

Notes to the accounts

1 Continuing and discontinued operations and acquisitions	2000			1999		
	Continuing £m	Discontinued £m	Total £m	Continuing £m	Discontinued £m	Total £m
Turnover	1,364.3	231.8	1,596.1	1,262.6	416.9	1,679.5
Cost of sales	865.9	208.6	1,074.5	836.4	350.4	1,186.8
Net operating expenses						
Distribution costs	299.4	31.2	330.6	284.2	48.6	332.8
Administrative expenses	116.5	13.0	129.5	128.1	23.7	151.8
Other operating income (note 3)	(7.7)	(0.6)	(8.3)	(6.8)	(0.7)	(7.5)
Total	408.2	43.6	451.8	405.5	71.6	477.1
Operating profit	90.2	(20.4)	69.8	20.7	(5.1)	15.6
Profit on sale of fixed assets	2.0	2.5	4.5	2.9	0.2	3.1
	2.0	2.5	4.5	2.9	0.2	3.1
Sale or termination of operations:						
Losses	(0.6)	(128.2)	(128.8)	(30.9)	–	(30.9)
Gains	16.5	27.6	44.1	–	114.7	114.7
	15.9	(100.6)	(84.7)	(30.9)	114.7	83.8

On 4 December 2000, the Group completed the sale of substantially the whole of its Contract Clothing Division to management. A net loss of £128.2 million arose in respect of this disposal after accounting for £5.3 million of goodwill previously written off on the acquisition of the businesses comprising that Division. There was a net cash outflow during the year of £15.6 million in respect of this disposal.

In accordance with FRS3, the results of the Contract Clothing businesses for the 11 months to the date of disposal have been shown as discontinued and prior year figures have been restated accordingly.

The gain on sale of discontinued operations of £27.6 million relates to the gain on disposal of the Garments Division of the Group's Indian subsidiary, Madura Coats Ltd, which was completed in January 2000 and was referred to in last year's Annual Report.

Gains on sale of continuing operations include the sale of certain brands, particularly Ladybird which was sold to Woolworths Plc. The loss on sale of continuing operations mainly relates to the sale of the former Barbour Threads Inc. non-thread businesses at Anniston in the USA.

Acquisitions

All acquisitions during the year have been accounted for using the acquisition method. There were no significant acquisitions during the year, the principal cost of acquisition relating to the purchase of the 25% minority interest in a USA crafts subsidiary.

Notes to the accounts (continued)

2 Analysis of turnover, operating profit and net assets	Turnover		Operating profit		Net assets	
	2000 £m	1999 £m	2000 £m	1999 £m	2000 £m	1999 £m
Product category:						
Industrial	646.8	535.8	64.9	43.2	487.8	441.8
Crafts	319.5	312.1	38.4	31.0	129.1	122.7
Thread	966.3	847.9	103.3	74.2	616.9	564.5
India – Other Textiles	52.2	55.8	(3.0)	(2.4)	32.0	37.3
Fashion Retail	148.5	145.2	4.7	0.7	52.1	64.2
Continuing operations	1,167.0	1,048.9	105.0	72.5	701.0	666.0
Branded Clothing	54.4	56.8	6.5	6.4	11.3	16.9
Home Furnishings	142.9	156.9	3.5	6.5	47.8	55.2
Discontinuing operations	197.3	213.7	10.0	12.9	59.1	72.1
Corporate	–	–	(0.2)	(0.4)	74.0	55.5
Total continuing operations	1,364.3	1,262.6	114.8	85.0	834.1	793.6
Contract Clothing	231.8	305.6	(8.7)	(0.7)	0.8	94.6
Precision Engineering	–	75.9	–	5.4	–	–
India Garments	–	35.4	–	3.0	–	5.2
Discontinued operations	231.8	416.9	(8.7)	7.7	0.8	99.8
	1,596.1	1,679.5	106.1	92.7	834.9	893.4
Reorganisation costs and impairment of fixed assets			(34.8)	(67.0)		
Other exceptional items			(1.5)	(10.1)		
Operating profit			69.8	15.6		
Other items			(80.2)	86.9		
(Loss)/profit before interest and associated companies			(10.4)	102.5		

Note

Businesses in the process of disposal following the announcement of 6 September 2000 have been shown separately as discontinuing operations in the table above.

Notes to the accounts (continued)

2 Analysis of turnover, operating profit and net assets (continued)	Turnover		Operating profit		Net assets	
	2000 £m	1999 £m	2000 £m	1999 £m	2000 £m	1999 £m
Geographical analysis by location:						
United Kingdom	344.0	347.6	15.6	4.2	259.1	266.9
Rest of Europe	286.1	288.3	18.8	14.0	89.6	101.7
North America	360.5	308.1	43.1	40.6	244.9	199.4
South America	103.1	90.5	8.7	7.5	71.2	69.9
Africa, Asia, Australasia	270.6	228.1	28.6	18.7	169.3	155.7
Total continuing operations	1,364.3	1,262.6	114.8	85.0	834.1	793.6
Discontinued operations	231.8	416.9	(8.7)	7.7	0.8	99.8
Associated companies	–	–	–	–	3.1	3.1
	1,596.1	1,679.5	106.1	92.7	838.0	896.5
Reorganisation costs and impairment of fixed assets			(34.8)	(67.0)		
Other exceptional items			(1.5)	(10.1)		
Operating profit			69.8	15.6		
Other items			(80.2)	86.9		
(Loss)/profit before interest and associated companies			(10.4)	102.5		
Net debt					(148.2)	(125.1)
Other fixed and current asset investments					22.1	4.6
Net assets per consolidated balance sheet					711.9	776.0
The geographical analysis of discontinued operations by location was:						
United Kingdom	217.8	296.2	(7.4)	(0.9)	1.0	84.4
Rest of Europe	13.9	27.4	–	2.5	(0.2)	1.4
North America	–	52.5	–	3.5	–	–
South America	–	1.0	–	(0.6)	–	–
Africa, Asia, Australasia	0.1	39.8	(1.3)	3.2	–	14.0
	231.8	416.9	(8.7)	7.7	0.8	99.8

Note

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

Notes to the accounts (continued)

	2000 £m	1999 £m
3 Operating profit		
Operating profit is stated after charging:		
Depreciation – Owned assets	52.8	55.4
– Leased assets	3.1	4.7
Amortisation of goodwill	3.0	1.2
Reorganisation costs	31.7	46.9
Impairment of fixed assets	3.1	20.1
Other exceptional items	1.5	10.1
Hire of plant and machinery	7.0	8.5
Other operating lease rentals	22.9	21.2
Research and development expenditure	2.6	3.7
Directors' remuneration (note 4)	1.7	1.5
Auditors' remuneration – Audit fees	1.8	2.0
– Non audit related fees – UK	1.7	0.4
– Overseas	0.1	0.1
and after crediting other operating income:		
Rental income net of expenses	0.9	1.2
Royalties and licensing income	5.0	4.6
Credit card income	1.7	1.7
Exchange gain	0.7	–
	8.3	7.5
Product category analysis of reorganisation costs and impairment of fixed assets		
Industrial	14.3	28.6
Crafts	2.1	12.6
Thread	16.4	41.2
Other Indian Businesses	2.0	2.9
Fashion Retail	1.8	0.6
Continuing operations	20.2	44.7
Branded Clothing	0.7	0.2
Home Furnishings	2.4	7.5
Discontinuing operations	3.1	7.7
Corporate	–	1.8
Total continuing operations	23.3	54.2
Discontinued operations	11.5	12.8
Total	34.8	67.0
Analysis of other exceptional items		
Loss net of estimated recoveries arising from accounting irregularities in a US subsidiary	0.6	5.6
Provision for onerous leaseholds	–	4.6
Abortive disposal and demerger costs	0.7	(0.2)
US legal restructuring costs	0.2	–
Pension refund from discontinued scheme	–	0.1
Total	1.5	10.1

Notes to the accounts (continued)

4 Directors' emoluments	2000	1999
	£'000	£'000
Aggregate emoluments	1,653	1,484
Gains made on exercise of share options	–	–
	1,653	1,484
Compensation for loss of office	–	–
Total	1,653	1,484

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 UK Listing Authority, are on pages 20 to 23 within the Report by the Board on Directors' Remuneration and form part of these financial statements.

5 Employees	2000	1999
	Number	Number
The average numbers employed by the Group during the year were:		
Direct	28,928	32,103
Indirect	6,648	7,359
Staff	14,370	15,640
	49,946	55,102
Comprising:		
UK	13,231	16,328
Overseas	36,715	38,774
	49,946	55,102
The total numbers employed at the end of the year were:		
UK	8,394	15,307
Overseas	33,812	36,833
	42,206	52,140
The costs incurred in respect of these employees were:	£m	£m
Wages and salaries	414.6	438.5
Social security costs	44.2	47.0
Pension credits (note 30)	(13.1)	(11.1)
Other pension costs (note 30)	9.1	10.0
	454.8	484.4

6 Interest receivable and similar income	2000	1999
	£m	£m
Interest receivable	8.4	10.5
Termination of interest rate swaps	–	1.5
Gain on redemption of convertible bonds	–	0.2
Income from other fixed and current asset investments	0.9	0.6
(Loss) on sale of other fixed and current asset investments	(0.1)	–
Gross interest receivable and similar income	9.2	12.8
Less: credit card interest transferred to other operating income	(0.7)	(0.7)
	8.5	12.1

Notes to the accounts (continued)

7 Interest payable and similar charges	2000	1999
	£m	£m
Debentures	–	0.1
Loans	12.0	16.1
Bank overdrafts and other borrowings	9.9	8.9
Discounting interest re onerous leasehold provisions	0.2	0.2
Finance leases	2.3	3.4
	24.4	28.7
Cost of financing convertible debt (note 18)	3.9	4.6
Share of net interest payable of associated companies	0.3	0.5
Total interest payable and similar charges	28.6	33.8
The above interest includes interest on borrowings not repayable in full within five years of:	4.6	4.8

8 Tax on profit on ordinary activities	2000	1999
	£m	£m
UK taxation based on profit for the year:		
Corporation tax at 30% (1999 – 30.25%)	8.3	20.7
Double taxation relief	(8.3)	(14.6)
Deferred taxation	1.7	0.5
Tax on franked investment income	–	–
Advance corporation tax	–	(6.1)
Advance corporation tax written off as a result of change in legislation	–	–
Prior year adjustments – Corporation tax	2.6	0.1
Deferred taxation	1.1	(1.6)
Advance corporation tax	(2.6)	(0.6)
	1.1	(2.1)
	2.8	(1.6)
Overseas taxation:		
Current taxation	12.3	30.3
Deferred taxation	2.2	2.5
	17.3	31.2
Associated companies taxation	0.1	0.1
	17.4	31.3

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	6.8	11.9
Profit on sale of fixed assets and shares in subsidiary companies covered by reliefs	–	(0.3)
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% (1999 – 30.25%) are:

Gain on disposal of shares in subsidiary companies covered by reliefs	–	(24.7)
Gains on other disposals in the year covered by reliefs	(10.4)	–
Loss on disposal of shares in subsidiary companies not eligible for relief	33.3	9.4
Effect of (lower)/higher tax rates overseas	(2.1)	7.6
Tax arising on remittance of overseas profits (net of ACT)	2.1	2.6
Unrelieved overseas losses	4.4	3.2

Notes to the accounts (continued)

8 Tax on profit on ordinary activities (continued)	2000 £m	1999 £m
Tax attributable to the profits on sale of fixed assets amounts to:	0.3	0.1
Tax (relief) attributable to impairment of fixed assets and goodwill	–	(0.3)
Tax (relief) attributable to reorganisation costs	(6.9)	(7.2)
(Relief)/tax attributable to the (loss)/profit on sale or termination of operations amounts to:	(2.5)	9.5

9 Profit for the year

The Company's profit for the financial year was	41.2	116.0
---	-------------	-------

Under the provisions of Section 230 Companies Act 1985 a Profit and Loss Account for the Company is not presented.

10 Ordinary dividends	2000	1999	2000 £m	1999 £m
Ordinary shares (equity shares)				
Interim	1.50p	1.50p	10.6	10.5
Final	1.50p	1.50p	10.5	10.6
	3.00p	3.00p	21.1	21.1

The interim dividend of 1.5p net per share was paid on 4 January 2001.

The final dividend of 1.50p per share will be paid on 2 July 2001 to shareholders on the register on 1 June 2001.

11 (Loss)/earnings per share

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

and on average number of shares of:	702.6m	702.6m	(62.8)	28.6
resulting in basic and diluted (loss)/earnings per share of:	(8.9)p	4.1p		
Less: amortisation of goodwill	0.4p	0.2p	3.0	1.2
profit on sale of fixed assets	(0.6)p	(0.4)p	(4.5)	(3.1)
losses/(gains) on sale or termination of operations	12.0p	(11.9)p	84.7	(83.8)
amounts written off investments	–	2.4p	–	16.8
taxation relating to these items	(0.3)p	1.3p	(2.2)	9.6
minority interests relating to these items	1.2p	–	8.8	–
Headline earnings/(loss) per share	3.8p	(4.3)p	27.0	(30.7)

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 & vehicles & vehicles £m	Total £m
Group			
Cost			
At beginning of year	236.3	844.2	1,080.5
Exchange difference	7.4	25.7	33.1
Subsidiaries disposed	(6.7)	(132.1)	(138.8)
Additions	6.5	45.3	51.8
Disposals	(13.2)	(77.5)	(90.7)
At 31 December 2000	<u>230.3</u>	<u>705.6</u>	<u>935.9</u>
Depreciation			
At beginning of year	77.6	526.0	603.6
Exchange difference	2.8	13.1	15.9
Subsidiaries disposed	(2.0)	(92.9)	(94.9)
Charge for the year	6.1	49.8	55.9
Impairment of fixed assets	–	3.1	3.1
Disposals	(5.6)	(63.7)	(69.3)
At 31 December 2000	<u>78.9</u>	<u>435.4</u>	<u>514.3</u>
Net book value			
At 31 December 2000	<u>151.4</u>	<u>270.2</u>	<u>421.6</u>
At beginning of year	158.7	318.2	476.9

Land and buildings	2000 £m	1999 £m
Cost		
Freehold	188.0	193.8
Long leasehold	15.3	17.4
Short leasehold	27.0	25.1
	<u>230.3</u>	<u>236.3</u>
Accumulated depreciation		
Freehold	61.7	62.6
Long leasehold	4.0	3.7
Short leasehold	13.2	11.3
	<u>78.9</u>	<u>77.6</u>

The cost of long leasehold land and buildings includes capitalised interest of £1.4 million (1999 – £1.4 million)

Plant, machinery and vehicles

The net book value of capitalised finance leases included in plant, machinery and vehicles is £5.9 million (1999 – £18.5 million).

Notes to the accounts (continued)

13 Investments	Associated companies £m	Other £m	Total £m
Group			
Cost			
At beginning of year	0.9	22.0	22.9
Exchange	–	1.0	1.0
Companies acquired	–	0.1	0.1
Disposals	–	(1.8)	(1.8)
At 31 December 2000	0.9	21.3	22.2
Provisions			
At beginning of year	–	(18.8)	(18.8)
Exchange	–	(1.0)	(1.0)
Disposals	–	0.4	0.4
At 31 December 2000	–	(19.4)	(19.4)
Share of profits/(losses) retained			
At beginning of year	2.2		2.2
Exchange	(0.2)		(0.2)
Retained profit for the year	0.2		0.2
At 31 December 2000	2.2		2.2
Net book value			
At 31 December 2000	3.1	1.9	5.0
At beginning of year	3.1	3.2	6.3
Including investments listed on a recognised Stock Exchange			
At 31 December 2000	–	0.4	0.4
At beginning of year	–	0.5	0.5

Other fixed asset investments include: a) An investment of £0.4 million (1999 – £0.4 million) in the Company's own shares as part of the Long Term Incentive Plan referred to on page 20 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 has been made against the carrying value of this investment.

Other fixed asset investments include £13.9 million in respect of a 20% interest in a Mexican accessories company, GICISA, received in exchange for the sale of the Group's US 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.

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	1,080.9	339.0	6.7	1,426.6
Additions	56.0	43.6	–	99.6
Group transfers	628.0	–	–	628.0
Disposals	(1.4)	–	–	(1.4)
Repaid	–	(69.9)	–	(69.9)
At 31 December 2000	1,763.5	312.7	6.7	2,082.9
Provisions				
At beginning of year	(1.3)	–	(5.5)	(6.8)
Provided in the year	–	–	–	–
At 31 December 2000	(1.3)	–	(5.5)	(6.8)
Net book value				
At 31 December 2000	1,762.2	312.7	1.2	2,076.1
At beginning of year	1,079.6	339.0	1.2	1,419.8

Principal subsidiary undertakings are listed on page 56.

Loans to subsidiaries include £6.7 million in respect of back-to-back finance leases. The maturity profile of these leases is shown in note 18.

14 Stocks	Group		Company	
	2000 £m	1999 £m	2000 £m	1999 £m
Raw materials and consumables	68.1	72.9	–	–
Work in progress	72.6	86.6	–	–
Finished goods and goods for resale	163.5	181.0	–	–
	304.2	340.5	–	–

Notes to the accounts (continued)

	Group		Company	
	2000 £m	1999 £m	2000 £m	1999 £m
15 Debtors				
Debtors due within one year:				
Trade debtors	218.8	229.0	0.1	–
Amounts owed by subsidiaries	–	–	2.2	7.0
Amounts owed by associated companies	0.6	0.7	–	–
Corporation and overseas tax recoverable	15.2	16.5	1.8	3.1
Other debtors	64.2	34.1	16.9	0.2
Prepayments and accrued income	15.7	17.5	1.2	0.5
	314.5	297.8	22.2	10.8
Debtors due in more than one year:				
Trade debtors	1.3	1.6	–	–
Amounts owed by associated companies	–	–	–	–
Other debtors	11.8	15.0	–	7.2
Prepayments and accrued income	0.2	23.5	–	–
Pension fund prepayments – UK (note 30)	134.7	128.5	–	–
– other	49.9	38.7	–	–
	197.9	207.3	–	7.2
16 Current asset investments				
Listed investments	19.1	0.3	–	–
Unlisted investments	1.1	1.1	–	–
	20.2	1.4	–	–
Market value of listed investments	19.0	0.3	–	–
17 Creditors (amounts falling due within one year)				
Trade creditors	113.3	140.5	0.1	0.3
Debentures, loans and loan stock (note 19)	124.2	52.6	93.2	4.3
Amounts owed to subsidiaries	–	–	–	3.5
Amounts owed to associated companies	0.3	0.2	–	–
Payments in advance	–	0.5	–	–
Bills of exchange	13.6	10.4	–	–
Corporation tax and overseas taxation	25.7	28.4	10.0	10.0
Other taxation and social security	19.9	28.6	–	–
Other creditors	33.6	43.7	0.8	2.1
Accruals and deferred income	52.9	54.8	3.7	3.4
Proposed dividends	21.1	21.1	21.1	21.1
Finance lease obligations (note 18)	20.9	5.1	20.3	1.9
Leaving indemnities (note 20)	6.6	7.6	–	–
	432.1	393.5	149.2	46.6

Notes to the accounts (continued)

	Group		Company	
	2000 £m	1999 £m	2000 £m	1999 £m
18 Creditors (amounts falling due after more than one year)				
Other creditors				
Trade creditors	0.6	0.5	–	–
Debentures, loans and loan stock (note 19)	10.9	98.2	–	61.8
Amounts owed to subsidiaries	–	–	1,037.4	459.3
Payments in advance	0.7	–	–	–
Other creditors	7.3	6.1	–	–
Accruals and deferred income	14.5	15.5	1.8	2.3
Finance lease obligations	7.4	30.2	6.0	17.1
	41.4	150.5	1,045.2	540.5

The amounts owed to subsidiaries have no specified dates of repayment but are only repayable on receipt of 12 months' notice and do not bear interest.

Finance lease obligations are repayable as follows:

Within one year	20.9	5.1	20.3	1.9
Between one and two years	1.9	6.3	1.6	3.4
Between two and five years inclusive	4.0	16.8	3.5	10.2
Over five years	1.5	7.1	0.9	3.5
	28.3	35.3	26.3	19.0

Convertible debt

Coats Viyella Plc – £60.471 million 6.25% senior convertible bonds due 2003 (see note)

	60.1	59.9	60.1	59.9
--	------	------	------	------

Note

On 9 August 1993, Coats Viyella Plc issued £75.625 million 6.25% senior convertible bonds. As a result of redemptions between 1995 and 1999, 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.

	Group		Company	
	2000 £m	1999 £m	2000 £m	1999 £m
19 Borrowings and financial instruments				
(a) Debentures, loans and loan stock				
Debentures	–	0.4	–	–
Loans	125.9	141.2	93.2	66.1
Loan stock	9.2	9.2	–	–
	135.1	150.8	93.2	66.1
Repayable within one year	(124.2)	(52.6)	(93.2)	(4.3)
Amounts falling due after more than one year	10.9	98.2	–	61.8
Repayable as follows:				
Between one and two years	0.2	12.6	–	–
Between two and five years	1.3	11.6	–	6.1
After five years	9.4	74.0	–	55.7
	10.9	98.2	–	61.8
Debentures				
Madura Coats Ltd:				
Indian Rupee 75 million 17.5% debenture stock 1998/2000	–	0.4	–	–

Notes to the accounts (continued)

	Group		Company	
	2000 £m	1999 £m	2000 £m	1999 £m
19 (a) Debentures, loans and loan stock (continued)				
Loans				
Repayable within five years:				
Bank loans	121.6	57.6	89.6	–
Other loans	3.6	5.0	3.6	4.1
Not wholly repayable within five years:				
Bank loans	0.5	16.5	–	–
Other loans	0.2	62.1	–	62.0
	125.9	141.2	93.2	66.1
Amounts repayable by instalments which in part fall due after more than five years	0.7	77.7	–	62.0
Instalments falling due after more than five years	0.2	63.8	–	55.7
Loans repayable after one year:				
Coats Viyella Plc:				
US\$50 million 6.88% senior notes due 2004/2008	–	31.0	–	31.0
US\$50 million 7.15% senior notes due 2006/2015	–	31.0	–	31.0
Hicking Pentecost Limited:				
US\$10 million floating rate loan due 1998/2005	–	4.8	–	–
US\$7.5 million floating rate loan due 2001	–	4.6	–	–
US\$8.2 million floating rate loan due 2001	–	5.1	–	–
US\$10 million floating rate loan due 1998/2007	–	5.0	–	–
US\$6.4 million 6.95% loan due 2004/2009	–	4.0	–	–
Other (all below £2.0 million equivalent)	1.7	3.5	–	–
	1.7	89.0	–	62.0
The rates of interest paid on the above loans conform to the terms ruling in each country and the repayment dates extend to 2007.				
Loan stock				
Not wholly repayable within five years:				
Coats Patons Ltd 6.75% unsecured stock 2002/2007	6.5	6.5	–	–
Coats Patons Ltd 4.5% unsecured stock 2002/2007	2.7	2.7	–	–
	9.2	9.2	–	–
Net debt				
Debentures, loans and loan stock	135.1	150.8	93.2	66.1
Bank overdrafts	31.5	23.2	14.6	11.3
Lease finance	28.3	35.3	26.3	19.0
	194.9	209.3	134.1	96.4
Convertible debt	60.1	59.9	60.1	59.9
Total borrowings	255.0	269.2	194.2	156.3
Cash and short term deposits	(106.8)	(144.1)	(20.5)	(47.9)
Net debt	148.2	125.1	173.7	108.4

Notes to the accounts (continued)

19 (a) Debentures, loans and loan stock (continued)	Group	
	2000 £m	1999 £m
Maturity of debt		
Total borrowings are repayable as follows:		
Within one year	176.7	80.9
Between one and two years	2.0	18.9
Between two and five years	65.4	88.3
After five years	10.9	81.1
	255.0	269.2
Total secured indebtedness	8.5	37.9
Total indebtedness guaranteed by parent company	17.7	26.8

(b) Financial instruments

Group

The Group's policies as regards derivatives and other financial information are set out in the Financial review on pages 10 to 13 and the Statement of accounting policies on pages 29 and 30. 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 these liabilities is further analysed in note 18.

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

At 31 December 2000 the Group had undrawn committed borrowing facilities of £55.0 million (1999 – £60.0 million) expiring after more than one year.

	2000 £m	1999 £m
Currency analysis of net assets		
Sterling	260.2	351.3
US dollar and dollar related	351.0	370.1
Euro	54.4	64.5
Indian rupee	59.0	67.4
Other	110.3	40.1
	834.9	893.4

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
31 December 2000				
Sterling cross currency swaps	–	(456.6)	–	(456.6)
Sterling	74.5	118.8	–	193.3
US dollar and dollar related	12.4	411.9	–	424.3
Euro	3.2	58.2	0.2	61.6
Other	1.5	29.8	1.1	32.4
Gross financial liabilities	91.6	162.1	1.3	255.0

Notes to the accounts (continued)

19 (b) Financial instruments (continued)

	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	6.4	3.1	–
US dollar and dollar related	9.0	2.7	–
Euro	5.4	4.0	3.1
Other	7.7	2.7	–

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

	Fixed rate £m	Floating rate £m	Non-interest bearing £m	Total £m
31 December 1999				
Sterling cross currency swaps	(120.9)	(75.2)	–	(196.1)
Sterling	77.9	38.5	–	116.4
US dollar and dollar related	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

	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 and dollar related	7.7	6.5	–
Euro	5.3	4.9	7.5
Other	–	–	2.5

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

Financial assets

	Fixed rate £m	Floating rate £m	Non-interest bearing £m	Total £m
31 December 2000				
Sterling cross currency swaps	–	(42.0)	–	(42.0)
Sterling	–	17.2	0.1	17.3
US dollar and dollar related	–	34.1	3.4	37.5
Euro	–	55.4	1.7	57.1
Other	–	23.3	13.6	36.9
Gross financial assets	–	88.0	18.8	106.8

Interest on floating rate bank deposits is based on the relevant 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.

Notes to the accounts (continued)

19 (b) Financial instruments (continued)

31 December 1999	Fixed rate £m	Floating rate £m	Non-interest bearing £m	Total £m
Sterling cross currency swaps	–	(40.0)	–	(40.0)
Sterling	–	69.4	0.4	69.8
US dollar and dollar related	–	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 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:

	2000		1999	
	Book value £m	Estimated fair value £m	Book value £m	Estimated fair value £m
Primary financial instruments held or issued to finance the Group's operations:				
Cash and short term deposits	(106.8)	(106.8)	(144.1)	(144.1)
Debentures, loans and loan stock	135.1	134.0	150.8	143.4
Lease finance	28.3	28.5	35.3	35.2
Convertible debt	60.1	54.5	59.9	59.0
Bank overdrafts	31.5	31.5	23.2	23.2
	255.0	248.5	269.2	260.8
Derivative financial instruments held to manage the Group's interest rate and currency profile				
Forward foreign exchange contracts	(18.8)	(20.9)	(23.1)	(20.9)
Interest rate cross currency swaps	2.8	3.7	3.7	8.5
	(16.0)	(17.2)	(19.4)	(12.4)
Coats Viyella Plc 4.9% Cumulative Preference Shares	14.6	11.3	14.6	12.5

Market values have been used to determine the estimated fair values of forward 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 gain at 31 December 2000, being the difference between book value and estimated fair value of the above derivative financial instruments, is £1.2 million (1999 – £7.0 million/loss). Of this approximately £1.1 million gain will be recognised in the profit and loss account for the year ending 31 December 2000 (1999 – approximately £3.0 million/loss).

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 financial 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.

31 December 2000	Sterling £m	US Dollar £m	Euro £m	Other £m	Total £m
Sterling	–	(0.2)	0.8	0.5	1.1
US dollar	0.6	–	(0.8)	(0.1)	(0.3)
Euro	0.3	(0.1)	–	0.6	0.8
Other	(0.3)	9.6	2.5	0.1	11.9
	0.6	9.3	2.5	1.1	13.5

() represents uncovered monetary liabilities.

Notes to the accounts (continued)

19 (b) Financial instruments (continued)

	Sterling £m	US Dollar £m	Euro £m	Other £m	Total £m
31 December 1999					
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>

() represents uncovered monetary liabilities.

	Group		Company	
	2000 £m	1999 £m	2000 £m	1999 £m
20 Provisions for liabilities and charges				
Deferred taxation	52.5	47.1	–	–
Other provisions	99.1	81.0	4.1	4.0
	<u>151.6</u>	<u>128.1</u>	<u>4.1</u>	<u>4.0</u>

Deferred taxation

At beginning of year	47.1	48.5
Subsidiaries acquired	–	0.8
Subsidiaries disposed	(0.2)	(3.6)
Movement in period – Exchange difference	0.6	0.2
– Foreign companies	2.2	2.5
– UK companies	2.8	(1.1)
– Transfer to current tax	–	(0.2)
At 31 December 2000	<u>52.5</u>	<u>47.1</u>

Deferred taxation, representing a full provision calculated at 30% (1999 – 30%) for UK companies, is as follows:

United Kingdom		
Capital allowances	2.7	5.6
Other timing differences less losses forward	(1.6)	(5.3)
Pension fund prepayment	40.4	38.5
	<u>41.5</u>	<u>38.8</u>
Overseas	11.0	8.3
	<u>52.5</u>	<u>47.1</u>
In addition there are:		
Tax on unutilised losses forward	16.5	19.2
Unrecovered advance corporation tax	<u>69.3</u>	<u>72.8</u>

No provision is required in the Company for deferred tax.

	Group				Company	
	Closures and reorganisation £m	Leaving indemnities £m	2000 Total £m	1999 Total £m	2000 Total £m	1999 Total £m
Other provisions						
At beginning of year	43.0	38.0	81.0	72.3	4.0	–
Exchange difference	0.5	0.8	1.3	(5.9)	–	–
Subsidiaries acquired	0.1	–	0.1	6.2	–	–
Subsidiaries disposed	(9.7)	–	(9.7)	(2.2)	–	–
Provided – reorganisations	31.7	–	31.7	46.9	–	–
– sale or termination of operations	128.8	–	128.8	16.6	3.9	4.0
– discounting interest	0.2	–	0.2	0.2	–	–
– other	3.7	6.7	10.4	10.3	–	–
Utilised	(140.1)	(4.6)	(144.7)	(63.4)	(3.8)	–
At 31 December 2000	<u>58.2</u>	<u>40.9</u>	<u>99.1</u>	<u>81.0</u>	<u>4.1</u>	<u>4.0</u>

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

20 Provisions for liabilities and charges (continued)**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).

	2000 £m	1999 £m
The maturity profile of provisions for leaving indemnities is as follows:		
Payable between one and two years	3.2	4.4
Payable between two and five years	10.1	9.1
Payable in more than five years	27.6	24.5
	40.9	38.0

21 Goodwill

The fair values attributed to the net tangible assets acquired during the year were:

	Book value £m	Fair value adjustments £m	Fair value to the Group £m
Current assets	(2.2)	–	(2.2)
Businesses held for resale	–	0.3	0.3
Creditors and provisions	–	0.1	0.1
Minority interest	1.2	–	1.2
	(1.0)	0.4	(0.6)
Fair value of consideration: cash			3.5
			3.5
Goodwill arising during the year			4.1

The above goodwill includes a reduction of £0.7 million in respect of Hicking Pentecost Limited acquired during 1999, comprising amendments to fair value adjustments of £0.4 million and a reduction in the cost of acquisition of £0.3 million.

Other goodwill arising during the year relates principally to adjustments in respect of minority interests.

	Cost £m	Amortisation and impairment £m	Net £m
The goodwill capitalised in the balance sheet is as follows:			
At beginning of year	58.1	1.2	56.9
Exchange	0.7	–	0.7
Acquisitions	4.1	–	4.1
Amortised in the year	–	3.0	(3.0)
Disposals	(0.3)	–	(0.3)
Carried forward at 31 December 2000	62.6	4.2	58.4

Goodwill arising during the year has been capitalised in accordance with FRS10 and will be amortised over 20 years.

Purchased goodwill attributable to businesses sold or terminated during the year amounted to £5.3 million (1999 – £74.6 million).

The cumulative amount of goodwill charged to reserves is £205 million net of amounts attributable to companies sold (1999 – £210 million).

Notes to the accounts (continued)

22 Called up share capital	Number of shares	2000 £m	Number of shares	1999 £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 arrears, 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 the proxy to the 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.

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	1991 to 1994	170.15p to 256.08p	2001 to 2004	1,512,709
Overseas Executive Share Option Scheme	1991 to 1994	170.15p to 256.08p	2001 to 2004	1,509,035
1994 Executive Share Option Scheme	1994 to 2000	33.75p to 214.5p	2001 to 2010	14,501,073
Sharesave Scheme	1994 to 1997	110p to 183p	2001 to 2003	3,206,214
				20,729,031

No share options were exercised during the year.

23 Other reserves	Share premium account £m	Other capital reserve £m	Pension reserve £m	Total £m
Group				
At beginning of year	206.5	34.1	89.9	330.5
Transfer from profit and loss account	–	–	4.4	4.4
At 31 December 2000	206.5	34.1	94.3	334.9
Company				
At beginning of year and 31 December 2000	206.5	35.6	–	242.1

Notes to the accounts (continued)

24 Profit and loss account	Group £m	Company £m
At beginning of year	223.1	426.0
Foreign currency translation (losses)/gains		
– overseas net assets*	14.1	
– related hedging	(10.8)	
	3.3	2.8
Retained (loss)/profit for the year	(83.9)	19.4
Goodwill attributable to businesses sold or terminated (note 21)	5.3	–
Transfer to pension reserve	(4.4)	–
At 31 December 2000	143.4	448.2
Retained in Group companies (including £(28.6) million overseas)	141.2	
Retained in associated companies	2.2	
	143.4	

*Including £0.7 million of net exchange losses arising on foreign currency borrowings less deposits.

	Group		Company	
	2000 £m	1999 £m	2000 £m	1999 £m
25 Total reserves				
Available for distribution	143.4	223.1	448.2	426.0
Not available for distribution	334.9	330.5	242.1	242.1
	478.3	553.6	690.3	668.1
26 Minority interests				
Equity minority interests	78.3	67.1		
27 Future capital expenditure				
Contracted but not provided for	5.4	5.5	–	–
Authorised but not contracted for	13.2	5.1	–	–
	18.6	10.6	–	–
28 Contingent liabilities				
Loan, overdraft and finance lease guarantees in respect of certain subsidiaries (see note 19)	–	–	19.3	26.8
Others including performance guarantees and documentary credits on overseas contracts	52.2	49.3	16.3	17.5
Company undertaking relating to deferred tax liabilities of UK subsidiaries (note 20)	–	–	41.5	38.8

Notes to the accounts (continued)

	Group		Company	
	2000 £m	1999 £m	2000 £m	1999 £m
29 Operating lease rentals				
The committed amounts payable during 2001 are:				
Leases of land and buildings expiring:				
Within one year	2.2	1.2	-	-
Within two to five years inclusive	6.3	4.7	-	-
Over five years	14.3	13.5	-	-
	22.8	19.4	-	-
Other operating leases expiring:				
Within one year	1.0	1.0	-	-
Within two to five years inclusive	3.5	3.7	-	-
	4.5	4.7	-	-

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 assets. Pension costs in respect of these plans are assessed in accordance with the advice of independent, professionally qualified actuaries and consultants.

	2000 £m	1999 £m
Pension costs for the year were:		
UK		
Coats Viyella Pension Plan:		
Regular pension cost	12.7	15.7
Spreading of surplus	(10.2)	(11.8)
Interest	(7.7)	(8.4)
Net (credit)	(5.2)	(4.5)

Of the unrecognised surplus that existed at 1 April 2000, the actuaries calculated that some £1.0 million related to the Contract Clothing 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	128.5	120.4
Net pension credit above	5.2	4.5
Credit arising as a result of disposals	1.0	3.6
At 31 December 2000	134.7	128.5

Overseas

North America defined benefit plans:		
Regular cost	3.1	3.0
Spreading of surplus	(11.0)	(9.6)
Net credit	(7.9)	(6.6)
Other plans	9.1	10.0
Total overseas	1.2	3.4
Net (credit)	(4.0)	(1.1)

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 2000 which resulted in an actuarially calculated surplus of £222.4 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 2003.

Notes to the accounts (continued)

30 Pensions (continued)

Method used	Projected unit	Average remaining service life	12 years
Investment rate of return	6% per annum	Market value of Plan assets	£1,608m
Increase in earnings	4% per annum	Market value of Plan assets after averaging	£1,510m
Increase in pensions	2.5% per annum	*Level of funding	117%
		Actuarially calculated surplus	£222.4m

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

In North America, the results of the most recent actuarial valuations at 31 December 2000 showed:

Market value of investments	£199.0m
Level of funding	197%

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 US 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:

	2000 £m	1999 £m
Accruals and deferred income	14.5	14.0

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 £m	Related parties included in	Total £m
		Other Fixed Asset Investments £m	
Sales to	0.9	0.1	1.0
Purchases from	1.7	0.8 ⁽ⁱ⁾	2.5
Other income	0.3	–	0.3
Debtors	0.6	–	0.6
Creditors	0.3	–	0.3

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) Barbour Threads Ltd (industrial Thread), purchases from Barbour Vardhman Threads Ltd of £0.8 million.

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 20 to 23.

Notes to the accounts (continued)

32 Notes to the cash flow statement

a Reconciliation of operating profit to net cash inflow from operating activities

	2000 £m	1999 £m
Operating profit	69.8	15.6
Dividends from associated companies	0.1	–
Depreciation	55.9	60.1
Amortisation of goodwill	3.0	1.2
Reorganisation costs	31.7	46.9
Impairment of fixed assets	3.1	20.1
Other exceptional items	1.5	10.1
(Increase)/decrease in stocks	(12.1)	31.8
(Increase)/decrease in debtors	(27.5)	4.9
(Decrease) in creditors	(1.7)	(5.1)
Loss arising from accounting irregularities in a US subsidiary	–	(10.6)
Pension refund from discontinued scheme	–	(0.1)
Abortive disposal and demerger costs	(0.6)	0.2
Movement in pension fund prepayment	(5.2)	(4.5)
Other non-cash movements	(4.8)	(12.1)
Net cash inflow from normal operating activities	113.2	158.5
Continuing operations	134.2	143.6
Discontinued operations	(21.0)	14.9
	113.2	158.5
Net cash outflow in respect of reorganisation costs:		
Utilisation of provisions – closures and reorganisation	(39.8)	(44.1)
– other	(0.2)	(0.2)
– non-cash asset write downs	0.1	4.2
	(39.9)	(40.1)
Net cash inflow from operating activities	73.3	118.4
b Analysis of financing cash flows		
Issue of ordinary share capital	–	–
Issue of shares to minorities	–	–
	–	–
(Decrease)/increase in borrowings: – new long term loans	0.1	0.2
– new short term loans	105.8	19.7
– repayment of amounts borrowed	(132.7)	(212.7)
– redemption of convertible debt	–	(4.5)
– capital element of finance lease rental payments	(6.9)	(4.7)
	(33.7)	(202.0)
Net cash (outflow) from financing	(33.7)	(202.0)

Notes to the accounts (continued)

32 Notes to the cash flow statement (continued)

	At 1 January 2000 £m	Cash flow £m	Acquisitions/ disposals (excl. cash/ overdrafts) £m	Other non-cash changes £m	Exchange £m	At 31 December 2000 £m
c Analysis of net debt						
Cash at bank and in hand	98.8					79.1
Bank overdrafts	(23.2)					(31.5)
Net cash	75.6	(21.9)			(6.1)	47.6
Short term deposits	45.3	(18.1)			0.5	27.7
Debentures, loans and loan stock	(150.8)	26.8	0.4		(11.5)	(135.1)
Convertible debt	(59.9)			(0.2)		(60.1)
Lease finance	(35.3)	6.9			0.1	(28.3)
		33.7				
Total	(125.1)	(6.3)	0.4	(0.2)	(17.0)	(148.2)

	2000 £m	1999 £m
d Purchase of subsidiary undertakings		
Tangible fixed assets	–	33.9
Fixed asset investments	–	1.2
Stocks	0.1	28.0
Debtors	(2.3)	19.2
Businesses acquired for resale	0.3	2.4
Cash at bank and in hand	–	2.5
Loans	–	(32.9)
Creditors	–	(16.8)
Current and deferred taxation	–	(1.2)
Provisions	0.1	(6.2)
Minority shareholders interests	1.2	(0.4)
	(0.6)	29.7
Goodwill	4.1	51.4
Total	3.5	81.1
Satisfied by:		
Cash	3.7	77.1
Loan notes issued	–	4.2
Transfer from deferred consideration	(0.4)	(0.7)
Transfer to deferred consideration	0.2	0.5
	3.5	81.1

Notes to the accounts (continued)

32 Notes to the cash flow statement (continued)

e Sale of subsidiary undertakings

	2000 £m	1999 £m
Goodwill	0.3	–
Tangible fixed assets	51.0	104.9
Associated companies	–	(1.2)
Stock	57.7	26.4
Debtors	37.1	56.7
Business held for resale	0.4	–
Current asset investments	–	1.0
Cash at bank and in hand	0.2	15.4
Bank overdrafts	(2.1)	–
Loans and finance lease obligations	(0.2)	(11.4)
Creditors	(49.4)	(54.5)
Provisions	(9.7)	(2.2)
Current and deferred taxation	(0.4)	(5.3)
Minority shareholders interests	(0.1)	(1.1)
	<u>84.8</u>	<u>128.7</u>
(Loss)/profit on disposal	(84.7)	83.8
Write-back of purchased goodwill	5.3	74.6
	<u>5.4</u>	<u>287.1</u>
Satisfied by:		
Cash	34.6	293.2
Pension credit	1.1	3.6
Future closure costs	(29.6)	(9.0)
Transfer from deferred consideration	(0.7)	(0.7)
	<u>5.4</u>	<u>287.1</u>

f Cash flow relating to exceptional items

Profit on sale of fixed assets	4.5	6.3
Book value of fixed assets sold	7.0	5.0
Proceeds of sale of fixed assets	<u>11.5</u>	<u>11.3</u>
Proceeds of sale or termination of operations (note e)	<u>34.6</u>	<u>293.2</u>