GROUP PROFIT AND LOSS ACCOUNT

Year to 31 March	Note	2000 £m	1999 £m
Turnover			
Group and share of joint ventures and associates		**1,505.9**	1,417.4
Less: share of joint ventures' turnover		**(24.2)**	(24.6)
share of associates' turnover		**(54.9)**	(77.5)
Group turnover	3	**1,426.8**	1,315.3
Cost of sales		**(881.6)**	(837.0)
Gross profit		**545.2**	478.3
Net operating expenses	4	**(314.8)**	(304.4)
Operating profit	3	**230.4**	173.9
Share of operating profit in:			
Joint ventures		**(1.6)**	0.8
Associates		**7.8**	12.2
Exceptional items: continuing operations			
Disposals of fixed assets	7	**1.5**	2.3
Sale and termination of operations	7	**–**	(20.1)
Profit on ordinary activities before interest		**238.1**	169.1
Exceptional interest charge on bond buy-back	8	**–**	(2.1)
Other net interest payable	8	**(12.5)**	(4.7)
Profit on ordinary activities before tax		**225.6**	162.3
Tax on profit on ordinary activities	9	**(77.0)**	(59.1)
Profit on ordinary activities after tax		**148.6**	103.2
Minority interests		**0.2**	0.5
Profit attributable to BPB plc		**148.8**	103.7
Dividends	10	**(57.1)**	(56.8)
Retained profit for the year		**91.7**	46.9
Basic earnings per share	11	**31.7p**	20.5p
Diluted earnings per share	11	**31.4p**	20.4p
Underlying results			
Before exceptional income/(charge) of £1.5 million *(1999 net £(19.9) million)*:			
Profit on ordinary activities before tax (£m)		**224.1**	182.2
Earnings per share	11	**31.5p**	23.9p

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Year to 31 March	2000 £m	1999 £m
Profit attributable to BPB plc	**148.8**	103.7
Currency translation differences	**(41.3)**	4.8
Total recognised gains and losses for the year	**107.5**	108.5

Movements in reserves are shown in note 24

BALANCE SHEETS

As at 31 March	Note	Group 2000 £m	Group 1999 £m	Company 2000 £m	Company 1999 £m
Fixed assets					
Intangible assets	12	**68.6**	63.6	**–**	–
Tangible assets	13	**888.7**	908.9	**–**	–
Investments in joint ventures:	14				
Share of gross assets		**27.7**	30.4	**–**	–
Share of gross liabilities		**(16.6)**	(17.2)	**–**	–
		11.1	13.2	**–**	–
Investments in associates	14	**47.0**	45.9	**–**	–
Other investments	14	**2.2**	2.7	**806.9**	727.2
		1,017.6	1,034.3	**806.9**	727.2
Current assets					
Stocks	15	**104.8**	93.1	**–**	–
Debtors due within one year	16	**330.4**	343.9	**55.6**	76.9
Debtors due after more than one year	16	**16.2**	17.7	**359.1**	381.0
Cash at bank and in hand	17	**67.7**	73.9	**28.8**	52.7
		519.1	528.6	**443.5**	510.6
Creditors due within one year					
Loans and overdrafts	17	**(60.0)**	(59.8)	**(92.2)**	(61.2)
Other creditors	18	**(350.1)**	(355.8)	**(500.9)**	(478.7)
Net current assets		**109.0**	113.0	**(149.6)**	(29.3)
Total assets less current liabilities		**1,126.6**	1,147.3	**657.3**	697.9
Creditors due after more than one year					
Loans and finance leases	17	**(261.3)**	(284.7)	**(240.8)**	(268.7)
Other creditors	18	**(28.5)**	(31.2)	**(0.6)**	–
Provisions for liabilities and charges	19	**(77.2)**	(58.9)	**(4.8)**	(5.3)
		759.6	772.5	**411.1**	423.9
Capital and reserves					
Called up share capital	23	**229.1**	237.3	**229.1**	237.3
Share premium account	24	**128.1**	114.7	**128.1**	114.7
Capital redemption reserve	24	**32.6**	21.8	**32.6**	21.8
Profit and loss account	24	**346.7**	374.7	**21.3**	50.1
Shareholders' funds		**736.5**	748.5	**411.1**	423.9
Minority interests		**23.1**	24.0	**–**	–
		759.6	772.5	**411.1**	423.9

Approved by the Board on 1 June 2000
A G Gormly *Chairman*
P E Sydney-Smith *Finance director*

GROUP CASH FLOW STATEMENT

Year to 31 March	Note		2000 £m		1999 £m
Cash flow from operating activities	26		290.5		244.6
Dividends received from joint ventures and associates					
Dividends from joint ventures		0.5		0.6	
Dividends from associates		1.1		4.4	
			1.6		5.0
Returns on investments and servicing of finance					
Interest received		6.1		11.2	
Exceptional interest charge on bond buy-back		–		(2.1)	
Other interest paid		(16.9)		(14.7)	
Interest element of finance lease payments		(0.2)		(0.2)	
Dividends paid to minority shareholders of subsidiaries		(0.2)		(0.7)	
			(11.2)		(6.5)
Tax paid					
United Kingdom corporation tax		(15.1)		(18.3)	
Overseas		(3.0)		(48.1)	
			(18.1)		(66.4)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(83.4)		(124.5)	
Sale of tangible fixed assets		8.3		8.8	
Purchase of investments		(0.1)		(0.8)	
Sale of investments		–		0.4	
Loan to joint venture	28	–		(1.5)	
			(75.2)		(117.6)
Acquisitions and disposals					
Purchase of subsidiaries, associated companies and minority interests	25	(56.0)		(122.4)	
Net cash acquired with subsidiaries	25	3.6		3.0	
Sale and termination of operations	7	(1.4)		(8.0)	
			(53.8)		(127.4)
Dividends paid to shareholders of BPB plc			(76.1)		(37.3)
Cash inflow/(outflow) before use of liquid resources and financing			57.7		(105.6)
Management of liquid resources			(18.7)		23.0
Financing					
Issue of share capital		7.5		2.8	
Share buy-backs	23, 24	(69.9)		(84.4)	
Contribution from minority shareholders		1.3		6.2	
(Decrease)/increase in debt	27	(11.1)		201.9	
			(72.2)		126.5
(Decrease)/increase in cash	27		(33.2)		43.9

NOTES TO THE FINANCIAL STATEMENTS

1 Principal accounting policies

Basis of preparation

These financial statements have been prepared in accordance with applicable UK Accounting Standards under the historical cost convention. They incorporate the results of the parent company and its subsidiary undertakings and include the results of joint ventures and associated undertakings. Joint ventures are long-term investments which are jointly controlled by the group and one or more other venturers. They are accounted for using the gross equity method. Entities, other than subsidiary undertakings and joint ventures, in which the group has a participating interest and over whose operating and financial policies the group exercises a significant influence are treated as associated undertakings. All subsidiary and associated undertakings and joint ventures (apart from the limited liability partnership of Eastroc LLC) are companies and are referred to as such in these financial statements. As permitted by section 230 of the Companies Act 1985, no separate profit and loss account is shown for the parent company, BPB plc.

The accounts of all subsidiaries have been prepared for the year to 31 March 2000. The group's share of associated companies' and joint ventures' profits is based, for the principal companies, on the latest audited accounts, which cover either the year to 31 December 1999 or 31 March 2000.

Shareholders' funds, minority interests and dividends referred to in these financial statements are wholly attributable to equity interests.

Turnover

Turnover represents the value of sales by continuing operations excluding VAT and other sales taxes.

Acquisitions and disposals

The results of subsidiary and associated companies sold or acquired are included in the group accounts up to, or from, the date when control effectively passes.

The net assets of subsidiaries are included at fair values on acquisition; any goodwill arising on the acquisition of a subsidiary, associated company or joint venture is treated as described below. The profit or loss on any subsequent disposal or termination is calculated after including such goodwill. Group reserves include the group's share of the post-acquisition reserves of associated companies and joint ventures.

Goodwill arising on acquisitions prior to 31 March 1998 was written off directly against reserves. This goodwill was not re-instated on implementation of FRS10.

Positive goodwill arising on acquisitions since 1 April 1998 is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful life up to a presumed maximum of 20 years. It is reviewed for impairment at the end of the first full financial year following the acquisition, and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Tangible fixed assets

Depreciation is provided to write off the cost of tangible fixed assets on the straight line basis over the expected future lives in their current location. No depreciation is provided on freehold land where the cost is separately identifiable, and major projects are not depreciated whilst in the course of construction. Typical asset lives used are:

Freehold buildings – up to 33 years
Leasehold property – the period of the lease
Plant and machinery – 8 to 20 years
Mobile plant and vehicles – 3 to 7 years

Mineral deposits are depleted in the proportion that extraction for the year bears to the latest estimate of the usable tonnage.

The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable.

Capital grants

Capital grants are treated as a deferred credit and are transferred to the profit and loss account over the lives of the relevant assets.

Leases

Assets held through finance leases are capitalised and depreciated similarly to other assets. The interest element of the rental payment is charged to the profit and loss account over the period of the lease. Rentals for assets held under operating leases are charged to the profit and loss account on a straight line basis over the term of the lease.

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is arrived at mainly on a first-in first-out basis and includes all the expenditure incurred in bringing stocks to their present location and condition.

Pension costs and post-retirement benefits

The cost of providing pensions and other benefits for employees is charged against profit systematically, with actuarially assessed surpluses or deficits being amortised over employees' expected average remaining period of service.

Deferred tax

Provision is made for deferred tax using the liability method where there is a reasonable probability that an actual net liability will arise. The amount provided reflects timing differences between the accounting and fiscal bases of measuring profits and losses, to the extent that such differences are likely to reverse in the foreseeable future. The provision is assessed by applying to such timing differences those rates of tax which are expected to be current when their reversal is forecast to take place.

Recultivation provisions

Recultivation provisions are made when the group has either a legal or constructive obligation to restore mineral workings to an agreed condition. These provisions are stated after discounting the estimated liability to present values.

Foreign currencies

The results of overseas companies are translated at average rates for the year. Assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the year end. Differences arising on consolidation on the re-translation of opening net assets are taken to reserves. Differences on foreign currency borrowings and foreign currency swaps used to finance or provide a hedge against overseas equity investments are treated as a reserve movement; other exchange differences are included in trading profit. Transactions denominated in foreign currencies are translated at the rates applying on the date of the transaction, unless covered by a forward currency contract, in which case the rate under the forward contract is used.

Financial instruments held as hedges

Hedging instruments, principally forward foreign exchange contracts and interest rate swaps, are matched with the item being hedged. Gains and losses on forward foreign exchange contracts are recognised within operating profit at the same time as the exchange gain or loss on the underlying purchase or sale. Interest differentials on interest rate swaps are recognised on an accruals basis within net interest payable over the interest period of the underlying financial instrument.

Research and development

Expenditure on research and development is charged against profit when it is incurred.

2 Exchange rates

The principal exchange rates used to translate the results and balances of overseas subsidiaries are as follows:

	Average		At 31 March	
Rates to sterling	2000	1999	2000	1999
Euro	1.57	–	1.67	1.50
French franc	10.32	9.67	10.94	9.81
German mark	3.08	2.88	3.26	2.92
Italian lira	3,046	2,850	3,228	2,895
Dutch guilder	3.47	3.25	3.67	3.30
Spanish peseta	261.8	245.2	277.4	248.8
South African rand	9.96	9.66	10.44	9.98
Canadian dollar	2.36	2.49	2.32	2.44
Swedish kroner	13.62	13.18	13.78	13.27

NOTES TO THE FINANCIAL STATEMENTS

3 Segmental analysis

The principal national groupings that form the geographical segments shown below are as follows:
North & Western Europe: UK, Ireland, Norway, Sweden, Denmark, Finland, Russia, Latvia, Lithuania and Estonia.
Southern Europe: France, Belgium, Holland, Italy and Spain.
Central & Eastern Europe: Germany, Austria, Switzerland, Poland, Czech Republic, Slovakia, Hungary, Romania and Greece.
Rest of the World: Canada, USA, Southern Africa, South America, China and Thailand.

	Turnover by origin		Turnover by destination		Operating profit	
	2000 £m	1999 £m	2000 £m	1999 £m	2000 £m	1999 £m
Building materials						
North & Western Europe	**411.7**	331.5	**398.8**	327.4	**80.8**	64.1
Southern Europe	**488.5**	481.4	**471.0**	463.7	**74.1**	68.4
Central & Eastern Europe	**240.5**	228.5	**221.8**	220.2	**16.5**	10.8
Rest of the World	**208.8**	162.4	**226.8**	175.8	**38.7**	20.5
	1,349.5	1,203.8	**1,318.4**	1,187.1	**210.1**	163.8
Less inter-area	**(31.1)**	(16.7)				
	1,318.4	1,187.1				
Paperboard – businesses retained						
North & Western Europe	**150.0**	140.6	**90.1**	90.9	**18.3**	10.6
Elsewhere	**30.2**	27.8	**83.6**	72.1	**2.8**	1.0
	180.2	168.4	**173.7**	163.0	**21.1**	11.6
Less inter-area	**(6.5)**	(5.4)				
	173.7	163.0				
Paperboard – other businesses						
North & Western Europe	**17.3**	28.9	**16.6**	27.0	**(0.8)**	(1.5)
Elsewhere	**–**	–	**0.7**	1.9	**–**	–
	17.3	28.9	**17.3**	28.9	**(0.8)**	(1.5)
	1,509.4	1,379.0	**1,509.4**	1,379.0	**230.4**	173.9
Less inter-class	**(82.6)**	(63.7)	**(82.6)**	(63.7)		
	1,426.8	1,315.3	**1,426.8**	1,315.3	**230.4**	173.9
Associates and joint ventures	**79.1**	102.1	**79.1**	102.1	**6.2**	13.0

	Operating net assets	
	2000 £m	1999 £m
Building materials		
North & Western Europe	**281.4**	288.4
Southern Europe	**386.7**	422.9
Central & Eastern Europe	**253.8**	301.1
Rest of the World	**173.7**	120.9
	1,095.6	1,133.3
Paperboard – businesses retained		
North & Western Europe	**87.5**	98.4
Elsewhere	**15.8**	13.3
	103.3	111.7
Paperboard – other businesses		
North & Western Europe	**7.3**	8.6
	1,206.2	1,253.6
Associates and joint ventures	**82.9**	81.1
	1,289.1	1,334.7

Inter-class turnover comprises sales of plasterboard liner and paper sacks from Paperboard to Building materials.

3 Segmental analysis continued

The turnover and operating profit of the Gyproc companies acquired in December 1998 included in the North & Western Europe Building materials segment is £92.1 million *(1999 £22.1 million)* and £7.6 million *(1999 £2.1 million)*, respectively.

The turnover and operating results of the recent acquisitions in south east Asia are not material.

Paperboard – other businesses comprises Fiberite Merton Packaging, whose closure was announced on 13 April 2000 and the Radcliffe unlined chipboard mill, closed in October 1998. These businesses have been identified in the segmental analysis to show their performance prior to closure.

The operating net assets of the geographical segments are stated after adding back goodwill written off to reserves prior to 1 April 1998 and goodwill amortised since that date. A reconciliation of operating net assets in the previous column to net assets in the consolidated balance sheet is shown below:

	2000 £m	1999 £m
Operating net assets	**1,289.1**	1,334.7
Cumulative goodwill amortised and written off to reserves	**(238.1)**	(234.8)
Net borrowings	**(253.6)**	(270.6)
Dividends payable	**(37.8)**	(56.8)
Net assets	**759.6**	772.5

4 Net operating expenses

	2000 £m	1999 £m
Distribution costs	**195.1**	187.6
Administrative expenses	**128.2**	125.6
Other operating income	**(8.5)**	(8.8)
	314.8	304.4
The following are included within operating expenses:		
Redundancy costs – Building materials	**8.8**	6.8
– Paperboard	**–**	–
	8.8	6.8
Research and development costs	**3.4**	4.4
Auditors' remuneration		
Operating profit is stated after charging:		
Audit	**0.7**	0.6
Non-audit UK	**0.9**	1.5
Non-audit overseas	**1.0**	0.3
	2.6	2.4

Non-audit services relate mainly to advice on taxation, acquisitions, disposals and information technology. All payments for audit and non-audit services are approved by the audit committee.

5 Employees

Segmental analysis	2000 Average number	1999 Average number
Class of business		
Building materials	**9,211**	8,566
Paperboard	**1,338**	1,688
	10,549	10,254
Geographic area		
North & Western Europe	**3,758**	3,672
Southern Europe	**3,148**	3,308
Central & Eastern Europe	**1,785**	1,593
Rest of the World	**1,858**	1,681
	10,549	10,254

5 Employees continued

Employee costs	2000 £m	1999 £m
Wages and salaries	**205.7**	204.2
Social security costs	**45.1**	45.5
Other pension costs	**6.8**	5.4
	257.6	255.1

Pensions

The group operates pension schemes in several countries. Funded, self-administered schemes providing defined benefits are operated in the UK, Canada, Ireland and South Africa. These schemes, together covering approximately 40% of group employees, are valued at regular intervals by independent actuaries. The results of the most recent valuations for the main schemes in these countries are as follows:

	Date of valuation	Actuarial value of assets	Level of funding
UK	31 March 1999	£604.8m	135%
Canada: hourly paid	1 January 1998	£8.5m	138%
salaried	1 January 1999	£51.1m	286%
Ireland: staff	1 April 1999	£27.2m	123%
operatives	1 April 1999	£10.6m	128%
South Africa	31 December 1997	£11.8m	144%

The level of funding represents the ratio of the actuarial value of assets to accrued service liabilities in percentage terms.

The valuation of the principal UK scheme, which uses the projected unit method, was based on the following assumptions: return on existing investments 5.5%; earnings increases 4.5%; pensions increases 3.0%. The actuarial surplus spread over the average remaining service lives of employees fully offsets the regular cost of the scheme and no charge has therefore been made against profits.

The group also operates insured defined benefit schemes in Holland and Finland, non-funded defined benefit schemes in Germany, Austria, Norway and Sweden and defined contribution schemes in South Africa, Switzerland and Denmark. There are no material pension arrangements, apart from state schemes and compulsory complementary arrangements, in other areas of the group's operations.

6 Directors' emoluments

Aggregate emoluments of the directors of the company were as follows:

	2000 £000	1999 £000
Base salaries	**1,013**	1,142
Fees	**166**	160
Annual bonuses	**449**	208
Other emoluments	**63**	186
	1,691	1,696

More detailed information concerning directors' emoluments, pension entitlements, loans, shareholdings, share option and share matching plan interests, together with details of aggregate gains of £85,813 *(1999 £8,918)* made on the exercise of share options, is shown in the remuneration committee's report on pages 26 to 30.

7 Exceptional items

	2000 £m	1999 £m
Continuing operations:		
Disposals of fixed assets	**1.5**	2.3
Sale and termination of operations	**–**	(20.1)
	1.5	(17.8)

The loss on sale and termination of operations in 1999 arose in respect of the closure of the Radcliffe unlined chipboard mill, and included asset write downs, redundancy and other costs.

8 Interest

	2000 £m	1999 £m
Exceptional interest charge on bond buy-back		
Premium paid in excess of nominal value on the purchase of the group's remaining convertible subordinated bonds	**–**	(2.1)
Other net interest payable		
Interest receivable	**6.6**	10.3
Interest payable		
Bank loans and overdrafts	**(15.0)**	(14.1)
Other loans and finance leases	**(4.2)**	(0.5)
Convertible subordinated bonds	**–**	(0.4)
	(12.6)	(4.7)
Share of joint ventures' interest	**(0.2)**	(0.5)
Share of associates' interest	**0.3**	0.5
	(12.5)	(4.7)

Interest payable includes £0.2 million *(1999 £0.2 million)* relating to discounted bills of exchange and £0.2 million *(1999 £0.2 million)* relating to finance leases.

9 Tax on profit on ordinary activities

	2000 £m	1999 £m
UK corporation tax	**60.0**	70.6
Double tax relief	**(35.5)**	(50.7)
	24.5	19.9
Overseas tax	**46.7**	40.9
Deferred tax	**2.9**	(2.8)
	74.1	58.0
Under/(over) provision in prior years	**0.7**	(2.7)
Group tax	**74.8**	55.3
Share of joint ventures' tax	**–**	0.2
Share of associates' tax	**2.2**	3.6
	77.0	59.1

The tax charge on non-operating exceptional items included above is £0.5 million *(1999 credit of £2.8 million)*. If potential deferred tax were provided in full, the tax charge would increase by £1.7 million *(1999 decrease by £2.5 million)*.

10 Dividends

	2000 £m	1999 £m
Interim 4.25p per share (*1999 3.95p*)	**20.0**	20.7
Proposed final 8.25p per share (*1999 7.6p*)	**37.8**	36.1
Prior year dividend adjustment	**(0.7)**	–
	57.1	56.8

The interim dividend of 3.95p per share in 1999 excludes the 0.05p supplement for delayed payment.

The prior year dividend adjustment relates to an over-accrual of 1998/99 dividends due to the repurchase of shares between the year end and the record date for the final dividend.

11 Earnings per share

The basic earnings per share figure is calculated on profit after tax and minority interests of £148.8 million *(1999 £103.7 million)* and on the weighted average of 469.5 million *(1999 506.1 million)* ordinary shares in issue during the year, after excluding the investment in the company's own shares.

The diluted earnings per share figure is based on profit for the year of £148.8 million and on 473.4 million ordinary shares calculated as shown in the table on page 38. The 1999 diluted earnings per share figure is based on profit for the year of £104.0 million, calculated by adding back the £0.3 million after-tax effect of interest paid on the convertible subordinated bonds in issue during that year.

NOTES TO THE FINANCIAL STATEMENTS

11 Earnings per share continued

	2000 m	1999 m
Basic weighted average number of shares	**469.5**	506.1
Dilutive potential ordinary shares arising from convertible bond	–	2.3
Dilutive potential ordinary shares arising from share options	**3.9**	1.3
Total	**473.4**	509.7

The figure for earnings per share before exceptional items is also disclosed to reflect the underlying performance of the group; this calculation is based on adjusted earnings of £147.8 million *(1999 £120.8 million)*, as calculated below, and on the same weighted average number of shares used in the basic earnings per share calculation on page 37.

	2000 £m	2000 Effect on EPS p	1999 £m	1999 Effect on EPS p
Profit after tax and minority interests	**148.8**	**31.7**	103.7	20.5
Exceptional items: Disposal of fixed assets	**(1.5)**	**(0.3)**	(2.3)	(0.5)
Sale and termination of operations	–	–	20.1	4.0
Interest charge on bond buy-back	–	–	2.1	0.4
Tax effect of exceptional items	**0.5**	**0.1**	(2.8)	(0.5)
Underlying earnings and EPS	**147.8**	**31.5**	120.8	23.9

12 Intangible fixed assets

Balance sheet movements	Goodwill £m
Cost	
At 1 April 1999	64.5
Currency adjustments	(2.5)
Acquisitions	10.8
At 31 March 2000	**72.8**
Amortisation	
At 1 April 1999	0.9
Currency adjustments	–
Charge for the year	3.3
At 31 March 2000	**4.2**
Net book value	
At 31 March 2000	**68.6**
At 1 April 1999	63.6

Goodwill is being amortised evenly over 20 years from the date of each acquisition.

13 Tangible fixed assets

Balance sheet movements	Total £m	Land and buildings £m	Plant and machinery £m
Cost			
At 1 April 1999	1,606.1	560.3	1,045.8
Currency adjustments	(86.6)	(33.7)	(52.9)
Acquisitions	58.6	22.0	36.6
Transfers	–	(15.4)	15.4
Additions	85.3	20.5	64.8
Disposals	(31.3)	(6.8)	(24.5)
At 31 March 2000	**1,632.1**	**546.9**	**1,085.2**
Depreciation			
At 1 April 1999	697.2	136.5	560.7
Currency adjustments	(33.5)	(6.8)	(26.7)
Acquisitions	22.6	4.2	18.4
Charge for the year	81.6	19.5	62.1
Disposals	(24.5)	(3.3)	(21.2)
At 31 March 2000	**743.4**	**150.1**	**593.3**
Net book value			
At 31 March 2000	**888.7**	**396.8**	**491.9**
At 1 April 1999	908.9	423.8	485.1

13 Tangible fixed assets continued

The net book value of land and buildings comprises £19.9 million *(1999 £8.6 million)* of long-leasehold property, £5.8 million *(1999 £0.3 million)* of short-leasehold property, mineral reserves of £126.2 million *(1999 £132.3 million)* and other freehold property of £244.9 million *(1999 £282.6 million)*. The net book value of assets held under finance leases was £3.3 million *(1999 £4.1 million)*.

	2000 £m	1999 £m
Depreciation, grants, amortisation and leases		
Operating profit is stated after charging/(crediting):		
Depreciation		
Owned assets	**81.2**	70.7
Leased assets	**0.4**	0.4
Capital grants transferred from deferred credits	**(1.8)**	(1.0)
Amortisation of goodwill	**3.3**	0.9
Operating lease rentals		
Plant and machinery	**5.4**	5.4
Other	**4.1**	1.4
Capital and other commitments		
Capital expenditure contracted for	**12.9**	14.7

Commitments under operating leases are not material.

Certain subsidiaries have entered into contracts to purchase synthetic gypsum over a number of years; the present value of these commitments is unquantifiable due to the nature of the contracts.

The group committed to invest US$24.7 million (£15.3 million) to acquire 61.5% of Gypco Shanghai Company Ltd, formerly Shanghai Orient Gypsum Co Ltd, in February 1999 of which £2.3 million has still to be spent. The group also acquired Thai Gypsum Products' interest in Gypco Shanghai as part of the acquisition referred to in note 25. The group's total interest in Gypco Shanghai's equity at 31 March 2000 was 83.1%.

14 Investments

	Total £m	Associated companies £m	Joint ventures £m	Other £m
Group				
At 1 April 1999	61.8	45.9	13.2	2.7
Currency adjustments	(5.0)	(4.5)	(0.3)	(0.2)
Additions	1.4	0.7	0.6	0.1
Disposals	(0.2)	–	–	(0.2)
Impairment	(0.2)	–	–	(0.2)
Share of retained profits	2.5	4.9	(2.4)	–
At 31 March 2000	**60.3**	**47.0**	**11.1**	**2.2**

	2000 £m	1999 £m
Investments comprise		
Listed	**17.4**	16.2
Unlisted	**42.9**	45.6
	60.3	61.8

Investments in associated companies and joint ventures represent the group's share of their net assets. Other investments are shown at cost. Included in other investments are investments in BPB shares held by the BPB Employee Trust of £0.4 million *(1999 £0.3 million)*. The market value of listed investments was £13.5 million *(1999 £16.7 million)*, of which £0.3 million *(1999 £0.3 million)* related to the company's own shares.

The shares in the company held by the BPB Employee Trust relate to the share matching plan described on page 27. At 31 March 2000, 111,606 shares were held by the Trust, all of which were nil cost options for the benefit of the participants *(1999 107,607 shares)*. The dividends relating to these shares have not been waived.

The shares held by the qualifying employee share ownership trust (QUEST), referred to in note 23, have been consolidated at zero cost.

Details of transactions and balances outstanding between group companies and the group's associates and joint ventures are given in note 28.

The group's principal subsidiary and associated companies and joint ventures are listed on page 46.

14 Investments continued

	Shares at cost 2000 £m	1999 £m
Company		
Investments in subsidiary companies	**806.5**	726.9
Own shares	**0.4**	0.3
	806.9	727.2

The increase in investments in subsidiary companies during the year of £79.6 million arose principally from the purchase of preference shares in a group intermediate holding company from another group company.

15 Stocks

	2000 £m	1999 £m
Raw materials	**41.7**	35.9
Indirect materials	**2.5**	3.0
Work-in-progress	**1.5**	1.3
Finished goods	**59.1**	52.9
	104.8	93.1

The replacement cost of stocks is not materially different from these amounts.

16 Debtors

	Group 2000 £m	Group 1999 £m	Company 2000 £m	Company 1999 £m
Due within one year:				
Trade debtors	**265.5**	236.4	**–**	–
Bills of exchange receivable	**35.5**	47.6	**–**	–
Amounts due from subsidiary companies	**–**	–	**19.7**	37.5
Corporation tax repayable	**3.1**	18.1	**–**	0.9
Advance corporation tax	**–**	11.6	**30.2**	36.2
Other debtors	**13.2**	16.6	**5.7**	2.3
Prepayments and accrued income	**13.1**	13.6	**–**	–
	330.4	343.9	**55.6**	76.9
Due after more than one year:				
Amounts due from subsidiary companies	**–**	–	**359.1**	381.0
Corporation tax repayable	**–**	–	**–**	–
Other debtors	**16.2**	17.7	**–**	–
	16.2	17.7	**359.1**	381.0

17 Net borrowings

	Group 2000 £m	Group 1999 £m	Company 2000 £m	Company 1999 £m
Loans and overdrafts due within one year:				
Instalments due on secured loans	**3.0**	3.2	**–**	–
Bank loans: unsecured	**40.3**	49.9	**39.3**	49.5
Obligations under finance leases	**0.6**	0.6	**–**	–
Other unsecured loans and overdrafts	**16.1**	6.1	**52.9**	11.7
	60.0	59.8	**92.2**	61.2
Loans and finance leases due after more than one year:				
Bank loans: secured	**2.2**	3.5	**–**	–
unsecured	**18.9**	277.0	**3.7**	268.7
Finance leases	**3.1**	4.2	**–**	–
€400 million 6.5% bond 2010	**237.1**	–	**237.1**	–
	261.3	284.7	**240.8**	268.7
Total borrowings	**321.3**	344.5	**333.0**	329.9
Cash at bank and in hand	**(67.7)**	(73.9)	**(28.8)**	(52.7)
Net borrowings	**253.6**	270.6	**304.2**	277.2

Secured loans are charged against the assets of the subsidiary companies concerned.

17 Net borrowings continued

	Group 2000 £m	Group 1999 £m	Company 2000 £m	Company 1999 £m
Aggregate amount of repayments due				
In one year or less	**60.0**	59.8	**92.2**	61.2
In more than one year but not more than two	**15.8**	279.3	**–**	–
In more than two years but not more than five	**3.9**	3.6	**3.7**	268.7
In more than five years	**241.6**	1.8	**237.1**	–
Total borrowings	**321.3**	344.5	**333.0**	329.9

Borrowing powers

The articles of association of BPB plc effectively restrict the net borrowings of the company and its subsidiaries to two times shareholders' funds.

Undrawn borrowing facilities

The group has various undrawn committed borrowing facilities. The facilities available at 31 March in respect of which all conditions precedent had been met were as follows:

	2000 £m	1999 £m
Expiring in one year or less	**278.6**	21.9
Expiring in more than one year but not more than two	**19.3**	42.5
Expiring in more than two years	**175.0**	200.4
	472.9	264.8

18 Other creditors

	Group 2000 £m	Group 1999 £m	Company 2000 £m	Company 1999 £m
Due within one year				
Trade creditors	**113.8**	97.1	**–**	–
Bills of exchange payable	**26.0**	24.6	**–**	–
Amounts due to subsidiary companies	**–**	–	**451.7**	399.2
Corporation tax	**41.4**	19.6	**–**	–
Advance corporation tax	**–**	11.1	**–**	11.1
Other taxes and social security costs	**32.5**	34.0	**3.7**	3.4
Accruals	**47.7**	48.3	**3.4**	7.1
Acquisition consideration	**1.4**	0.4	**1.0**	–
Dividends payable	**37.8**	56.8	**37.8**	56.8
Other creditors	**49.5**	63.9	**3.3**	1.1
	350.1	355.8	**500.9**	478.7
Due after more than one year				
Acquisition consideration	**0.6**	0.3	**0.6**	–
Deferred credits for capital grants	**15.9**	18.3	**–**	–
Other creditors	**12.0**	12.6	**–**	–
	28.5	31.2	**0.6**	–

19 Provisions for liabilities and charges

	Total £m	Deferred tax £m	Retirement benefits £m	Recultivation £m	Redundancy £m	Other provisions £m
At 1 April 1999	58.9	0.9	20.2	19.1	6.9	11.8
Currency adjustments	(5.3)	(0.9)	(1.2)	(1.8)	(0.5)	(0.9)
On acquisitions	6.1	–	5.4	0.2	–	0.5
Charge for the year	18.5	3.0	2.0	1.6	9.0	2.9
Utilised in the year	(13.8)	–	(0.5)	(1.7)	(8.7)	(2.9)
Released in the year	(2.5)	(0.1)	(0.1)	(0.4)	(0.2)	(1.7)
Transfer to current tax	15.3	15.3	–	–	–	–
At 31 March 2000	**77.2**	**18.2**	**25.8**	**17.0**	**6.5**	**9.7**

The provision for retirement benefits includes an amount in respect of unfunded pension liabilities of £18.0 million *(1999 £13.6 million)*.

Recultivation provisions are made when the group has either a legal or constructive obligation to rectify the effects of its mining or quarrying activities. The amounts provided are the liabilities at the balance sheet date to restore mineral workings to an agreed condition. The provisions have been discounted to present values using an average discount rate of 4%, after adjusting for the effects of inflation. The effect of the unwinding of the discount applied to provisions at 31 March 1999 on the interest charge in this year's profit and loss account is immaterial.

19 Provisions for liabilities and charges continued

Redundancy and other provisions are mostly expected to be utilised within a year.

The company's provisions arise in respect of retirement benefits of £4.8 million *(1999 £5.3 million)*. At 31 March 2000 the company had a deferred tax asset of £0.9 million *(1999 £0.4 million)*, which has been included within other debtors due within one year.

20 Deferred tax

	Unprovided potential liability		Provided	
	2000 £m	1999 £m	**2000 £m**	1999 £m
Year end analysis				
Accelerated capital allowances	**74.0**	74.8	**15.9**	15.4
Other timing differences	**(2.7)**	(4.1)	**2.4**	(14.5)
Unrelieved losses	**(2.9)**	(7.1)	**(0.1)**	–
	68.4	63.6	**18.2**	0.9

No provision has been made for any tax which might be payable if profits retained by overseas subsidiary and associated companies were distributed as dividends.

21 Contingent liabilities

The company has guaranteed the liabilities of its Irish subsidiary companies. As a result, under the provisions of Section 17 of the Companies Amendment Act 1986 (Ireland), such subsidiary companies are exempt from the requirement to file their accounts.

The company has also guaranteed the debts of subsidiary companies in Holland as well as certain loans and overdrafts relating to the Canadian and Italian subsidiaries.

It was announced on 25 November 1998 that the Commission of the European Communities had commenced an industry-wide investigation into alleged infringement of Article 81 of the Treaty of Rome within the European gypsum industry. The company is co-operating fully with these inquiries, the outcome of which cannot currently be assessed as they are still at an early stage. BPB has received, and responded to, requests for information but no Statement of Objections has yet been received from the Commission.

22 Treasury policies, financial instruments and derivatives

Treasury policy overview

Group treasury is subject to policies and procedures agreed by the Board. Its main functions are to manage the financial risks of the business and secure funding at minimum cost. Controls seek to prevent fraud, error and unauthorised transactions. The performance of treasury is monitored closely.

It is, and has been throughout the period under review, the group's policy that no speculative trading in financial instruments is undertaken. The main risks arising from financial instruments are interest rate risk, finance and liquidity risk, foreign currency risk and credit risk. The Board reviews and agrees policies for managing each of the risks and these are summarised in the following paragraphs. The market price of all financial instruments is monitored regularly. The group's policies have remained unchanged throughout the period under review.

(a) Treasury policies relating to specific risks

Interest rate risk

The group borrows in desired currencies and then uses interest rate swaps to generate the desired interest profile and to manage its exposure to interest rate fluctuations. Group policy is to keep between 50% and 80% of its borrowings at fixed rates of interest. At the year end, 73% *(1999 67%)* of borrowings were at fixed rates after taking into account interest rate swaps; the longest term of any significant fixed rate debt was 10 years *(1999 7 years)*, and the average maturity of fixed rate gross borrowings was 5.4 years *(1999 3.9 years)*.

A 1% and 5% rise in average interest rates for the year ended 31 March 2000 from market levels seen at March 2000 would reduce group profit before tax by £0.9 million and £4.6 million *(1999 £0.4 million and £2.0 million)* respectively.

22 Treasury policies, financial instruments and derivatives continued

Finance and liquidity risk

The group finances its operations through equity finance, retained profits, bank facilities and debt raised in the capital markets. Funds are normally raised centrally by group treasury and lent to subsidiaries on commercial terms.

Bank debt is in the form of both syndicated and bilateral multicurrency facilities with a range of maturities from one to four years. Capital market debt has a longer maturity of ten years.

The group's objective is to maintain a balance between continuity of funding and flexibility through its funding mix.

In the year to 31 March 2000, the group raised €400 million from a bond issue in the euro market. This increased total committed facilities at the year end to £765 million *(1999 £550 million)*. In addition, the group has access to overdrafts and uncommitted facilities to provide short-term flexibility.

Foreign currency risk

As a result of significant investment in operations overseas, the consolidated balance sheet can be affected significantly by movements in exchange rates. The group seeks to mitigate potential currency exposures by holding a proportion of its debt requirements in local currency. At the year end, the percentage of overseas capital employed excluding goodwill matched by non-sterling borrowings was 32% *(1999 35%)*. The group's objectives are to manage its structural currency exposures in order to maintain a low cost of borrowing whilst providing a partial hedge against currency depreciation.

In the more volatile markets in which the group operates, particular focus is paid to avoiding prohibitive interest costs and erosion of the value of local currency cash balances. Where appropriate, the group will take out forward currency contracts to limit the effect of any depreciation of currencies against sterling.

Additionally, the group has transactional currency exposures arising from sales or purchases by subsidiaries in currencies other than their respective functional currencies. Certain subsidiaries are permitted to use forward currency contracts to eliminate exposures on balances that are not expected to mature within 30 days. The forward currency contracts are in the same currency as the underlying exposure.

Credit risk

The group is potentially exposed to credit-related losses in the event of non-performance by counterparties in relation to financial instruments. However, the group does not expect any counterparties to fail to meet their obligations. Credit risk is controlled by entering into transactions only with highly rated, authorised counterparties and by limiting total exposure to each counterparty. Counterparty exposures are monitored on a regular basis.

(b) Borrowing covenants

With the exception of some small overseas facilities, all borrowings are either in the name of BPB plc, or are guaranteed by BPB plc. Common to all BPB's committed bank borrowings are the following key financial covenants:

– a total borrowings restriction of no more than 100% of net worth; and
– interest is covered at least 2.5 times by profit before interest.

(c) Analysis of financial assets and liabilities

Analysis of financial liabilities (included in notes 17 and 18)
Financial liabilities comprise drawn borrowings and certain other creditors and provisions falling due after one year.

The tables below show the interest rate risk profile of the financial liabilities of the group at 31 March, after taking into account interest rate swaps.

	Total £m	Fixed rate financial liabilities £m	Floating rate financial liabilities £m
Sterling	16.4	–	16.4
Euro	264.1	214.1	50.0
US dollar	38.5	20.7	17.8
Canadian dollar	25.2	–	25.2
Other	16.3	–	16.3
At 31 March 2000	**360.5**	**234.8**	**125.7**
Sterling	44.5	–	44.5
Euro	235.1	208.8	26.3
US dollar	39.8	20.5	19.3
Other	25.1	–	25.1
At 31 March 1999	344.5	229.3	115.2

22 Treasury policies, financial instruments and derivatives continued

The floating rate borrowings bear interest based on LIBOR or local equivalents.
During 1999/00 the group re-appraised the extent to which it has non-interest bearing liabilities that meet the FRS13 definition of financial liabilities. The conclusion of this review was that the group had no material non-interest bearing financial liabilities at either 31 March 2000 or 31 March 1999.

Interest rate analysis and period to maturity of fixed rate financial liabilities	Weighted average interest rate (%)	Weighted average period for which rate is fixed (years)
Sterling	–	–
Euro	4.7	5.4
US dollar	5.9	2.7
Canadian dollar	–	–
Other	–	–
Weighted average at 31 March 2000	**4.7**	**5.4**
Sterling	–	–
Euro	4.0	3.9
US dollar	5.9	3.7
Other	–	–
Weighted average at 31 March 1999	4.0	3.9

Maturity profile of financial liabilities

The maturity profile of the group's financial liabilities at 31 March was:

	2000 £m	1999 £m
Within one year or on demand	**94.3**	66.4
Between one and two years	**15.8**	278.1
Between three and five years	**8.8**	–
More than five years	**241.6**	–
	360.5	344.5

Analysis of financial assets (included in notes 14, 16 and 17)

Financial assets comprise cash balances, other investments and certain other debtors falling due after one year.

	Total £m	Fixed rate financial assets £m	Floating rate financial assets £m
Sterling	5.7	–	5.7
Euro	70.6	–	70.6
Other	29.0	–	29.0
At 31 March 2000	**105.3**	**–**	**105.3**
Sterling	13.9	–	13.9
Euro	38.9	–	38.9
Other	18.6	–	18.6
At 31 March 1999	71.4	–	71.4

Floating rate financial assets earn interest based on LIBID or local equivalents.
In addition, the group has financial assets that are non-interest bearing of £12.7 million *(1999 £12.9 million)*, most of which are denominated in sterling. These are principally debtors due after more than one year and non-interest bearing investments. The average period to maturity of these financial assets at 31 March 2000 was 2.4 years.

(d) Currency exposures

Translation exposures

As explained on page 40, the group manages its structural currency exposures arising from its net asset investments overseas. Gains and losses arising from these currency exposures are recognised as movements in reserves.

Transactional exposures

The group also manages exposures arising where monetary assets and liabilities (principally debtors, creditors and cash) are held in a different currency from the functional currencies of the group's businesses. Gains and losses arising from these currency exposures are recognised in the profit and loss account. The following table details these exposures, some of which are mitigated by forward foreign exchange contracts.

22 Treasury policies, financial instruments and derivatives continued

Net foreign currency monetary assets/(liabilities)	Total £m	Sterling £m	Euro zone £m	US dollar £m	Other £m
Functional currency of operation					
Sterling	10.7	–	7.0	1.5	2.2
Euro	2.5	(0.9)	–	3.7	(0.3)
US dollar	–	–	–	–	–
Other	(1.3)	(2.2)	(2.4)	3.6	(0.3)
At 31 March 2000	**11.9**	**(3.1)**	**4.6**	**8.8**	**1.6**
Functional currency of operation					
Sterling	2.9	–	(1.6)	1.4	3.1
Euro	6.5	2.9	–	3.7	(0.1)
US dollar	–	–	–	–	–
Other	(6.0)	(1.8)	(4.0)	2.7	(2.9)
At 31 March 1999	3.4	1.1	(5.6)	7.8	0.1

(e) Fair value of financial assets and financial liabilities

Set out below is a comparison by category of book and fair values of all the group's financial assets and liabilities at 31 March.

	2000		1999	
Primary financial instruments	Book value £m	Fair value £m	Book value £m	Fair value £m
Liabilities:				
Short-term borrowings and current portion of long-term borrowings	**60.0**	**60.0**	59.8	59.8
Long-term borrowings	**261.3**	**262.4**	284.7	284.7
Other financial liabilities	**39.2**	**39.2**	–	–
	360.5	**361.6**	344.5	344.5
Assets:				
Fixed asset investments (other than associates, joint ventures and own shares)	**1.8**	**1.8**	2.4	2.2
Cash and short-term deposits	**67.7**	**67.7**	73.9	73.9
Other financial assets	**48.5**	**48.5**	8.0	8.0
	118.0	**118.0**	84.3	84.1

Other financial assets and liabilities at 31 March 2000 both include an amount of £34.3 million relating to foreign exchange swap contracts. These assets and liabilities have been offset in the group balance sheet.

	2000		1999	
Derivative financial instruments (hedges)	Book value £m	Fair value £m	Book value £m	Fair value £m
Interest rate swaps	**–**	**5.1**	–	(3.2)
Forward foreign currency contracts	**0.7**	**1.3**	0.2	1.7

The fair value of the group's interest rate swaps is calculated by comparing, for equivalent maturity profiles at the balance sheet date, the rate at which fixed or floating rate debt could be swapped into floating or fixed rates, with the swap rate actually achieved. This produces a positive fair value of interest rate swaps of £5.1 million at 31 March 2000 *(1999 negative £3.2 million)*. This fair value would be realised in the profit and loss account in the period to the maturity of the swaps if interest rates at the balance sheet date remained unchanged.
The fair value of the group's forward currency contracts is calculated by comparing, for equivalent maturity profiles, the rate at which currency contracts with the same principal amounts could be acquired at the balance sheet date with the contracted rate. This produces a positive fair value of £1.3 million at 31 March 2000 *(1999 £1.7 million)*, which will only be realised in the profit and loss account in the period to 31 March 2001 if forward foreign exchange rates at that date remain unchanged.

(f) Use of derivatives

The group uses derivatives to manage interest rate and foreign currency risks as described in the treasury policies section on page 40. The following tables show where the group has unrecognised gains and losses (those not reflected in the 'book value' column in the table above) on derivative instruments used to manage interest rate and foreign currency risk at the year end.
All the unrecognised gains and losses on derivative instruments are expected to be matched by losses and gains on the underlying exposures or positions.

NOTES TO THE FINANCIAL STATEMENTS

22 Treasury policies, financial instruments and derivatives continued

2000	Total £m	Gains £m	Losses £m
Gains and losses unrecognised at 31 March 2000	**5.7**	**6.9**	**(1.2)**
of which:			
Gains and losses expected to be recognised in the profit and loss account in the year ending 31 March 2001	**3.4**	**4.6**	**(1.2)**
Gains and losses included in the profit and loss account that arose in previous years	**(3.8)**	**1.0**	**(4.8)**
1999			
Gains and losses unrecognised at 31 March 1999	(1.7)	2.1	(3.8)
of which:			
Gains and losses expected to be recognised in the profit and loss account in the year ending 31 March 2000	(0.8)	2.0	(2.8)
Gains and losses included in the profit and loss account that arose in previous years	0.7	1.7	(1.0)

23 Share capital

	Number 2000 m	Number 1999 m	Nominal value 2000 £m	Nominal value 1999 £m
Ordinary shares of 50p each				
Authorised	**680.0**	680.0	**340.0**	340.0
Allotted, called up and fully paid	**458.2**	474.7	**229.1**	237.3

During the year, within the 10% limit authorised by shareholders at the 1999 annual general meeting, the company bought back 4.6% of its allotted share capital in order to improve the efficiency of the group's capital structure. This amounted to 21,593,171 shares at an average price of 321.6p each for a total cost, including expenses, of £69.9 million. The total nominal value of the shares purchased (£10.8 million) has been credited to the capital redemption reserve (see note 24).

Option schemes

Allotments of shares by the parent company and options granted during the year under the company's employee share option schemes were as follows:

	Allotments: Shares	Allotments: Consideration	Options granted: Number	Options granted: Shares	Options granted: Exercise period	Options granted: Price
SAYE:	826,530	£1.9m	708	506,825	1.3.03-31.8.03	272p
			495	562,744	1.3.05-31.8.05	272p
Senior executive:	1,463,922	£3.9m	55	1,025,700	15.7.02-14.7.09	395p

At the annual general meeting in 1999 shareholders approved the adoption of a further SAYE employee share option scheme (the 1999 scheme) to replace the existing 1989 SAYE scheme; no options have been granted under the 1989 scheme during the year, although outstanding rights under that scheme remain unaffected.

At 31 March 2000, 4,566 options over 8,501,961 shares were outstanding under the company's SAYE share option schemes, exercisable during various periods up to 31 August 2005 at prices between 171p and 278p per share. A further 274 options over 4,902,291 shares were outstanding under the senior executive schemes, exercisable during various periods up to 14 July 2009 at prices between 161p and 395p per share.

In September 1999, the company established a qualifying employee share ownership trust (QUEST) to acquire BPB ordinary shares for transfer to employees exercising options under BPB's two UK SAYE share option schemes. The trustee of the QUEST is BPB QUEST Trustees Ltd, a wholly-owned subsidiary of the company. During the year, the QUEST acquired 2,828,001 shares at a cost of £10.2 million and transferred a total of 646,980 shares to employees on the exercise of options for a consideration of £1.7 million (excluded from the figures for shares allotted under the company's SAYE share option schemes given in the table above). All employees of UK group subsidiary companies, including executive directors of the company, are potential beneficiaries under the QUEST. The QUEST has waived the dividends payable on all the 2,181,021 *(1999 nil)* shares that it owned at 31 March 2000.

24 Reserves

Movements in reserves	Total £m	Share premium £m	Capital redemption reserve £m	Profit and loss account £m
Group				
At 1 April 1999	511.2	114.7	21.8	374.7
Currency adjustments				
Overseas net assets	(62.5)	–	–	(62.5)
Borrowings	21.2	–	–	21.2
Premium on shares issued	13.4	13.4	–	–
Share buy-backs	(59.1)	–	10.8	(69.9)
Movements relating to the QUEST	(8.5)	–	–	(8.5)
Profit retained	91.7	–	–	91.7
At 31 March 2000	**507.4**	**128.1**	**32.6**	**346.7**
Company				
At 1 April 1999	186.6	114.7	21.8	50.1
Premium on shares issued	13.4	13.4	–	–
Share buy-backs	(59.1)	–	10.8	(69.9)
Movements relating to the QUEST	(0.4)	–	–	(0.4)
Profit retained	41.5	–	–	41.5
At 31 March 2000	**182.0**	**128.1**	**32.6**	**21.3**

Certain subsidiary and associated companies would be liable for additional tax if their reserves were distributed.

Prior to the adoption of FRS10 on 1 April 1998, cumulative goodwill of £241.3 million had been written off to reserves and £7.4 million added to reserves in respect of subsidiary and associated companies currently within the group. This goodwill will be charged or credited to the profit and loss account in calculating the profit or loss on any subsequent disposal of the entities to which it relates.

Goodwill arising after 1 April 1998 has been capitalised on the consolidated balance sheet as an intangible fixed asset (see note 12).

The movement in reserves relating to the qualifying employee share ownership trust (QUEST) represents payments made by group companies to the QUEST to allow it to purchase shares in BPB plc for the purpose of satisfying SAYE options on exercise, less amounts received by the QUEST from option holders.

Movements in shareholders' funds	2000 £m	1999 £m
At 1 April	**748.5**	777.1
Total recognised gains and losses for the year	**107.5**	108.5
Dividends	**(57.1)**	(56.8)
Movements relating to the QUEST	**(8.5)**	–
Share buy-backs	**(69.9)**	(84.4)
New shares issued	**16.0**	4.1
At 31 March	**736.5**	748.5

25 Acquisitions

Acquisition of Thai Gypsum Products pcl ('TGP')

On 20 December 1999, as part of a Court approved financial restructuring plan under the Bankruptcy Act in Thailand, BPB acquired a 70.5% equity interest in TGP. The book value of the net assets acquired and the adjustments made to reflect their fair values to the BPB group are shown in the table below.

	Book value £m	Revaluation £m	Accounting policy £m	Fair value to the group £m
Tangible fixed assets	37.1	(8.3)	4.2	33.0
Other assets	3.6	–	(2.9)	0.7
Stocks	3.9	–	(1.0)	2.9
Trade debtors	4.4	–	(1.2)	3.2
Net cash	0.4	–	–	0.4
Creditors due within one year	(9.0)	–	(0.6)	(9.6)
Other creditors and provisions	–	–	(2.3)	(2.3)
Net assets acquired	40.4	(8.3)	(3.8)	**28.3**
Minority interest				(8.3)
BPB share of net assets acquired				20.0
Goodwill				3.8
Consideration				**23.8**

The revaluation of fixed assets to fair value was made to reduce the values shown in TGP's accounts to the amounts recoverable. Accounting policy adjustments were made to align TGP's accounts with UK GAAP and with BPB's accounting policies in respect of mineral reserves, the capitalisation of costs, working capital provisioning and recultivation provisions.

In the year from 1 January 1999 to acquisition, the TGP group made a loss after tax of £40.9 million *(1998 loss £16.9 million)*. These results are not indicative of the future financial performance of the business as they relate to the period before the financial restructuring that took place in conjunction with BPB's acquisition. No material charges were made for re-organisation and redundancy costs, or related asset write-downs in the year prior to acquisition.

Since the acquisition, BPB has acquired a further 0.25% of TGP's share capital through market purchases. BPB's total interest in TGP's share capital at 31 March 2000 was therefore 70.75%. As described in note 28, TGP's managing director and former principal shareholder has a three year option to repurchase up to 20% of the shares in TGP from BPB.

Other acquisitions

The group's remaining acquisition spend in the year of £29.0 million, net of cash acquired, related principally to: the acquisition of TGP's minority interest in Gypco Shanghai Company Ltd; further investments in Gypco Shanghai under the subscription agreement entered into in February 1999 (see note 13); the acquisition of the remaining minority interests in Iberyeso; and the acquisition of Gypsum Turda srl, Romania. The total goodwill arising on these transactions was £7.0 million and no material fair value adjustments were made to the assets acquired. The post-acquisition profits generated by these transactions have not had a material effect on the group's results or cash flows.

26 Net cash inflow from operating activities

		2000 £m		1999 £m
Operating profit		**230.4**		173.9
Depreciation less transfers from deferred credits		**79.8**		70.1
Amortisation of goodwill		**3.3**		0.9
EBITDA		**313.5**		244.9
Changes in working capital				
Stocks and work-in-progress	**(13.9)**		5.0	
Debtors	**(28.1)**		(5.0)	
Creditors and provisions	**19.0**		(0.3)	
		(23.0)		(0.3)
Net cash inflow from operating activities		**290.5**		244.6

27 Changes in net borrowings

	Total net borrowings 2000 £m	1999 £m	Loans and finance leases 2000 £m	1999 £m	Cash and overdrafts 2000 £m	1999 £m
At 1 April	**(270.6)**	(79.9)	**(338.7)**	(126.7)	**68.1**	46.8
Currency adjustments	**20.4**	(11.0)	**22.4**	(11.4)	**(2.0)**	0.4
Cash flows for the year:						
Net cash inflow	**(33.2)**	43.9	–	–	**(33.2)**	43.9
Management of liquid resources	**18.7**	(23.0)	–	–	**18.7**	(23.0)
Conversion of subordinated bonds	–	1.3	–	1.3	–	–
New loans	**(290.1)**	(311.9)	**(290.1)**	(311.9)	–	–
Loans repaid	**300.6**	109.4	**300.6**	109.4	–	–
Finance lease capital repayments	**0.6**	0.6	**0.6**	0.6	–	–
At 31 March	**(253.6)**	(270.6)	**(305.2)**	(338.7)	**51.6**	68.1
Comprising:						
Cash at bank and in hand					**67.7**	73.9
Overdrafts					**(16.1)**	(5.8)
					51.6	68.1

Liquid resources comprise mainly short-term deposits.

Changes in new loans, loans repaid and finance lease capital repayments resulted in a decrease in debt of £11.1 million *(1999 increase of £201.9 million)*.

28 Related party transactions

During the year the group purchased goods from, and sold goods to, its associated companies and joint ventures for £0.9 million and £2.5 million respectively *(1999 £5.2 million and £2.0 million)*. The amounts outstanding at the year end on these purchases and sales were £0.1 million and £0.3 million respectively *(1999 £0.2 million and £0.5 million)*.

The group received royalties from associated companies of £0.4 million *(1999 £0.8 million),* of which none was outstanding at the year end *(1999 £0.2 million)*. In addition, the group recharged £1.6 million *(1999 £1.4 million)* to its associated companies in respect of administrative costs incurred on their behalf; the amount outstanding at the year end was £0.4 million *(1999 £0.2 million)*.

At the year end, a loan from BPB United Kingdom Ltd to a joint venture, British Gypsum-Isover Ltd, of £10.5 million (including nil interest) was outstanding *(1999 £10.7 million, including £0.2 million interest)*.

As part of the main acquisition described in note 25, TGP's managing director and former principal shareholder, Mr Krisada Kampanatsanyakorn, was granted a three year option to acquire up to 20% of TGP's equity from BPB at the original subscription price paid by BPB on acquisition.

29 Post balance sheet events

On 13 April 2000 BPB announced the closure of Fiberite Merton Packaging. The closure costs arising from this decision will be incurred in the current financial year. The results of this business are included in 'Paperboard – other businesses' in the segmental analysis in note 3 on page 36.

On 17 April 2000 BPB completed the acquisition of Heidelberger Dammsysteme GmbH, one of the largest European manufacturers of expanded polystyrene insulation products for £22 million, excluding costs.

On 1 June 2000 BPB reached agreement to acquire certain businesses of Celotex Corporation for US$345 million. Further details are given in the Chairman's statement and Chief Executive's review on pages 5 and 7 respectively.

FIVE YEAR FINANCIAL SUMMARY

Year to 31 March		2000 £m	1999 £m	1998 £m	1997 £m	1996 £m
Profit and loss account summary						
Turnover						
Building materials						
North & Western Europe		**398.8**	327.4	294.6	281.1	282.9
Southern Europe		**471.0**	463.7	433.6	491.2	503.0
Central & Eastern Europe		**221.8**	220.2	212.5	223.6	229.9
Rest of the World		**226.8**	175.8	175.4	168.2	151.4
		1,318.4	1,187.1	1,116.1	1,164.1	1,167.2
Paperboard						
North & Western Europe		**106.7**	117.9	160.0	170.8	199.9
Elsewhere		**84.3**	74.0	82.9	115.3	125.3
		191.0	191.9	242.9	286.1	325.2
Less inter-class		**(82.6)**	(63.7)	(58.8)	(64.7)	(69.1)
Group turnover		**1,426.8**	1,315.3	1,300.2	1,385.5	1,423.3
Growth	%	***8.5***	*1.2*	*(6.2)*	*(2.7)*	*9.9*
Operating profit (note a)						
Building materials						
North & Western Europe		**80.8**	64.1	58.9	n/a	n/a
Southern Europe		**74.1**	68.4	59.1	n/a	n/a
Central & Eastern Europe		**16.5**	10.8	21.1	n/a	n/a
Rest of the World		**38.7**	20.5	17.1	n/a	n/a
Building materials total		**210.1**	163.8	156.2	152.6	141.6
Return on sales	%	***15.9***	*13.8*	*14.0*	*13.1*	*12.1*
Paperboard						
North & Western Europe		**17.5**	9.1	7.0	n/a	n/a
Elsewhere		**2.8**	1.0	0.4	n/a	n/a
Paperboard total		**20.3**	10.1	7.4	13.4	17.8
Return on sales	%	***10.6***	*5.3*	*3.0*	*4.7*	*5.5*
Group operating profit		**230.4**	173.9	163.6	166.0	159.4
Growth	%	***32.5***	*6.3*	*(1.4)*	*4.1*	*2.6*
Return on sales	%	***16.1***	*13.2*	*12.6*	*12.0*	*11.2*
Disposals of fixed assets and businesses		**1.5**	(17.8)	(23.6)	14.3	1.6
Share of profits of associated companies and joint ventures		**6.2**	13.0	11.6	12.8	7.6
Profit on ordinary activities before interest		**238.1**	169.1	151.6	193.1	168.6
Exceptional interest charge on bond buy-back		**–**	(2.1)	(14.9)	–	–
Other net interest payable		**(12.5)**	(4.7)	(2.1)	(4.0)	(7.2)
Profit on ordinary activities before tax		**225.6**	162.3	134.6	189.1	161.4
Tax on profit on ordinary activities		**(77.0)**	(59.1)	(50.1)	(57.7)	(52.7)
Minority interests		**0.2**	0.5	(0.8)	(4.2)	(5.8)
Profit attributable to BPB plc		**148.8**	103.7	83.7	127.2	102.9
Pre-tax profit before exceptional items	£m	**224.1**	182.2	173.1	174.8	159.8
Growth	%	***23.0***	*5.3*	*(1.0)*	*9.4*	*2.6*
Tax rate before exceptional items	%	**34.1**	34.0	33.3	32.0	31.7
Shares in issue (average)	m	**469.5**	506.1	514.3	507.9	503.5
Basic earnings per share	p	**31.7**	20.5	16.3	25.0	20.4
Growth	%	***54.6***	*25.8*	*(34.8)*	*22.5*	*(4.2)*
Earnings per share (before exceptional items)	p	**31.5**	23.9	22.3	22.6	20.5
Growth	%	***31.8***	*7.2*	*(1.3)*	*10.2*	*(1.4)*
Dividends per share	p	**12.5**	11.55	11.0	10.3	9.7
Growth	%	***8.2***	*5.0*	*6.8*	*6.2*	*7.8*
Dividends	£m	**57.1**	56.8	56.9	52.8	49.0

		2000 £m	1999 £m	1998 £m	1997 £m	1996 £m
Balance sheet summary						
Shareholders' funds		**736.5**	748.5	777.1	776.3	792.7
Minority interests		**23.1**	24.0	14.3	39.4	61.8
Net borrowings		**253.6**	270.6	79.9	74.6	81.5
Dividends payable		**37.8**	56.8	37.3	34.6	32.1
Cumulative goodwill amortised and written off		**238.1**	234.8	233.9	239.1	201.1
Capital invested		**1,289.1**	1,334.7	1,142.5	1,164.0	1,169.2
Growth	%	***(3.4)***	*16.8*	*(1.8)*	*(0.4)*	*4.7*
Return on capital invested (note b)	%	**12.1**	10.2	10.1	10.4	10.0
Return on shareholders' funds (note c)	%	**15.4**	12.2	11.3	11.4	10.8
Gearing (note d)	%	**33.4**	35.0	10.1	9.1	9.5
Group interest cover (before exceptional interest)	times	**19.0**	36.0	72.2	48.3	23.4
Cash flow summary						
EBITDA (note e)		**313.5**	244.9	230.3	238.1	232.7
Free cash flow (note f)		**111.5**	23.9	3.5	33.3	47.3
Net cash flow (note g)		**(12.2)**	(190.0)	(40.0)	(32.0)	27.8
Capital expenditure		**83.4**	124.5	108.1	107.1	88.0
Acquisitions		**52.4**	119.4	24.5	82.3	24.8
Share buy-backs		**69.9**	84.4	–	–	–
Other statistics						
Share price: high	p	**415**	446	399	392	340
low	p	**247**	183	298	303	268
Year end market capitalisation	£m	**1,434**	1,282	1,952	1,716	1,567
Number of shares in issue at 31 March	m	**458.2**	474.7	516.4	512.4	505.6
Ordinary shareholdings	000	**8.3**	8.9	9.3	10.0	10.3

Notes

a) A geographical segmentation of operating profit has not been presented for 1996 and 1997 as it is impracticable to do so for those years.

b) Underlying profit before interest and after tax, as a percentage of average capital invested (including goodwill amortised and written off to reserves).

c) Underlying profit attributable to BPB plc as a percentage of average shareholders' funds (including goodwill amortised and written off to reserves).

d) Net borrowings as a percentage of shareholders' funds plus minority interests.

e) Earnings before interest, tax, depreciation less deferred credits, and amortisation.

f) Cash flow before acquisitions, disposals, share buy-backs, exceptional interest charges, use of liquid resources and financing.

g) Cash flow after acquisitions, disposals, share buy-backs and exceptional interest charges, but before use of liquid resources and financing.