carrying amount and fair value less costs to sell with any adjustments taken to profit or loss. The same applies to gains and losses on subsequent re-measurement. In accordance with IFRS 5, the above policy is effective from 1 April 2005; no reclassifications are made in prior periods.

## Notes (continued)

### 1 Accounting policies (continued)

#### Non-current assets held for sale and discontinued operations (continued)

A discontinued operation is a component of the company's business that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale, that has been disposed of, has been abandoned or that meets the criteria to be classified as held for sale.

Discontinued operations are presented on the income statement (including the comparative period) as a column analysing the post tax profit or loss of the discontinued operation and the post tax gain or loss recognised on the re-measurement to fair value less costs to sell or on disposal of the assets/disposal groups constituting discontinued operations.

#### Adopted IFRS not yet applied

The following Adopted IFRSs were available for early application but have not been applied by the company in these financial statements:

- IFRS 7 'Financial instruments: Disclosure' applicable for years commencing on or after 1 January 2007. The application of IFRS 7 for the year ended 31 March 2007 would not have affected the balance sheet or income statement as the standard is concerned only with disclosure. The company plans to adopt it for the next accounting period.
- IFRS 8 'Operating Segments' applicable for years commencing on or after 1 January 2009. As the company is not within the scope of IFRS 8 it is not required to adopt IFRS 8 and so there will be no impact on the financial statements.

## Notes (continued)

### 2. Other operating income

	2007 £m	2006 £m
Royalty income	0.4	0.1
Technical fees	24.8	18.7
Intra-group management charges	-	18.3
Insurance income	-	6.8
	<u>25.2</u>	<u>43.9</u>

Insurance income of £6.8 million in 2006 relates to an insurance recovery against the costs arising from the termination of a system implementation project.

### 3. Expenses and auditor's remuneration

Included in profit/loss are the following:

	2007 £m	2006 £m
Research and development expensed as incurred	3.6	3.0
Bid defence costs	-	25.8
Restructuring costs	-	19.2
	<u>-</u>	<u>45.0</u>

Bid defence costs of £25.8 million in 2006 are costs incurred in respect of professional advice received by the BPB plc directors in the period prior to Saint-Gobain's cash offer for the BPB group being increased to a level at which the BPB plc directors at that time were advised to recommend to shareholders.

Restructuring costs of £19.2 million in 2006 are costs relating to the closure of the former BPB group head office in Slough following the acquisition of the BPB group by Saint-Gobain.

#### Auditor's remuneration

	2007 £m	2006 £m
Amounts receivable by the auditors and their associates in respect of:		
Audit of financial statements of subsidiaries pursuant to legislation	0.1	0.2
Other services relating to taxation	-	1.2
Services relating to corporate finance transactions entered into or proposed to be entered into by or on behalf of the company or the company's subsidiaries		
Bid defence	-	1.0
	<u>0.1</u>	<u>2.4</u>

### 4 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by the category were as follows:

	Number of employees	
	2007	2006
Manufacturing	-	-
Non manufacturing	126	149
	<u>126</u>	<u>149</u>

## Notes (continued)

### 4 Staff numbers and costs (continued)

	2007 £m	2006 £m
The aggregate payroll costs of these persons were as follows:		
Wages and salaries	9.6	16.9
Social security costs	1.0	1.8
Other pension costs	1.2	1.7
	<u>11.8</u>	<u>20.4</u>

### 5 Directors' emoluments

	2007 £m	2006 £m
Directors' emoluments	0.4	4.5
Compensation for loss of office	-	6.4
	<u>0.4</u>	<u>10.9</u>

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £0.4m (2006: £1.2m). He is a member of a defined benefit scheme, under which his accrued pension at the year end was £0.1m (2006: £0.1m).

The aggregate amount of gross termination payments made to directors who resigned from the company following the takeover of BPB plc by Saint-Gobain was £nil (2006: £6.4 million). This figure includes the amount of £nil (2006: £2.0 million) which represented the payment by the company, or procured by the company from the BPB Senior Executive Pension Scheme, of the additional benefits that would have been payable from the BPB Senior Executive Pension Scheme to and in respect of R J Cousins, R M Heard, M V Higson, P R Hollingworth and P N Withers if they had continued to accrue benefits under that scheme without any change to their remuneration after their respective termination dates for an additional 12 months after their respective termination dates.

Apart from M V Higson, whose remuneration is shown above, the directors of the company are also directors of several other companies within the Saint-Gobain Group. Only one other director receives emoluments from the company; the other directors do not consider that their duties in respect of BPB Limited take up a significant proportion of their time and they are not members of any pension scheme in which the company has an interest. Accordingly, the directors do not believe that it is practicable to apportion the amount of their remuneration from other group companies between their services as directors of this company and their services to other companies in the group.

## Notes (continued)

### 6 Finance income and expense

	2007	2006
	£m	£m
Interest on cash and short term borrowings	0.5	24.1
Interest receivable from group companies	9.0	-
Dividends received from subsidiaries	-	126.2
Other investments:		
Net gain on disposal	-	17.4
Gain on remeasurement of financial instruments to fair value	-	2.8
Expected return on defined benefit pension plan assets	45.8	37.1
Pension contributions made by subsidiaries	35.7	26.9
<b>Financial income</b>	<b>91.0</b>	<b>234.5</b>
Interest on external loans and borrowings	2.7	49.2
Other finance expense	-	26.6
Interest payable to group companies	21.6	-
Interest on defined benefit pension plan obligation	36.9	35.8
<b>Financial expense</b>	<b>61.2</b>	<b>111.6</b>

The gain on disposal in finance income for the year ended 31 March 2006 related mostly to gains arising on early close out of interest rate swaps as a result of the restructuring of BPB group's central treasury operation following the company's acquisition by Saint-Gobain.

The other finance costs for the year ended 31 March 2006 comprised a £25.1 million loss on transfer of BPB plc's €400 million Eurobond to Compagnie de Saint-Gobain following the acquisition of the company, and write-off debt facility arrangement fees of £1.5 million following the refinancing of the BPB group by Saint-Gobain.

### 7. Taxation

#### Recognised in the income statement

	2007	2006
	£m	£m
Current tax expense		
<i>Current year - corporation tax</i>	1.8	22.4
<i>Adjustments for prior years</i>	7.7	-
<i>Overseas tax paid</i>	(0.4)	-
	9.1	22.4
Deferred tax expense		
<i>Origination and reversal of temporary differences- current year</i>	(11.4)	(11.2)
<i>Origination and reversal of temporary differences-adjustments for prior years</i>	2.4	-
<b>Total tax in income statement</b>	<b>0.1</b>	<b>11.2</b>

## Notes (continued)

### 7. Taxation (continued)

#### Reconciliation of effective tax rate

	2007 £m	2006 £m
Profit before tax	29.0	68.2
Tax using the UK corporation tax rate of 30 % (2006: 30 %)	(8.7)	(20.5)
Disallowed expenses and non-taxable income	(0.9)	(6.2)
Over provided in prior years	10.1	-
Non - taxable dividend income	-	37.9
Overseas tax	(0.4)	-
Total tax in income statement	0.1	11.2

### 8. Intangible assets

	Patents and trade marks £m	Total £m
<b>Cost</b>		
Balance at 1 April 2005	1.5	1.5
Other acquisitions	-	-
Balance at 31 March 2006	1.5	1.5
Balance at 1 April 2006	1.5	1.5
Other acquisitions	-	-
Balance at 31 March 2007	1.5	1.5
<b>Depreciation and impairment</b>		
Balance at 1 April 2005 and 1 April 2006	-	-
Depreciation charge for the year	0.1	0.1
Balance at 31 March 2007	0.1	0.1
<b>Net book value</b>		
At 1 April 2005	1.5	1.5
At 31 March 2006 and 1 April 2006	1.5	1.5
At 31 March 2007	1.4	1.4

## Notes (continued)

### 9. Investment in subsidiaries and jointly controlled entities

	2007 £m	2006 £m
Investments in subsidiaries	1,059.9	1,059.9
Investments in associates	0.8	0.8
	<u>1,060.7</u>	<u>1,060.7</u>

The company has the following investments in subsidiaries:

	Country of Incorporation	Class of shares held	Ownership 2007	2006
BPB Group Finance Limited	England	Ordinary	100%	100%

Following an internal group restructure during the year ended 31 March 2006, BPB plc sold its investments in the majority of its subsidiary group companies on 4 August 2005 at book value to BPB Group Operations Limited in consideration for 100% of the issued share capital of this newly formed company. Then on 10 August 2005, BPB plc sold its 100% ownership in BPB Group Operations Limited to BPB Group Finance Limited in consideration for 100% of the issued share capital in this newly formed company.

### 10. Other financial assets

	2007 £m	2006 £m
<b>Non-current</b>		
Amounts due from subsidiary companies	182.1	1,731.1
	<u>182.1</u>	<u>1,731.1</u>
<b>Current</b>		
Interest rate swap derivatives classified as fair value through profit or loss	-	0.8
Amounts owed by other group companies	22.2	83.2
Amounts owed by subsidiary companies	1,323.5	58.3
	<u>1,345.7</u>	<u>142.3</u>



## Notes (continued)

### 11. Other financial liabilities

	2007 £m	2006 £m
<b>Non Current</b>		
Amounts due to subsidiary companies	(614.7)	-
	<u>(614.7)</u>	<u>-</u>
<b>Current</b>		
Interest rate swap derivatives classified as fair value through profit or loss	-	(1.6)
Amounts due to subsidiary companies	(448.0)	(1,680.3)
Amounts due to other group companies	(324.7)	-
	<u>(772.7)</u>	<u>(1,681.9)</u>

### 12. Deferred tax assets and liabilities

#### Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	<b>Assets</b>		<b>Liabilities</b>		<b>Net</b>	
	2007 £m	2006 £m	2007 £m	2006 £m	2007 £m	2006 £m
Employee benefit	17.3	28.5	-	-	17.3	28.5
Provisions	1.7	-	-	(0.8)	1.7	(0.8)
	<u>19.0</u>	<u>28.5</u>	<u>-</u>	<u>(0.8)</u>	<u>19.0</u>	<u>27.7</u>

#### Movement in deferred tax during the year

	1 April 2006 £m	Recognised in Equity £m	Recognised in Income Statement £m	31 March 2007 £m
Employee benefit	28.5	0.3	(11.5)	17.3
Provisions	(0.8)	-	2.5	1.7
	<u>27.7</u>	<u>0.3</u>	<u>(9.0)</u>	<u>19.0</u>

#### Movement in deferred tax during the prior period

	1 April 2005 £m	Recognised in Equity £m	Recognised in Income Statement £m	31 March 2006 £m
Interest-bearing	1.5	-	(1.5)	-
Employee benefit	42.5	(6.2)	(7.8)	28.5
Provisions	1.1	-	(1.9)	(0.8)
	<u>45.1</u>	<u>(6.2)</u>	<u>(11.2)</u>	<u>27.7</u>

## Notes (continued)

### 13. Inventories

	2007	2006
	£m	£m
Merchandise	2.8	-
	<u>2.8</u>	<u>-</u>

Included within inventories is £nil (2006: £nil) expected to be recovered in more than 12 months. Inventories to the value of £6.9 million were recognised as expenses in the year.

### 14. Trade and other receivables

	2007	2006
	£m	£m
Amounts owed by group companies	4.7	-
Other trade receivables	1.1	-
Other debtors and prepayments	1.4	0.9
Interest receivable	-	0.3
	<u>7.2</u>	<u>1.2</u>

Included within trade and other receivables is £nil (2006: £nil) expected to be recovered in more than 12 months.

### 15. Cash and cash equivalents/bank overdrafts

	2007	2006
	£m	£m
Cash and cash equivalents per balance sheet	4.1	106.6
Bank overdrafts	-	(54.2)
	<u>4.1</u>	<u>52.4</u>

## Notes (continued)

### 16. Other interest-bearing loans and borrowings

This note provides information about the contractual terms of the company's interest-bearing loans and borrowings. For more information about the company's exposure to interest rate and foreign currency risk, see note 21.

	2007 £m	2006 £m
<b>Non-current liabilities</b>		
\$100 million 4.9% bond 2013	-	(57.3)
\$100 million 5.0% bond 2015	-	(57.3)
Loan from associate	(3.7)	(3.8)
	<u>(3.7)</u>	<u>(118.4)</u>

Loan from associate relates to a 51 million Swedish Kroner loan from Scancem AB, which is the parent of Protenna AB, an associated company of the group. Interest is payable at variable rates and the loan will be repayable on 31/12/08.

The two \$100 million bonds were repaid on 5 June 2006 and replaced by intra-group loans from Saint-Gobain plc, repayable on demand.

The company has no finance leases or undrawn borrowing facilities, as financing is now managed by Compagnie de Saint-Gobain, the ultimate parent company.

### 17. Trade and other payables

	2007 £m	2006 £m
Other trade payables	(1.0)	(1.6)
Non-trade payables and accrued expenses	(4.1)	(9.8)
Other taxes and social security	(0.8)	-
	<u>(5.9)</u>	<u>(11.4)</u>

Included within trade and other payables is £nil (2006: £nil) expected to be settled in more than 12 months.

## Notes (continued)

### 18. Employee benefits

#### Pension plans

The company is the sponsoring employer of three defined benefit pension schemes in the UK, which cover both the company and its operating subsidiaries in the UK. There are two approved schemes covering general employees, senior managers and directors. There is also an unfunded unapproved scheme. The information disclosed below is in respect of the whole of the plans for which the company is the sponsoring employer. Its operating subsidiaries in the UK have only recognised a cost in their financial statements equal to their contribution for the year.

	2007 £m	2006 £m
Present value of unfunded defined benefit obligations	7.5	13.0
Present value of funded defined benefit obligations	778.8	749.7
Fair value of plan assets	(728.9)	(671.3)
<b>Total employee benefits</b>	<b>57.4</b>	<b>91.4</b>

#### Movements in present value of defined benefit obligation

	2007 £m	2006 £m
At 1 April	762.7	675.0
Current service cost	14.0	15.6
Interest cost	36.9	35.8
Curtailment	-	(1.2)
Actuarial loss	5.0	68.9
Benefits paid	(32.9)	(32.0)
Contributions by members	0.6	0.6
<b>At 31 March</b>	<b>786.3</b>	<b>762.7</b>

#### Movements in fair value of plan assets

	2007 £m	2006 £m
At 1 April	671.3	540.1
Expected return on plan assets	45.8	37.1
Actuarial gains	4.2	89.5
Contributions by employer	39.9	36.0
Contributions by members	0.6	0.6
Benefits paid	(32.9)	(32.0)
<b>At 31 March</b>	<b>728.9</b>	<b>671.3</b>

## Notes (continued)

### 18. Employee benefits (continued)

#### Pension plans (continued)

##### Expense recognised in the income statement

	2007 £m	2006 £m
Current service cost	14.0	15.6
Interest on defined benefit pension plan obligation	36.9	35.8
Expected return on defined benefit pension plan assets	(45.8)	(37.1)
Curtailment	-	(1.2)
Total	5.1	13.1

##### The expense is recognised in the following line items in the income statement:

	2007 £m	2006 £m
Administrative expenses	14.0	14.4
Finance income	(45.8)	(37.1)
Finance expense	36.9	35.8
Total	5.1	13.1

Cumulative actuarial gains/losses reported in the statement of recognised income and expenses since 1 April 2005, the transition date to Adopted IFRSs, are £19.8 million (2006: £20.6 million).

The fair value of the plan assets and the return on those assets were as follows:

	2007 Fair value £m	2006 Fair value £m
Equities	503.7	453.5
Government debt	79.4	86.8
Corporate bonds	104.1	89.2
Property	37.0	31.9
Cash	4.7	9.9
	728.9	671.3
Actual return on plan assets	50.0	126.6

The plans have no investments in the group's financial instruments, or in any property occupied by the group.

The expected rates of return on plan assets are determined by reference to relevant indices. The overall expected rate of return is calculated by weighting the individual rates in accordance with the anticipated balance in the plan's investment portfolio.

## Notes (continued)

### 18. Employee benefits (continued)

#### Pension plans (continued)

Principal actuarial assumptions (expressed as weighted averages):

	2007 %	2006 %
Discount rate	5.35	4.95
Expected rate of return on plan assets	7.00	6.82
Future salary increases	4.10	3.80
Pension increases	3.00	2.70
Inflation	3.00	2.70

#### History of plans

The history of the plans for the current and prior periods is as follows:

	2007 £m	2006 £m
<i>Balance sheet</i>		
Present value of defined benefit obligation	786.3	762.7
Fair value of plan assets	(728.9)	(671.3)
Deficit	57.4	91.4

#### Experience adjustments

	2007 £m	2006 £m
Experience adjustments on plan liabilities	35.0	(17.3)
Experience adjustments on plan assets	(4.2)	(89.5)

The company expects to contribute approximately £32 million to its defined benefit plans in the next financial year, of which £29 million will be paid by its operating subsidiaries. The contributions for the year are calculated and agreed with the actuary and the pension trustees on a global basis. These contributions are then made by individual companies in proportion to the pensionable pay of their employees.

There is no contractual agreement or stated policy for charging the net defined benefit cost for the plan as a whole to individual group entities.

### 19. Provisions

	Restructuring £m	Total £m
<b>Balance at 1 April 2005</b>	(0.3)	(0.3)
Provisions made during the year	(19.2)	(19.2)
Provisions used during the year	7.6	7.6
<b>Balance at 1 April 2006</b>	(11.9)	(11.9)
Provisions made during the year	(0.1)	(0.1)
Provisions used during the year	9.8	9.8
Credit for the year	1.1	1.1
<b>Balance at 31 March 2007</b>	(1.1)	(1.1)

## Notes (continued)

### 19. Provisions (continued)

	2007 £m	2006 £m
Non-current	-	-
Current	(1.1)	(11.9)
	<u>(1.1)</u>	<u>(11.9)</u>

The provision for restructuring relates to the unspent element of the restructuring costs of £19.2 million as described in note 3. The remaining balance as at 31 March 2007 is expected to be used in the next period.

### 20. Capital and reserves

#### Reconciliation of movement in capital and reserves

	Share capital £m	Share premium £m	Capital redemption reserve £m	Fair value reserve £m
Balance at 1 April 2005	250.1	248.7	32.7	(0.9)
Total recognised income and expense	-	-	-	0.9
Shares issued	467.8	44.0	-	-
Purchase of shares by ESOP	-	-	-	-
Equity-settled share based payment transactions, net of tax	-	-	-	-
Dividends	-	-	-	-
	<u>717.9</u>	<u>292.7</u>	<u>32.7</u>	<u>-</u>
Balance at 31 March 2006	<u>717.9</u>	<u>292.7</u>	<u>32.7</u>	<u>-</u>

	Share reserve £m	Retained earnings £m	Total parent equity £m
Balance at 1 April 2005	(3.4)	48.4	575.6
Total recognised income and expense	-	93.8	94.7
Shares issued	-	-	511.8
Purchase of shares by ESOP	3.4	(6.5)	(3.1)
Equity-settled share based payment transactions, net of tax	-	11.5	11.5
Dividends	-	(61.4)	(61.4)
	<u>-</u>	<u>85.8</u>	<u>1,129.1</u>
Balance at 31 March 2006	<u>-</u>	<u>85.8</u>	<u>1,129.1</u>

**Notes** *(continued)*

**20. Capital and reserves** *(continued)*

	Share capital £m	Share premium £m	Capital redemption reserve £m
Balance at 1 April 2006	717.9	292.7	32.7
Total recognised income and expense	-	-	-
	<u>717.9</u>	<u>292.7</u>	<u>32.7</u>
Balance at 31 March 2007	<u>717.9</u>	<u>292.7</u>	<u>32.7</u>

	Retained earnings £m	Total parent equity £m
Balance at 1 April 2006	85.8	1,129.1
Total recognised income and expense	28.5	28.5
	<u>114.3</u>	<u>1,157.6</u>
Balance at 31 March 2007	<u>114.3</u>	<u>1,157.6</u>

The aggregate tax for the year relating to items that are recognised directly in equity was £0.2 million credit (2006: £6.2 million charge).

**Share Capital**

	Ordinary Shares	
	2007 Number	2006 Number
On issue at start of period	1,435,750,845	500,300,391
Issued for cash	-	920,302,524
Share options utilised	-	15,147,930
	<u>1,435,750,845</u>	<u>1,435,750,845</u>
On issue at 31 March – fully paid	<u>1,435,750,845</u>	<u>1,435,750,845</u>

Authorised	2007 £m	2006 £m
Ordinary shares of 50p each	1,000.0	1,000.0
	<u>1,000.0</u>	<u>1,000.0</u>

Allotted, called up and fully paid	2007 £m	2006 £m
Ordinary shares of 50p each	717.9	717.9
	<u>717.9</u>	<u>717.9</u>



## Notes (continued)

### 20. Capital and reserves (continued)

	2007 £m	2006 £m
Shares classified as liabilities	-	-
Shares classified in shareholders' funds	717.9	717.9
	<u>717.9</u>	<u>717.9</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

### 21. Financial instruments

	2007 £m	2006 £m
<b>Other interest-bearing loans and borrowings</b>		
Due within one year	-	-
Due in 1 to 5 years	3.7	118.4
	<u>3.7</u>	<u>118.4</u>
Fair value at 31 March	3.7	118.4

In 2006, the other interest-bearing borrowing included two \$100 million bonds which were repaid on 5 June 2006.

#### *Impact of financial instruments on the income statement*

All financial instruments are classified at fair value through profit or loss.

#### *Embedded derivatives*

Saint-Gobain regularly analyses its contracts in order to separately identify financial instruments that may be classified as embedded derivatives under IFRS.

#### *Credit risk*

Credit risk arises from the possibility that the counter-party to a transaction may be unable or unwilling to meet their obligations causing loss to the company.

Management has a credit policy in place and exposure to risk is monitored on an on-going basis. At 31 March 2007 there was no significant concentration of credit risk (2006: none).

#### *Interest rate risk*

Interest rate risk arises from movements in interest rates which could have adverse effect on the company's net income or financial position. Changes in interest rates cause variations in interest income and expenses on interest-bearing assets and liabilities.

A general increase in one percentage point in United Kingdom interest rates would reduce the company's profit by approximately £3.2 million.

#### *Foreign currency risk*

At the balance sheet date, the company had two material foreign currency balances with subsidiaries, a €19 million liability and a €30 million asset, as well as various short-term current account holdings.

Other than the Scancem loan disclosed in note 16, all foreign currency transactions are carried out internally within the Saint-Gobain Group and all major risks are hedged.

The company purchases paperboard liner for sale to other group companies. During the year the company made sales of approximately £1.4 million in Euros.

The company also invoices technical fees to other group companies in their local currencies. These fees totalled £19 million in the year.

A one percent change in the value of Sterling against the Euro and the US dollar would change the company's net profit by approximately £0.2 million.

## Notes (continued)

### 22. Operating leases

	2007 £m	2006 £m
<i>Non-cancellable operating lease rentals are payable as follows:</i>		
Less than one year	-	-
Between one and five years	0.1	0.3
More than five years	-	-
	<u>0.1</u>	<u>0.3</u>

Included in the above are commitments in respect of land and building of £nil (2006: £0.2m).

During the year £0.4m was recognised as an expense in the income statement in respect of operating leases (2006: £0.3m).

### 23. Contingencies

At 31 March 2007, the company had no contingent liabilities (2006: none).

### 24. Related parties

The immediate parent company and ultimate controlling party of the company are Saint Gobain Aldwych Limited (incorporated in England and Wales) and Compagnie de Saint-Gobain (incorporated in France).

Details of transactions between the company and related parties are disclosed below:

	Amounts owed by Related Parties		Amounts owed to Related Parties	
	2007 £m	2006 £m	2007 £m	2006 £m
Subsidiaries of Compagnie de Saint-Gobain:				
Intermediate parent companies	-	-	-	-
Other group companies	22.2	58.1	(324.7)	-
Subsidiary companies	1,510.3	1,814.5	(1,062.7)	(1,680.3)
	<u>1,532.5</u>	<u>1,872.6</u>	<u>(1,387.4)</u>	<u>(1,680.3)</u>

## Notes (continued)

### 24. Related parties (continued)

	Purchases from Related Parties		Income from Related Parties	
	2007 £m	2006 £m	2007 £m	2006 £m
Sales				
Other group companies	-	-	0.8	-
Subsidiary companies	-	-	11.0	-
Technical fees				
Other group companies	-	-	1.8	3.3
Subsidiary companies	-	-	23.0	15.4
Royalty income				
Subsidiary companies	-	-	0.4	0.1
Intra-group management charges				
Other group companies	-	-	-	0.2
Subsidiary companies	-	-	-	18.1
Pension contributions				
Subsidiary companies	-	-	35.7	26.9
	<hr/>	<hr/>	<hr/>	<hr/>
	-	-	72.7	64.0
	<hr/>	<hr/>	<hr/>	<hr/>

Amounts owed to and from subsidiary companies are interest free, unsecured and repayable on demand. Some balances have arisen from normal trading, whilst others relate to the financing position of the company and other companies within the Saint-Gobain Group. Amounts owed to and from other group companies are unsecured and repayable on demand. Interest is charged on these balances at a commercial rate.

### 25. Ultimate parent company and parent company of larger group

The ultimate and controlling party parent company is Compagnie de Saint-Gobain, a company incorporated in France and listed on the Paris, London, Frankfurt and other major European stock exchanges. The largest group in which the results of the company are consolidated is that headed by Compagnie de Saint-Gobain. No other group financial statements include the results of the company. Copies of the Compagnie de Saint-Gobain group financial statements are available from the Company Secretary, Compagnie de Saint Gobain, Les Miroirs, 18 Avenue d'Alsace, 92096 La Defence, Cedex, Paris, France.

### 26. Subsequent events

On 5 June 2007, the company re-registered as a private limited company, changing its name from BPB plc to BPB Limited. The purpose of this re-registration was to remove administrative restrictions now that the company is a wholly-owned subsidiary of Compagnie de Saint-Gobain.

On 12 June 2007, the company received dividends of £723.0 million from BPB Group Finance Limited and paid dividends of £723.0 million to Saint-Gobain Aldwych Limited, the company's sole shareholder.

On 14 June 2007, the company received dividends of £116.9 million from BPB Group Finance Limited and paid dividends of £142.5 million to Saint-Gobain Aldwych Limited, the company's sole shareholder.

On 21 May 2008, the company received dividends of £93.5 million from BPB Group Finance Limited and paid dividends of £98.0 million to Saint-Gobain Aldwych Limited, the company's sole shareholder.

## Notes (continued)

### 27. Explanation of transition to adopted IFRSs

As stated in note 1, these are the company's first financial statements in accordance with Adopted IFRSs.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 March 2007, the comparative information presented in the financial statements for the year ended 31 March 2006 and in the preparation of an opening IFRS balance sheet at 1 April 2005 (the company's date of transition).

In preparing its opening balance sheet the company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from UK GAAP to Adopted IFRSs, has affected the company's financial position, financial performance and cash flow is set out in the following tables and the notes that accompany the tables.

#### Reconciliation of equity

		31 March 2005			31 March 2006		
	Note	UK GAAP	Effect of transition to Adopted IFRSs	Adopted IFRSs	UK GAAP	Effect of transition to Adopted IFRSs	Adopted IFRSs
		£m	£m	£m	£m	£m	£m
<b>Non-current assets</b>							
Intangible assets	d	-	1.5	1.5	-	1.5	1.5
Investment in associates and subsidiaries	g	1,060.0	0.7	1,060.7	1,060.0	0.7	1,060.7
Deferred tax assets	a, b, c	0.7	44.4	45.1	0.5	27.2	27.7
Amounts owed by subsidiaries	a	1,603.9	-	1,603.9	1,704.2	26.9	1,731.1
		<u>2,664.6</u>	<u>46.6</u>	<u>2,711.2</u>	<u>2,764.7</u>	<u>56.3</u>	<u>2,821.0</u>
<b>Current assets</b>							
Tax receivable	f	-	-	-	53.9	(26.7)	27.2
Other financial assets	b	48.5	0.4	48.9	143.5	(1.2)	142.3
Trade and other receivables	b, g	-	20.2	20.2	-	1.2	1.2
Cash and cash equivalents		87.4	-	87.4	106.6	-	106.6
		<u>135.9</u>	<u>20.6</u>	<u>156.5</u>	<u>304.0</u>	<u>(26.7)</u>	<u>277.3</u>
<b>Total Assets</b>		<u>2,800.5</u>	<u>67.2</u>	<u>2,867.7</u>	<u>3,068.7</u>	<u>29.6</u>	<u>3,098.3</u>

**Notes** (continued)

**27. Explanation of transition to adopted IFRSs** (continued)

	Note	UK GAAP £m	31 March 2005 Effect of transition to Adopted IFRSs £m	Adopted IFRSs £m	UK GAAP £m	31 March 2006 Effect of transition to Adopted IFRSs £m	Adopted IFRSs £m
<b>Current liabilities</b>							
Bank overdraft		(75.5)	-	(75.5)	(54.2)	-	(54.2)
Trade and other payables		(14.0)	-	(14.0)	(10.7)	(0.7)	(11.4)
Dividends payable	e	(54.0)	54.0	-	-	-	-
Tax payable		-	(26.7)	(26.7)	-	-	-
Provisions		(0.2)	-	(0.2)	(11.9)	-	(11.9)
Other financial liabilities	a, b	(1,542.1)	(5.7)	(1,547.8)	(1,650.4)	(31.5)	(1,681.9)
		<u>(1,685.8)</u>	<u>21.6</u>	<u>(1,664.2)</u>	<u>(1,727.2)</u>	<u>(32.2)</u>	<u>(1,759.4)</u>
<b>Non-current liabilities</b>							
Other interest-bearing loans and borrowings	a	(472.5)	(20.5)	(493.0)	(118.4)	-	(118.4)
Employee benefits	a	(15.1)	(119.9)	(135.0)	(15.5)	(75.9)	(91.4)
		<u>(487.6)</u>	<u>(140.4)</u>	<u>(628.0)</u>	<u>(133.9)</u>	<u>(75.9)</u>	<u>(209.8)</u>
<b>Total Liabilities</b>							
		<u>(2,173.4)</u>	<u>(118.8)</u>	<u>(2,292.2)</u>	<u>(1,861.1)</u>	<u>(108.1)</u>	<u>(1,969.2)</u>
<b>Net Assets</b>							
		<u>627.1</u>	<u>(51.6)</u>	<u>575.5</u>	<u>1,207.6</u>	<u>(78.5)</u>	<u>1,129.1</u>
<b>Equity</b>							
Share capital		250.1	-	250.1	717.9	-	717.9
Share Premium		248.7	-	248.7	292.7	-	292.7
Capital redemption reserve		32.7	-	32.7	32.7	-	32.7
Fair value reserve	b	-	(0.9)	(0.9)	-	-	-
ESOP own share reserve		(3.4)	-	(3.4)	-	-	-
Retained earnings	a, b, c, d, e, f	99.0	(50.7)	48.3	164.3	(78.5)	85.8
<b>Total equity</b>		<u>627.1</u>	<u>(51.6)</u>	<u>575.5</u>	<u>1,207.6</u>	<u>(78.5)</u>	<u>1,129.1</u>

## Notes (continued)

### 27. Explanation of transition to adopted IFRS (continued)

		Year ended 31 March 2006		
		Effect of transition to Adopted IFRSs		
	Note	UK GAAP £m	Adopted IFRSs £m	Adopted IFRSs £m
<b>Revenue</b>		-	-	-
Cost of sales		-	-	-
<b>Gross profit</b>		-	-	-
Other operating income		43.9	-	43.9
Administrative expenses	a, b, c	(74.1)	(24.5)	(98.6)
<b>Operating loss</b>		(30.2)	(24.5)	(54.7)
Financial income	a, b	167.7	66.8	234.5
Financial expenses	a	(76.3)	(35.3)	(111.6)
<b>Net financing costs</b>		91.4	31.5	122.9
<b>Profit before tax</b>		61.2	7.0	68.2
Taxation		20.6	(9.4)	11.2
<b>Profit for the year</b>		81.8	(2.4)	79.4

#### Note

- a. Inclusion of pension balances in accordance with IAS19 as shown in note 18
- b. Revaluation of financial instruments in accordance with IAS39
- c. Restatement of sharebased payments
- d. Inclusion of patents as intangible fixed assets
- e. Inclusion of proposed dividends into the accounting period when the payment becomes reasonably certain
- f. Inclusion of assets and liabilities at fair values, including associated deferred tax
- g. Reclassification of investment in associate

Under UK GAAP, the company was not required to, and did not, prepare a cash flow statement.