

## I. Segmental information continued

### c) Regional analysis

	Europe £ million	Americas £ million	Africa £ million	Asia/Pacific £ million	Total Group £ million
<b>2002</b>					
Total operating profit before exceptional items <sup>1</sup>	155.2	121.3	56.7	166.9	500.1
Operating exceptional items <sup>1</sup>	(38.4)	(8.1)	(0.4)	(27.6)	(74.5)
(Loss)/profit on termination/disposal of businesses <sup>1</sup>	(1.5)	(18.7)	–	–	(20.2)
Capital employed <sup>2</sup>	944.4	1,244.0	221.2	1,183.5	3,593.1
Capital expenditure <sup>3</sup>	121.4	134.7	25.6	72.6	354.3
<b>2001 (restated)</b>					
Total operating profit before exceptional items <sup>1</sup>	165.5	137.2	69.4	158.5	530.6
Operating exceptional items <sup>1</sup>	(42.9)	(40.5)	–	(24.9)	(108.3)
(Loss)/profit on disposal of fixed assets <sup>1</sup>	(2.2)	4.6	2.6	(1.4)	3.6
Capital employed <sup>2</sup>	1,221.1	1,305.5	259.0	1,188.9	3,974.5
Capital expenditure <sup>3</sup>	134.6	108.6	26.4	83.0	352.6
<b>2000 (restated)</b>					
Total operating profit before exceptional items <sup>1</sup>	171.3	117.3	66.1	141.7	496.4
Operating exceptional items <sup>1</sup>	22.9	(25.4)	(0.6)	(1.3)	(4.4)
Capital employed <sup>2</sup>	1,412.5	1,424.9	328.3	1,287.5	4,453.2
Capital expenditure <sup>3</sup>	127.2	121.9	31.8	132.8	413.7

1. Including share of joint ventures and associates.

2. Capital employed comprises the capital and reserves of the Group, its long-term liabilities and all current borrowings net of cash and deposits.

3. Subsidiary undertakings only.

### d) Joint ventures and associates – business analysis

	Joint ventures				Associates		
	Process Gas Solutions £ million	Industrial and Special Products £ million	BOC Edwards £ million	Process Gas Solutions £ million	Industrial and Special Products £ million	BOC Edwards £ million	Afrox hospitals £ million
<b>2002</b>							
Turnover <sup>1</sup>	119.9	142.7	61.5	10.6	7.9	7.1	10.5
Operating profit before exceptional items <sup>1</sup>	30.9	20.8	12.1	5.0	1.9	1.7	2.1
Operating exceptional items <sup>1</sup>	(0.4)	(0.1)	–	–	–	–	–
Capital employed <sup>2</sup>	93.6	63.8	48.1	40.1	11.9	2.1	3.4
Capital expenditure	46.5	7.5	8.0	8.3	1.8	1.5	0.6
Group share	23.0	3.7	4.0	2.6	0.6	0.4	0.2
Other partners	23.5	3.8	4.0	5.7	1.2	1.1	0.4
Depreciation and amortisation <sup>1</sup>	20.9	8.2	6.1	2.9	0.7	0.1	0.2
<b>2001 (restated)</b>							
Turnover <sup>1</sup>	122.1	144.4	73.5	9.2	7.7	8.0	21.4
Operating profit before exceptional items <sup>1</sup>	28.2	16.8	14.0	4.1	3.0	2.1	4.0
Operating exceptional items <sup>1</sup>	(0.6)	(1.6)	–	(0.2)	(0.1)	(0.1)	–
Capital employed <sup>2</sup>	99.3	61.6	43.9	27.4	10.5	2.4	6.8
Capital expenditure	55.9	12.0	35.4	2.5	0.4	0.2	3.3
Group share	27.8	5.9	17.7	0.7	0.1	0.1	1.0
Other partners	28.1	6.1	17.7	1.8	0.3	0.1	2.3
Depreciation and amortisation <sup>1</sup>	20.5	7.9	5.4	2.5	0.5	0.1	0.6
<b>2000 (restated)</b>							
Turnover <sup>1</sup>	72.4	135.4	50.2	8.3	6.9	5.8	20.1
Operating profit <sup>1</sup>	19.6	16.9	11.6	1.6	2.5	1.2	3.2
Capital employed <sup>2</sup>	96.2	74.8	44.9	25.5	9.7	1.3	7.5
Capital expenditure	146.2	36.1	28.6	0.8	1.2	0.4	4.0
Group share	49.5	17.9	14.3	0.3	0.3	0.1	1.1
Other partners	96.7	18.2	14.3	0.5	0.9	0.3	2.9
Depreciation and amortisation <sup>1</sup>	9.9	10.1	3.8	2.3	0.5	–	0.5

1. Group share.

2. Capital employed comprises the Group's share of the net assets of joint ventures or associates.

## I. Segmental information continued

## e) Joint ventures and associates – regional analysis

	Joint ventures			Associates	
	Americas £ million	Asia/Pacific £ million	Americas £ million	Africa £ million	Asia/Pacific £ million
<b>2002</b>					
Turnover <sup>1</sup>	85.4	238.7	–	10.5	25.6
Operating profit before exceptional items <sup>1</sup>	21.9	41.9	–	2.1	8.6
Operating exceptional items <sup>1</sup>	–	(0.5)	–	–	–
Capital employed <sup>2</sup>	25.2	180.3	13.7	3.4	40.4
Capital expenditure	3.4	58.6	5.5	0.6	6.1
Group share	1.4	29.3	1.7	0.2	1.9
Other partners	2.0	29.3	3.8	0.4	4.2
Depreciation and amortisation <sup>1</sup>	14.6	20.6	–	0.2	3.7
<b>2001 (restated)</b>					
Turnover <sup>1</sup>	88.5	251.5	–	21.4	24.9
Operating profit before exceptional items <sup>1</sup>	18.5	40.5	–	4.0	9.2
Operating exceptional items <sup>1</sup>	–	(2.2)	–	–	(0.4)
Capital employed <sup>2</sup>	27.7	177.1	–	6.8	40.3
Capital expenditure	35.2	68.1	–	3.3	3.1
Group share	17.4	34.0	–	1.0	0.9
Other partners	17.8	34.1	–	2.3	2.2
Depreciation and amortisation <sup>1</sup>	14.7	19.1	–	0.6	3.1
<b>2000 (restated)</b>					
Turnover <sup>1</sup>	43.1	214.9	–	20.1	21.0
Operating profit <sup>1</sup>	12.6	35.5	–	3.2	5.3
Capital employed <sup>2</sup>	33.6	182.3	–	7.5	36.5
Capital expenditure	120.7	90.2	–	4.0	2.4
Group share	36.6	45.1	–	1.1	0.7
Other partners	84.1	45.1	–	2.9	1.7
Depreciation and amortisation <sup>1</sup>	6.5	17.3	–	0.5	2.8

1. Group share.

2. Capital employed comprises the Group's share of the net assets of joint ventures or associates.

## f) Significant country analysis

	UK			US		
	2002 £ million	2001 (restated) £ million	2000 (restated) £ million	2002 £ million	2001 (restated) £ million	2000 (restated) £ million
Turnover	868.7	837.2	835.5	1,065.6	1,167.7	1,082.7
Total operating profit before exceptional items	115.2	125.5	136.4	50.5	66.9	77.6
Operating exceptional items	(36.5)	(41.9)	22.7	(25.7)	(34.5)	(24.8)
Exceptional (loss)/profit on disposal of fixed assets	–	(1.7)	–	–	4.6	–
Capital employed <sup>1</sup>	733.9	928.6	1,180.8	1,091.6	1,231.0	1,275.5
Capital expenditure	110.0	126.3	116.8	124.8	99.8	106.0

1. Capital employed comprises the capital and reserves of the Group, its long-term liabilities and all current borrowings net of cash and deposits.

## 2. Profit and loss

## a) Analysis of costs

i) Expense category	2002	2001	2000
	£ million	(restated) £ million	(restated) £ million
Cost of sales	(2,104.8)	(2,208.8)	(2,035.8)
Distribution costs	(344.1)	(339.3)	(327.2)
Administrative expenses <sup>1</sup>	(861.4)	(874.1)	(781.9)
Income from other fixed asset investments	4.2	2.0	0.6
Net operating expenses	(1,201.3)	(1,211.4)	(1,108.5)

1. Included in total administrative expenses is research and development expenditure of £47.0 million (2001: £59.7 million, 2000: £59.2 million).

## 2. Profit and loss continued

	Continuing operations £ million	Acquisitions £ million	Total before exceptional items £ million	Exceptional items £ million	Total £ million
<i>ii) 2002 analysis</i>					
Cost of sales	(1,998.2)	(91.5)	(2,089.7)	(15.1)	(2,104.8)
Distribution costs	(332.2)	(9.7)	(341.9)	(2.2)	(344.1)
Administrative expenses <sup>1</sup>	(783.2)	(21.5)	(804.7)	(56.7)	(861.4)
Income from other fixed asset investments	4.2	-	4.2	-	4.2
Net operating expenses	(1,111.2)	(31.2)	(1,142.4)	(58.9)	(1,201.3)

	Continuing operations before exceptional items £ million	Exceptional items £ million	Total £ million
<i>iii) 2001 analysis (restated)</i>			
Cost of sales	(2,164.2)	(44.6)	(2,208.8)
Distribution costs	(338.1)	(1.2)	(339.3)
Administrative expenses <sup>1</sup>	(814.2)	(59.9)	(874.1)
Income from other fixed asset investments	2.0	-	2.0
Net operating expenses	(1,150.3)	(61.1)	(1,211.4)

<i>iv) 2000 analysis (restated)</i>			
Cost of sales	(2,035.2)	(0.6)	(2,035.8)
Distribution costs	(327.2)	-	(327.2)
Administrative expenses <sup>1</sup>	(778.1)	(3.8)	(781.9)
Income from other fixed asset investments	0.6	-	0.6
Net operating expenses	(1,104.7)	(3.8)	(1,108.5)

1. Included in total administrative expenses is research and development expenditure of £47.0 million (2001: £59.7 million, 2000: £59.2 million).

### b) Exceptional items analysis

	2002 £ million	2001 (restated) £ million	2000 £ million
<i>(Charged)/credited in arriving at operating profit</i>			
Restructuring costs	(47.2)	(35.8)	(18.8)
Write-down and impairment of assets	(21.2)	(24.5)	-
Write-down of unproductive assets identified for disposal	-	(21.0)	-
FRS17 retirement plan benefit amendments	-	(16.7)	-
Business systems investments	-	-	(6.0)
Costs of proposed takeover	(6.1)	(10.3)	(45.6)
Break fee	-	-	66.0
Total operating exceptional items	(74.5)	(108.3)	(4.4)

#### i) Restructuring costs

The business initiative announced in August 2001 included a number of restructuring programmes. The major programmes included the restructuring of BOC Edwards manufacturing capacity, closure of production at the Process Plants Edmonton site in the UK, investments in information technology and information management systems, restructuring to deliver operational efficiencies in Process Gas Solutions and restructuring of operational networks in Industrial and Special Products. Cash flow from operating activities includes an outflow of £48.0 million in 2002 in respect of these exceptional items.

#### ii) Write-downs of assets

In September 2002 BOC and Air Liquide announced a conditional agreement to merge their industrial and medical gases businesses in Japan to form a combined company to be called Japan Air Gases. The net assets of OSK (the existing BOC gases business in Japan), which had included an increase in the value of fixed assets through property revaluations in the 1980s and early 1990s, have been reduced to an appropriate amount based on valuations performed ahead of the merger. This has resulted in a write-down of £32.7 million, of which £11.5 million has been taken against the revaluation reserves, and the balance of £21.2 million has been charged as an exceptional item in the profit and loss account in 2002.

The write-downs in 2001 related to the business initiative announced in August 2001 with the objective of releasing cash tied up in unproductive assets and improving cash generation.

**2. Profit and loss continued***iii) Costs of proposed takeover and break fee*

The final costs associated with the pre-conditional offer for the Group have been incurred in 2002 in respect of share options and other costs related to the retention of key employees. There are no further costs to come. The break fee was received in 2000 from the potential bidders on the failure of the pre-conditional offer. Cash flow from operating activities includes an outflow of £4.5 million in 2002 in respect of these exceptional items.

	2002 £ million	2001 £ million	2000 £ million
<i>(Charged)/credited after operating profit</i>			
Closure of businesses – continuing operations	(21.3)	–	–
Profit on disposal of businesses – continuing operations	1.1	–	–
Profit on disposal of businesses – discontinued business	–	–	12.5
Profit on disposal of fixed assets – continuing operations	–	13.6	–
Loss on disposal of fixed assets – continuing operations	–	(10.0)	–
<b>Total non-operating exceptional items</b>	<b>(20.2)</b>	<b>3.6</b>	<b>12.5</b>

iv) In March 2002 BOC announced plans to merge its Process Plants business with Linde Engineering in the US to form a new company, Linde BOC Process Plants LLC. The costs of £21.3 million for closing BOC's Process Plants business have been charged as an exceptional item this year. This includes severance costs for 215 employees, the write-down of assets and the costs of winding down the business. Cash flow from operating activities includes an outflow of £12.5 million in 2002 in respect of these exceptional costs.

In April 2002 BOC Edwards agreed the sale of its US glass coating business, resulting in a profit on disposal of £1.1 million.

v) The profit on disposal of the health care discontinued business in 2000 of £12.5 million arose from the release of provisions established at the time of disposal in 1998.

vi) In 2001, proceeds from the disposal of fixed assets were £41.2 million. Of this, £39.0 million was from those assets which were sold at a profit and £2.2 million was from those assets which were sold at a loss.

**c) Fees to auditors**

	2002 £ million	2001 £ million	2000 £ million
Audit fees (Parent: £0.3 million, 2001: £0.3 million, 2000: £0.3 million)	1.9	2.0	1.8
<i>Non audit fees</i>			
Tax advice and compliance	2.5	1.6	2.3
Expatriate tax administration	1.4	0.5	–
Acquisition related work	0.8	–	–
Other advice	0.4	0.1	1.0
<b>Total non audit fees</b>	<b>5.1</b>	<b>2.2</b>	<b>3.3</b>
<b>Total fees paid to auditors</b>	<b>7.0</b>	<b>4.2</b>	<b>5.1</b>

Tax compliance and expatriate administration work was outsourced following competitive tender processes. See also page 52 of the corporate governance report.

**d) Earnings per share**

Basic earnings per share is calculated by dividing the earnings attributable to Ordinary shareholders by the weighted average number of shares in issue during the year.

For diluted earnings per share, the weighted average number of shares in issue is adjusted to assume conversion of all dilutive potential shares. The company has only one category of dilutive potential shares: those share options granted to employees where the exercise price is less than the average market price of the company's shares during the year and where any performance conditions have been met at the balance sheet date.

Earnings per share before exceptional items are presented in order to show the underlying earnings performance of the Group.

	2002 £ million	2001 (restated) £ million	2000 (restated) £ million
<i>i) Earnings</i>			
<i>Amounts used in computing the earnings per share</i>			
Earnings attributable to Ordinary shareholders for the financial year	202.9	224.1	278.6
Adjustment for exceptional items <sup>1</sup>	71.4	55.9	(17.8)
<b>Adjusted earnings before exceptional items</b>	<b>274.3</b>	<b>280.0</b>	<b>260.8</b>

1. This comprises the exceptional items before interest of £(94.7) million (2001: £(104.7) million, 2000: £8.1 million) adjusted for the impact of tax of £22.8 million (2001: £46.9 million, 2000: £9.7 million) and minority interests of £0.5 million (2001: £1.9 million, 2000: £nil).

## 2. Profit and loss continued

	2002 million	2001 million	2000 million
<i>ii) Average number of 25p Ordinary shares</i>			
Average issued share capital	496.0	493.3	491.5
Less: Average own shares held in trust	5.6	6.4	4.4
Basic	490.4	486.9	487.1
Add: Dilutive share options	1.8	1.7	2.5
Diluted	492.2	488.6	489.6

## 3. Treasury information

### a) Interest on net debt

	2002 £ million	2001 £ million	2000 £ million
Interest payable on borrowings totally repayable within five years	47.5	75.1	94.1
Interest payable on all other borrowings	55.7	50.1	41.4
Interest payable and similar charges	103.2	125.2	135.5
Interest capitalised	(2.0)	(2.5)	(7.1)
Interest payable (net of interest capitalised)	101.2	122.7	128.4
Interest receivable and similar income	(22.6)	(24.2)	(27.7)
Interest (net)	78.6	98.5	100.7
Share of interest of joint ventures (net)	23.2	22.6	7.9
Share of interest of associates	1.3	2.3	2.9
Total interest on net debt	103.1	123.4	111.5
Interest payable on finance leases	5.3	6.9	4.6
Interest payable on borrowings repayable by instalments	19.5	29.1	27.3

Share of interest of joint ventures and associates is after deducting capitalised interest of £nil (2001: £1.0 million, 2000: £12.9 million). The interest capitalised in 2000 was mainly in BOC's joint venture in Mexico.

### b) Currency, interest rate and counterparty exposure

The Group's approach to managing currency and interest rate risk and its use of swaps in that process is described on pages 45 and 46 in the finance and treasury review under the heading 'management of financial risks'.

#### Interest rate swaps

At 30 September 2002, the Group had entered into six interest rate swap agreements (2001: five) with notional principal amounts of £420.0 million (2001: £375.4 million). The swaps' underlying currencies are sterling, US dollars and Japanese yen. The following table shows the maturity profile and weighted average interest rates payable and receivable on interest rate swaps at 30 September:

<i>Maturity profile</i>	2002 £ million	2001 £ million
Beyond five years	295.0	68.0
Four to five years	—	—
Three to four years	—	—
Two to three years	—	125.0
One to two years	125.0	—
Within one year	—	182.4
	420.0	375.4

  

	%	%
Average receivable swap rate	5.5	6.0
Average payable swap rate	4.8	5.2

The weighted average receivable/payable swap interest rate is calculated by applying the notional swap interest received or paid, using rates applicable at the financial year end, to the notional principal of outstanding swaps at the financial year end.

## 3. Treasury information continued

## Currency swaps

At 30 September 2002, the Group had entered into eight currency swap agreements (2001: nine) with notional principal amounts of £360.7 million (2001: £359.6 million). The maturity dates range between one month and 33 months from the balance sheet date (2001: between one month and 24 months). The following table illustrates the impact of the currency swaps on the Group's net debt at 30 September:

	2002					2001	
	Capital employed £ million	Gross borrowings £ million	Cash at bank and in hand £ million	Currency swaps £ million	Adjusted net borrowings £ million	Capital employed (restated) £ million	Adjusted net borrowings £ million
Sterling	781.7	(615.4)	13.6	256.6	(345.2)	1,103.0	(298.2)
US dollar	1,190.5	(327.2)	8.5	(185.7)	(504.4)	1,249.6	(469.5)
Australian dollar	263.1	(35.6)	71.2	(79.6)	(44.0)	268.5	(109.6)
South African rand	202.5	(46.6)	4.4	-	(42.2)	218.6	(47.8)
Japanese yen	237.4	(206.2)	51.5	(52.2)	(206.9)	260.8	(199.2)
Canadian dollar	85.8	(41.1)	1.0	-	(40.1)	80.9	(38.5)
Thai baht	120.6	(64.0)	6.3	-	(57.7)	73.7	(38.7)
Other	711.5	(175.0)	29.0	60.9	(85.1)	719.4	(70.6)
<b>Total</b>	<b>3,593.1</b>	<b>(1,511.1)</b>	<b>185.5</b>	<b>-</b>	<b>(1,325.6)</b>	<b>3,974.5</b>	<b>(1,272.1)</b>

The average receivable interest rate on currency swaps was 4.0 per cent (2001: 4.9 per cent) and the average payable interest rate was 2.8 per cent (2001: 3.5 per cent). The weighted average receivable/payable swap interest rate is calculated by applying the notional swap interest received or paid, using rates applicable at the financial year end, to the notional principal of outstanding swaps at the financial year end.

The currency and interest rate exposure of the net borrowings of the Group at 30 September, after taking into account interest rate and currency swaps entered into by the Group, is given in the table below.

	2002			2001		
	Fixed rate £ million	Floating rate £ million	Total £ million	Fixed rate £ million	Floating rate £ million	Total £ million
Sterling	300.0	45.2	345.2	299.0	(0.8)	298.2
US dollar	225.5	278.9	504.4	241.2	228.3	469.5
Australian dollar	35.6	8.4	44.0	35.9	73.7	109.6
South African rand	23.7	18.5	42.2	78.0	(30.2)	47.8
Japanese yen	165.9	41.0	206.9	178.2	21.0	199.2
Canadian dollar	-	40.1	40.1	1.0	37.5	38.5
Thai baht	52.1	5.6	57.7	30.4	8.3	38.7
Other	25.5	59.6	85.1	29.0	41.6	70.6
<b>Total</b>	<b>828.3</b>	<b>497.3</b>	<b>1,325.6</b>	<b>892.7</b>	<b>379.4</b>	<b>1,272.1</b>

## Counterparty risk

The Group is exposed to credit-related losses in the event of non-performance by counterparties to financial instruments, but does not expect any counterparties to fail to meet their obligations. There are procedures and policies in place limiting the Group's exposure to concentrations of credit or country risk.

### 3. Treasury information continued

#### c) Net borrowings and finance leases

	Group		Parent	
	2002 £ million	2001 £ million	2002 £ million	2001 £ million
<i>i) Analysis</i>				
<i>Secured</i>				
Finance leases	33.8	45.6	–	–
Other secured borrowings	68.0	71.7	–	–
<i>Unsecured</i>				
12 1/4% Unsecured Loan Stock 2012/2017	100.0	100.0	100.0	100.0
7 1/4% Notes 2002	–	150.0	–	150.0
6 1/4% Notes 2002	34.6	33.6	–	–
7.45% Guaranteed Notes 2006	159.2	170.0	–	–
Pollution Control and Industrial Bonds	19.3	39.2	–	–
European Investment Bank loans	82.8	85.1	–	–
6.75% Bonds 2004	125.0	125.0	125.0	125.0
1.00% Euroyen Bond 2006	130.6	142.8	130.6	142.8
5 7/8% Bonds 2009	200.0	–	200.0	–
6.50% Bonds 2016	200.0	200.0	200.0	200.0
Medium term notes	57.4	–	57.4	–
Commercial paper	147.0	94.7	–	36.5
Other borrowings	153.4	248.6	166.9	131.7
Total borrowings and finance leases	1,511.1	1,506.3	979.9	886.0
Less: Cash at bank and in hand – due within one year	185.5	233.5	–	51.7
– due beyond one year	–	0.7	–	–
Net borrowings and finance leases	1,325.6	1,272.1	979.9	834.3

A reconciliation of net cash flow to the movement in net debt is given in note 14 b).

	Group		Parent	
	2002 £ million	2001 £ million	2002 £ million	2001 £ million
<i>ii) Maturity</i>				
<i>Long and medium-term bank loans</i>				
Repayable – beyond five years	11.5	7.3	–	–
– two to five years	41.8	58.2	–	–
– one to two years	36.9	40.0	–	–
<i>Loans other than from banks</i>				
Repayable – beyond five years	536.0	618.5	531.3	442.8
– two to five years	342.7	159.7	148.8	127.6
– one to two years	129.4	101.0	120.9	–
<i>Finance leases</i>				
Repayable beyond one year	22.7	35.2	–	–
Borrowings and finance leases (note 11 a))	1,121.0	1,019.9	801.0	570.4
<i>Short-term – repayable within one year</i>				
Bank loans and overdrafts	196.7	187.9	178.9	119.1
Loans other than from banks	182.3	288.1	–	196.5
Finance leases	11.1	10.4	–	–
Total borrowings and finance leases	1,511.1	1,506.3	979.9	886.0
Less: Cash at bank and in hand – repayable within one year	185.5	233.5	–	51.7
– repayable beyond one year	–	0.7	–	–
Net borrowings and finance leases	1,325.6	1,272.1	979.9	834.3

	2002			2001		
	Finance leases £ million	Borrowings £ million	Total £ million	Finance leases £ million	Borrowings £ million	Total £ million
<i>Repayment profile of borrowings and finance leases</i>						
<i>Long-term repayable</i>						
– beyond five years	2.0	547.5	549.5	4.3	625.8	630.1
– four to five years	2.0	142.5	144.5	2.2	31.6	33.8
– three to four years	2.4	179.7	182.1	2.4	33.3	35.7
– two to three years	1.7	62.3	64.0	14.5	153.0	167.5
– one to two years	14.6	166.3	180.9	11.8	141.0	152.8
Total	22.7	1,098.3	1,121.0	35.2	984.7	1,019.9

3. Treasury information continued

iii) Short-term interest rates

The average interest rate on commercial paper for the year to 30 September 2002 was 3.4 per cent (2001: 6.4 per cent) and on other short-term borrowings was 9.0 per cent (2001: 11.4 per cent).

iv) Facilities

The Group maintains a number of short and medium-term committed lines of credit. The main medium-term facilities are multi-currency agreements with a group of relationship banks, under which the Group may borrow up to US\$420.0 million (2001: US\$420.0 million) for general corporate purposes. These facilities were undrawn both at 30 September 2002 and 30 September 2001. The following table shows the maturity profile of these facilities.

	2002 \$ million	2001 \$ million
Within one year	200.0	–
One to two years	220.0	200.0
Two to three years	–	220.0
	<b>420.0</b>	<b>420.0</b>

Additional committed facilities are maintained by the principal operating units in the Group.

v) Security

The secured loans, maturing between 2002 and 2019, are principally secured by charges over the property, plant and machinery, stocks and trade debtors of certain overseas subsidiaries.

d) Fair value information

i) Fair values of financial instruments

Set out below is a comparison of the carrying amount of the Group's financial instruments (excluding short-term debtors and creditors) at 30 September 2002. Further details of the Group's financial instruments are given in notes 3 f) i) and ii).

	Note	2002		2001	
		Carrying amount £ million	Fair value £ million	Carrying amount £ million	Fair value £ million
<i>Primary financial instruments</i>					
Loans to joint ventures and associates	1	118.0	118.0	106.7	106.7
Other fixed asset investments	2	45.1	44.0	31.7	32.6
Current asset investments	3	38.8	39.5	43.2	44.1
Cash at bank and in hand	4	185.5	185.5	234.2	234.2
Borrowings and finance leases (excluding swap agreements)	5	(1,530.6)	(1,635.7)	(1,491.7)	(1,563.5)
Provisions for liabilities and charges	6	(16.9)	(16.9)	(21.7)	(21.7)
<i>Derivative financial instruments held to manage the Group's interest rate and currency risk profile</i>					
Foreign currency and interest rate swap agreements	7	19.5	31.1	(14.6)	(8.5)
Forward foreign exchange contracts	8	–	4.9	–	(9.1)
<b>Net financial instruments</b>		<b>(1,140.6)</b>	<b>(1,229.6)</b>	<b>(1,112.2)</b>	<b>(1,185.2)</b>
Financial assets		387.4		415.8	
Financial liabilities <sup>9</sup>		(1,528.0)		(1,528.0)	
<b>Net financial instruments</b>		<b>(1,140.6)</b>		<b>(1,112.2)</b>	

- For those bearing either no interest or a floating rate of interest it is deemed that the carrying amount approximates to the fair value. For those bearing a fixed rate of interest an assessment of the interest rate at which the Group could make the same loan under current conditions has been made. Unless this differs significantly from the fixed rate it is also deemed that the carrying amount approximates to the fair value. Where this does differ significantly, the fair value is based on the discounted value of future cash flows.
- For equity instruments listed on a recognised stock exchange the fair value is the quoted market price. For other equity instruments it is deemed that the carrying amount approximates to the fair value.
- The fair value is the quoted market price.
- As all bear either no interest or a floating rate of interest it is deemed that the carrying amount approximates to the fair value.
- For those bearing a floating rate of interest it is deemed that the carrying amount approximates to the fair value. For those bearing a fixed rate of interest the fair value is either the quoted market price where a liquid market exists or has been calculated using well established pricing models.
- Both the carrying amount and the fair value are based on current market prices and interest rates.
- The fair value is the estimated amount the Group would receive or pay to terminate the agreements.
- The fair value represents the net effect on the Group of closing out all outstanding contracts.
- Includes foreign currency and interest rate swap agreements.



### 3. Treasury information continued

#### ii) Hedges

As explained on pages 45 and 46 of the finance and treasury review under the heading 'management of financial risks', the Group's policies are to use forward foreign exchange contracts to hedge transactional currency exposures (principally arising through anticipated sales and purchase transactions) and swap agreements to manage interest rate risks and hedge structural currency exposures.

Currency swaps are only held to change the currency of the Group's borrowings to match better its net investments in its overseas subsidiaries. In accordance with the Group's accounting policies, the assets and liabilities arising from these swap agreements are translated into sterling at the spot rate ruling at the balance sheet date. The resulting exchange gains or losses are recognised in the statement of total recognised gains and losses (to match the exchange gains or losses on the net investments in the overseas subsidiaries).

The carrying amount of the swap agreements (as shown in note 3 d) i)) is the result of the exchange gains and losses recognised in the statement of total recognised gains and losses, and is analysed in the deferred gains and losses table shown below.

	Swap agreements		
	Gains £ million	Losses £ million	Net £ million
<i>Deferred gains and losses</i>			
Deferred gains and losses on hedges at 1 October 2001	7.3	(21.9)	(14.6)
Gains and losses on hedges maturing in 2002	(5.0)	12.1	7.1
Deferred gains and losses on hedges recognised in the statement of total recognised gains and losses in 2002	23.6	3.4	27.0
Deferred gains and losses on hedges at 30 September 2002	<b>25.9</b>	<b>(6.4)</b>	<b>19.5</b>

The unrecognised difference between the carrying amount and the fair value of the forward foreign exchange contracts and the swap agreements (as shown in note 3 d) i)) is analysed in the unrecognised gains and losses table below.

	Forward foreign exchange contracts		Swap agreements		Net total £ million
	Gains £ million	Losses £ million	Gains £ million	Losses £ million	
<i>Unrecognised gains and losses</i>					
Unrecognised gains and losses on hedges at 1 October 2001	1.7	(10.8)	12.3	(6.2)	(3.0)
Gains and losses arising in previous years that were recognised in 2002	(1.5)	7.8	(4.3)	0.1	2.1
Gains and losses arising before 2002 that were not recognised in 2002	0.2	(3.0)	8.0	(6.1)	(0.9)
Gains and losses arising in 2002 that were not recognised in 2002	5.4	2.3	14.1	(4.4)	17.4
Unrecognised gains and losses on hedges at 30 September 2002	<b>5.6</b>	<b>(0.7)</b>	<b>22.1</b>	<b>(10.5)</b>	<b>16.5</b>
<i>Of which</i>					
Gains and losses expected to be recognised in 2003	5.2	(0.7)	0.8	(0.5)	4.8
Gains and losses expected to be recognised in 2004 or later	0.4	–	21.3	(10.0)	11.7

#### e) Currency exposures

As outlined on page 45 in the finance and treasury review under the heading 'currency risk', it is the Group's policy to hedge against the potential impact on its profit and loss account of the currency gains and losses arising from monetary assets and liabilities not denominated in the operating or functional currency of the operating unit involved.

After taking account of the hedging transactions, there was no significant net profit and loss account exposure to currency gains and losses arising from monetary assets and liabilities at 30 September 2002.

#### f) Financial instruments

##### i) Financial assets

The interest rate and currency profile of the Group's financial assets (excluding short-term debtors) at 30 September 2002 is shown below. The categories of the Group's financial assets are shown in note 3 d) i).

	2002				2001			
	Floating rate financial assets £ million	Fixed rate financial assets £ million	Financial assets on which no interest is received £ million	Total financial assets £ million	Floating rate financial assets £ million	Fixed rate financial assets £ million	Financial assets on which no interest is received £ million	Total financial assets £ million
Sterling	28.1	11.5	1.7	41.3	65.8	10.0	2.3	78.1
US dollar	10.4	123.4	21.3	155.1	13.9	115.8	21.2	150.9
Australian dollar	82.4	–	–	82.4	20.6	–	–	20.6
South African rand	9.0	–	1.6	10.6	44.4	–	2.3	46.7
Japanese yen	51.5	–	6.7	58.2	26.5	–	7.7	34.2
Other	39.2	–	0.6	39.8	85.2	–	0.1	85.3
Total	<b>220.6</b>	<b>134.9</b>	<b>31.9</b>	<b>387.4</b>	<b>256.4</b>	<b>125.8</b>	<b>33.6</b>	<b>415.8</b>

## 3. Treasury information continued

	2002		2001	
	Fixed rate financial assets		Fixed rate financial assets	
	Weighted average interest rate %	Weighted average period for which rate is fixed years	Weighted average interest rate %	Weighted average period for which rate is fixed years
Sterling	6.7	2.1	6.1	2.9
US dollar	10.3	4.8	10.1	5.4

Financial assets on which no interest is received comprise £30.3 million (2001: £31.7 million) of non-redeemable equity instruments in other companies and £1.6 million (2001: £1.9 million) of loans to joint ventures and associates which have no fixed date of repayment.

The floating rate financial assets, which principally comprise cash and deposits and loans to joint ventures and associates, carry interest based on different benchmark rates depending on the currency of the balance.

The principal benchmark rates for floating rate financial assets are LIBOR for sterling balances, US LIBOR for US dollar balances, Australian bank bill rate for Australian dollar balances, South African prime rate for South African rand balances and Japanese yen LIBOR for Japanese yen balances.

## ii) Financial liabilities

The interest rate and currency profile of the Group's financial liabilities including swaps (excluding short-term creditors) at 30 September 2002 is shown below. The categories of the Group's financial liabilities are shown in note 3 d) i).

	2002				2001			
	Floating rate financial liabilities £ million	Fixed rate financial liabilities £ million	Financial liabilities on which no interest is paid £ million	Total financial liabilities £ million	Floating rate financial liabilities £ million	Fixed rate financial liabilities £ million	Financial liabilities on which no interest is paid £ million	Total financial liabilities £ million
Sterling	58.8	300.0	–	358.8	66.6	299.0	1.9	367.5
US dollar	304.3	225.5	–	529.8	257.9	241.2	–	499.1
Australian dollar	79.6	35.6	–	115.2	83.4	35.9	–	119.3
South African rand	22.9	23.7	–	46.6	8.3	78.0	–	86.3
Japanese yen	92.5	165.9	–	258.4	47.5	178.2	–	225.7
Canadian dollar	41.1	–	–	41.1	39.3	1.0	–	40.3
Thai baht	11.9	52.1	–	64.0	11.5	30.4	–	41.9
Other	88.6	25.5	–	114.1	118.9	29.0	–	147.9
<b>Total</b>	<b>699.7</b>	<b>828.3</b>	<b>–</b>	<b>1,528.0</b>	<b>633.4</b>	<b>892.7</b>	<b>1.9</b>	<b>1,528.0</b>

	2002		2001	
	Fixed rate financial liabilities		Fixed rate financial liabilities	
	Weighted average interest rate %	Weighted average period for which rate is fixed years	Weighted average interest rate %	Weighted average period for which rate is fixed years
Sterling	8.3	13.9	8.4	14.9
US dollar	7.1	4.2	7.1	5.2
Australian dollar	6.2	0.2	6.2	1.3
South African rand	11.9	3.9	12.4	2.9
Japanese yen	0.9	3.8	1.0	4.2
Thai baht	4.0	1.8	6.2	0.4
Other	9.7	2.8	10.2	3.2

The floating rate financial liabilities principally comprise debt which carries interest based on different benchmark rates depending on the currency of the balance.

The principal benchmark rates for floating rate financial liabilities are LIBOR for sterling balances, US LIBOR for US dollar balances, Australian bank bill rate for Australian dollar balances, South African prime rate for South African rand balances and Japanese yen LIBOR for Japanese yen balances.

The maturity profile of the net borrowings is set out in note 3 c) ii). Other floating rate financial liabilities are mainly employee incentive provisions. These are expected to be utilised over the period to 2004 depending on the future choices of the relevant employees.