Exposure Draft of Revised IAS 1

Presentation of Financial Statements

Submission by Bill Jamieson FCA

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Bill Jamieson
49 Lynmore Drive
Manurewa 1702
New Zealand
Phone/fax (9) 266 6265
Email: billjam@attglobal.net

Submission on Exposure Draft Revision of IAS1

By Bill Jamieson FCA

Preamble

These comments are based on paragraph 5 of the draft that states that financial statements should be 'useful to a wide range of users in making economic decisions'. In my view this has been the big failing of existing formats which have become so complex that they are not intelligible to the public at large. This reduces their transparency and so encourages the use of the questionable accounting practices that are currently the subject of much public scrutiny.

It is my contention that relatively simple changes to the layout of the main financial statements could go a long way to remedy this. In devising these changes, my approach has been to start from the bottom up with what investors need to know, and then work backwards to the format that will give them this information in a readily assimilable form. Examples are:

- By how much do earnings exceed funding costs? This is a ratio commonly used by bankers to assess ability to service debt, and is known as interest cover or funding cost cover. In view of its importance to a company's credit rating, it is a ratio that should be readily apparent to all readers, by showing it on the face of the income statement..

- What proportion of total earnings is being paid out in dividends? This is known as dividend cover, and is an indication of whether future dividends will be maintained or possibly increased.

- What were the company's ongoing, realized earnings, as distinct from one-off or non-trading items? What was the effect of non-cash items such as equity profits and permanent impairment and goodwill write-offs?

- What was the company's total indebtedness? What was its source of funds divided into such items as shareholders' equity, debt, and creditors and provisions?

- The income statement may show a healthy profit, but where has it all gone in terms of cash flow? At present there is no direct link between the income and cash flow statements apart from a confusing reconciliation statement in the notes to the accounts.

- What were the segmental earnings, including those of businesses sold or acquired during the year?

- How do the company's earnings rates compare to the return on a riskless investment such as Government securities? This will give a measure of the return the company is achieving compared to the commercial risks it is taking.

The comments that follow propose formats that will deal with these, and other, fundamental questions.

Components of Financial Statements

Paragraph 6. The aim should be to have a set of fully integrated financial statements with links between them that can be readily followed by the reader. In addition to those listed in the exposure draft, segmental analysis should be included as one of the major statements. It should be linked to figures in the income statement and balance sheet, and should include details of businesses sold or acquired during the year.

In the interests of integrating statements, the standard on cash flow statements IAS 7 could possibly be transferred to IAS 1 to ensure that links between the statements are maintained.

Balance Sheet

Paragraphs 49 to 64. In my view, including the current/non-current distinction in the face of the balance sheet clouds the nature of assets and liabilities and conceals the totals of important items such as interest bearing debt. In the past this separation was designed to highlight the current ratio, with a healthy excess of current assets over current liabilities allegedly being a prime indicator of ability to meet financial obligations as they fall due.

In practice, with the complexities of modern accounting, classifications into current and non-current are easily manipulated, so that the current ratio is a poor indicator compared to other measures such as funding cost cover, and so is of little interest to the majority of readers. It is therefore suggested that this distinction be discontinued from the face of the balance sheet, with any such details being included in the notes to the accounts for the more technical readers to mull over.

Paragraph 65. If totals only of balance sheet items are shown in the face of the statement, the format can be simplified into the major headings of source of funds on one side, balanced by assets employed on the other side. A typical format could then be:

<u>Source of funds:</u>	<u>Assets employed</u>
Shareholders' equity	Property, plant and equipment
Minority interests	Investments
Interest Bearing Debt	Inventories
Creditors and provisions	Receivables and prepayments
	Cash and cash equivalents
	Intangible assets

With this format, readers can see at a glance how much funding is being provided by proprietors (which has to be serviced by way of dividends); by financiers (which has to be serviced by interest payments and principal repayments); and by suppliers and other creditors (which the company uses at no cost to itself).

On the assets side, readers can readily assess whether the company is capital intensive, and the total amounts tied up in, and movements in, working capital. It also highlights such items as the total of investments (which usually result in negative cash flows), cash and cash equivalents (which may indicate inefficient use of scarce liquid resources); and intangible assets (which may affect assessment of gearing ratios).

Paragraph 67. This leaves the format of the balance sheet to the reporting entity. If the simplified layout above is adopted, it should be standardized to aid comparisons between companies and the same company from year to year.

Paragraphs 70 to 72. Decisions as to what is shown on the face of the balance sheet and what is consigned to the notes are a key element in improving reader understanding. Following the proposals outlined above, all the items in these paragraphs should be included in the notes apart from the number of shares in issue, which should be shown on the face of the balance sheet. This information is required to allow ready checking of such figures as earnings per share and asset backing per share. Partly paid shares should be included at the fully paid equivalent.

Income Statement

Paragraph 75. If the format of the statement is modified as described below, all items generated by the entity's operations that affect shareholders' equity should be included in this statement. This would include such items as asset revaluations and foreign exchange differences that go to make up comprehensive income in the current Statement of Changes in Equity.

Paragraph 78. Readers need to know the effect on profit of so-called 'extraordinary' or 'one-off' items in order to assess a company's future prospects from its core businesses. Elimination of extraordinary items, as suggested in the exposure draft therefore seems to be a backward step. If re-instated, items that would qualify under this heading would include gains and losses tax on the sale of capital assets, and litigation settlements, also after tax.

Other items that should be stated separately are so-called 'accounting' entries that do not involve cash. This would include equity profits not received in cash, goodwill write-offs, and permanent asset impairment.

Paragraph 76. If the income statement is categorised as above, it could be layered into a series of profit figures in line with quality of earnings. Ongoing earnings from core operations would be of the highest quality; those from non-cash adjustments less so; and those from one-off or extraordinary items of a lower order again. This is in line with current thinking that there is no one true measure of profit, and that readers should use their judgement when assessing a company's results. At least this suggested format would assist them in doing so.

The format should also highlight key ratios that are employed by financiers and other analysts when assessing company performance and credit rating. Principle among these are the number of times operating earnings before tax exceed funding costs (funding cost cover); the number of times dividends paid or provided during the year exceed profit after tax; dividends per share; and earnings per share at the various levels of profit shown in the income statement.

In this respect, recent moves to remove provision for final dividends from accounts on the reasoning that no liability is incurred until the dividend is approved by shareholders is, in my view, also a backward step. This denies readers the opportunity to assess the directors' dividend policy, and the likelihood of dividends being maintained or increased.

With earnings per share, the only meaningful figure is that based on diluted earnings, so undiluted earnings figures could well be excluded from the face of the main statements.

Paragraph 82. Including information on discontinued or acquired operations in the face of the income statement makes for a confusing multi-column presentation that is hard to read. This could be better shown in the segmental analysis (see below).

Paragraph 80. An income statement format that satisfies the above requirements could be:

Revenue	**xxxxxx**
Earnings before interest and tax (EBIT)	xxxxxx
Funding costs	(xxxxx)
Operating profit before tax	xxxxxx
Tax on operating income	(xxxxx)
Minority interests	(xxx)
Operating profit after tax	**xxxxx**
Unrealized items	
Equity profits after tax	xxx
Asset revaluations	(xxx)
Foreign exchange differences	xxx
Net profit after tax	**xxxxx**
Extraordinary items	
Profit on sale of assets	xxx
Profit on sale of investments	xxx
Total earnings for the year	**xxxx**
Dividends paid and provided	(xxxx)
Retained earnings for the year	xxxx

Earnings per share	
On operating profit after tax	xx
On net profit after tax	xx
On total earnings	xx
Dividends per share	xx

Definitions of ‘unrealized’ and ‘extraordinary’ would need to be clearly stated under this system, but this is better than excluding them altogether.

Paragraphs 80 to 90. All information other than that shown above should be included in the notes to the accounts. The actual format should be as standardized as possible, and not left to the discretion of the compilers. Specialist formats may be necessary for financial institutions and insurance companies.

Statement of changes in equity.

Paragraph 91. If items currently included in the comprehensive income calculation are transferred to the income statement, the only items remaining here would be retained earnings as shown in the income statement; and capital transactions with owners.

Paragraph 92. Rather than carry forward totals of equity from the previous year, a clearer presentation is to show movements in equity for the year only in this statement.

Cash flow statement

Paragraph 96. The format of this statement should be linked to profit figures in the income statement, so that the relationship between profit and cash flows can be readily seen. At present this is purportedly shown in a reconciliation statement, but this is confusing - for instance, profit on sale of assets is shown as a negative figure.

Rather than go in to detail here, a proposed revised format of this statement is included in the attached example of a fully integrated set of financial statements, based on the published accounts of Pilkington plc.

As stated above, the standard on cash flow statements, IAS 7 could possibly be transferred to IAS 1 to ensure that links between the statements are maintained.

Segmental analysis

No mention is made in the exposure draft of segmental analysis. In my view this should be an essential part of the reporting of the more complex enterprises. It is the natural place to record the effect of businesses acquired and disposed of during the year, and to show the return on assets the company is achieving in view of the commercial risks it is taking.

Again the format should be standardized, and should include segmental revenues, earnings in terms of EBIT, net assets employed (being gross assets less creditors and provisions), and earnings rates expressed as the percentage of EBIT to net assets employed. Comparing this latter figure with rates of return from riskless investments such as Government securities will give the margin for risk the company is achieving.

Notes to the Financial Statements

Paragraphs 97 to 102. No comment.

Disclosure of Accounting Policies

Paragraphs 103 to 109. No comment

Key measurement assumptions

Paragraphs 110 to 115. No comment.

Other disclosures

Paragraph 116. Final dividends proposed by directors should be regarded as a liability and provided for (see above comments on paragraph 76).

Preference dividends on non-equity shares (that sometimes appear as non-equity minority interests) should be included in funding costs as a charge against profit.
To be consistent, such non-equity preference shares should be included in interest bearing debt in the balance sheet.

Invitation to comment

Question 1. Yes

Question 2. No

Question 3. No comment - not too important under my system of reporting

Question 4. Same

Question 5. No comment

Question 6. No comment

Appendix

The accounts of Pilkington plc for the year ending 31 March 2001 have been recast in the format proposed in my submission, as an example of a typical listed public company. Extracts from the company's published accounts on which this recast version is based are also included, in order to allow a direct comparison with the somewhat convoluted presentation that has evolved over the years.

It is my contention that the recast version would have allowed readers to readily assimilate all the essential information in a much more accessible form. More technical information such as a detailed debt profile would still be included in the notes.

Some of the recast statements are indicative only, as information to recast them accurately is not available in the published accounts. However, this does not affect the general principles behind my submission

CONSOLIDATED AUDITED/UNQUALIFIED	**PILKINGTON plc**		
PERIODS ENDING: NUMBER OF MONTHS:	31-Mar-01 12 £m	31-Mar-00 12 £m	**COMMENTS**
INCOME STATEMENT			
INCOME			
REVENUE	2,507	2,463	
INTEREST RECEIVED	7	6	
DIVIDENDS RECEIVED	1	1	
EARNINGS BEFORE INTEREST & TAX	262	194	
FUNDING COSTS	(89)	(80)	1. Funding costs include 16 of preference dividends described as non-equity minority interests in the published accounts
OPERATING PROFIT BEFORE TAX	173	114	
TAX PROVISION	(39)	(29)	
MINORITY INTERESTS	(12)	5	
OPERATING PROFIT AFTER TAX	122	90	2. Tax provision and dividends received are deducted from undistributed related company profiles so that the non-cash portion only is shown
UNREALISED PROFITS/(LOSSES) AFTER TAX			
UNDISTRIBUTED RELATED COMPANY PROFITS	9	29	
EXCHANGE RATE MOVEMENTS	(2)	(26)	3. Exchange rate movements included in the statement of recognised gains and losses in the published accounts are shown here instead and total earnings are adjusted accordingly
NET PROFIT AFTER TAX	129	93	
EXTRAORDINARY ITEMS AFTER TAX			
PROFIT/(LOSS) ON SALE OF ASSETS	(5)	(8)	
REDUNDANCY & LITIGATION COSTS	(39)	(115)	4. Redundancy and litigation costs are shown as exceptional items in the published accounts and extraordinary items here bit this classification is debatable
TOTAL EARNINGS FOR THE YEAR	85	(30)	
APPROPRATIONS			
DIVIDENDS	(62)	(55)	
RETAINED EARNINGS FOR THE YEAR	23	(85)	
DILUTED EARNINGS PER SHARE – PENCE			
ON OPERATING PROFIT AFTER TAX	10.3	8.1	
ON NET PROFIT AFTER TAX	10.9	8.5	
ON TOTAL EARNINGS FOR THE YEAR	7.2	(2.7)	
DIVIDENDS PER SHARE - PENCE	5.0	5.0	

CONSOLIDATED AUDITED/UNQUALIFIED	**PILKINGTON plc**		
PERIODS ENDING:	31-Mar-01	31-Mar-00	
NUMBER OF MONTHS:	12	12	**COMMENTS**
	£m	£m	
## BALANCE SHEET			
SHARE CAPITAL			
NUMBER OF SHARES IN ISSUE	1,234	1,100	
SOURCE OF FUNDS:			
SHAREHOLDERS' EQUITY	817	667	
MINORITY INTERESTS	85	122	1. Non-equity minority interests have been included in interest bearing debt
INTEREST BEARING DEBT	973	859	
CREDITORS & PROVISION	1,098	1,038	2. Details of all balance sheet items should be included in notes to the accounts, including a debt profile and the split of current/non-current assets and liabilities, if desired.
	2,973	2,686	
ASSETS EMPLOYED:			
PROPERTY, PLANT & EQUIPMENT	1,585	1,508	
INVESTMENTS	242	225	
RECEIVABLES & PREPAYMENTS	394	347	
CASH & CASH EQUIVALENTS	491	449	
GOODWILL	87	66	
	174	91	
	2,973	2,686	

CONSOLIDATED AUDITED/UNQUALIFIED	**PILKINGTON plc**		
PERIODS ENDING: NUMBER OF MONTHS:	31-Mar-01 12 £m	31-Mar-00 12 £m	**COMMENTS**
STATEMENT OF CHANGES IN EQUITY			
RETAINED EARNINGS FOR THE YEAR	23	(85)	
SHARE ISSUES	127	8	
NET INCREASE IN SHAREHOLDERS' FUNDS	150	(77)	

CONSOLIDATED AUDITED/UNQUALIFIED	**PILKINGTON plc**		
PERIODS ENDING: NUMBER OF MONTHS:	31-Mar-01 12 £m	31-Mar-00 12 £m	**COMMENTS**
FUNDS STATEMENT			
FUNDS INFLOW/(OUTFLOW FROM OPERATIONS)			
OPERATING PROFIT BEFORE TAX	173	114	1. This recent statement is indicative only as the information to recast it accurately is not obtainable from the published accounts
NON-CASH ITEMS IN OPERATING PROFIT			
DEPRECIATION	156	149	
TAX PAID	(38)	(15)	
DIVIDENDS PAID	(47)	(65)	2. Operating profit before tax should be the same as the figure in the income statement, and so provide the link between the two statements
WORKING CAPITAL (INCREASE)/DECREASE			
INVENTORIES	(31)	(4)	
RECEIVABLES	(17)	7	
CREDITORS	32	(2)	
SURPLUS/(DEFICIT) FROM OPERATIONS	228	184	
(INVESTMENTS)/DIVESTMENTS			
FIXED ASSETS - SALES	11	22	
- PURCHASES	(193)	(175)	
INVESTMENTS - SALES			
- PURCHASES	(109)	(33)	
FUNDING SURPLUS/(REQUIREMENT)	(63)	(2)	
SOURCE/(DISPOSITION) OF FUNDS			
SHARE ISSUES			
INTEREST BEARING DEBT			
INCREASE/(DECREASE)	44	(14)	
CASH AND LIQUID INVESTMENTS			
(INCREASE)/DECREASE	19	16	
	63	2	

CONSOLIDATED AUDITED/UNQUALIFIED	PILKINGTON plc		
PERIODS ENDING: NUMBER OF MONTHS:	31-Mar-01 12 £m	31-Mar-00 12 £m	**COMMENTS**
SEGMENTAL ANALYSIS			
REVENUE			
BUILDING PRODUCTS	1,252	1,165	1. Revenue, Ebit and net operating assets should all reconcile with the figures in income statements are linked. There are slight differences in this example because of different classifications in the recast statements from those in the published accounts
AUTOMOTIVE PRODUCTS	1,214	1,166	
GROUP OPERATIONS & TECHNOLOGY MGMNT	41	51	
DISCONTINUED OPERATIONS		81	
	2,507	2,463	2. Assets are probably understated, and hence earnings rates on assets are write-offs of goodwill in previous years
EBIT			
BUILDING PRODUCTS	175	135	
AUTOMOTIVE PRODUCTS	79	63	
GROUP OPERATIONS & TECHNOLOGY MGMNT	(19)	(15)	
DISCONTINUED OPERATIONS		4	
	235	187	
NET OPERATING ASSETS			
BUILDING PRODUCTS	927	806	
AUTOMOTIVE PRODUCTS	678	609	
GROUP OPERATIONS & TECHNOLOGY MGMNT	(12)	2	
DISCONTINUED OPERATIONS			
	1,593	1,417	
EBIT/OPERATING ASSETS - %			
BUILDING PRODUCTS	18.9	16.7	
AUTOMOTIVE PRODUCTS	11.7	10.3	
GROUP OPERATIONS & TECHNOLOGY MGMNT	158.3	(750.0)	
	14.8	13.2	

Group profit and loss account

For the year ended 31st March 2001		2001			2000		
		Operations	**Exceptionals (Note 7)**	**Total**	Operations	Exceptionals (Note 7)	Total
	Note	**£m**	**£m**	**£m**	£m	£m	£m
Turnover							
Group turnover – continuing	1	**2,507**	**-**	**2,507**	2,382	-	2,382
Group turnover - discontinued	2	**-**	**-**	**-**	81	-	81
Group Turnover – total		**2,507**	**-**	**2,507**	2,463	-	2,463
Share of joint ventures' and associates' turnover							
- continuing	4	**313**	**-**	**313**	244	-	244
Turnover including joint ventures and associates		**2,820**	**-**	**2,820**	2,707	-	2,707
Operating profit							
Group – continuing	1	**235**	**(39)**	**196**	183	(114)	69
Group – discontinued	2	**-**	**-**	**-**	-	(1)	3
Group operating profit – total							
Share of joint ventures' and associates' operating		**235**	**(39)**	**196**	187	(115)	72
profit	4	**53**	**-**	**53**	51	-	51
Operating profit including joint ventures and associates		**288**	**(39)**	**249**	238	(115)	123
Non-operating exceptional items	7						
Loss on disposal/termination of continuing operations							
Loss on disposal/termination			**(6)**	**(6)**		(20)	(20)
Previous provision utilised			**1**	**1**		19	19
			(5)	**(5)**		(1)	(1)
Loss on disposal of discontinued operations			**-**	**-**		(3)	(3)
Loss on disposal of fixed assets and investments in continuing operations			**-**	**-**		(4)	(4)
		-	**(5)**	**(5)**	-	(8)	(8)
Profit before investment income and interest		**288**	**(44)**	**244**	238	(123)	115
Investment income	9	**1**	**-**	**1**	1	-	1
Net interest payable and similar charges	10	**(73)**	**-**	**(73)**	(64)	-	(64)
Profit on ordinary activities before taxation		**216**	**(44)**	**172**	175	(123)	52
Taxation	11	**(60)**	**3**	**(57)**	(48)	3	(45)
Profit after taxation		**156**	**(41)**	**115**	127	(120)	7
Minority interests (including non-equity)	12	**(28)**	**-**	**(28)**	(28)	17	(11)
Profit/(loss) attribute to shareholders		**128**	**(41)**	**87**	99	(103)	(4)
Dividends	13	**(62)**	**-**	**(62)**	(55)	-	(55)
Retained profit/(loss) of the Group	34	**66**	**(41)**	**25**	44	(103)	(59)
Earnings/(loss) per share	14	**10.8p**	**(3.4p)**	**7.4p**	9.1p	(9.5p)	(0.4p)
Fully diluted earnings/(loss) per share	14	**10.6p**	**(3.4p)**	**7.2p**	9.0p	(9.4p)	(0.4p)

Statement of total recognised gains and losses

For the year ended 31st March 2001	**2001 £m**	2000 £m
Profit/(loss) attributable to shareholders of Pilkington plc	**87**	(4)
Other recognised (losses)/gains		
Exchange rate movements on foreign currency net investments:		
- subsidiaries	**-**	(40)
- associates	**(2)**	14
Total other recognised losses	**(2)**	(26)
Total recognised gains/(losses) relating to the year	**85**	(30)

Note of historical cost profits and losses for the year ended 31st March 2001

There were no material differences between the reported profit on ordinary activities before taxation and the retained profit and their historical cost equivalents for the year. Similarly, there were no such differences in respect of 2000.

Reconciliation of movement in shareholders' funds

For the year ended 31st March 2001	Note	**2001 £m**	2000 £m
Profit/(loss) attributable to shareholders of Pilkington plc		**87**	(4)
Dividends	13	**(62)**	(55)
Exchange rate movements on foreign currency net investments	34	**(2)**	(26)
Goodwill written back	7	**-**	2
Shares issued	33	**67**	4
Premium on shares issued	34	**60**	4
Net increase/(decrease) in shareholders' funds for the year		**150**	(75)
Shareholders' funds at beginning of the year		**667**	742
Shareholders' funds at the end of the year		**817**	667

Balance Sheets

As at 31st March 2001		2001		2000	
		Group	**Company**	Group	Company
	Note	**£m**	**£m**	£m	£m
ASSETS EMPLOYED					
Fixed assets					
Intangible fixed assets	15	**175**	**-**	91	-
Tangible fixed assets	16	**1,585**	**5**	1,508	5
Investments – subsidiary undertakings	17	**-**	**1,329**	-	1,064
Investments – Joint ventures:	18				
– Share of gross assets		**119**	**-**	113	-
– Share of gross liabilities		**(26)**	**-**	(28)	-
		93	**-**	85	-
Investments – associates	19	**134**	**-**	125	-
Investments – trade	20	**15**	**2**	15	1
Total fixed assets		**2,001**	**1,336**	1,824	1,070
Current assets					
Stocks	21	**394**	**-**	347	-
Debtors – amounts falling due within one year	22	**377**	**22**	351	47
– trade debtors subject to factoring arrangements	22	**112**	**-**	105	-
– less non-returnable amounts received	22	**(91)**	**-**	(83)	-
– total debtors falling due within one year	22	**398**	**22**	373	47
Debtors – amounts falling due after more than one month	23				
Debtors – total		**491**	**22**	449	48
Investments – marketable	24	**38**	**7**	17	6
Cash at bank and in hand		**49**	**19**	49	4
		972	**48**	862	58
Creditors – amounts falling due within one year	25	**707**	**73**	714	47
Net current assets/(liabilities)		**265**	**(25)**	148	11
Total assets less current liabilities		2,266	1,311	1,972	1,081
FINANCED BY					
Creditors – amounts falling due after more than one year	26	**618**	**148**	465	-
Provisions for liabilities and charges	29	**487**	**16**	480	12
		1,105	**164**	945	12
Deferred income	31	**19**	**6**	19	9
Capital and reserves					
Called up share capital	33	**617**	**617**	550	550
Share premium account	34	**64**	**64**	4	4
Other reserves (including special reserve)	34	**150**	**279**	190	370
Profit and loss account	34	**(14)**	**181**	(77)	136
Total equity shareholders' funds		**817**	**1,141**	667	1,060
Minority interests – equity	35	**85**	**-**	122	-
– non-equity	35	**240**	**-**	219	-
		325	**-**	341	-
		2,266	**1,311**	1,972	1,081

The financial statements on pages 20 to 53 were approved by the directors on 30th May 2001.

Directors: Sir Nigel Rudd, A.M.Robb

Group cash flow statement

For the year ended 31st March 2001	Note	**2001 £m**	**2001 £m**	2000 £m	2000 £m
Net cash inflow from operating activities before exceptional items	36		**381**		345
Exceptional items – restructuring and disposal of operations			**(60)**		(74)
Net cash inflow from operating activities			**321**		271
Dividends received from joint ventures			**11**		3
Dividends received from associates			**15**		6
Returns of investment and serving of finance					
Interest - paid (excluding finance leases)		**(63)**		(56)	
- paid (finance leases)		**(5)**		(4)	
- received		**9**		7	
Dividends - received from other investments		**1**		1	
-paid to minority shareholders		**(23)**		(19)	
Net cash outflow from returns on investments and servicing of finance			**(81)**		(71)
Taxation paid			**(38)**		(15)
Capital expenditure					
Purchase of tangible fixed assets		**(193)**		(175)	
Disposals of tangible fixed assets		**11**		21	
Net cash outflow from capital expenditure			**(182)**		(154)
Acquisitions and disposals			**46**		40
Purchase of – subsidiary undertakings	37	**(17)**		(10)	
– joint ventures, associates and other investments	37	**(26)**		(6)	
Disposal of – subsidiary undertakings		**-**		46	
– net cash with subsidiary undertakings		**-**		(7)	
– joint ventures, associates and other investments	37	**3**		1	
Net cash (outflow)/inflow from acquisitions and disposals			**(40)**		24
Net cash inflow before dividends, management of liquid resources and financing			**6**		64
Equity dividends paid by parent company			**(47)**		(65)
Management of liquid resources – short-term deposits	38		**(22)**		(1)
Financing					
New loans taken out	38	**164**		181	
Loans repaid	38	**(98)**		(185)	
Finance lease capital repayments	38	**(22)**		(10)	
Net cash inflow/(outflow) from financing			**44**		(14)
Decrease in cash	38		**(19)**		(16)

Notes on the financial statements

For the year ended 31st March 2001		2001			2000	
	Turnover	**Profit/(loss)**	**Net Operating Assets/ (liabilities)**	Turnover	Profit/(loss)	Net operating assets
1 Segmental analysis of the Group's continuing operations	**£m**	**£m**	**£m**	£m	£m	£m
Building products	**1,252**	**275**	**927**	1,165	135	806
Automotive products	**1,214**	**79**	**678**	1,166	63	609
Group operations and technology management	**41**	**(19)**	**(12)**	51	(15)	2
	2,507		**1,593**	2,382		1,417
Group pre-exceptional operating profit		**235**			183	
Share of joint ventures' and associates'						
Pre-exceptional operating profit (note 4)		**53**			51	
Exceptional items charged against operating profit (note 7)						
- Group		**(39)**			(114)	
Operating profit including joint ventures and associates		**249**			120	
Non-operating exceptional items (note 7)		**(5)**			(5)	
Investment income		**1**			1	
Net interest payable		**(73)**			(64)	
Profit on ordinary activities before taxation		**172**			52	
Geographical analysis of turnover, pre-exceptional Operating profit/(loss) and net operating assets/ (liabilities)						
Europe	**1,418**	**198**	**954**	1,385	137	891
North America	**709**	**19**	**319**	639	35	171
Rest of the world	**339**	**37**	**332**	307	26	353
Group operations and technology management	**41**	**(19)**	**(12)**	51	(15)	2
	2,507	**235**	**1,593**	2,382	183	1,417

Turnover derived from transactions between Building products and Automotive products amounted to £94 million in 2001 (2000 £118 million).
Other inter-segmental turnover is not material.

Net operating assets are analysed in note 6.

2 Segmental analysis of the Group's discontinued operations	2001 Turnover £m	2001 Profit/(loss) £m	2001 Net Operating Assets/ (liabilities) £m	2000 Turnover £m	2000 Profit/(loss) £m	2000 Net operating assets £m
Technical products	**-**		**-**	81		-
Group pre-exceptional operating profit		**-**			4	
Exceptional items charged against Group operating profit (note 7)		**-**			(1)	
Operating profit		**-**			3	
Non-operating exceptional items (note 7)		**-**			(3)	
Profit on ordinary activities before taxation		**-**			-	
Geographical analysis of turnover, operating profit And net operating assets						
Europe	**-**	**-**	**-**	70	2	-
North America	**-**	**-**	**-**	11	2	-
	-	**-**	**-**	81	4	-

The discontinued operations in 2000 comprised the Technical products businesses sold to the management of those businesses in the year, Principally Flabeg GmbH, SMA Regelsysteme GmbH, Pilkington Solar International GmbH, Pilkington Technical Mirrors (UK) Limited and Pilkington Technical Mirror Corporation. The loss on sale in 2000 is referred to in exceptional items (note 7).

Turnover derived from transactions between Building products and Technical products amounted to nil in 2001 (2000 £5 million).

3 Acquisitions

The principal acquisitions in 2001 relate to an increase in the Group's percentage ownership of Pilkington North America Inc and Pilkington Automotive Limited from 80% to 100% (acquired on 24th July 2000) and the increased percentage ownership in Pilkington Polska Sp. Z o.o. (formally Pilkington Sandoglass Sp. Z o.o.) which has increased from 75% to 100%, acquired between 4th May and 7th November 2000. The results of these businesses have been consolidated in previous years.

The principal acquisition in 2000 related to an increase in the Group's percentage holding in Pilkington Sandoglass Sp. z o.o.

Further details regarding acquisitions made in the year are disclosed in note 37.

4 Segmental analysis of the Group's shares of joint ventures and associates	2001 Turnover £m	2001 Profit/(loss) £m	2001 Net Operating Assets/ (liabilities) £m	2000 Turnover £m	2000 Profit/(loss) £m	2000 Net operating assets £m
Joint ventures						
Building products	**52**	**18**	**85**	41	13	78
Automotive products	**7**	**-**	**8**	7	-	7
	59	**18**	**93**	48	13	85
Europe	**4**	**(1)**	**21**	5	-	6
North America	**3**	**-**	**2**	2	-	1
Rest of the world	**52**	**19**	**70**	41	13	78
	59	**18**	**93**	48	13	85
Associates						
Building products	**125**	**23**	**93**	88	21	89
Automotive products	**129**	**12**	**41**	108	17	36
	254	**35**	**134**	196	38	125
North America	**239**	**33**	**108**	195	38	98
Rest of the world	**15**	**2**	**26**	1	-	27
	254	**35**	**134**	196	38	125
Total joint ventures and associates	**313**	**53**	**227**	244	51	210