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Registered number 147271

BPB Limited

Directors' report and financial statements

Registered number 147271

Year ended 31 December 2009

Contents

Company information

BPB Limited
Registered Number 147271

DIRECTORS
E A M Chartier
J-P Clavel
C R A Imauven
T Lambert (appointed 12 February 2009)
R Lazard (resigned 19 February 2009)
C-A Tardy (appointed 17 March 2009)

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
Saint-Gobain House
Binley Business Park
Coventry
CV3 2TT

Directors' Report

The directors submit their report and financial statements for the year ended 31 December 2009

RESULTS AND DIVIDENDS

The company made a profit for the year ended 31 December 2009 of £90 4 million (year ended 31 December 2008 £121 1 million), including dividends received from other group companies of £89 0 million (year ended 31 December 2008 £93 5 million)

An interim dividend of £89 0 million was paid on the 20 May 2009 (year ended 31 December 2008 £98 0 million) The directors do not recommend the payment of a final dividend for the year ended 31 December 2009 (year ended 31 December 2008 £nil) resulting in total dividends of £89 0 million (year ended 31 December 2008 £98 0 million)

REVIEW OF THE BUSINESS

The company acts as an intermediate investment holding company within the construction products 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, particularly within the research and development function The company also has a stock management and risk avoidance function whereby a stock of paper, to be used in the production of plasterboard, is maintained in various sites and used to supply group companies when required

The operating profit of the company for the year was £10 6 million (year ended 31 December 2008 operating profit of £25 3 million) The company also received dividend income from subsidiaries of £89 0 million (year ended 31 December 2008 £93 5 million)

In the year ended 31 December 2009 the company's profit after tax was £90 4 million (year ended 31 December 2008 £121 1 million), with the movement in profitability explained principally by reduction in other operating income, relating to the partial refund of an EC fine, of £15 7 million in 2008, and by a reduction in £42 3 million financial income, mainly relating to the reduction in expected return on defined benefit pension plan assets following a change in the group accounting for pensions on 14 May 2008 The financial expense is also reduced by £15 7 million compared with 2009 mainly due to the reduction in the interest on defined benefit pension plan obligation There was also a decrease in dividends received from subsidiary companies which fell from £93 5 million in the ended 31 December 2008 to £89 0 million in the year ended 31 December 2009

PRINCIPAL RISKS AND UNCERTAINTIES

Risks facing the Saint-Gobain group, which includes BPB Limited, are discussed in the Annual Report of Saint-Gobain As an intermediate holding company with most of its income arising from group companies, there are no other significant risks within the company

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 December 2009 was 61 days (year ended 31 December 2008 39 days)

RESEARCH AND DEVELOPMENT

During the year ended 31 December 2009 the company spent £5 0 million (year ended 31 December 2008 £5 6 million) on research and development work targeting the areas of improved product functionalities and more efficient processes, leading to increased manufacturing efficiency, improved product quality and the introduction of new products within Saint-Gobain's global gypsum business

CHARITABLE AND POLITICAL CONTRIBUTIONS

Donations for charitable purposes in the UK amounted to £150 (year ended 31 December 2008 £150) The company did not make donations to or incur expenses to benefit any UK or other EU political organisations (year ended 31 December 2008 nil)

Directors' Report *(continued)*

DISCLOSURE OF INFORMATION TO AUDITORS

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware, and that each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

DIRECTORS

The directors of the company who served during the year ended 31 December 2009 were as listed on page 1

AUDITORS

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG Audit Plc will therefore continue in office

By order of the board

A R Oxenham
Secretary
20/09/2010.

Saint-Gobain House
Binley Business Park
Coventry
CV3 2TT

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 IFRSs as adopted by the EU and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 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

Under applicable law and regulations, the directors are also responsible for preparing a Directors' Report that complies with that law and those regulations

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

KPMG

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 December 2009 set out on pages 6 to 40 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 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 auditors' 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

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www frc org uk/apb/scope/UKNP

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its profit for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the EU, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

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

Wayne Cox *(Senior Statutory Auditor)*

for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
St Nicholas House
Park Row
Nottingham NG1 6FQ

20 September 2010

Income statement
for year ended 31 December 2009

	Note	Year ended 31 December 2009 £m	Year ended 31 December 2008 £m
Revenue	1	**1.0**	3 3
Cost of sales		**(0.7)**	(2 1)
Gross profit		**0.3**	1 2
Other operating income	2	**25.5**	46 6
Distribution expenses		**(0.1)**	(0 3)
Administrative expenses		**(15.1)**	(22 2)
Operating profit	1,3,4,5	**10.6**	25 3
Financial income	6	**96.2**	138 5
Financial expenses	6	**(22.2)**	(37 9)
Net financing income		**74.0**	100 6
Profit before tax		**84.6**	125 9
Taxation	7	**5.8**	(4 8)
Profit for the year		**90.4**	121 1

All the company's results are derived from continuing activities

Statement of comprehensive income
for the year ended 31 December 2009

	Note	**Year ended 31 December 2009 £m**	Year ended 31 December 2008 £m
Actuarial gains and losses on defined benefit pension plans		**(14.3)**	(14 6)
Tax recognised on actuarial loss		**4 0**	4 1
Other comprehensive expenses for the period net of income tax		**(10.3)**	(10 5)
Profit for the year		**90.4**	121 1
Total comprehensive income for the period		**80 1**	110 6

Balance sheet
at 31 December 2009

	Note	31 December 2009 £m	31 December 2008 £m
Non-current assets			
Property, plant and equipment	8	**3.6**	3 6
Intangible assets	9	**1 0**	1 1
Investment in subsidiaries	10	**1,060.7**	1,060 7
Other financial assets	11	**774 1**	169 0
Deferred tax assets	13	**7 7**	5 4
		1,847 1	1,239 8
Current assets			
Inventories	14	**1.4**	1 5
Tax receivable		**-**	-
Other financial assets	11	**673 7**	1,309 4
Trade and other receivables	15	**16 9**	21 3
		692 0	1,332 2
Total assets		**2,539 1**	2,572 0
Current liabilities			
Trade and other payables	17	**(4 8)**	(7 6)
Tax payable		**(22 5)**	(21 9)
Provisions	19	**(0 1)**	(0 3)
Other financial liabilities	12	**(425 9)**	(713 2)
Other interest-bearing loans and borrowings	16	**-**	(0 2)
		(453 3)	(743 2)
Non current liabilities			
Employee benefits	18	**(27.9)**	(18 9)
Other financial liabilities	12	**(902.4)**	(645 6)
		(930.3)	(664 5)
Total liabilities		**(1,383.6)**	(1,407 7)
Net assets		**1,155.5**	1,164 3
Equity			
Share capital	20	**717 9**	717 9
Share premium		**292 7**	292 7
Capital redemption reserve		**32 7**	32 7
Retained earnings		**112.2**	121 0
Total equity		**1,155.5**	1,164 3

These financial statements were approved by the board of directors on 20/09/2010 and were signed on its behalf by

Edouard Chartier
Director Company number 147271

Statement of changes in equity
at 31 December 2009

	Share capital £m	Share premium £m	Capital redemption reserve £m
Balance at 1 January 2008	717 9	292 7	32 7
Total comprehensive income	-	-	-
Dividends	-	-	-
Balance at 31 December 2008	717 9	292 7	32 7

	Retained earnings £m	Total parent equity £m
Balance at 1 January 2008	108 3	1,151 6
Total comprehensive income	110 6	110 6
Share based payments	0 1	0 1
Dividends	(98 0)	(98 0)
Balance at 31 December 2008	121 0	1,164 3

	Share capital £m	**Share premium £m**	**Capital redemption reserve £m**
Balance at 1 January 2009	717 9	292 7	32 7
Total recognised income and expense	-	-	-
Dividends	-	-	-
Balance at 31 December 2009	**717 9**	**292.7**	**32.7**

	Retained earnings £m	**Total parent equity £m**
Balance at 1 January 2009	121 0	1,164 3
Total recognised income and expense	80 1	80 1
Capital contributions re share based payments	0 1	0 1
Dividends	(89 0)	(89 0)
Balance at 31 December 2009	**112.2**	**1,155.5**

The aggregate tax recognised directly in equity was a £12 3 million credit (year ended 31 December 2008 £8 3 million credit)

Cash flow statement
for the year ended 31 December 2009

	Note	Year ended 31 December 2009 £m	Year ended 31 December 2008 £m
Cash flows from operatıng actıvities			
Profit for the year		**90.4**	121 1
Adjustments for			
Depreciatıon, amortısatıon and ımpaırment and loss on dısposal	8,9	**0.6**	0 8
Foreıgn exchange gaın		**1.3**	-
Fınancıal ıncome	6	**(96.2)**	(138 5)
Fınancıal expense	6	**22.2**	37 9
Equıty settled share-based payment expenses		**0.1**	0 1
Taxatıon	7	**(5.8)**	4 8
Cash flows from operations before changes ın workıng capıtal and provısıons		**12.6**	26 2
Decrease ın trade and other receıvables		**4 4**	6 2
Decrease ın stock		**0.1**	0 1
Decrease ın trade and other payables		**(2.8)**	(0 7)
Decrease ın provısıons and employee benefits		**(6.6)**	(1 6)
Cash generated from/(used ın) the operatıons		**7.7**	30 2
Tax refunded		**8.1**	13 7
Net cash from operating actıvitıes		**15.8**	43 9
Cash flows from ınvestıng actıvıtıes			
Interest receıved		**-**	10 4
Dıvıdends receıved	6	**89.0**	93 5
Acquısıtıon of property, plant and equıpment	8	**(0.5)**	(1 3)
Net cash from ınvestıng actıvıtıes		**88.5**	102 6
Cash flows from financıng actıvıtıes			
Increase/(decrease) ın amounts due to other group companıes		**0 1**	(29 1)
Interest paıd		**(15.2)**	(17 4)
Repayment of borrowıngs		**(0.2)**	(3 9)
Dıvıdends paıd	20	**(89.0)**	(98 0)
Net cash from financing actıvıtıes		**(104.3)**	(148 4)
Net decrease ın cash and cash equıvalents		**-**	(1 9)
Cash and cash equıvalents at start of year		**-**	1 9
Cash and cash equıvalents at end of year		**-**	-

Notes
(Forming part of the financial statements)

1 Accounting policies

BPB Limited is a company incorporated in the United Kingdom

The Company is exempt by virtue of s400 of the Companies Act 2006 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

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, financial instruments classified as fair value through the profit or loss or as available-for-sale and investment property or, in the case of plant, machinery and equipment at deemed cost 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

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

Notes *(continued)*

1 Accounting policies *(continued)*

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

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment

Leases in which the company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses Lease payments are accounted for as described below

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment

- Machinery & Equipment over 2 to 20 years
- Furniture, Fixtures & Office Equipment over 2 to 5 years

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

Inventories

Inventories 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 through no indication of impairment existed This was done as part of the review of assets and carrying value following the acquisition of BPB Limited (formerly BPB Plc) 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

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

Notes *(continued)*

1 Accounting policies *(continued)*

Employee benefits

Defined contribution plans

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

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 that arise in calculating the company's obligation in respect of a plan are now recognised in full in the period in which they arise

Until 14 May 2008 the company was the sponsoring employer of a group wide defined benefit pension plan As there was 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 was recognised fully by the sponsoring employer, which is the company Contributions were 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

From 14 May 2008 the group pension schemes became part of the Saint-Gobain pension scheme in the United Kingdom and the company adopted the stated group policy for charging the net defined benefit cost of the plan to participating entities on the basis of current pensionable pay

Share-based payments

Saint-Gobain operates stock option plans which are decided by the Board of Directors of Compagnie de Saint-Gobain, the ultimate holding company The Saint-Gobain Group has applied IFRS2 to all of its stock option plans since the plan launch on November 20, 2002 The main general conditions set out by the Board for the exercise of these options are the following

- Options must be exercised within ten years of the date of the grant,
- The minimum period before the options vest is three years,
- All rights to options are forfeited if the employee terminates employment with the Group, unless expressly agreed otherwise with by the Chairman of the Board and the Appointments Committee

In 2009, the Board has also announced a free share plan whereby every employee of the Group is entitled to a certain number of shares, generally 7, which will vest on 31 March 2014, subject to continuous employment and Group performance conditions being met

Costs related to stock option plans are calculated using the Black & Scholes option pricing model, based on the following parameters

- Volatility assumptions, which take into account the historical volatility of the share price over a rolling 10-year period, as well as implied volatility from traded share options as observed since the Oceane bond issue in January 2002 Periods during which the share price was extraordinarily volatile have been disregarded
- Assumptions relating to the average holding period of options, based on the actual behaviour of option holders observed in recent years for the plans established between 1993 and 1997
- Expected dividends, as assessed on the basis of historical information dating back to 1988
- The risk-free interest rate, which is the yield on long-term government bonds

Full details of the share based payments can be found in the annual report of Compagnie de Saint-Gobain The cost calculated using this method is recognised in the income statement over the vesting period of the options The transactions are recognised as equity-settled share-based payment transactions The Saint-Gobain Group also offers opportunities for employees to purchase shares through a monthly tax-free plan and an annual discounted purchase plan The impact of these schemes is not material to the company in 2009

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 on defined benefit pension obligations, expected return on defined benefit pension assets, interest receivable on funds invested, dividend income, foreign exchange gains and losses that are recognised in the income statement (see accounting policy for Derivative financial instruments and hedging)

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method Dividend income is recognised in the Income Statement on the date the entity's right to receive payment is established

Taxation

Tax on the profit or loss for the period 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 period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods

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 period

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 have been issued but have not been applied by the company in these financial statements Their adoption is not expected to have a material affect on the financial statements unless otherwise indicated

Revised IFRS 3 'Business Combinations' (mandatory for the year commencing on or after 1 July 2009)

Amendments to IAS 27 'Consolidated and Separate Financial Statements' (mandatory for the year commencing on or after 1 July 2009)

IFRIC 12 'Service Concession Arrangements' (Mandatory for EU adopters for years beginning on or after 29 March 2009)

IFRIC 16 'Hedges of a Net Investment in a Foreign Operation' (mandatory for EU adopters for the year commencing on or after 30 June 2009)

Amendments to IAS 39 'Financial Instruments Recognition and Measurement Eligible Hedged Items' (mandatory for year commencing on or after 1 July 2009 Subject to EU endorsement)

Amendments to IFRIC 9 and IAS 39 Embedded Derivatives' (mandatory for year commencing on or after 30 June 2009 Subject to EU endorsement)

Amendments to IFRS 2 Group Cash-Settled Share-based payments transactions (mandatory for year commencing on or after 1 January 2010 Subject to EU endorsement)

Improvements to IFRSs (issued 16 April 2009) (adoption dates varies but certain improvements are mandatory for the year commencing on or after 1 July 2009)

IFRIC 17 'Distributions of Non-cash Assets to Owners' (mandatory for year commencing on or after 1 July 2009 Subject to EU endorsement)

IFRIC 18 'Transfer of Assets from Customers' (mandatory for year commencing on or after 1 July 2009 Subject to EU endorsement)

Notes *(continued)*

2. Other operating income

	Year ended 31 December 2009 £m	Year ended 31 December 2008 £m
Technical fees	**21.7**	25 4
Rebates receivable from paper suppliers	**3.6**	5 4
Royalty income	**0.2**	0 1
EC fine refund	**-**	15 7
	25.5	46 6

On 8th July 2008, the European Court of First Instance reduced the level of fine imposed on BPB Limited on 27 November 2002 on account of cooperation provided by the company during the investigation

3. Expenses and auditor's remuneration

Included in profit/loss are the following

	Year ended 31 December 2009 £m	Year ended 31 December 2008 £m
Research and development expensed as incurred	**5.0**	5 6
Depreciation and amortisation	**0 6**	0 8

Auditor's remuneration

	Year ended 31 December 2009 £m	Year ended 31 December 2008 £m
Amounts receivable by the auditors and their associates in respect of		
Audit of these financial statements	**0 1**	0 1

4. Staff numbers and costs

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

	Number of employees Year ended 31 December 2009	Year ended 31 December 2008
Non manufacturing	**114**	123

Notes *(continued)*

4. Staff numbers and costs *(continued)*

	Year ended 31 December 2009 £m	Year ended 31 December 2008 £m
The aggregate payroll costs of these persons were as follows		
Wages and salaries	**6.9**	8 0
Social security costs	**0.6**	0 7
Other pension costs	**0.8**	6 1
	8.3	14 8

5. Directors' emoluments

	Year ended 31 December 2009 £m	Year ended 31 December 2008 £m
Directors' emoluments	-	-

The directors of the company are also directors of several other companies within the Saint-Gobain Group, and their emoluments are borne by these other companies They do not consider that their duties in respect of BPB Limited take up a significant proportion of their time, and no director receives any emoluments from the company, nor are they 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 between their services as directors of the company and their services to other companies in the group

Notes *(continued)*

6. Finance income and expense

	Year ended 31 December 2009 £m	Year ended 31 December 2008 £m
Interest receivable from other group companies	-	0 6
Other interest receivable	-	4 1
Other finance income from other group companies	-	5 7
Dividends received from subsidiaries	**89 0**	93 5
Other investments		
Net foreign exchange gain	**1.3**	0 1
Expected return on defined benefit pension plan assets	**5.9**	25 7
Pension contributions made by subsidiaries	-	8 8
Financial income	**96 2**	138 5
Interest payable to other group companies	**(15.2)**	(17 4)
Interest on defined benefit pension plan obligation	**(7.0)**	(20 5)
Financial expense	**(22.2)**	(37 9)

7. Taxation

Recognised in the income statement

	Year ended 31 December 2009 £m	Year ended 31 December 2008 £m
Current tax expense		
Current year - corporation tax	**2.8**	(0 4)
Adjustments for prior years	**4.7**	-
Overseas tax paid	-	0 6
	7.5	0 2
Deferred tax expense		
Origination and reversal of temporary differences - current year	**(1.7)**	(5 0)
Origination and reversal of temporary differences - adjustments for prior periods	-	-
Total tax in income statement	**5.8**	(4 8)

Notes *(continued)*

7 Taxation *(continued)*

Reconciliation of effective tax rate

	Year ended 31 December 2009 £m	Year ended 31 December 2008 £m
Profit before tax	**84.6**	125 9
Tax using the UK corporation tax rate of 28 % (31 December 2008 28 5 %)	**(23.7)**	(35 9)
Tax relief on share options	**(0.1)**	-
Effect of change in tax rate on deferred tax	-	0 1
Adjustments in respect of prior years	**4.7**	-
Non - taxable dividend income	**24.9**	26 6
Other non-taxable income	-	3 8
Overseas tax	-	0 6
Total tax in income statement	**5.8**	(4 8)

8 Property, plant and equipment

	Plant and equipment £m	**Total £m**
Cost		
Balance at 1 January 2008	5 0	**5.0**
Acquisitions	1 3	**1.3**
Balance at 31 December 2008 and 1 January 2009	6 3	**6.3**
Acquisitions	0 5	**0.5**
Balance at 31 December 2009	6 8	**6.8**
Depreciation and impairment		
Balance at 1 January 2008	2 1	**2.1**
Depreciation charge for the year	0 6	**0.6**
Balance at 31 December 2008 and 1 January 2009	2 7	**2.7**
Depreciation charge for the year	0 5	**0.5**
Balance at 31 December 2009	3 2	**3.2**
Net book value		
At 1 January 2008	2 9	**2.9**
At 31 December 2008 and 1 January 2009	3 6	**3.6**
At 31 December 2009	3 6	**3.6**

Notes *(continued)*

9. Intangible assets

	Patents and trade marks £m	**Total £m**
Cost		
Balance at, 31 December 2007, 31 December 2008 and 31 December 2009	1 5	**1.5**
Depreciation and impairment		
Balance at 31 December 2007 and 1 January 2008	0 2	**0.2**
Depreciation charge for the year	0 2	**0.2**
Balance at 31 December 2008 and 1 January 2009	0 4	**0.4**
Depreciation charge for the year	0 1	**0.1**
Balance at 31 December 2009	0 5	**0.5**
Net book value		
At 1 January 2008	1 3	**1.3**
At 31 December 2008	1 1	**1.1**
At 31 December 2009	1 0	**1.0**

10. Investment in subsidiaries, associates and jointly controlled entities

	31 December 2009 £m	31 December 2008 £m
Investments in subsidiaries	**1,059.9**	1,059 9
Investments in associates	**0.8**	0 8
	1,060.7	1,060 7

The company has the following direct investments in subsidiaries

	Country of Incorporation	*Class of shares held*	*Ownership*	
			31 December 2009	31 December 2008
BPB Group Finance Limited	England	Ordinary	**100%**	100%

Notes *(continued)*

11. Other financial assets

	31 December 2009 £m	31 December 2008 £m
Non-current		
Amounts due from subsidiary companies	**774 1**	169 0
Current		
Amounts due from other group companies	**61.2**	0 5
Amounts due from subsidiary companies	**612 5**	1,308 9
	673.7	1,309 4

The amounts due from BPB Group Finance Limited £190 8m, from Commatone Limited £430 3m and from BPB United Kingdom Limited £1 3m are classified as non-current assets in 2009 They were classified as current assets in 2008 The 2009 classification is in line with the non-current financial liability classification in these companies' 2009 statutory accounts

12. Other financial liabilities

	31 December 2009 £m	31 December 2008 £m
Non-current		
Amounts due to subsidiary companies	**(652.4)**	(645 6)
Amounts due to other group companies	**(250.0)**	-
	(902.4)	(645 6)
Current		
Amounts due to subsidiary companies	**(424.8)**	(425 9)
Amounts due to other group companies	**(1.1)**	(287 3)
	(425.9)	(713 2)

Notes *(continued)*

13. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities
Deferred tax assets and liabilities are attributable to the following

	Assets		Liabilities		Net	
	31 December 2009 £m	31 December 2008 £m	**31 December 2009 £m**	31 December 2008 £m	**31 December 2009 £m**	31 December 2008 £m
Property, plant and equipment	**0.1**	-	-	-	**0.1**	-
Employee benefit	**7.6**	5 3	-	-	**7.6**	5 3
Provisions	-	0 1	-	-	-	0 1
Net tax assets	**7.7**	5 4	-	-	**7.7**	5 4

Movement in deferred tax during the year

	1 January 2009 £m	*Recognised in Equity* £m	*Recognised in Income Statement* £m	***31 December 2009*** **£m**
Employee benefit	5 3	4 0	(1 7)	**7.6**
Provisions	0 1	-	-	**0.1**
Net tax assets	5 4	4 0	(1 7)	**7.7**

	1 January 2008 £m	*Recognised in Equity* £m	*Recognised in Income Statement* £m	***31 December 2008*** **£m**
Employee benefit	5 7	4 1	(4 5)	**5.3**
Provisions	0 6	-	(0 5)	**0.1**
Net tax assets	6 3	4 1	(5 0)	**5.4**

14 Inventories

	31 December 2009 £m	31 December 2008 £m
Merchandise	**1.4**	1 5

Included within inventories is £nil (31 December 2008 £nil) expected to be recovered in more than 12 months Inventories to the value of £0 7 million were recognised as expenses in the year (year ended 31 December 2008 £2 1 million)

Notes *(continued)*

15. Trade and other receivables

	31 December 2009 £m	31 December 2008 £m
Trade receivables		
Amounts owed by subsidiary companies	**11.0**	14 0
Amounts owed by other group companies	**3.4**	3 7
Other trade receivables	**0.2**	0 2
	14.6	17 9
Other debtors and prepayments	**2.3**	3 4
	16.9	21 3

Included within trade and other receivables is £nil (31 December 2008 £nil) expected to be recovered in more than 12 months

16 Other interest-bearing loans and borrowings

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

	31 December 2009 £m	31 December 2008 £m
Current liabilities		
Loan from associate	-	(0 2)

Loan from associate related to a 51 million Swedish Kroner loan from Scancem AB, which is the parent of Protenna AB, an associated company of the group Interest was payable at variable rates The capital was repaid on 31 December 2008 and the accrued interest in January 2009

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

Notes *(continued)*

17. Trade and other payables

	31 December 2009 £m	31 December 2008 £m
Trade payables		
Amounts due to other group companies	**(1.1)**	(2 0)
Amounts due to subsidiaries	**(0.3)**	(0 5)
Other trade payables	**(3.3)**	(3 9)
	(4.7)	(6 4)
Non-trade payables and accrued expenses	**(0.1)**	(1 2)
	(4.8)	(7 6)

Included within trade and other payables is £nil (31 December 2008 £nil) expected to be settled in more than 12 months

18. Employee benefits

Pension plans

The company's employees are members of group wide defined benefit pension plans, 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 Until 14 May 2008 there was no contractual agreement or stated group policy for charging the net defined benefit cost of the plan to participating entities, so the net defined cost of the pension plan was recognised fully by the sponsoring employer, which is BPB Limited The contributions for the year were calculated and agreed with the actuary and the pension trustees on a group wide basis These contributions were then made by individual companies in proportion to the pensionable pay of their employees and are treated as finance income for the company

From 14 May 2008 the group pension schemes became part of the Saint-Gobain pension scheme in the United Kingdom and the company adopted the stated group policy for charging the net defined benefit cost of the plan to participating entities on the basis of current pensionable pay

The company's net obligations in respect of defined benefit pension plans is calculated 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 asset (at bid price) is deducted The liability discount rate is the yield at the balance sheet date on 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 method

All actuarial gains and losses that arise in calculating the company's obligation in respect of a plan are recognised in full in the period in which they arise

A full actuarial valuation was carried out at 5 April 2008, the results have been updated to 31 December 2009 by a qualified independent actuary

The information disclosed below is in respect of the whole of the plans for which the company is either the sponsoring employer or has been allocated a share of the cost under an agreed group policy throughout the periods shown

	31 December 2009 £m	31 December 2008 £m
Present value of unfunded defined benefit obligations	**7.3**	6 4
Present value of funded defined benefit obligations	**823.8**	649 9
Fair value of plan assets	**(637.6)**	(549 5)
Total employee benefits	**193.5**	106 8

Notes *(contınued)*

18. Employee benefits *(contınued)*

Pensıon plans *(contınued)*

Movements ın present value of defined benefit oblıgatıon

	31 December 2009 £m	31 December 2008 £m
At 1 January	**656 2**	758 2
Current servıce cost	**8.4**	12 7
Interest cost	**40.4**	42 6
Curtaılment	**-**	1 4
Actuarıal gaın	**164 7**	(118 7)
Benefits paıd	**(39.7)**	(41 1)
Contrıbutıons by members	**1.1**	1 2
At 31 December	**831.1**	656 3

Movements ın faır value of plan assets

	31 December 2009 £m	31 December 2008 £m
At 1 January	**549 5**	738 0
Expected return on plan assets	**33.9**	53 8
Actuarıal losses	**56.3**	(234 2)
Contrıbutıons by employer	**36.6**	31 8
Contrıbutıons by members	**1 1**	1 2
Benefits paıd	**(39.7)**	(41 1)
At 31 December	**637 7**	549 5

Expense recognısed ın the ıncome statement

	Year ended 31 December 2009 £m	Year ended 31 December 2008 £m
Current servıce cost	**8.4**	12 7
Curtaılment	**-**	1 4
Interest on defined benefit pensıon plan oblıgatıon	**40.3**	42 6
Expected return on defined benefit pensıon plan assets	**(33.8)**	(53 8)
Total	**14.9**	2 9

Notes *(continued)*

18. Employee benefits *(continued)*

Pension plans *(continued)*

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

	Year ended 31 December 2009 £m	Year ended 31 December 2008 £m
Administrative expenses	**8 4**	14 1
Finance income	**(33.8)**	(53 8)
Finance expense	**40.3**	42 6
Total	**14.9**	2 9

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

	31 December 2009 Fair value £m	31 December 2008 Fair value £m
Equities	**218.2**	334 5
Government debt	**40.4**	96 7
Corporate bonds	**284.9**	93 0
Property	**18.4**	23 2
Cash	**75.8**	2 1
	637 7	549 5

	Year ended 31 December 2009 Fair value £m	Year ended 31 December 2008 Fair value £m
Actual return on plan assets	**90 2**	(180 3)

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 Where relevant indices are not available (e g equities) an assumption is used for the expected rate of return 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

Principal actuarial assumptions (expressed as weighted averages)

	31 December 2009 %	31 December 2008 %
Discount rate	**5.75**	**6.35**
Expected rate of return on plan assets	**5 86**	**6.50**
Future salary increases	**3.85**	**3.55**
Pension increases	**3.35**	**2.75**
Inflation	**3.30**	**2.75**

Notes *(contınued)*

18 Employee benefits *(contınued)*

Pensıon plans *(contınued)*

Hıstory of plans

The hıstory of the plans for the current and prıor financıal perıods ıs as follows

Balance sheet	**31 December 2009 £m**	31 December 2008 £m	31 December 2007 £m	31 March 2007 £m	31 March 2006 £m
Present value of defined benefit oblıgatıon	**830.2**	656 2	758 2	786 3	762 7
Faır value of plan assets	**(637.7)**	(549 5)	(738 0)	(728 9)	(671 3)
Deficıt	**192.5**	106 7	20 2	57 4	91 4

Experıence adjustments

	Year ended 31 December 2009 £m	Year ended 31 December 2008 £m	9 months ended 31 December 2007 £m	Year ended 31 March 2007 £m	Year ended 31 March 2006 £m
Experıence adjustments on plan lıabılıtıes	**-**	15 2	3 3	35 0	(17 3)
Experıence adjustments on plan assets	**56.3**	(234 2)	(29 6)	(4 2)	(89 5)

The followıng figures relate to the company and not to the plan as a whole

Expense recognısed ın the ıncome statement

	Year ended 31 December 2009 £m	Year ended 31 December 2008 £m
Current servıce cost	**0.8**	5 5
Curtaılment	**-**	0 6
Interest on defined benefit pensıon plan oblıgatıon	**7.0**	20 5
Expected return on defined benefit pensıon plan assets	**(5.9)**	(25 7)
	1.9	0 9

Cumulatıve actuarıal losses recognısed ın the statement of recognısed ıncome and expenses sınce 1 Aprıl 2005, the transıtıon date to Adopted IFRS's are £24 1 mıllıon (31 December 2008 £9 8 mıllıon loss)

The company expects to contrıbute approxımately £8 5 mıllıon to ıts defined benefit plans ın the next financıal year The contrıbutıons for the year are calculated and agreed wıth the actuary and the pensıon trustees on a global basıs These contrıbutıons are then made by ındıvıdual companıes ın proportıon to the pensıonable pay of theır employees

The net defined benefit cost and the actuarıal lıabılıtıes are charged to the partıcıpatıng companıes ın proportıon to the pensıonable pay of theır employees

Note

IFRIC14 has been adopted for these accounts The rules of the scheme are such that the Company has the rıght to the economıc benefit of any surplus arısıng Consequently there are no asset ceılıngs or onerous mınımum fundıng requırements applıcable The effect on the prıor year ıs not materıal and so the numbers have not been restated

Notes *(continued)*

18. Employee benefits *(continued)*

Compagnie de Saint-Gobain stock option plans

Compagnie de Saint-Gobain has stock option plans available to certain employees of BPB Limited Under the stock option plans, the Board of Directors of Compagnie de Saint-Gobain may grant options which entitle the holder to obtain Compagnie de Saint-Gobain shares at a price based on the average share price for the 20 trading days preceding the grant date No discounts on the average price have been granted on these plans

Options vest over a period of three or four years with full vesting occurring at the end of the vesting period Options must be exercised within ten years from the date of the grant All rights to options are forfeited if the employee terminates employment with the Group, unless expressly agreed otherwise by the Chairman of Compagnie de Saint-Gobain together with the Appointments Committee of the Board of Directors

From 1999 to 2002, these plans involved purchase options on existing shares Since 2003, the plans have involved subscription options for new shares

In 2009, an additional scheme was announced whereby every person employed on 19 November 2009 is entitled to 7 free shares on 31 March 2014, as long as certain performance targets are met and the person remains employed by the group These free shares are treated as stock options with a zero exercise price

The stock options outstanding at 31 December 2009 were

	€4 par value shares	Average exercise price (in Euros)
Options outstanding at 31 December 2007 and 1 January 2008	20,300	63 26
Options granted	4,800	28 62
Options outstanding at 31 December 2008 and 1 January 2009	**25,100**	**56.63**
Options granted	**4,140**	**28.97**
Rights issue	**2,023**	**-**
Options outstanding at 31 December 2009	**31,263**	**51 80**

The expense relating to stock options recorded in the income statement amounted to £65,000 (year ended 31 December 2008 £61,000) The fair value of the options granted in the period – calculated using a Black & Scholes type option pricing model and applying the same assumptions as those used to measure the expense in accordance with IFRS2 totalled £47,000

The following summarises information about stock options outstanding at 31 December 2009

Grant date	Options exercisable			Options not exercisable		Total options outstanding	Type of option
	Exercise Price (in euros)	Number of Options	Average Remaining Contractual life (in months)	Exercise price (in euros)	Number of Options	Number of Options	
2005	45 71	-	61	45 71	2,212	2,212	Subscription
2006	58 10	-	83	58 10	11,611	11,611	Subscription
2007	71 56	-	95	71 56	7,991	7,991	Subscription
2008	28 62	-	107	28 62	5,309	5,309	Subscription
2009	36 34	-	119	36 34	3,300	3,300	Subscription
2009	nil	-	52	nil	840	840	Subscription
TOTAL		-			**31,263**	**31,263**	

Notes *(continued)*

19. Provisions

	Quality claims £m	Rectification £m	**Total £m**
Balance at 31 December 2007 and 1 January 2008	-	(0 1)	**(0 1)**
Provisions made during the year	(0 2)	-	**(0 2)**
Balance at 31 December 2008 and 1 January 2009	(0 2)	(0 1)	**(0.3)**
Provisions used during the year	0 2	-	**0.2**
Balance at 31 December 2009	-	(0 1)	**(0.1)**

	31 December 2009 £m	31 December 2008 £m
Non-current	-	-
Current	**(0.1)**	(0 3)
	(0.1)	(0 3)

The provision for rectification relates to a liability to repair the clock tower at the company's previous head office

The provision for quality claims related to an outstanding product quality claim

Notes *(contınued)*

20. Capıtal

Share capıtal

	Ordinary shares	
	Year ended 31 December 2009 Number	Year ended 31 December 2008 Number
On ıssue at start and end of each penod – fully paıd	**1,435,750,845**	1,435,750,845

Allotted, called up and fully paıd	**31 December 2009 £m**	31 December 2008 £m
Ordınary shares of 50p each	**717.9**	717 9
	717.9	717 9

	31 December 2009 £m	31 December 2008 £m
Shares classıfied as lıabılıtıes	**-**	-
Shares classıfied ın shareholders' funds	**717.9**	717 9
	717.9	717 9

The holders of ordınary shares are entıtled to receıve dıvıdends as declared from tıme to tıme and are entıtled to one vote per share at meetıngs of the company

Dıvıdends

	Year ended 31 December 2009 £m	Year ended 31 December 2008 £m
Ordınary shares of 50 pence each		
- 6 20p per share paıd on 20 May 2009	**89.0**	-
- 6 83p per share paıd on 21 May 2008	**-**	98 0
	89 0	98 0

Notes *(continued)*

21. Financial instruments

Fair values of financial instruments

Investments in debt and equity securities
The fair value of financial assets at fair value through profit or loss is determined by reference to their quoted bid price at the balance sheet date

Trade and other receivables
The fair value of trade and other receivables is estimated as the present value of future cash flows The future cash flows have not been discounted at the market rate of interest at the balance sheet date as it is not considered to have a material effect

Trade and other payables
The fair value of trade and other payables is estimated as the present value of future cash flows The future cash flows have not been discounted at the market rate of interest at the balance sheet date as it is not considered to have a material effect

Cash and cash equivalents
The fair value of cash and cash equivalents is estimated as its carrying amount where the cash is repayable on demand Where it is not repayable on demand then the fair value is estimated at the present value of future cash flows The future cash flows have not been discounted at the market rate of interest as the balance sheet date as it is not considered to have a material effect

Derivative financial instruments
The fair value of forward exchange contracts is based on their listed market price, if available If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds)

Fair values
The fair values of the financial assets and liabilities are considered to be the same as the carrying value in the balance sheet

Financial risk management

Trade and other receivables
Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet is contractual obligations, and arises principally from the company's receivables from customers and investment securities The company's exposure to credit risk is influenced mainly by the individual characteristics of each customer The majority of the trade and other receivables are from companies within the Saint-Gobain group and are considered to have no risk

The company has established a credit policy under which each new customer is analysed individually for credit worthiness before the company's standard payment terms and conditions are offered Credit limits are established for each customer, which represents their maximum allowed indebtedness, these limits are reviewed monthly Customers that fail to meet the company's benchmark creditworthiness are requested to provide guarantees or are declined credit facilities

The company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified The collective loss allowance is determined based on historical data of payment statistics for similar financial assets As the majority of the trade and other receivables are internal to the Saint-Gobain group the allowance for impairment is not significant.

Exposure to credit risk
The carrying value of financial assets represents the maximum credit exposure Therefore the maximum exposure to credit risk at the balance sheet date was £1,464 7 million (31 December 2008 £1,499 7 million) being the total carrying amount of financial assets, excluding equity investments in the balance sheet.

Notes *(continued)*

21. Financial instruments *(continued)*

The maximum exposure to credit risk for trade receivables at the balance sheet date by type of counterparty was

	31 December 2009 £m	31 December 2008 £m
Amounts owed by other group companies	**14.4**	17 7
Other trade receivables	**0 1**	0 2
	14.5	17 9

Credit quality of financial assets and impairment losses

The aging of trade receivables at the balance sheet date was

	Gross 31 December 2009 £m	**Impairment 31 December 2009 £m**	Gross 31 December 2008 £m	Impairment 31 December 2008 £m
Not past due	**14.3**	-	15 8	-
Past due up to 1 month	-	-	0 1	-
Past due 1 to 4 months	**0.1**	-	1 0	-
Past due more than 4 months	**0.1**	-	1 0	(0 1)
	14.5	-	17 9	(0 1)

Other financial assets solely relate to other companies within the Saint-Gobain Group and the directors consider that there is no significant area of credit risk

Notes *(continued)*

21. Financial instruments *(continued)*

Liquidity risk

Financial risk management

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the effect of netting agreements

	31 December 2009			
	Carrying Amount £m	**Contractual cash flow £m**	**1 year or less £m**	**Indeterminate £m**
Trade payables	**(4.7)**	**(4.7)**	**(4.7)**	**-**
Non-trade payables and accrued expenses	**(0.1)**	**(0 1)**	**(0 1)**	**-**
Amounts due to group companies	**(1,328.3)**	**(1,328.3)**	**(425.9)**	**(902.4)**
Total	**(1,333.1)**	**(1,333.1)**	**(430.7)**	**(902.4)**

	31 December 2008			
Non-derivative financial liabilities	Carrying Amount £m	Contractual cash flow £m	1 year or less £m	Indeterminate £m
Trade payables	(6 4)	(6 4)	(6 4)	-
Non-trade payables and accrued expenses	(1 2)	(1 2)	(1 2)	-
Loan from associate	(0 2)	(0 2)	(0 2)	-
Amounts due to group companies	(1,358 8)	(1,358 8)	(713 2)	(645 6)
Total	(1,366 6)	(1,366 6)	(721 0)	(645 6)

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due The liquidity of the company is managed centrally by Compagnie de Saint-Gobain The company has no third party debt and the directors consider the risk of the company not being able to meet its financial obligations as they fall due is minimal

Amounts payable to group companies in more than one year relate to intra-group financing arrangements which have no specific repayment date Repayment of these balances would be co-ordinated at group level and funded by the Compagnie de Saint-Gobain treasury department in Paris

All derivative contracts are taken out with the Compagnie de Saint-Gobain treasury department in Paris Accordingly BPB Limited does not believe it has any liquidity risk arising from these transactions

Notes *(contınued)*

21. Fınancial instruments *(contınued)*

Market rısk

Fınancıal rısk management
The company ıs exposed to market rısk from changes ın market prıces such as exchange and ınterest rates To mıtıgate market rısk the company has a robust hedgıng polıcy for foreıgn exchange The Saınt-Gobaın group treasury department hold all ınterest bearıng assets and lıabılıtıes, so the group ıs able to mıtıgate thıs rısk on the company's behalf

Currency rısk
The company ıs exposed to currency rısk on purchases that are denomınated ın a currency other than sterlıng The currency ın whıch these transactıons prımarıly are denomınated ıs the Euro

All foreıgn currency transactıons are carrıed out ınternally wıthın the Saınt-Gobaın group and all major rısks are hedged

Interest rate rısk
Interest rate rısk arıses from movements ın ınterest rates whıch could have an adverse effect on the company's net ıncome or financıal posıtıon The company manages ıts ınterest rate rısk by ensurıng that the level of ıts borrowıng outsıde of the Saınt-Gobaın group ıs kept at a mınımum

Exposure to currency rısk
The company's exposure to foreıgn currency rısk was as follows on notıonal amounts

	31 December 2009			31 December 2008		
	Euro	**CAD $**	**US Dollar**	Euro	CAD $	US Dollar
	£m	**£m**	**£m**	£m	£m	£m
Trade receıvables	**0.3**	-	-	2 1	-	-
Cash and cash equıvalents	-	-	-	-	-	-
Trade payables	**(0.3)**	-	-	(0 9)	-	(0 1)
Balance sheet exposure	-	-	-	1 2	-	(0 1)
Estımated forecast sales	**14.9**	**3.3**	**8.2**	5 3	-	-
Estımated forecast purchases	**(5.7)**	-	**(0.4)**	(16 1)	-	(0 4)
Gross exposure	**9.2**	**3.3**	**7 8**	(10 8)	-	(0 4)
Net exposure	**9.2**	**3.3**	**7.8**	(9 6)	-	(0 5)

Notes *(continued)*

21. Financial instruments *(continued)*

Market risk *(continued)*

The following significant exchange rates applied during the year

	Average rate		Reporting date mid-spot rate	
	31 December 2009	31 December 2008	**31 December 2009**	31 December 2008
Euro	**1.122**	1 255	**1.126**	1 050
Canadian Dollar	**1 779**	1 957	**1.703**	1 785
USD	**1.563**	1 846	**1.622**	1 461

Sensitivity analysis
A 1 per cent weakening of the following currencies against the pound sterling at 31 December 2008 and 2009 would have increased/ (decreased) equity and profit or loss by the amounts shown below This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date

This analysis assumes that all other variables, in particular other exchange rate and interest rates, remain constant.

	Year ended 31 December 2009		Year ended 31 December 2008	
	Equity	**Profit or loss**	Equity	Profit or loss
	£m	**£m**	£m	£m
Euro	-	**(0.1)**	-	0 1
Canadian Dollar	-	-	-	-
USD	-	**(0.1)**	-	-
	-	**(0.2)**	-	0 1

A 1 per cent weakening of the pound Sterling against the above currencies at 31 December 2008 and 2009 would have an equal but opposite effect on the above currencies to the amount shown above, on the basis that all other variables remain constant

Market risk – interest rate risk
At the reporting date the interest rate profile of the company's interest-bearing financial instruments was

	Carrying amount	
	31 December 2009	31 December 2008
	£m	£m
Financial assets		
Variable interest	**0.1**	0 5
Non-interest bearing	**1,447.7**	1,477 9
Financial liabilities		
Fixed interest	**(250.0)**	(250 0)
Variable interest	**(0.2)**	(37 3)
Non-interest bearing	**(1,078.1)**	(1,071 5)
	119.5	119 6

Cash flow sensitivity analysis for variable rate instruments
A general increase of one percentage point in United Kingdom interest rates would not affect the company's annual profit (year ended 31 December 2008 the same movement would reduce the company's annual profit by approximately £0 4 million)

Notes *(contınued)*

22. Operatıng leases

	31 December 2009 £m	31 December 2008 £m
Non-cancellable operatıng lease rentals are payable as follows:		
Less than one year	**0 1**	-
Between one and five years	**0 1**	0 1
	0 2	0 1

Included ın the above are commıtments ın respect of land and buıldıng of £nıl (31 December 2008 £nıl)

Durıng the year £0 2 mıllıon was recognısed as an expense ın the ıncome statement ın respect of operatıng leases (year ended 31 December 2008 £0 2 mıllıon)

23. Contıngencıes

The company has guaranteed the trade purchases of ıts Brazılıan subsıdıary, BPB Placo Brazıl, up to the value of €1 mıllıon Thıs ıs not expected to result ın any cost to BPB Ltd (31 December 2008 no contıngencıes)

24. Related partıes

The ımmedıate parent company and the ultımate controllıng party of the company are Saınt Gobaın Aldwych Lımıted (ıncorporated ın England and Wales) and Compagnıe de Saınt-Gobaın (ıncorporated ın France)

Detaıls of transactıons between the company and related partıes are dısclosed below

	Amounts owed by related parties		**Amounts owed to related partıes**	
	31 December 2009 £m	31 December 2008 £m	**31 December 2009 £m**	31 December 2008 £m
Subsıdıarıes of Compagnıe de Saınt-Gobaın				
Other group companıes	**64.6**	4 2	**(252.2)**	(289 3)
Subsıdıary companıes	**1,397.6**	1,491 9	**(1,077.5)**	(1,072 0)
	1,462.2	1,496 1	**(1,329.7)**	(1,361 3)

Notes *(continued)*

25 Related parties *(continued)*

	Income from Related Parties	
	31 December 2009	31 December 2008
	£m	£m
Sales		
Other group companies	**-**	-
Subsidiary companies	**1.0**	3 3
Technical fees		
Other group companies	**4 2**	5 1
Subsidiary companies	**17.5**	20 3
Royalty income		
Subsidiary companies	**0 2**	0 1
Pension contributions		
Subsidiary companies	**-**	8 8
Interest receivable (Finance income)		
Other group companies	**-**	0 4
Subsidiary companies	**-**	0 2
Other finance income (Finance income)		
Subsidiary companies	**-**	5 7
	22.9	43 9

	Purchases from Related Parties	
	31 December 2009	31 December 2008
	£m	£m
Interest payable (Finance expenses)		
Other group companies	**(15.2)**	(17 4)
	(15.2)	(17 4)

Notes *(continued)*

25. Related parties *(continued)*

During the year the company received dividends amounting to £89 million from BPB Group Finance Limited (year ended 31 December 2008 £93 5 million) During the year the company paid dividends of £89 million (year ended 31 December 2008 £98 0 million) to Saint-Gobain Aldwych Limited, the company's sole shareholder

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

26. 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