

Notes to the accounts

1 Continuing and discontinued operations and acquisitions	1999			1998		
	Continuing £m	Discontinued £m	Total £m	Continuing £m	Discontinued £m	Total £m
Turnover	1,568.0	111.5	1,679.5	1,726.8	356.1	2,082.9
Cost of sales	1,103.0	83.8	1,186.8	1,193.7	279.9	1,473.6
Net operating expenses						
Distribution costs	319.7	13.1	332.8	341.0	24.4	365.4
Administrative expenses	145.6	6.2	151.8	139.9	24.6	164.5
Other operating income (Note 3)	(7.5)	–	(7.5)	(7.5)	–	(7.5)
Less: 1997 provision	–	–	–	–	(1.6)	(1.6)
Total	457.8	19.3	477.1	473.4	47.4	520.8
Operating profit	7.2	8.4	15.6	59.7	28.8	88.5
Profit on sale of fixed assets	3.1	–	3.1	2.0	0.5	2.5
Provision for losses on sale of fixed assets	–	–	–	0.7	–	0.7
	3.1	–	3.1	2.7	0.5	3.2
Sale or termination of operations:						
Losses	(30.9)	–	(30.9)	(21.0)	(16.3)	(37.3)
Gains	–	114.7	114.7	1.0	–	1.0
	(30.9)	114.7	83.8	(20.0)	(16.3)	(36.3)
Provision for loss on sale or termination of operations	–	–	–	0.6	14.4	15.0

On 15 April 1999, the Group completed the sale of its Precision Engineering Division to Petcin Limited. The net proceeds of sale after adjusting for debt and finance leases taken over by the purchaser, expenses of sale and other completion accounts adjustments were £294.4 million giving rise to a net gain on disposal of £114.7 million after accounting for £60.3 million of goodwill previously written off on the acquisition of the businesses comprising that Division.

In accordance with FRS3, the results of the Precision Engineering Division for the first quarter of 1999 have been shown as a discontinued operation and the prior year results have also been restated on this basis.

Turnover of the Precision Engineering Division for the first quarter was £75.9 million (1998 – £315.2 million), operating profit was £5.4 million (1998 – £25.6 million) and net assets at 31 December 1999 were nil (1998 – £100.4 million).

Since the year end, the Group's Indian subsidiary, Madura Coats Limited, has sold its Garments division for approximately £33 million, which will realise a gain on disposal of approximately £27 million. While the gain has not been recognised in these accounts, in accordance with FRS3, the results of Madura Garments have been shown as discontinued operations and prior year figures have been restated accordingly. Turnover for 1999 was £35.4 million (1998 – £31.9 million), operating profit was £3 million (1998 – £3.2 million) and net assets at 31 December 1999 were £5.2 million (1998 – £2.7 million).

Other discontinued operations included above relate to the non-Marks and Spencer clothing business (Counterpart) which was disposed of during 1998. Losses on sale or termination of continuing operations include the costs of withdrawal from the manufacture of handknittings and from the Berghaus wholesale business with the former Russian states. The Group has also sold during the year its Asia Pacific branded clothing businesses. The net loss arising as a result of these sales and terminations amounted to £30.9 million including £14.3 million of goodwill previously written off on acquisition. Losses arising on sale or termination of operations in 1998 related to a number of separate disposals and details were set out in last year's annual report.

Acquisitions

All acquisitions during the year have been accounted for using the acquisition method.

Hicking Pentecost PLC, principally a manufacturer of speciality sewing threads, was acquired with effect from 1 September 1999 at a cost of £80.2 million. For the year ended 31 March 1999, this group made a profit after taxation of £3.7 million. For the period 1 April to 31 August 1999, the group made a loss after taxation of £0.1 million.

2 Analysis of turnover, operating profit and net assets	Turnover		Operating profit		Net assets	
	1999 £m	1998 £m	1999 £m	1998 £m	1999 £m	1998 £m
Product category:						
Industrial	535.8	556.8	43.2	40.3	441.8	373.4
Crafts	312.1	350.2	31.0	32.3	122.7	164.0
Thread	847.9	907.0	74.2	72.6	564.5	537.4
India – Other Textiles	55.8	71.4	(2.4)	4.0	37.3	39.8
Coats Divisions	903.7	978.4	71.8	76.6	601.8	577.2
Contract Clothing	305.4	350.1	(0.7)	1.9	94.7	96.4
Fashion Retail and Branded Clothing	202.0	230.5	7.1	3.9	81.1	85.4
Home Furnishings	156.9	167.8	6.5	5.3	55.2	60.7
Viyella Divisions	664.3	748.4	12.9	11.1	231.0	242.5
Corporate	–	–	(0.4)	(0.8)	55.5	71.1
Continuing operations	1,568.0	1,726.8	84.3	86.9	888.3	890.8
Precision Engineering	75.9	315.2	5.4	27.3	–	100.4
India Garments	35.4	31.9	3.0	3.2	5.2	2.7
Counterpart	0.2	9.0	–	(1.6)	(0.1)	–
Less: 1997 provision	–	–	–	1.6	–	–
Discontinued operations	111.5	356.1	8.4	30.5	5.1	103.1
	1,679.5	2,082.9	92.7	117.4	893.4	993.9
Reorganisation costs and impairment of fixed assets			(67.0)	(26.5)		
Other exceptional items			(10.1)	(2.4)		
Operating profit			15.6	88.5		
Other items			86.9	(18.1)		
Profit before interest and associated companies			102.5	70.4		
Acquisitions in the year have been included in the following segments:						
Industrial Thread	27.4		1.1		47.3	
Contract Clothing	2.9		0.4		3.6	
Fashion Retail and Branded Clothing	3.0		0.1		3.3	
Corporate	–		(0.2)		(3.3)	
	33.3		1.4		50.9	

Notes to the accounts (continued)

2 Analysis of turnover, operating profit and net assets (continued)	Turnover		Operating profit		Net assets	
	1999 £m	1998 £m	1999 £m	1998 £m	1999 £m	1998 £m
Geographical analysis by location:						
United Kingdom	636.2	711.5	2.8	5.1	351.5	339.7
Rest of Europe	303.7	351.6	14.9	13.9	103.1	132.7
North America	308.1	312.5	40.6	39.4	199.3	164.0
South America	90.4	116.2	7.5	4.6	69.9	83.3
Africa, Asia, Australasia	229.6	235.0	18.5	23.9	164.5	171.1
Continuing operations	1,568.0	1,726.8	84.3	86.9	888.3	890.8
Discontinued operations	111.5	356.1	8.4	28.9	5.1	103.1
Less: 1997 provision	-	-	-	1.6	-	-
Associated companies	-	-	-	-	3.1	2.8
	1,679.5	2,082.9	92.7	117.4	896.5	996.7
Reorganisation costs and impairment of fixed assets			(67.0)	(26.5)		
Other exceptional items			(10.1)	(2.4)		
Operating profit			15.6	88.5		
Other items			86.9	(18.1)		
Profit before interest and associated companies			102.5	70.4		
Net debt					(125.1)	(320.8)
Other fixed and current asset investments					4.6	33.6
Net assets per consolidated balance sheet					776.0	709.5
Acquisitions in the year have been included in the following segments:						
United Kingdom	9.4		-		14.2	
Rest of Europe	3.0		-		4.5	
North America	16.9		1.0		28.9	
Africa, Asia, Australasia	4.0		0.4		3.3	
	33.3		1.4		50.9	
The geographical analysis of discontinued operations by location was:						
United Kingdom	7.6	37.5	0.5	0.5	(0.1)	11.8
Rest of Europe	12.0	50.6	1.6	8.0	-	16.2
North America	52.5	211.4	3.5	18.9	-	59.3
South America	1.1	7.4	(0.6)	(1.7)	-	6.7
Africa, Asia, Australasia	38.3	49.2	3.4	4.8	5.2	9.1
	111.5	356.1	8.4	30.5	5.1	103.1

Note

A geographical analysis of turnover by destination has not been presented as it does not differ materially from the analysis by location.

3 Operating profit	1999 £m	1998 £m
Operating profit is stated after charging:		
Depreciation – Owned assets	55.4	62.0
– Leased assets	4.7	6.2
Amortisation of goodwill	1.2	–
Reorganisation costs	46.9	22.2
Impairment of fixed assets	20.1	4.3
Hire of plant and machinery	8.5	11.3
Other operating lease rentals	21.2	23.9
Research and development expenditure	3.7	4.2
Directors' remuneration (note 4)	1.5	1.7
Auditors' remuneration – Audit fees	2.0	2.0
– Non audit related fees – UK	0.4	2.0
– Overseas	0.1	0.2
and after crediting other operating income:		
Rental income net of expenses	1.2	1.2
Royalties and licensing income	4.6	4.6
Credit card income	1.7	1.7
	7.5	7.5
Product category analysis of reorganisation costs and impairment of fixed assets		
Industrial	28.6	6.6
Crafts	12.6	8.1
Thread	41.2	14.7
Other Indian Businesses	2.9	0.9
Coats Divisions	44.1	15.6
Contract Clothing	12.8	3.8
Fashion Retail and Branded Clothing	0.8	4.8
Home Furnishings	7.5	0.6
Viyella Divisions	21.1	9.2
Corporate	1.8	–
Continuing operations	67.0	24.8
Discontinued operations	–	1.7
Total	67.0	26.5
Analysis of other exceptional items		
Loss net of estimated recoveries arising from irregularities in a USA subsidiary	5.6	–
Provision for onerous leaseholds (FRS12)	4.6	–
Restructuring of Berghaus Russian wholesale business	–	1.2
Abortive demerger and acquisition costs	(0.2)	5.7
Impairment of goodwill	–	0.8
Impairment of fixed asset investment	–	0.4
Pension refund from discontinued scheme	0.1	(5.7)
Total	10.1	2.4

Notes to the accounts (continued)

4 Directors' emoluments	1999 £'000	1998* £'000
Aggregate emoluments	1,484	1,601
Gains made on exercise of share options	–	–
	<u>1,484</u>	<u>1,601</u>
Compensation for loss of office	–	53
Total	<u>1,484</u>	<u>1,654</u>

Disclosures required by the Companies Act 1985 on Directors' remuneration, including salaries, performance-related bonuses, share options, pension contributions and pension entitlements, and those specified for audit by the London Stock Exchange, are on pages 13 to 16 within the Report by the Board on Directors' Remuneration and form part of these financial statements.

The 1998 comparative has been increased by £17,000 to reflect amendments to taxable benefits.

5 Employees	1999 Number	1998 Number
The average numbers employed by the Group during the year were:		
Direct	32,103	37,790
Indirect	7,359	7,987
Staff	15,640	17,166
	<u>55,102</u>	<u>62,943</u>
Comprising:		
UK	16,328	18,826
Overseas	38,774	44,117
	<u>55,102</u>	<u>62,943</u>
The total numbers employed at the end of the year were:		
UK	15,307	17,327
Overseas	36,833	42,540
	<u>52,140</u>	<u>59,867</u>
The costs incurred in respect of these employees were:	£m	£m
Wages and salaries	438.5	547.2
Social security costs	47.0	63.6
Pension credits (note 30)	(11.1)	(12.2)
Other pension costs (note 30)	10.0	12.9
	<u>484.4</u>	<u>611.5</u>

	1999 £m	1998 £m
6 Interest receivable and similar income		
Interest receivable	10.5	13.9
Termination of interest rate swaps	1.5	1.2
Gain on redemption of convertible bonds	0.2	0.5
Income from other fixed and current asset investments	0.6	0.6
(Loss) on sale of other fixed and current asset investments	-	(0.3)
Gross interest receivable and similar income	12.8	15.9
Less: credit card interest transferred to other operating income	(0.7)	(0.8)
	12.1	15.1
7 Interest payable and similar charges		
Debentures	0.1	0.2
Loans	16.1	31.5
Bank overdrafts and other borrowings	8.9	10.1
Discounting interest re onerous leasehold provisions	0.2	-
Finance leases	3.4	3.1
	28.7	44.9
Cost of financing convertible debt (note 18)	4.6	4.5
Share of net interest payable of associated companies	0.5	0.2
Total interest payable and similar charges	33.8	49.6
The above interest includes interest on borrowings not repayable in full within five years of:	4.8	10.2

Notes to the accounts (continued)

8 Tax on profit on ordinary activities	1999 £m	1998 £m
UK taxation based on profit for the year:		
Corporation tax at 30.25% (1999 – 31.00%)	20.7	11.2
Double taxation relief	(14.6)	(10.0)
Deferred taxation	0.5	0.4
Tax on franked investment income	–	–
Advance corporation tax	(6.1)	(1.2)
Advance corporation tax written off as a result of change in legislation	–	26.0
Prior year adjustments – Corporation tax	0.1	(0.1)
Deferred taxation	(1.6)	2.3
Advance corporation tax	(0.6)	(2.3)
	<u>(2.1)</u>	<u>(0.1)</u>
	(1.6)	26.3
Overseas taxation:		
Current taxation	30.3	28.5
Deferred taxation	2.5	1.3
	<u>31.2</u>	<u>56.1</u>
Associated companies taxation	0.1	0.1
	<u>31.3</u>	<u>56.2</u>

Excluding advance corporation tax movement, the UK charge for the year has been increased/(decreased) by:

Losses forward and capital allowances not dealt with in the deferred tax provision	11.9	6.5
Profit on sale of fixed assets and shares in subsidiary companies covered by reliefs	(0.3)	(1.1)
Transitional relief for foreign exchange gains/losses	(0.7)	(0.7)

Other factors resulting in a tax charge disproportionate to the UK tax rate of 30.25% (1998 – 31.00%) are:

Gain on disposal of shares in subsidiary companies covered by reliefs	(24.7)	–
Loss on disposal of shares in subsidiary companies not eligible for relief	9.4	–
Effect of higher tax rates overseas	7.6	0.2
Tax arising on remittance of overseas profits (net of ACT)	2.6	2.0
Unrelieved overseas losses	3.2	3.0

Tax attributable to the profits on sale of fixed assets amounts to:	0.1	0.2
Tax (relief) attributable to the profit/(loss) on sale or termination of operations amounts to:	9.5	(0.4)

9 Profit for the year

The Company's profit for the financial year was	116.0	7.3
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Under the provisions of Section 230 Companies Act 1985 a Profit and Loss Account for the Company is not presented.

	1999	1998	1999	1998
			£m	£m
10 Ordinary dividends				
Ordinary shares (equity shares)				
Interim (1998 – FID)	1.50p	1.50p	10.5	10.5
Final	1.50p	1.50p	10.6	10.6
Prior year dividend refunded by ESOP	–	–	–	(0.2)
	3.00p	3.00p	21.1	20.9

The interim dividend of 1.5p net per share was paid on 4 January 2000.

The final dividend of 1.5p per share will be paid on 3 July 2000 to shareholders on the register on 26 May 2000.

11 (Loss)/earnings per share

Earnings/(loss) per share are based on profit/(loss) available for ordinary shareholders of:

and on average number of shares of:

resulting in basic and diluted earnings/(loss) per share of:

			28.6	(26.6)
Less: operating loss charged to provisions	–	(0.2)p	–	(1.6)
amortisation of goodwill	0.2p	–	1.2	–
profit on sale of fixed assets	(0.4)p	(0.5)p	(3.1)	(3.2)
(gains)/losses on sale or termination of operations	(11.9)p	3.0p	(83.8)	21.3
impairment of goodwill	–	0.1p	–	0.8
amounts written off investments	2.4p	–	16.8	–
taxation relating to these items	1.3p	–	9.6	(0.2)
minority interests relating to these items	–	–	–	(0.3)
Headline (loss) per share	(4.3)p	(1.4)p	(30.7)	(9.8)

Headline earnings per share have been calculated in accordance with Statement of Investment Practice Number 1 issued by The Institute of Investment Management and Research and are provided in order to assist users of accounts to identify earnings derived from trading activities.

Exercise of outstanding share options and conversion of all the £60.471 million 6.25% Senior Convertible Bonds of Coats Viyella Plc would not result in any dilution of earnings per share.

Notes to the accounts (continued)

12 Tangible assets	Land and buildings £m	Plant machinery and vehicles £m	Total £m
Group			
Cost			
At beginning of year	246.4	973.9	1,220.3
Exchange difference	(2.1)	(2.0)	(4.1)
Subsidiaries acquired	16.3	34.8	51.1
Subsidiaries disposed	(19.2)	(163.7)	(182.9)
Additions	3.1	52.5	55.6
Disposals	(8.2)	(51.3)	(59.5)
At 31 December 1999	236.3	844.2	1,080.5
Depreciation			
At beginning of year	81.2	554.5	635.7
Exchange difference	(0.7)	(4.0)	(4.7)
Subsidiaries acquired	0.8	16.4	17.2
Subsidiaries disposed	(6.6)	(71.4)	(78.0)
Charge for the year	6.3	53.8	60.1
Impairment of fixed assets	1.9	18.2	20.1
Disposals	(5.3)	(41.5)	(46.8)
At 31 December 1999	77.6	526.0	603.6
Net book value			
At 31 December 1999	158.7	318.2	476.9
At beginning of year	165.2	419.4	584.6
Land and buildings		1999 £m	1998 £m
Cost			
Freehold		193.8	197.8
Long leasehold		17.4	18.6
Short leasehold		25.1	30.1
		236.3	246.5
Accumulated depreciation			
Freehold		62.6	64.2
Long leasehold		3.7	3.8
Short leasehold		11.3	13.2
		77.6	81.2

The cost of long leasehold land and buildings includes capitalised interest of £1.4 million (1998 – £1.4 million)

Plant, machinery and vehicles

The net book value of capitalised finance leases included in plant, machinery and vehicles is £18.5 million (1998 – £26.1 million).

13 Investments	Associated companies £m	Other £m	Total £m
Group			
Cost			
At beginning of year	2.4	33.3	35.7
Exchange	0.1	0.4	0.5
Companies acquired	–	1.6	1.6
Disposals	(1.6)	(13.3)	(14.9)
At 31 December 1999	0.9	22.0	22.9
Provisions			
At beginning of year	–	(1.6)	(1.6)
Companies acquired	–	(0.4)	(0.4)
Amounts written off investments	–	(16.8)	(16.8)
At 31 December 1999	–	(18.8)	(18.8)
Share of profits/(losses) retained			
At beginning of year	0.4		0.4
Retained (losses) for the year	(1.0)		(1.0)
Disposals	2.8		2.8
At 31 December 1999	2.2		2.2
Net book value			
At 31 December 1999	3.1	3.2	6.3
At beginning of year	2.8	31.7	34.5
Including investments listed on a recognised Stock Exchange			
At 31 December 1999	–	0.4	0.4
At beginning of year	–	0.5	0.5

Other fixed asset investments include: a) An investment of £0.4 million (1998 – £0.3 million) in the Company's own shares as part of the Long Term Incentive Plan referred to on page 13 of the Report by the Board on Directors' Remuneration; b) An investment by the Company in the share capital of Vermilion plc, a company incorporated in Great Britain and registered in England and Wales. The investment comprises 4,000,000 cumulative redeemable B preference shares (non-voting), representing 100% of that class of share. Full provision was made against the carrying value of this investment during the year.

The Company's investment in IPT Group Limited was disposed of during the year at a net loss of £3.2 million.

Other fixed asset investments acquired last year included £12.8 million in respect of a 20% interest in a Mexican accessories company, GICISA, received in exchange for the sale of the Group's USA zips business, Talon Inc. The Group does not exercise a significant influence over the affairs of this company as its financial and operating policies are dictated by its parent company in which the Group has no interest or representation, and it is therefore not treated as an associated company. As a result of the financial performance of this company and the difficulties the Group has experienced with the majority shareholder, full provision has been made against this investment during the year.

Notes to the accounts (continued)

13 Investments (continued)	Subsidiaries		Other fixed asset	Total
	Shares £m	Loans £m	Investments £m	
Company				
Cost				
At beginning of year	1,000.7	471.2	19.6	1,491.5
Additions	80.2	7.9	–	88.1
Group transfers	31.0	–	(0.1)	30.9
Disposals	(31.0)	–	(12.8)	(43.8)
Repaid	–	(140.1)	–	(140.1)
At 31 December 1999	1,080.9	339.0	6.7	1,426.6
Provisions				
At beginning of year	(1.3)	–	(1.6)	(2.9)
Group transfers	–	–	0.1	0.1
Provided in the year	–	–	(4.0)	(4.0)
At 31 December 1999	(1.3)	–	(5.5)	(6.8)
Net book value				
At 31 December 1999	1,079.6	339.0	1.2	1,419.8
At beginning of year	999.4	471.2	18.0	1,488.6

Principal subsidiary undertakings are listed on page 52.

Loans to subsidiaries include £19.0 million in respect of back-to-back finance leases. The maturity profile of these leases is shown in note 18.

14 Stocks	Group		Company	
	1999 £m	1998 £m	1999 £m	1998 £m
Raw materials and consumables	72.9	82.7	–	–
Work in progress	86.6	91.6	–	–
Finished goods and goods for resale	181.0	203.0	–	–
	340.5	377.3	–	–

	Group		Company	
	1999 £m	1998 £m	1999 £m	1998 £m
15 Debtors				
Debtors due within one year:				
Trade debtors	229.0	270.9	–	–
Amounts owed by subsidiaries	–	–	7.0	6.2
Amounts owed by associated companies	0.7	1.7	–	–
Corporation and overseas tax recoverable	16.5	18.0	3.1	7.5
Other debtors	34.1	30.1	0.2	–
Prepayments and accrued income	17.5	19.5	0.5	0.4
	297.8	340.2	10.8	14.1
Debtors due in more than one year:				
Trade debtors	1.6	0.8	–	–
Amounts owed by associated companies	–	1.5	–	–
Other debtors	15.0	19.1	7.2	5.4
Prepayments and accrued income	23.5	20.0	–	–
Pension fund prepayments – UK (note 30)	128.5	120.4	–	–
– other	38.7	31.3	–	–
	207.3	193.1	7.2	5.4
16 Current asset investments				
Listed investments	0.3	1.4	–	–
Unlisted investments	1.1	0.5	–	–
	1.4	1.9	–	–
Market value of listed investments	0.3	1.5	–	–
17 Creditors (amounts falling due within one year)				
Trade creditors	140.5	180.1	0.3	1.2
Debentures, loans and loan stock (note 19)	52.6	161.7	4.3	109.9
Amounts owed to subsidiaries	–	–	3.5	2.7
Amounts owed to associated companies	0.2	0.9	–	–
Payments in advance	0.5	0.1	–	–
Bills of exchange	10.4	11.6	–	–
Corporation tax and overseas taxation	28.4	19.7	10.0	2.6
Other taxation and social security	28.6	33.1	–	–
Other creditors	43.7	38.2	2.1	1.3
Accruals and deferred income	54.8	64.5	3.4	4.9
Proposed dividends	21.1	10.6	21.1	10.6
Finance lease obligations (note 18)	5.1	4.6	1.9	1.5
Leaving indemnities (note 20)	7.6	8.6	–	–
	393.5	533.7	46.6	134.7

Notes to the accounts (continued)

	Group		Company	
	1999 £m	1998 £m	1999 £m	1998 £m
18 Creditors (amounts falling due after more than one year)				
Other creditors				
Trade creditors	0.5	0.5	–	–
Debentures, loans and loan stock (note 19)	98.2	146.1	61.8	83.5
Amounts owed to subsidiaries	–	–	459.3	446.3
Other creditors	6.1	6.5	–	–
Accruals and deferred income	15.5	13.6	2.3	2.8
Finance lease obligations	30.2	37.8	17.1	20.4
	150.5	204.5	540.5	553.0

The amounts owed to subsidiaries have no specified dates of repayment but are only repayable on receipt of twelve months' notice and do not bear interest.

Finance lease obligations are repayable as follows:

Within one year	5.1	4.6	1.9	1.5
Between one and two years	6.3	5.1	3.4	2.1
Between two and five years inclusive	16.8	16.5	10.2	9.3
Over five years	7.1	16.2	3.5	9.0
	35.3	42.4	19.0	21.9
Convertible debt				
Coats Viyella Plc – £60.471 million 6.25% senior convertible bonds due 2003 (see note)	59.9	64.5	59.9	64.5

Note

On 9 August 1993, Coats Viyella Plc issued £75.625 million 6.25% senior convertible bonds. During the year £4.8 million bonds were purchased in the market for £4.6 million and cancelled. As a result of this and redemptions in 1995 and 1998, the value of bonds currently in issue is £60.471 million. These bonds are convertible into ordinary shares of Coats Viyella Plc at a price of 270p per share at any time up to 2 August 2003. The conversion price was adjusted in accordance with the Trust Deed with effect from 17 May 1994 as a result of the dilution effect of the enhanced share dividend. The bonds then outstanding will be redeemed at their principal value on 9 August 2003. The Company has the power to redeem the bonds in whole or in part at any time after 31 August 1998.

In accordance with FRS4, the expenses of the issue have been deducted from the gross proceeds of the issue and, together with the finance costs, are allocated to the profit and loss account over the life of the debt at a constant rate on the carrying amount.

19 Borrowings and financial instruments	Group		Company	
	1999 £m	1998 £m	1999 £m	1998 £m
(a) Debentures, loans and loan stock				
Debentures	0.4	0.7	-	-
Loans	141.2	297.9	66.1	193.4
Loan stock	9.2	9.2	-	-
	150.8	307.8	66.1	193.4
Repayable within one year	(52.6)	(161.7)	(4.3)	(109.9)
Amounts falling due after more than one year	98.2	146.1	61.8	83.5
Repayable as follows:				
Between one and two years	12.6	20.1	-	7.8
Between two and five years	11.6	53.9	6.1	15.7
After five years	74.0	72.1	55.7	60.0
	98.2	146.1	61.8	83.5
Debentures				
Madura Coats Limited				
Indian Rupee 75m 17.5% debenture stock 1998/2000	0.4	0.7	-	-
The debenture is secured by a fixed and floating charge over certain of the assets of Madura Coats Limited.				
Loans				
Repayable within five years:				
Bank loans	57.6	189.3	-	133.2
Other loans	5.0	44.1	4.1	0.2
Not wholly repayable within five years:				
Bank loans	16.5	1.7	-	-
Other loans	62.1	62.8	62.0	60.0
	141.2	297.9	66.1	193.4
Amounts repayable by instalments which in part fall due after more than five years	77.7	63.2	62.0	60.0
Instalments falling due after more than five years	63.8	61.5	55.7	60.0
Loans repayable after one year:				
Coats Viyella Plc:				
US\$50m 6.88% senior notes due 2004/2008	31.0	30.0	31.0	30.0
US\$50m 7.15% senior notes due 2006/2015	31.0	30.0	31.0	30.0
CAD\$ 80m 9.06% guaranteed term loan due 1999/2002	-	23.5	-	23.5
Hicking Pentecost PLC:				
US\$10m floating rate loan due 1998/2005	4.8	-	-	-
US\$7.5m floating rate loan due 2001	4.6	-	-	-
US\$8.2m floating rate loan due 2001	5.1	-	-	-
US\$10m floating rate loan due 1998/2007	5.0	-	-	-
US\$6.4m 6.95% loan due 2004/2009	4.0	-	-	-
Coats and Clark Inc.:				
US\$50m 8.74% guaranteed notes due 2001	-	30.1	-	-
US\$7m 8.83% guaranteed notes due 2003	-	4.2	-	-
Madura Coats Limited:				
US\$11m floating rate term loan due 2000	-	6.8	-	-
Other (all below £3.0 million equivalent)	3.5	11.9	-	-
	89.0	136.5	62.0	83.5

The rates of interest paid on the above loans conform to the terms ruling in each country and the repayment dates extend to 2015.

Notes to the accounts (continued)

	Group		Company	
	1999 £m	1998 £m	1999 £m	1998 £m
19 (a) Debentures, loans and loan stock (continued)				
Loan stock				
Not wholly repayable within five years:				
Coats Patons Ltd 6.75% unsecured stock 2007	6.5	6.5	–	–
Coats Patons Ltd 4.5% unsecured stock 2007	2.7	2.7	–	–
	<u>9.2</u>	<u>9.2</u>	<u>–</u>	<u>–</u>
Net debt				
Debentures, loans and loan stocks	150.8	307.8	66.1	193.4
Bank overdrafts	23.2	28.4	11.3	43.2
Lease finance	35.3	42.4	19.0	21.9
	<u>209.3</u>	<u>378.6</u>	<u>96.4</u>	<u>258.5</u>
Convertible debt	59.9	64.5	59.9	64.5
Total borrowings	269.2	443.1	156.3	323.0
Cash and short term deposits	(144.1)	(122.3)	(47.9)	(15.9)
Net debt	<u>125.1</u>	<u>320.8</u>	<u>108.4</u>	<u>307.1</u>

	Group	
	1999 £m	1998 £m
Maturity of debt		
Total borrowings are repayable as follows:		
Within one year	80.9	194.7
Between one and two years	18.9	25.2
Between two and five years	88.3	70.4
After five years	81.1	152.8
	<u>269.2</u>	<u>443.1</u>
Total secured indebtedness	37.9	20.1
Total indebtedness guaranteed by parent company	26.8	74.8

(b) Financial instruments

Group

The Group's policies as regards derivatives and other financial instruments are set out in the Financial review on pages 4 to 6 and the Statement of accounting policies on pages 22 and 23. The Group does not trade in financial instruments.

Short term debtors and creditors have been omitted from all disclosures other than the currency profile.

Details of non-equity shares issued by the Group are given in note 22.

Maturity profile of financial liabilities

The maturity profile of the Group's total borrowings is stated in note 19(a). Total borrowings include the Group's finance lease obligations and convertible debt; the repayment profile of both of these liabilities is further analysed in note 18.

The 4.9% Cumulative preference shares issued by Coats Vijella Plc are not redeemable (see note 22).

At 31 December 1999 the Group had undrawn committed borrowing facilities of £60.0 million expiring in more than two years.

19 (b) Financial instruments (continued)	1999 £m	1998 £m
Currency analysis of net assets		
Sterling	351.3	350.8
US dollar and dollar related	370.1	398.4
Euro	64.5	109.4
Indian rupee	67.4	73.3
Other	40.1	62.0
	893.4	993.9

Interest rate profile

The interest rate and currency profile of the Group's financial liabilities and assets by principal currency is stated after taking into account the various interest rate and currency swaps entered into by the Group.

In this analysis, fixed rate financial liabilities and assets are defined as those where the interest rate is fixed for a period of more than one year from the balance sheet date.

Financial liabilities	Fixed rate £m	Floating rate £m	Non-interest bearing £m	Total £m
Sterling cross currency swaps	(120.9)	(75.2)	–	(196.1)
Sterling	77.9	38.5	–	116.4
US dollar	109.0	157.9	–	266.9
Euro	3.3	59.6	0.2	63.1
Other	–	18.7	0.2	18.9
Gross financial liabilities	69.3	199.5	0.4	269.2

Financial liabilities	Fixed rate		Non-interest bearing
	Weighted average interest rate %	Weighted average period for which the rate is fixed Years	Weighted average period until maturity Years
Sterling cross currency swaps		(7.4)	(1.9)
Sterling		6.7	4.0
US Dollar		7.7	6.5
Euro		5.3	4.9
Other		–	–
		–	2.5

Interest on floating rate liabilities is based on the relevant national inter bank offered rates.

Notes to the accounts (continued)

19 (b) Financial instruments (continued)

Financial assets	Fixed rate £m	Floating rate £m	Non-interest bearing £m	Total £m
Sterling	–	29.4	0.4	29.8
US dollar	–	28.3	2.9	31.2
Euro	–	61.4	0.3	61.7
Other	–	18.4	3.0	21.4
Gross financial assets	–	137.5	6.6	144.1

Interest on floating rate bank deposits is based on the relevant national inter bank rates and is fixed in advance for periods of up to one year. The majority of non-interest bearing financial assets mature within one week of the balance sheet date.

Fair values of financial assets and liabilities

Set out below is a comparison by category of book value and estimated fair value of the Group's financial assets and liabilities:

	Book value £m	Estimated fair value £m
Primary financial instruments held or issued to finance the Group's operations:		
Cash and short term deposits	(144.1)	(144.1)
Debentures, loans and loan stocks	150.8	143.4
Lease finance	35.3	35.2
Convertible debt	59.9	59.0
Bank overdrafts	23.2	23.2
	269.2	260.8
Derivative financial instruments held to manage the Group's interest rate and currency profile:		
Forward foreign exchange contracts	(23.1)	(20.9)
Interest rate and cross currency swaps	3.7	8.5
	(19.4)	(12.4)
Coats Viyella Plc 4.9% Cumulative preference shares	14.6	12.5

Market values have been used to determine the estimated fair values of forward foreign exchange contracts, all swaps and listed instruments held or issued. The estimated fair value of all other items has been calculated by discounting expected cash flows at the interest rates prevailing at the year end.

Hedging

The aggregate unrecognised loss at 31 December 1999, being the difference between book value and estimated fair value of the above derivative financial instruments, is £7.0 million. Of this approximately £3.0 million will be recognised in the profit and loss account in the year ending 31 December 2000.

19 (b) Financial instruments (continued)

Currency profile

The main functional currencies of the Group are sterling, US dollar and the various European currencies now participating in the euro. The following analysis of net monetary assets and liabilities shows the Group's currency exposures after the effects of forward contracts and other derivatives used to manage the currency exposure. The amounts shown represent the transactional exposures that give rise to the net currency gains and losses recognised in the profit and loss account. Such exposures comprise the monetary assets and monetary liabilities of the Group which are not denominated in the functional currency of the operating unit involved, other than certain non-sterling borrowings treated as hedges of net investments in overseas operations.

	Sterling £m	US Dollar £m	Euro £m	Other £m	Total £m
Sterling	–	7.5	1.7	0.4	9.6
US dollar	0.8	–	0.6	–	1.4
Euro	0.8	(1.4)	–	1.1	0.5
Other	1.7	4.0	1.9	(0.4)	7.2
	<u>3.3</u>	<u>10.1</u>	<u>4.2</u>	<u>1.1</u>	<u>18.7</u>

Figures in brackets represent uncovered monetary liabilities.

	Group 1999 £m	1998 £m	Company 1999 £m
20 Provisions for liabilities and charges			
Deferred taxation	47.1	48.5	–
Other provisions	81.0	72.3	4.0
	<u>128.1</u>	<u>120.8</u>	<u>4.0</u>
Deferred taxation			
At beginning of year	48.5	46.0	
Subsidiaries acquired	0.8	–	
Subsidiaries disposed	(3.6)	(1.6)	
Movement in period – Exchange difference	0.2	(0.1)	
– Foreign companies	2.5	1.3	
– UK companies	(1.1)	2.7	
– Transfer to current tax	(0.2)	0.2	
At 31 December 1999	<u>47.1</u>	<u>48.5</u>	
Deferred taxation, representing a full provision calculated at 30% (1998 30%) for UK companies, is as follows:			
United Kingdom			
Capital allowances	5.6	9.9	
Other timing differences less losses forward	(5.3)	(5.4)	
Pension fund prepayment	38.5	36.1	
	<u>38.8</u>	<u>40.6</u>	
Overseas	8.3	7.9	
	<u>47.1</u>	<u>48.5</u>	
In addition there are:			
Tax on unutilised losses forward	19.2	12.9	
Unrecovered advance corporation tax	<u>72.8</u>	<u>82.9</u>	

No provision is required in the Company for deferred tax.

Notes to the accounts (continued)

20 Provisions for liabilities and charges (continued)	Group			Company	
	Closures and reorganisation £m	Leaving indemnities £m	1999 Total £m	1998 Total £m	1999 Total £m
Other provisions					
At beginning of year	24.2	48.1	72.3	92.4	–
Exchange difference	(0.6)	(5.3)	(5.9)	2.9	–
Subsidiaries acquired	4.8	1.4	6.2	1.1	–
Subsidiaries disposed	(0.7)	(1.5)	(2.2)	–	–
Provided – reorganisations	46.9	–	46.9	22.2	–
– sale or termination of operations	16.6	–	16.6	6.4	4.0
– discounting interest	0.2	–	0.2	–	–
– other	5.7	4.6	10.3	10.3	–
Utilised	(54.1)	(9.3)	(63.4)	(63.0)	–
At 31 December 1999	43.0	38.0	81.0	72.3	4.0

Provisions for reorganisations and closures will usually be utilised within one year.

Leaving indemnities

In many countries including Italy, India and much of South America, there are legal requirements to make payments to employees on the termination of their employment by retirement, redundancy, or otherwise. These payments are commonly based on the number of years service with the Company that each employee has. The Group's policy is to accrue for this liability on a service basis and to charge amounts actually paid out against the provisions. The resultant provisions are included above under the heading 'leaving indemnities' along with unfunded pension provisions in certain countries, mainly Germany. The amount payable within one year is included in creditors (note 17).

	1999 £m	1998 £m
The maturity profile of provisions for leaving indemnities is as follows:		
Payable between one and two years	4.4	7.4
Payable between two and five years	9.1	11.3
Payable in more than five years	24.5	29.4
	38.0	48.1

<u>21 Goodwill</u>	Book value £m	Alignment of accounting policies £m	Fair value adjustments £m	Fair value to the Group £m
The fair values attributed to the net tangible assets acquired on acquisitions of Hicking Pentecost PLC were:				
Tangible fixed assets	35.1	(0.2)	(1.0)	33.9
Fixed asset investments	1.7	–	(0.5)	1.2
Current assets	49.2	(1.4)	(0.6)	47.2
Businesses held for resale	4.1	–	(1.7)	2.4
Pension prepayment	1.6	–	(1.6)	–
Creditors and provisions	(16.5)	–	(6.5)	(23.0)
Current and deferred taxation	(2.4)	–	1.2	(1.2)
Bank loans	(32.9)	–	–	(32.9)
Net cash	2.5	–	–	2.5
	<u>42.4</u>	<u>(1.6)</u>	<u>(10.7)</u>	<u>30.1</u>
Fair value of consideration: cash				75.5
loan notes				4.2
provision for acquisition costs				0.5
				<u>80.2</u>
Goodwill arising during the year in respect of Hicking Pentecost PLC				<u>50.1</u>
The principal fair value adjustments relate to the results of an independent property valuation (£2.7 million), provision for losses on disposal of businesses held for resale (£1.7 million), the results of an actuarial review of the Hicking Pentecost pension fund (£4.7 million) and provisions for legal and environmental issues and USA employee benefits (£2.9 million).				
Other goodwill arising during the year relates to adjustments in respect of minority interests and adjustments relating to acquisitions in previous years.				
The net movement in minority interest in respect of these adjustments was:				(0.4)
The net cash investment by the Group was:				0.9
Goodwill arising was:				<u>1.3</u>
Amount capitalised				0.3
Amount written – off to reserves in respect of prior year acquisitions				<u>1.0</u>
				<u>1.3</u>

Notes to the accounts (continued)

21 Goodwill (continued)	Cost £m	Amortisation and impairment £m	Net £m
The goodwill capitalised in the balance sheet is as follows:			
At beginning of year	8.3	0.8	7.5
Exchange	0.2	–	0.2
Acquisitions	50.4	–	50.4
Amortised in the year	–	1.2	(1.2)
Disposals	(0.8)	(0.8)	–
Carried forward at 31 December 1999	58.1	1.2	56.9

Goodwill arising during the year primarily relates to the acquisition of the Hicking Pentecost PLC (£50.1 million) and the buy-out of a minority shareholder's option to acquire an interest in the Thread company in Bangladesh (£0.3 million). These amounts have been capitalised in accordance with FRS10 and will be amortised over twenty years.

Purchased goodwill attributable to businesses sold or terminated during the year amounted to £74.6 million (1998 – £14.9 million). The cumulative amount of goodwill charged to reserves is £210 million net of amounts attributable to companies sold (1998 – £284 million).

22 Called up share capital	Number of shares	1999 £m	Number of shares	1998 £m
Authorised:				
Ordinary shares of 20p each	876,952,750	175.4	876,952,750	175.4
4.9% Cumulative preference shares of £1 each	14,609,450	14.6	14,609,450	14.6
		190.0		190.0
Allotted and fully paid:				
Ordinary shares of 20p each – equity shares	703,623,098	140.7	703,623,098	140.7
4.9% Cumulative preference shares of £1 each – non-equity shares	14,609,449	14.6	14,609,449	14.6
		155.3		155.3

The 4.9% Cumulative Preference Shares of £1 each confer on the holders thereof the right to receive a cumulative preferential dividend at the rate of 4.9% on the capital for the time being paid up thereon and the right on a winding up or repayment of capital to a return of the capital paid thereon (together with a premium calculated at the rate of £0.125 for every £1 of such capital) and a sum equal to any arrears or deficiency of the fixed dividend thereon calculated down to the date of the return of capital subject to such taxes as shall be in force at that date and to be payable whether such dividend has been declared or earned or not in priority to any payment to the holders of the Ordinary Shares, but the Preference Shares shall not entitle the holders to any further or other participation in the profits or assets of Coats Viyella.

The Preference Shares shall not entitle the holders thereof to attend or vote at any general meeting unless either:

- (i) at the date of the meeting, the fixed dividend on the Preference Shares is six months in arrear, and so that for this purpose such dividend shall be deemed to be payable half-yearly on the 31st day of March and the 30th day of September in every year; or
- (ii) the business of the meeting includes the consideration of a resolution for winding up or reducing the capital of Coats Viyella or directly and adversely affecting any of the special rights or privileges for the time being attached to the Preference Shares.

The Preference Shares shall nevertheless entitle the holders thereof to receive notice of every general meeting. At a general meeting at which the holders of Preference Shares are entitled to attend and vote the Preference Shares shall, in voting upon a poll, entitle a holder thereof or their proxy to one vote only for every Preference Share held.

The conversion rights attaching to the £60.471 million 6.25% Senior Convertible Bonds issued by Coats Viyella Plc are detailed in note 18.

22 Called up share capital (continued)

Options granted for ordinary shares not exercised are as follows:

	Options granted	Price per share	Period of option	Number of shares
1984 Executive Share Option Scheme	1990 to 1994	103.57p to 256.08p	2000 to 2004	2,169,541
Overseas Executive Share Option Scheme	1990 to 1994	103.57p to 256.08p	2000 to 2004	2,239,402
1994 Executive Share Option Scheme	1994 to 1999	33.75p to 214.5p	2000 to 2009	17,639,539
Savings Related Share Option Scheme	1992 to 1993	168.18p to 190.86p	2000	312,306
Sharesave Scheme	1994 to 1997	110p to 183p	2000 to 2002	5,310,475
Total Group Executive Share Option Scheme	1990	150.91p	2000	116,181
				<u>27,787,444</u>

No share options were exercised during the year.

	Share premium account £m	Other capital reserve £m	Pension reserve £m	Total £m
23 Other reserves				
Group				
At beginning of year	206.5	34.1	84.3	324.9
Transfer from profit and loss account	–	–	5.6	5.6
At 31 December 1999	<u>206.5</u>	<u>34.1</u>	<u>89.9</u>	<u>330.5</u>
Company				
At beginning of year and 31 December 1999	<u>206.5</u>	<u>35.6</u>	–	<u>242.1</u>

24 Profit and loss account

	Group £m	Company £m
At beginning of year	160.2	331.2
Foreign currency translation (losses)/gains		
– overseas net assets*	(12.7)	
– related hedging	<u>0.1</u>	
	(12.6)	0.6
Retained profit for the year	7.5	94.2
Goodwill written off relating to prior year acquisitions (note 21)	(1.0)	–
Goodwill attributable to businesses sold or terminated (note 21)	74.6	–
Transfer to pension reserve	<u>(5.6)</u>	–
At 31 December 1999	<u>223.1</u>	<u>426.0</u>
Retained in Group companies (including £99.5 million overseas)	220.9	
Retained in associated companies	<u>2.2</u>	
	<u>223.1</u>	

*Including £7.5 million of net exchange losses arising on foreign currency borrowings less deposits.

Notes to the accounts (continued)

	Group		Company	
	1999 £m	1998 £m	1999 £m	1998 £m
25 Total reserves				
Available for distribution	223.1	160.2	426.0	331.2
Not available for distribution	330.5	324.9	242.1	242.1
	553.6	485.1	668.1	573.3
26 Minority interests				
Equity minority interests	67.1	69.1		
27 Future capital expenditure				
Contracted but not provided for	5.5	7.6	-	-
Authorised but not contracted for	5.1	8.0	-	-
	10.6	15.6	-	-
28 Contingent liabilities				
Loan, overdraft and finance lease guarantees in respect of certain subsidiaries (see note 19)	-	-	26.8	74.8
Others including performance guarantees and documentary credits on overseas contracts	49.3	92.8	17.5	19.7
Company undertaking relating to deferred tax liabilities of UK subsidiaries (note 20)	-	-	38.8	40.6
29 Operating lease rentals				
The committed amounts payable during 2000 are:				
Leases of land and buildings expiring:				
Within one year	1.2	2.7	-	-
Within two to five years inclusive	4.7	7.5	-	-
Over five years	13.5	15.2	-	-
	19.4	25.4	-	-
Other operating leases expiring:				
Within one year	1.0	2.7	-	-
Within two to five years inclusive	3.7	4.7	-	-
Over five years	-	0.1	-	-
	4.7	7.5	-	-

30 Pensions

The Group operates a number of pension plans throughout the world. The principal defined benefit arrangements are in the UK and North America. The assets of these plans are mainly held under self-administered trust funds and hence are separated from the Group's assets. Pension costs in respect of these plans are assessed in accordance with the advice of independent, professionally qualified actuaries and consultants.

Pension costs for the year were:	1999 £m	1998 £m
UK		
Coats Viyella Pension Plan:		
Regular pension cost	15.7	18.0
Spreading of surplus	(11.8)	(18.6)
Interest	(8.4)	(7.8)
Net (credit)	(4.5)	(8.4)

Of the unrecognised surplus that existed at 1 April 1998 as reduced by the benefit improvements approved during 1999, the actuaries calculated that some £3.6 million related to the Precision Engineering business sold during the year. In accordance with the requirements of FRS3 and SSAP24, this amount has been credited in arriving at the gain on sale.

The movements on the UK pension prepayment during the year were as follows:

At the beginning of year	120.4	111.0
Net pension credit above	4.5	8.4
Credit arising as a result of Precision Engineering disposal	3.6	–
Closures and reorganisations	–	1.0
At 31 December 1999	128.5	120.4

Overseas

North America defined benefit plans:

Regular cost	3.0	4.3
Spreading of surplus	(9.6)	(8.1)
Net credit	(6.6)	(3.8)
Other plans	10.0	12.9
Total overseas	3.4	9.1
Net (credit)/charge	(1.1)	0.7

The principal UK defined benefit arrangement is the Coats Viyella Pension Plan ('the Plan') which is open to all employees of participating Group companies provided employees are permanent and over age 16. An actuarial valuation of the plan was carried out at 1 April 1998 which resulted in an actuarially calculated surplus of £284 million. The results of this valuation are set out below. The actuaries have recommended that the suspension of contributions into the Plan by the Group should be continued until the next full actuarial valuation at 1 April 2001.

Method used	Projected unit	Average remaining service life	10 years
Investment rate of return	7% per annum	Market value of Plan assets	£1,244m
Increase in earnings	4.75% per annum	*Level of funding	131%
Increase in pensions	3% per annum	Actuarially calculated surplus	£284m

*The market value of assets as a percentage of the accrued service liabilities.

In North America, the results of the most recent actuarial valuations at 1 January 1999 showed:

Market value of investments	£169.6m
Level of funding	180%

Amounts included in debtors and creditors, representing the differences between pension costs charged in the accounts and amounts funded to date, are, where material, disclosed in notes 15 and 17 respectively.

Post-retirement medical benefits, principally in the USA, are fully provided for in accordance with the USA accounting standard FAS106. There are no other significant post-retirement benefits. Amounts included in creditors (amounts falling due after more than one year) in respect of these benefits are:

Accruals and deferred income	14.0	13.7
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Notes to the accounts (continued)

31 Related party transactions

There are no individual transactions with related parties which are material to the Group. Set out in the table is an aggregation of related party transactions defined by type and relationship.

Group	Associated companies	Related parties included in Other Fixed Asset Investments	Other related parties	Total
	£m	£m	£m	
Sales to	0.5	0.1	0.2 ⁽⁰⁾	0.8
Purchases from	(1.1)	(4.5) ⁽⁰⁾	–	(5.6)
Other income	0.2	0.4 ⁽⁰⁰⁾	–	0.6
Debtors	0.7	0.2	–	0.9
Creditors	(0.2)	(0.7) ⁽⁰⁾	–	(0.9)

Associated companies and related parties included in Other Fixed Asset Investments are those in which the Group has a participating interest and is able to influence financial and operating policies.

Included in the above table are the following principal related party transactions:

- (i) CV Clothing Ltd (Contract Clothing), purchases from IPT Group Limited of £3.1 million and creditor of £0.5 million.
CV Home Furnishings Ltd (Home Furnishings), purchases from IPT Group Limited of £1.0 million and creditor of £0.1 million.
Barbour Threads Ltd (Industrial Thread), purchases from Barbour Vardhman Threads Ltd of £0.4 million and creditor of £0.1 million.
- (ii) CV Home Furnishings, sales to N Brown Group plc of £0.2 million.
The Chairman until 21 July 1999, Sir David Alliance, is the Chairman and major shareholder of N Brown Group plc.
- (iii) The Company received £0.4 million in interest and guarantee fees from IPT Group Limited. Details of the Company's interest in IPT Group Limited are included in note 13.

In addition, during the year the Company purchased at market value a car from the Group Finance Director, KT Kantor, for £65,000.

Company

The Company has taken advantage of the exemption allowed by FRS8, Related Party Transactions, whereby the Company is exempted from disclosure of related party transactions when any such relevant items are included within the Group's disclosure.

Directors

Further details of transactions with Directors are given in the Report by the Board on Directors' Remuneration on pages 13 to 16.

32 Notes to the cash flow statement

	1999 £m	1998 £m
a Reconciliation of operating profit to net cash inflow from operating activities		
Operating profit	15.6	88.5
Less: release of 1997 provision	–	(1.6)
Depreciation	60.1	68.2
Amortisation of goodwill	1.2	–
Reorganisation costs	46.9	22.2
Impairment of fixed assets	20.1	4.3
Other exceptional items	10.1	2.4
Decrease in stocks	31.8	40.9
Decrease in debtors	4.9	42.8
(Decrease) in creditors	(5.1)	(34.6)
Loss arising from accounting irregularities in a USA subsidiary	(10.6)	–
Pension refund from discontinued scheme	(0.1)	5.7
Abortive demerger and acquisition costs	0.2	(5.7)
Movement in pension fund prepayment	(4.5)	(8.4)
Other non-cash movements	(12.1)	(1.8)
Net cash inflow from normal operating activities	158.5	222.9
Continuing operations	158.3	182.9
Discontinued operations	0.2	40.0
	158.5	222.9
Net cash outflow in respect of reorganisation costs:		
Utilisation of provisions – closures and reorganisation	(44.1)	(40.0)
– other	(0.2)	(0.2)
– non-cash asset write downs	4.2	4.4
	(40.1)	(35.8)
Net cash inflow from operating activities	118.4	187.1
b Analysis of financing cash flows		
Issue of ordinary share capital	–	0.3
Issue of shares to minorities	–	0.6
	–	0.9
(Decrease)/increase in borrowings: – new long term loans	0.2	0.4
– new short term loans	19.7	161.5
– repayment of amounts borrowed	(212.7)	(212.7)
– redemption of convertible debt	(4.5)	(2.5)
– capital element of finance lease rental payments	(4.7)	(4.9)
	(202.0)	(58.2)
Net cash (outflow) from financing	(202.0)	(57.3)

Notes to the accounts (continued)

32 Notes to the cash flow statement (continued)

c Analysis of net debt	At 1 January 1999	Cash flow	disposals (excl. cash/ overdrafts)	Acquisitions/ Other non-cash changes	Exchange	At 31 December 1999
Cash at bank and in hand	92.0					98.8
Bank overdrafts	(28.4)					(23.2)
Net cash	63.6	17.3			(5.3)	75.6
Short term deposits	30.3	16.4			(1.4)	45.3
Debentures, loans and loan stock	(307.8)	192.8	(28.6)	(0.1)	(7.1)	(150.8)
Convertible debt	(64.5)	4.5		0.1		(59.9)
Lease finance	(42.4)	4.7	3.1	(0.8)	0.1	(35.3)
		202.0				
Total	(320.8)	235.7	(25.5)	(0.8)	(13.7)	(125.1)
d Purchase of subsidiary undertakings					1999 £m	1998 £m
Tangible fixed assets					33.9	0.9
Fixed asset investments					1.2	–
Stocks					28.0	0.1
Debtors					19.2	0.1
Businesses acquired for resale					2.4	–
Cash at bank and in hand					2.5	–
Bank overdrafts					–	(0.8)
Loans					(32.9)	(0.3)
Creditors					(16.8)	(0.2)
Current and deferred taxation					(1.2)	–
Provisions					(6.2)	(0.6)
Minority shareholders' interests					(0.4)	4.4
					29.7	3.6
Goodwill					51.4	9.0
Total					81.1	12.6
Satisfied by:						
Cash					77.1	13.5
Loan notes issued					4.2	–
Transfer from deferred consideration					(0.7)	(0.9)
Transfer to deferred consideration					0.5	–
					81.1	12.6

32 Notes to the cash flow statement (continued)

	1999 £m	1998 £m
e Sale of subsidiary undertakings		
Tangible fixed assets	104.9	13.3
Associated companies	(1.2)	–
Stock	26.4	28.1
Debtors	56.7	18.0
Current asset investments	1.0	–
Cash at bank and in hand	15.4	0.2
Loans and finance lease obligations	(11.4)	(0.4)
Creditors	(54.5)	(10.0)
Provisions	(2.2)	(6.5)
Current and deferred taxation	(5.3)	(1.6)
Minority shareholders' interests	(1.1)	(0.7)
	<u>128.7</u>	<u>40.4</u>
Profit/(loss) on disposal	83.8	(21.3)
Write-back of purchased goodwill	74.6	14.9
	<u>287.1</u>	<u>34.0</u>
Satisfied by:		
Cash	293.2	14.1
Pension credit	3.6	–
Investment in associated company	–	0.6
Fixed asset investment	–	12.4
Deferred consideration	(9.0)	7.1
Transfer from deferred consideration	(0.7)	(0.2)
	<u>287.1</u>	<u>34.0</u>
f Cash flow relating to exceptional items		
Profit on sale of fixed assets	6.3	2.5
Book value of fixed assets sold	5.0	7.4
Proceeds of sale of fixed assets	11.3	9.9
Proceeds of sale or termination of operations (note e)	293.2	14.1