

1 Continuing and discontinued operations and acquisitions	2001			2000 (Restated)		
	Continuing £m	Discontinued £m	Total £m	Continuing £m	Discontinued £m	Total £m
Turnover	1,212.6	34.4	1,247.0	1,261.9	334.2	1,596.1
Cost of sales	788.0	22.6	810.6	796.9	278.2	1,075.1
Net operating expenses						
Distribution costs	279.7	7.4	287.1	280.9	49.7	330.6
Administrative expenses	112.4	5.5	117.9	116.0	32.3	148.3
Other operating income (note 3)	(3.9)	(0.6)	(4.5)	(3.3)	(5.0)	(8.3)
Total	388.2	12.3	400.5	393.6	77.0	470.6
Operating profit	36.4	(0.5)	35.9	71.4	(21.0)	50.4
Profit on sale of fixed assets	9.2	4.4	13.6	2.0	2.5	4.5
Sale or termination of operations:						
Losses	(24.1)	(16.3)	(40.4)	(0.7)	(129.1)	(129.8)
Gains	–	13.6	13.6	–	44.1	44.1
	(24.1)	(2.7)	(26.8)	(0.7)	(85.0)	(85.7)

During the year, the Group completed the disposals of all its Branded Clothing businesses and all Home Furnishings businesses other than the Dorma UK bedwear operations. A net loss of £2.7 million was incurred in respect of these disposals.

In accordance with FRS3, the results of these businesses for the respective periods to their dates of disposal have been shown as discontinued and prior year figures have been restated accordingly.

The loss on disposal of continuing operations primarily relates to the disposal of a US crafts business, Dimensions Inc, in June 2001 at a total loss of £11.8 million including £12.7 million of previously written-off goodwill, and the exit from apparel fabric manufacturing in Madura Coats Limited in India at a cost of £12.8 million. The balance represents net adjustments in respect of prior year disposals.

The losses in 2000 related to the Contract Clothing disposal and the gains in 2000 related to the India Garments and brand sales.

Acquisitions

All acquisitions during the year have been accounted for using the acquisition method. Principal acquisitions during the year were the industrial threads business of Dollfus Mieg et Cie, a French textile group with operations in Europe and South America in January, AL Paul Limited, a UK manufacturer of speciality braiding, mainly to the footwear industry, in April and the acquisition by way of a share buy back of part of the minority interest in Madura Coats Limited, India in November.

None of these acquisitions was material for the purposes of The Companies Act 1985, FRS3 or FRS6. The acquisitions in total contributed £39.9 million to turnover and £3.3 million to operating profit before exceptional items.

38 Notes to the accounts (continued)

2	Analysis of turnover, operating profit and net assets	Turnover		Operating profit		Net assets	
		2001 £m	2000 £m	2001 £m	2000 Restated £m	2001 £m	2000 Restated £m
Product category:							
Thread							
	UK and Europe	325.9	309.3	18.1	22.4	133.9	114.5
	North America	304.5	345.7	11.7	38.1	223.5	240.7
	South America	103.7	103.1	12.6	8.7	78.8	71.3
	Asia	203.8	208.2	29.5	30.3	151.4	132.1
	Central costs	–	–	0.8	(5.1)	29.6	55.6
	Total Thread	937.9	966.3	72.7	94.4	617.2	614.2
	India Textiles	32.4	52.2	(2.3)	(3.0)	13.7	32.0
	Fashion Retail	155.7	148.5	(2.3)	2.5	50.5	52.1
	Bedwear	86.6	94.9	0.7	1.3	23.7	28.1
	Continuing operations	1,212.6	1,261.9	68.8	95.2	705.1	726.4
	Discontinued operations	34.4	334.2	(0.4)	(7.9)	0.7	31.8
		1,247.0	1,596.1	68.4	87.3	705.8	758.2
	Reorganisation costs and impairment of fixed assets			(31.5)	(35.4)		
	Other exceptional items			(1.0)	(1.5)		
	Operating profit			35.9	50.4		
	Associated companies			0.6	0.6		
	FRS3 exceptional items			(13.2)	(81.2)		
	Profit/(loss) before interest			23.3	(30.2)		
Geographical analysis by location:							
	United Kingdom	277.2	283.9	(4.9)	(3.5)	137.1	171.7
	Rest of Europe	260.1	243.8	20.2	23.5	92.0	70.0
	North America	319.1	360.5	10.2	37.9	227.0	243.6
	South America	103.7	103.1	12.6	8.7	78.8	71.3
	Africa, Asia, Australasia	252.5	270.6	30.7	28.6	170.2	169.8
	Total continuing operations	1,212.6	1,261.9	68.8	95.2	705.1	726.4
	Discontinued operations	34.4	334.2	(0.4)	(7.9)	0.7	31.8
	Associated companies	–	–	0.6	0.6	2.4	3.1
		1,247.0	1,596.1	69.0	87.9	708.2	761.3
	Reorganisation costs and impairment of fixed assets			(31.5)	(35.4)		
	Other exceptional items			(1.0)	(1.5)		
				36.5	51.0		
	FRS3 exceptional items			(13.2)	(81.2)		
	Profit/(loss) before interest			23.3	(30.2)		
	Net debt					(128.1)	(148.2)
	Other fixed and current asset investments					28.4	22.1
	Net assets per consolidated balance sheet					608.5	635.2
The geographical analysis of discontinued operations by location was:							
	United Kingdom	15.2	277.9	0.8	(6.2)	0.7	24.8
	Rest of Europe	19.2	56.2	(1.2)	(0.4)	–	7.0
	Africa, Asia, Australasia	–	0.1	–	(1.3)	–	–
		34.4	334.2	(0.4)	(7.9)	0.7	31.8

Note

Following the incorporation of all central administrative functions within the Thread head office, the Corporate segment has been reallocated into Thread central costs along with existing Thread costs. The analysis of Thread operations has been changed to align more closely with the way in which they are managed and controlled.

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

	2001 £m	2000 Restated £m
3 Operating profit		
Operating profit is stated after charging:		
Depreciation – Owned assets	45.0	52.8
– Leased assets	0.5	3.1
Amortisation of goodwill	0.7	3.0
Reorganisation costs	31.6	32.3
Impairment of fixed assets	(0.1)	3.1
Other exceptional items	1.0	1.5
Hire of plant and machinery	6.4	7.0
Other operating lease rentals	20.8	22.9
Research and development expenditure	2.2	2.6
Directors' remuneration (note 4)	2.1	1.7
Auditors' remuneration – Audit fees	1.7	1.8
– Non audit related fees – UK*	4.6	1.7
– Overseas	0.2	0.1

*Non audit fees principally relate to fees for advisory work in relation to the disposal process started in 2000 and competed in 2001.

and after crediting other operating income:		
Rental income net of expenses	0.9	0.9
Royalties and licensing income	1.1	5.0
Credit card income	1.6	1.7
Exchange gain	0.9	0.7
	4.5	8.3

Product category analysis of reorganisation costs and impairment of fixed assets

Thread		
UK and Europe	11.1	8.6
North America	10.5	5.3
South America	1.8	1.1
Asia	1.7	2.0
Central costs	0.6	–
Total Thread	25.7	17.0
India Textiles	–	2.0
Fashion Retail	4.1	1.8
Bedwear	1.6	1.5
Continuing operations	31.4	22.3
Discontinued operations	0.1	13.1
Total	31.5	35.4

Analysis of other exceptional items

(Gain)/loss net of estimated recoveries arising from accounting irregularities in a US subsidiary	(0.1)	0.6
Impairment of goodwill	1.1	–
Abortive disposal and demerger costs	–	0.7
US legal restructuring costs	–	0.2
Total	1.0	1.5

	2001 £'000	2000 £'000
4 Directors' emoluments		
Aggregate emoluments	1,040	1,653
Compensation for loss of office	1,013	–
Total	2,053	1,653

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 Financial Services Authority, are on pages 25 to 28 within the Report on Directors' remuneration and form part of these financial statements.

40 Notes to the accounts (continued)

5 Employees	2001 Number	2000 Number
The average numbers employed by the Group during the year were:		
Direct	22,310	28,928
Indirect	5,291	6,648
Staff	12,069	14,370
	39,670	49,946
Comprising:		
UK	6,702	13,231
Overseas	32,968	36,715
	39,670	49,946
The total numbers employed at the end of the year were:		
UK	5,919	8,394
Overseas	31,162	33,812
	37,081	42,206
The costs incurred in respect of these employees were:		
	2001 £m	2000 £m Restated
Wages and salaries	309.7	414.6
Social security costs	37.1	44.2
Other pension costs (note 29): included in operating profit	15.5	16.6
included in other finance costs	(10.2)	(19.2)
included in statement of total recognised gains and losses	4.4	(4.9)
	356.5	451.3
6 Interest receivable and similar income	2001 £m	2000 £m
Interest receivable	9.5	8.4
Income from other fixed and current asset investments	2.6	0.9
Gain/(loss) on sale of other fixed and current asset investments	0.6	(0.1)
Gross interest receivable and similar income	12.7	9.2
Less: credit card interest transferred to other operating income	(0.7)	(0.7)
	12.0	8.5
7 Interest payable and similar charges	2001 £m	2000 £m
Loans	10.6	12.0
Bank overdrafts and other borrowings	6.9	9.9
Discounting interest re onerous leasehold provisions	0.1	0.2
Finance leases	0.7	2.3
	18.3	24.4
Cost of financing convertible debt (note 18)	3.9	3.9
Share of net interest payable of associated companies	0.3	0.3
Total interest payable and similar charges	22.5	28.6
The above interest includes interest on borrowings not repayable in full within five years of:	0.6	4.6

	2001 £m	2000 Restated £m
8 Tax on profit on ordinary activities		
UK taxation based on profit for the year:		
Corporation tax at 30% (2000 – 30%)	5.1	8.3
Double taxation relief	(5.1)	(8.3)
Deferred taxation	(1.4)	(0.2)
Prior year adjustments – Corporation tax	0.8	2.6
Deferred taxation	0.9	1.1
Advance corporation tax	–	(2.6)
	1.7	1.1
	0.3	0.9
Overseas taxation:		
Current taxation	8.9	12.3
Deferred taxation	1.8	3.5
	11.0	16.7
Associated companies taxation	0.1	0.1
	11.1	16.8
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	1.2	6.8
Transitional relief for foreign exchange gains/losses	(1.1)	(0.7)
Other factors resulting in a tax charge disproportionate to the UK tax rate of 30% (2000 – 30%) are:		
Gains on disposals in the year covered by reliefs	(4.5)	(10.4)
Loss on disposal of shares in subsidiary companies not eligible for relief	11.1	33.3
Effect of (lower)/higher tax rates overseas	(1.0)	(2.1)
Tax arising on remittance of overseas profits (net of ACT)	1.4	2.1
Unrelieved overseas losses	1.5	4.4
Tax attributable to the profits on sale of fixed assets amounts to:	0.2	0.3
Tax attributable to impairment of fixed assets and goodwill	0.2	–
Tax (relief) attributable to reorganisation costs	(3.7)	(6.9)
(Relief) attributable to the (loss) on sale or termination of operations amounts to:	(0.6)	(2.5)
9 Profit for the year	2001 £m	2000 £m
The Company's (loss)/profit for the financial year was	(122.9)	41.2

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

	2001	2000	2001 £m	2000 £m
10 Ordinary dividends				
Ordinary shares (equity shares)				
Interim	1.50p	1.50p	10.6	10.6
Final	1.50p	1.50p	10.5	10.5
	3.00p	3.00p	21.1	21.1

The interim dividend of 1.5p net per share was paid on 4 January 2002.

The final dividend of 1.5p net per share will be paid on 1 July 2002 to shareholders on the register on 31 May 2002.

42 Notes to the accounts (continued)

11 Earnings/(loss) per share	2001	2000	2001 £m	2000 Restated £m
Earnings/(loss) per share are based on profit/(loss) available for Ordinary shareholders of:			9.9	(63.4)
and on average number of shares of:	703.6m	702.6m		
resulting in basic and diluted earnings/(loss) per share of:	1.4p	(9.0)p		
Less: amortisation of goodwill	0.1p	0.4p	0.7	3.0
impairment of goodwill	0.2p	–	1.1	–
profit on sale of fixed assets	(1.9)p	(0.6)p	(13.6)	(4.5)
losses on sale or termination of operations	3.8p	12.2p	26.8	85.7
taxation relating to these items	(0.1)p	(0.3)p	(0.4)	(2.5)
minority interests relating to these items	(0.7)p	1.2p	(5.1)	8.8
Headline earnings per share	2.8p	3.9p	19.4	27.1

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 £60.461 million 6.25% Senior Convertible Bonds of Coats plc would not result in any dilution of earnings per share.

12 Tangible assets	Land and buildings £m	Plant, machinery and vehicles £m	Total £m
Group			
Cost			
At beginning of year	230.3	705.6	935.9
Exchange difference	0.7	2.9	3.6
Subsidiaries acquired	2.1	4.9	7.0
Subsidiaries disposed	(5.1)	(54.5)	(59.6)
Additions	3.6	51.3	54.9
Disposals	(20.3)	(48.5)	(68.8)
At 31 December 2001	211.3	661.7	873.0
Depreciation			
At beginning of year	78.9	435.4	514.3
Exchange difference	0.4	1.2	1.6
Subsidiaries acquired	0.1	0.6	0.7
Subsidiaries disposed	(1.8)	(39.1)	(40.9)
Charge for the year	5.8	39.7	45.5
Impairment of fixed assets	(0.3)	0.2	(0.1)
Disposals	(8.5)	(42.1)	(50.6)
At 31 December 2001	74.6	395.9	470.5
Net book value			
At 31 December 2001	136.7	265.8	402.5
At beginning of year	151.4	270.2	421.6

12 Tangible assets (continued)

	2001 £m	2000 £m
Land and buildings		
Cost		
Freehold	173.1	188.0
Long leasehold	14.3	15.3
Short leasehold	23.9	27.0
	211.3	230.3
Accumulated depreciation		
Freehold	59.1	61.7
Long leasehold	3.9	4.0
Short leasehold	11.6	13.2
	74.6	78.9

The cost of long leasehold land and buildings includes capitalised interest of £1.4 million (2000 – £1.4 million).

Plant, machinery and vehicles

The net book value of capitalised finance leases included in plant, machinery and vehicles is £1.5 million (2000 – £5.9 million).

13 Investments

	Associated companies £m	Other £m	Total £m
Group			
Cost			
At beginning of year	0.9	21.3	22.2
Exchange	–	0.5	0.5
Additions	–	2.6	2.6
Disposals	(0.2)	(15.7)	(15.9)
At 31 December 2001	0.7	8.7	9.4
Provisions			
At beginning of year	–	(19.4)	(19.4)
Exchange	–	(0.3)	(0.3)
Disposals	–	14.9	14.9
At 31 December 2001	–	(4.8)	(4.8)
Share of profits/(losses) retained			
At beginning of year	2.2		2.2
Disposals	(0.5)		(0.5)
At 31 December 2001	1.7		1.7
Net book value			
At 31 December 2001	2.4	3.9	6.3
At beginning of year	3.1	1.9	5.0
Including investments listed on a recognised Stock Exchange			
At 31 December 2001	–	2.5	2.5
At beginning of year	–	0.4	0.4

Other fixed asset investments include an investment of £0.3 million (£0.4 million 2000) in the Company's own shares as part of the Long Term Incentive Plan referred to on page 25 of the Report on Directors' Remuneration.

44 Notes to the accounts (continued)

13 Investments (continued)	Subsidiaries		Other fixed asset investments £m	Total £m
	Shares £m	Loans £m		
Company				
Cost				
At beginning of year	1,763.5	312.7	6.7	2,082.9
Additions	204.0	351.1	–	555.1
Group transfers	(344.0)	–	–	(344.0)
Disposals	(1.3)	–	(0.5)	(1.8)
Repaid	–	(170.2)	–	(170.2)
At 31 December 2001	1,622.2	493.6	6.2	2,122.0
Provisions				
At beginning of year	(1.3)	–	(5.5)	(6.8)
Disposals	1.3	–	0.2	1.5
At 31 December 2001	–	–	(5.3)	(5.3)
Net book value				
At 31 December 2001	1,622.2	493.6	0.9	2,116.7
At beginning of year	1,762.2	312.7	1.2	2,076.1

Principal subsidiary undertakings are listed on page 63.

Loans to subsidiaries include £2.4 million in respect of back-to-back finance leases. The maturity profile of these leases is shown in note 18.

14 Stocks	Group		Company	
	2001 £m	2000 £m	2001 £m	2000 £m
Raw materials and consumables	66.7	68.1	–	–
Work in progress	67.9	72.6	–	–
Finished goods and goods for resale	157.3	163.5	–	–
	291.9	304.2	–	–

15 Debtors	Group		Company	
	2001 £m	Restated 2000 £m	2001 £m	2000 £m
Debtors due within one year:				
Trade debtors	185.7	218.8	0.1	0.1
Amounts owed by subsidiaries	–	–	3.5	2.2
Amounts owed by associated companies	1.5	0.6	–	–
Corporation and overseas tax recoverable	12.1	15.2	0.6	1.8
Other debtors	28.4	63.3	0.5	16.9
Prepayments and accrued income	11.3	15.7	0.3	1.2
	239.0	313.6	5.0	22.2
Debtors due in more than one year:				
Trade debtors	1.0	1.3	–	–
Other debtors	15.0	11.8	0.7	–
Prepayments and accrued income	0.2	0.2	–	–
	16.2	13.3	0.7	–

16 Current asset investments	Group		Company	
	2001 £m	2000 £m	2001 £m	2000 £m
Listed investments	23.8	19.1	–	–
Unlisted investments	0.7	1.1	–	–
	24.5	20.2	–	–
Market value of listed investments	25.4	19.0	–	–

	Group		Company	
	2001 £m	2000 Restated £m	2001 £m	2000 £m
17 Creditors (amounts falling due within one year)				
Trade creditors	105.1	113.3	0.1	0.1
Loans and loan stock (note 19)	117.0	124.2	76.5	93.2
Amounts owed to subsidiaries	–	–	0.1	–
Amounts owed to associated companies	0.4	0.3	–	–
Bills of exchange	8.2	13.6	–	–
Corporation tax and overseas taxation	22.3	25.7	10.0	10.0
Other taxation and social security	23.4	19.9	–	–
Other creditors	21.5	32.9	0.4	0.8
Accruals and deferred income	37.7	52.9	2.4	3.7
Proposed dividends	21.1	21.1	21.1	21.1
Finance lease obligations (note 18)	0.8	20.9	0.5	20.3
Leaving indemnities (note 20)	3.0	3.4	–	–
	360.5	428.2	111.1	149.2

	Group		Company	
	2001 £m	2000 Restated £m	2001 £m	2000 £m
18 Creditors (amounts falling due after more than one year)				
Other creditors				
Trade creditors	0.7	0.6	–	–
Loans and loan stock (note 19)	10.7	10.9	–	–
Amounts owed to subsidiaries	–	–	1,243.2	1,037.4
Payments in advance	–	0.7	–	–
Other creditors	5.0	7.3	0.2	–
Accruals and deferred income	2.5	1.1	–	1.8
Finance lease obligations	3.4	7.4	1.9	6.0
	22.3	28.0	1,245.3	1,045.2

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	0.8	20.9	0.5	20.3
Between one and two years	1.0	1.9	0.7	1.6
Between two and five years inclusive	1.5	4.0	0.9	3.5
Over five years	0.9	1.5	0.3	0.9
	4.2	28.3	2.4	26.3

Convertible debt

Coats plc – £60.461 million 6.25% Senior Convertible Bonds due 2003 (see note)	60.2	60.1	60.2	60.1
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Note

On 9 August 1993, Coats plc issued £75.625 million 6.25% Senior Convertible Bonds.

As a result of redemptions and conversions since the issue the value of bonds currently in issue is £60.461 million.

These bonds are convertible into Ordinary shares of Coats 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.

46 Notes to the accounts (continued)

19 Borrowings and financial instruments	Group		Company	
	2001 £m	2000 £m	2001 £m	2000 £m
(a) Loans and loan stock				
Loans	118.5	125.9	76.5	93.2
Loan stock	9.2	9.2	–	–
	127.7	135.1	76.5	93.2
Repayable within one year	(117.0)	(124.2)	(76.5)	(93.2)
Amounts falling due after more than one year	10.7	10.9	–	–
Repayable as follows:				
Between one and two years	0.9	0.2	–	–
Between two and five years	0.6	1.3	–	–
After five years	9.2	9.4	–	–
	10.7	10.9	–	–
Loans				
Repayable within five years:				
Bank loans	112.0	121.6	73.1	89.6
Other loans	6.1	3.6	3.4	3.6
Not wholly repayable within five years:				
Bank loans	0.4	0.5	–	–
Other loans	–	0.2	–	–
	118.5	125.9	76.5	93.2
Amounts repayable by instalments which in part fall due after more than five years	–	0.7	–	–
Instalments falling due after more than five years	–	0.2	–	–
Loans repayable after one year:				
Various:				
Other (all below £1.0 million equivalent)	1.5	1.7	–	–
	1.5	1.7	–	–
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 Limited 6.75% unsecured stock 2002/2007	6.5	6.5	–	–
Coats Patons Limited 4.5% unsecured stock 2002/2007	2.7	2.7	–	–
	9.2	9.2	–	–
Net debt				
Loans and loan stock	127.7	135.1	76.5	93.2
Bank overdrafts	24.9	31.5	22.6	14.6
Lease finance	4.2	28.3	2.4	26.3
	156.8	194.9	101.5	134.1
Convertible debt	60.2	60.1	60.2	60.1
Total borrowings	217.0	255.0	161.7	194.2
Cash and short term deposits	(88.9)	(106.8)	(19.7)	(20.5)
Net debt	128.1	148.2	142.0	173.7

19 Borrowings and financial instruments (continued)

	Group	
	2001	2000
	£m	£m
(a) Loans and loan stock (continued)		
Maturity of debt		
Total borrowings are repayable as follows:		
Within one year	142.7	176.7
Between one and two years	62.1	2.0
Between two and five years	2.1	65.4
After five years	10.1	10.9
	217.0	255.0
Total secured indebtedness	9.3	8.5
Total indebtedness guaranteed by parent company	25.1	17.7

(b) Financial instruments

Group

The Group's policies as regards derivatives and other financial information are set out in the Financial review on pages 16 to 18 and the Statement of accounting policies on pages 34 to 36. 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 payment profile of both these liabilities is further analysed in note 18.

The 4.9% Cumulative Preference shares issued by Coats plc are not redeemable (see note 22).

At 31 December 2001 the Group had undrawn committed borrowing facilities of £86.5 million (2000 – £55.0 million) expiring in more than one year.

	2001	2000
	£m	Restated £m
Currency analysis of net assets		
Sterling	172.1	196.5
US Dollar and dollar related	290.7	350.2
Euro	72.4	42.1
Indian rupee	44.3	59.0
Other	126.3	110.4
	705.8	758.2

Interest rate profile

The interest rate and currency profile of the Group's financial liabilities and assets by principle 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

31 December 2001	Fixed rate	Floating rate	Non-interest bearing	Total
	£m	£m	£m	£m
Sterling cross currency swaps	–	(172.5)	–	(172.5)
Sterling	71.8	21.7	–	93.5
US dollar and dollar related	42.0	202.5	–	244.5
Euro	3.5	11.9	0.2	15.6
Other	1.3	34.6	–	35.9
Gross financial liabilities	118.6	98.2	0.2	217.0

48 Notes to the accounts (continued)

19 Borrowings and financial instruments (continued)

(b) Financial instruments (continued)

31 December 2001	Weighted average interest rate %	Fixed rate	Non-interest bearing
		Weighted average period for which the rate is fixed Years	Weighted average period until maturity Years
Sterling	6.3	2.2	–
US dollar	4.7	3.5	–
Euro	5.3	3.0	2.8
Other	10.2	2.6	–

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

31 December 2000	Fixed rate £m	Floating rate £m	Non-interest bearing £m	Total £m
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

	Weighted average interest rate %	Fixed rate	Non-interest bearing
		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.

Financial assets

31 December 2001	Fixed rate	Floating rate	Non-interest bearing	Total
	£m	£m	£m	£m
Sterling cross currency swaps	–	(33.7)	–	(33.7)
Sterling	–	11.4	–	11.4
US dollar and dollar related	–	33.0	1.2	34.2
Euro	–	47.9	2.3	50.2
Other	–	17.8	9.0	26.8
Gross financial assets	–	76.4	12.5	88.9

31 December 2000	Fixed rate	Floating rate	Non-interest bearing	Total
	£m	£m	£m	£m
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 national inter bank rates and is fixed in advance for periods of up to one year.

All of the non-interest bearing financial assets mature within one week of the balance sheet date.

(b) Financial instruments (continued)**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:

	2001		2000	
	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	(88.9)	(88.9)	(106.8)	(106.8)
Loans and loan stocks	127.7	127.6	135.1	134.0
Lease finance	4.2	4.3	28.3	28.5
Convertible debt	60.2	59.8	60.1	54.5
Bank overdrafts	24.9	24.9	31.5	31.5
	217.0	216.6	255.0	248.5
Derivative financial instruments held to manage the Group's interest rate and currency profile:				
Forward foreign exchange contracts	(1.4)	(1.3)	(18.8)	(20.9)
Interest rate cross currency swaps	0.4	(0.3)	2.8	3.7
	(1.0)	(1.6)	(16.0)	(17.2)
Coats plc 4.9% Cumulative Preference shares	14.6	11.1	14.6	11.3

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 2001, being the difference between book value and estimated fair value of the above derivative financial instruments, is £0.6 million (2000 – £1.2 million). Of this approximately £0.3 million gain will be recognised in the profit and loss account for the year ending 31 December 2002 (2000 – approximately £1.1 million gain).

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.

	Sterling £m	US Dollar £m	Euro £m	Other £m	Total £m
31 December 2001					
Sterling	–	(1.6)	2.4	0.3	1.1
US dollar	–	–	(2.1)	0.4	(1.7)
Euro	(0.4)	(0.3)	–	0.2	(0.5)
Other	0.9	2.8	4.8	(1.1)	7.4
	0.5	0.9	5.1	(0.2)	6.3
31 December 2000					
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.

50 Notes to the accounts (continued)

20	Provisions for liabilities and charges	Group		Company	
		2001 £m	2000 Restated £m	2001 £m	2000 £m
	Deferred taxation	(2.8)	(1.9)	–	–
	Other provisions	40.6	58.2	1.5	4.1
		37.8	56.3	1.5	4.1
	Deferred taxation				
	At beginning of year	(1.9)	(1.3)		
	Subsidiaries disposed	(0.9)	(0.2)		
	Movement in period – Exchange difference	(0.3)	(0.3)		
	– Foreign companies	1.8	3.5		
	– UK companies	(0.5)	0.9		
	– Transfer to pension assets/liabilities	(1.1)	(4.5)		
	– Transfer to current tax	0.1	–		
	At 31 December 2001	(2.8)	(1.9)		
	Deferred taxation, representing a full provision calculated at 30% (2000 – 30%) for UK companies, is as follows:				
	United Kingdom				
	Capital allowances	1.3	2.7		
	Other timing differences less losses forward	(1.6)	(1.6)		
		(0.3)	1.1		
	Overseas	(2.5)	(3.0)		
		(2.8)	(1.9)		
	In addition there are:				
	Tax on unutilised losses forward	14.4	16.5		
	Unrecovered advance corporation tax	63.0	69.3		

No provision is required in the Company for deferred tax.

Other provisions	Closures and reorganisation £m	Leaving indemnities £m	2001 Total £m	Group 2000 Total Restated £m	Company	
					2001 Total £m	2000 Total £m
At beginning of year	55.1	3.1	58.2	42.8	4.1	4.0
Exchange difference	(0.2)	–	(0.2)	0.7	–	–
Subsidiaries acquired	0.3	1.9	2.2	0.1	–	–
Subsidiaries disposed	–	–	–	(9.7)	–	–
Provided – reorganisations	31.6	–	31.6	31.7	–	–
– sale or termination of operations	40.5	–	40.5	129.8	4.2	3.9
– discounting interest	0.1	–	0.1	0.2	–	–
– other	3.5	–	3.5	5.5	–	–
Utilised	(95.3)	–	(95.3)	(142.9)	(6.8)	(3.8)
At 31 December 2001	35.6	5.0	40.6	58.2	1.5	4.1

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

Leaving indemnities

In many countries including 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".

20 Provisions for liabilities and charges (continued)

The maturity profile of provisions for leaving indemnities is as follows:

	2001 £m	2000 £m
Payable between one and two years	0.6	0.1
Payable between two and five years	0.9	1.1
Payable in more than five years	3.5	1.9
	5.0	3.1

21 Goodwill

	Book value £m	Fair value adjustments £m	Fair value to the Group £m
The fair values attributed to the net tangible assets acquired during the year were:			
Fixed assets	8.0	(1.7)	6.3
Current assets	26.8	(2.4)	24.4
Creditors and provisions	(13.0)	(0.4)	(13.4)
Cash	3.5	–	3.5
Other borrowings	(0.4)	–	(0.4)
Minority interest	10.5	–	10.5
	35.4	(4.5)	30.9
Fair value of consideration: cash			22.3
loan notes			2.5
			24.8
Goodwill arising during the year			(6.1)
positive			1.2
negative			(7.3)
			(6.1)

The fair value adjustments principally relate to alignment of accounting policies.

The goodwill capitalised in the balance sheet is as follows:

	Cost £m	Amortisation and impairment £m	Net £m
Positive goodwill			
At beginning of year	62.6	4.2	58.4
Exchange	0.2	–	0.2
Acquisitions	1.2	–	1.2
Amortised in the year	–	3.2	(3.2)
Impairment	–	1.1	(1.1)
Disposals	(3.7)	–	(3.7)
Carried forward at 31 December 2001	60.3	8.5	51.8

Goodwill arising during the year amounting to £0.5 million in respect of minority interests has been written off during the year. The balance has been capitalised in accordance with FRS10 and will be amortised over 20 years.

Negative goodwill

At beginning of year	–	–	–
Exchange	(0.2)	(0.1)	(0.1)
Acquisitions	7.3	–	7.3
Amortised in the year	–	2.5	(2.5)
Carried forward at 31 December 2001	7.1	2.4	4.7

Of the negative goodwill arising during the year, £1.9 million has been identified as relating to working capital and released during the year. The balance has been capitalised in accordance with FRS10 and will be amortised over 10 years.

Purchased goodwill attributable to businesses sold or terminated during the year amounted to £12.5 million (2000 – £5.3 million). The cumulative amount of goodwill charged to reserves is £192 million net of amounts attributable to companies sold (2000 – £205 million).

52 Notes to the accounts (continued)

22 Called up share capital	Number of shares	2001 £m	Number of shares	2000 £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	705,360,873	141.1	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
		155.7		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 plc.

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 31 March and 30 September every year; or
- (ii) the business of the meeting includes the consideration of a resolution for winding up or reducing the capital of Coats plc 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 £60.461 million 6.25% Senior Convertible Bonds issued by Coats 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	1992 to 1994	192.84p to 256.08p	2002 to 2004	567,835
Overseas Executive Share Option Scheme	1992 to 1994	192.84p to 256.08p	2002 to 2004	1,238,595
1994 Executive Share Option Scheme	1994 to 2001	33.75p to 214.50p	2002 to 2011	18,893,249
Sharesave Scheme	1995 to 1997	110p to 156p	2002 to 2003	790,609
				21,490,288

Options exercised during the year totalled 1,734,073 (2000: none). The consideration was £0.6 million.

In addition 3,702 shares were issued on conversion of 6.25% Senior Convertible Bonds due 2003.

	Share premium account £m	Other capital reserve £m	Pension reserve Restated £m	Total £m
23 Other reserves				
Group				
At beginning of year as originally reported	206.5	34.1	94.3	334.9
Prior period adjustment (note 29)	–	–	(98.1)	(98.1)
At beginning of year as restated	206.5	34.1	(3.8)	236.8
Shares issued during the year	0.2	–	–	0.2
Actuarial (losses) (note 29)	–	–	(4.4)	(4.4)
Transfer from profit and loss account	–	–	6.0	6.0
At 31 December 2001	206.7	34.1	(2.2)	238.6
Company				
At beginning of year	206.5	35.6	–	242.1
Shares issued during the year	0.2	–	–	0.2
At 31 December 2001	206.7	35.6	–	242.3

	Group Restated £m	Company £m
24 Profit and loss account		
At beginning of year as originally reported	143.4	448.2
Prior period adjustment (note 29)	21.4	–
At beginning of year as restated	164.8	448.2
Foreign currency translation (losses)		
– overseas net assets*	(5.8)	
– related hedging	(5.9)	
	(11.7)	(0.1)
Retained (loss) for the year	(11.2)	(144.7)
Goodwill attributable to businesses sold or terminated (note 21)	12.5	–
Transfer to pension reserve	(6.0)	–
At 31 December 2001	148.4	303.4
Retained in Group companies (including £(37.8) million overseas)	146.7	
Retained in associated companies	1.7	
	148.4	

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

	Group	
	2001 £m	2000 £m
25 Minority interests		
Equity minority interests	65.8	78.3

	Group		Company	
	2001 £m	2000 £m	2001 £m	2000 £m
26 Future capital expenditure				
Contracted but not provided for	3.3	5.4	–	–
Authorised but not contracted for	12.5	13.2	–	–
	15.8	18.6	–	–

54 Notes to the accounts (continued)

27	Contingent liabilities	Group		Company	
		2001 £m	2000 £m	2001 £m	2000 £m
	Loan, overdraft and finance lease guarantees in respect of certain subsidiaries (note 19)	–	–	25.1	19.3
	Others including performance guarantees and documentary credits on overseas contracts	28.9	52.2	8.0	16.3
	Company undertaking relating to deferred tax liabilities of UK subsidiaries (note 20)	–	–	10.2	13.0

28	Operating lease rentals	Group		Company	
		2001 £m	2000 £m	2001 £m	2000 £m
	The committed amounts payable during 2002 are:				
	Leases of land and buildings expiring:				
	Within one year	2.8	2.2	–	–
	Within two to five years inclusive	6.4	6.3	–	–
	Over five years	13.3	14.3	–	–
		22.5	22.8	–	–
	Other operating leases expiring:				
	Within one year	1.9	1.0	–	–
	Within two to five years inclusive	2.7	3.5	–	–
		4.6	4.5	–	–

29	Pensions		Group	
			2001 £m	2000 £m
	Pension assets	UK	24.4	27.5
		North America	26.3	23.6
		Other	–	0.6
			50.7	51.7
	Pension and other post retirement liabilities	Other overseas plans	52.9	55.5

The Group operates a number of defined benefit and defined contribution plans throughout the world. The principal defined benefit arrangements are in the UK and North America and the assets of these plans are mainly held under self-administered trust funds and hence are separated from the Group's assets. The Group has decided to adopt FRS17 – Retirement Benefits as the basis for accounting for pension costs in respect of all material defined benefit plans and the costs in respect thereof have been assessed in accordance with the advice of independent, professionally qualified actuaries and consultants. Comparative figures for 2000 have been restated in accordance with FRS17 and details of the pension costs calculated on this basis and the effects of the restatement are set out in this note.

(a) UK

The Group operates a defined benefit scheme in the UK. A full actuarial valuation was carried out at 1 April 2000 and updated to 31 December 2001 by a qualified independent actuary. The major assumptions used by the actuary were:

	At 31.12.01	At 31.12.00	At 31.12.99
Rate of increase in salaries	4.00%	4.00%	4.25%
Rate of increase in pensions in payment	2.50%	2.50%	2.75%
Discount rate	6.00%	6.00%	6.75%
Inflation assumption	2.50%	2.50%	2.75%

29 Pensions (continued)
(a) UK (continued)

The assets in the scheme and the expected rate of return were:

	Long term rate of return expected at 31.12.01	Value at 31.12.01 £m	Long term rate of return expected at 31.12.00	Value at 31.12.00 £m	Long term rate of return expected at 31.12.99	Value at 31.12.99 £m
Equities	6.50%	719.3	6.50%	915.2	7.25%	1,229.3
Corporate bonds and gilts	5.40%	719.2	5.50%	654.6	5.87%	409.7
Total market value of assets		1,438.5		1,569.8		1,639.0
Actuarial value of scheme liabilities		(1,219.5)		(1,177.8)		(1,042.2)
Gross surplus		219.0		392.0		596.8
Adjustment due to surplus cap		(184.1)		(352.6)		(561.9)
Recoverable surplus in the scheme		34.9		39.4		34.9
Related deferred tax liability		(10.5)		(11.9)		(10.5)
Net pension asset		24.4		27.5		24.4

The analysis of amounts charged to operating profit and credited to other finance income are summarised in 29(d) and 29(e) below.

Analysis of amounts recognised in the statement of total recognised gains and losses are:

	Group	
	2001 £m	2000 £m
Actual return less expected return on assets	(139.1)	(95.0)
Experience gains and losses on liabilities	(25.1)	(13.3)
Changes in assumptions	–	(76.0)
Actuarial (loss)	(164.2)	(184.3)
Adjustment due to surplus cap	159.6	188.8
Actuarial (loss)/gain recognised in statement of total recognised gains and losses	(4.6)	4.5

The movements in the gross and recognised surpluses during the year were:

	Gross surplus		Recognised surplus	
	2001 £m	2000 £m	2001 £m	2000 £m
At the beginning of the year	392.0	596.8	39.4	34.9
Movement in year:				
Current service cost	(7.7)	(12.7)	(7.7)	(12.7)
Contributions	0.1	–	0.1	–
Cost of benefit improvements	(8.9)	(20.5)	–	–
Other finance income	24.0	41.0	7.7	12.7
Actuarial (loss)/gain	(180.5)	(212.6)	(4.6)	4.5
At the end of the year	219.0	392.0	34.9	39.4

The actuarial valuation at 31 December 2001 showed a decrease in the gross surplus in the scheme from £392 million to £219 million and a fall in the recognised recoverable surplus from £39.4 million to £34.9 million. The difference between the gross surplus and the recoverable surplus is shown above as the adjustment due to the surplus cap. The recognised recoverable surplus has been restricted to the present value of the anticipated long term contribution holiday relating to the Group's core UK business. Surpluses relating to other businesses have been excluded as these assets are considered impaired based on cash flow projections approved by management. Improvements in benefits costing £8.9 million were made in 2001 (2000 – £20.5 million). In both years the costs were charged against the unrecognised surplus in the scheme. It has been agreed with the trustee that the contribution holiday will continue until the next formal actuarial review of the scheme.

56 Notes to the accounts (continued)

29 Pensions (continued) (a) UK (continued)

The history of experience gains and losses has been:

	Group	
	2001	2000
	£m	£m
Difference between the expected and actual return on scheme assets	(139.1)	(95.0)
Percentage of scheme assets	-9%	-6%
Experience gains and losses on scheme liabilities	(25.1)	(13.3)
Percentage of scheme liabilities	-2%	-1%
Total amount recognised in statement of total recognised gains and losses	(4.6)	4.5
Percentage of scheme liabilities	-	-

As it is not possible to allocate the assets and liabilities of the UK pension scheme between individual companies, the above amounts are reflected on consolidation only. As a result there are no pension assets or liabilities included in the accounts of the Company.

(b) North America

The Group operates defined benefit schemes in the US and Canada. Full actuarial valuations were carried out at 31 December 2001 by a qualified independent actuary. The major assumptions used by the actuary were:

	At 31.12.01	At 31.12.00	At 31.12.99
Rate of increase in salaries	6.00%	4.25%	4.25%
Discount rate	7.25%	7.50%	8.00%

The assets in the scheme and the expected rate of return were:

	Long term rate of return expected at 31.12.01	Value at 31.12.01 £m	Long term rate of return expected at 31.12.00	Value at 31.12.00 £m	Long term rate of return expected at 31.12.99	Value at 31.12.99 £m
Equities	9.25%	114.4	9.00%	129.5	10.00%	136.1
Corporate bonds	6.50%	60.5	6.50%	65.0	7.00%	45.6
Other	5.75%	6.4	5.50%	3.8	6.50%	5.5
Total market value of assets		181.3		198.3		187.2
Actuarial value of scheme liabilities		(117.7)		(118.3)		(97.4)
Gross surplus		63.6		80.0		89.8
Adjustment due to surplus cap		(21.5)		(41.5)		(68.4)
Recoverable surplus in the scheme		42.1		38.5		21.4
Related deferred tax liability		(15.8)		(14.9)		(8.5)
Net pension asset		26.3		23.6		12.9

The analysis of amounts charged to operating profit and credited to other finance income are summarised in 29(d) and 29(e) below.

	Group	
	2001	2000
	£m	£m
Analysis of amounts recognised in the statement of total recognised gains and losses are:		
Actual return less expected return on assets	(19.2)	(10.1)
Experience gains and losses on liabilities	(0.3)	2.5
Changes in assumptions	(1.4)	(8.6)
Actuarial (loss)	(20.9)	(16.2)
Adjustment due to surplus cap	20.6	23.2
Actuarial (loss)/gain recognised in statement of total recognised gains and losses	(0.3)	7.0

29 Pensions (continued)
(b) North America (continued)

The movements in the gross and recognised surpluses during the year were:

	Gross surplus		Recognised surplus	
	2001 £m	2000 £m	2001 £m	2000 £m
At the beginning of the year	80.0	89.8	38.5	21.4
Movement in year:				
Current service cost	(2.7)	(1.7)	(2.7)	(1.7)
Contributions	0.1	0.2	0.1	0.2
Cost of benefit improvements	(0.5)	(8.7)	–	–
Other finance income	5.8	9.8	5.8	9.8
Actuarial (loss)/gain	(20.9)	(16.2)	(0.3)	7.0
Exchange difference	1.8	6.8	0.7	1.8
At the end of the year	63.6	80.0	42.1	38.5

The actuarial valuation at 31 December 2001 showed a decrease in the gross surplus in the scheme from £80.0 million to £63.6 million and an increase in the recognised recoverable surplus from £38.5 million to £42.1 million. The recognised recoverable surplus has been restricted to the present value of the anticipated long term contribution holiday.

Improvements in US benefits costing £0.5 million were made in 2001 (2000 – £8.7 million). In both years the costs were charged against the unrecognised surplus in the scheme. It has been agreed with the trustee that the contribution holiday will continue until the next formal actuarial review of the scheme.

During 2000, all pensions in payment in Canada were secured with annuity contracts at a cost of £2 million. There was no material settlement gain or loss resulting from this transaction.

The history of experience gains and losses has been:

	Group	
	2001 £m	2000 £m
Difference between the expected and actual return on scheme assets	(19.2)	(10.1)
Percentage of scheme assets	-11%	-5%
Experience gains and losses on scheme liabilities	(0.3)	2.5
Percentage of scheme liabilities	–	2%
Gross liabilities		
Total amount recognised in statement of total recognised gains and losses	(0.3)	7.0
Percentage of scheme liabilities	–	6%

58 Notes to the accounts (continued)

29 Pensions (continued) (c) Other overseas schemes

The Group operates defined benefit schemes in other countries, mainly in Europe. In the majority of cases, as is normal local practice, these schemes are unfunded and provisions are carried in the balance sheets of the companies concerned. These liabilities have been reassessed in line with FRS17 at 31 December 2001 with the assistance and advice of independent qualified actuaries. The average major assumptions made by the actuaries were:

	At 31.12.01	At 31.12.00	At 31.12.99
Rate of increase in salaries	3.00%	3.00%	3.50%
Rate of increase in pensions in payment	2.00%	2.00%	2.00%
Discount rate	6.00%	6.00%	6.50%

The net liabilities of these schemes (including pensions and other post retirement benefits) were:

	Value at 31.12.01 £m	Value at 31.12.00 £m	Value at 31.12.99 £m
Assets			
Equities	2.4	1.0	0.9
Corporate bonds	2.3	1.1	1.1
Other	0.7	0.4	0.6
Total market value of assets	5.4	2.5	2.6
Actuarial value of scheme liabilities	(60.6)	(60.6)	(63.8)
	(55.2)	(58.1)	(61.2)
Related deferred tax asset	2.3	2.6	3.7
Net defined benefit liabilities	(52.9)	(55.5)	(57.5)

The analysis of amounts charged to operating profit and credited to other finance income are summarised in 29(d) and 29(e) below.

Analysis of amounts recognised in the statement of total recognised gains and losses are:

	Group	
	2001 £m	2000 £m
Actual return less expected return on assets	(0.2)	(0.2)
Experience gains and losses on liabilities	0.1	(0.7)
Changes in assumptions	(0.2)	(0.5)
Actuarial (loss) recognised in statement of total recognised gains and losses	(0.3)	(1.4)

The movements in net defined benefit liabilities during the year were:

Liabilities of the schemes at the beginning of the year	(58.1)	(61.2)
Movement in year: Current service cost	(4.7)	(5.7)
Past service credit	–	4.0
Contributions	9.8	10.8
Other finance income	(3.4)	(3.5)
Actuarial (loss)	(0.3)	(1.4)
Exchange difference	1.5	(1.1)
Liabilities of the schemes at the end of the year	(55.2)	(58.1)

(d) Analysis of amounts charged to operating profit

Current service cost	UK – continuing operations	7.7	7.1
	– discontinued operations	–	5.6
	North America	2.7	1.7
	Other overseas assets	0.4	0.5
	Other overseas liabilities	4.7	5.7
		15.5	20.6
Past service cost		9.4	29.2
Covered by unrecognised surplus		(9.4)	(29.2)
		–	–
Past service credit	Other overseas liabilities	–	(4.0)
Total operating charge		15.5	16.6

		Group	
		2001	2000
		£m	£m
29	Pensions (continued)		
	(e) Other finance income		
	Analysis of net returns on pension schemes:		
Expected return on pension scheme assets	UK	76.7	81.7
	North America	14.5	17.7
	Other overseas assets	0.3	0.4
	Other overseas liabilities	–	0.1
		91.5	99.9
Interest on pension liabilities	UK	(69.0)	(69.0)
	North America	(8.7)	(7.9)
	Other overseas assets	(0.2)	(0.2)
	Other overseas liabilities	(3.4)	(3.6)
		(81.3)	(80.7)
Net return		10.2	19.2

(f) Actuarial gains and losses charged to statement of total recognised gains and losses

	UK	(4.6)	4.5
	North America	(0.3)	7.0
	Other overseas assets	(0.7)	(1.3)
	Other overseas liabilities	(0.3)	(1.4)
	Total actuarial (losses)/gains	(5.9)	8.8
	Related deferred tax movement	1.5	(3.9)
	Net (loss)/gain	(4.4)	4.9

(g) Restatement of comparative figures

As a result of the adoption of FRS17, comparative figures have been restated as follows:

	2000 as reported £m	Effect of FRS17 £m	2000 as restated £m
Consolidated balance sheet			
Debtors due within one year	314.5	(0.9)	313.6
Debtors due in more than one year	197.9	(184.6)	13.3
Other creditors falling due within one year	(432.1)	3.9	(428.2)
Other creditors falling due in more than one year	(41.4)	13.4	(28.0)
Provisions for liabilities and charges:			
Provisions	(99.1)	40.9	(58.2)
Deferred tax	(52.5)	54.4	1.9
Pension assets	–	51.7	51.7
Pension liabilities	–	(55.5)	(55.5)
Other reserves: Pension reserve	(94.3)	98.1	3.8
Profit and loss account	(143.4)	(21.4)	(164.8)
Consolidated profit and loss account			
Operating profit	69.8	(19.4)	50.4
Other finance income	–	19.2	19.2
Loss on sale or termination of operations	(84.7)	(1.0)	(85.7)
Taxation	(17.4)	0.6	(16.8)
(Loss) for the financial year	(62.1)	(0.6)	(62.7)

60 Notes to the accounts (continued)

29 Pensions (continued) (h) Prior period adjustment

The prior period adjustment arises at 31 December 1999 and is computed as follows:

Consolidated balance sheet	1999 as reported £m	Effect of FRS17 £m	1999 as restated £m
Pension fund prepayments – UK	128.5	(93.6)	34.9
– other	38.7	(15.1)	23.6
Pension creditors and provisions	(56.8)	(4.4)	(61.2)
	110.4	(113.1)	(2.7)
Related deferred tax	(48.4)	33.1	(15.3)
Prior period adjustment	62.0	(80.0)	(18.0)

(i) Effect on results for the current year

The effect of the adoption of FRS17 on the results for the current year was as follows:

Consolidated profit and loss account	FRS17 basis £m	SSAP 24 basis £m	Effect of FRS17 £m
Operating profit	35.9	54.4	(18.5)
Other finance income	10.2	–	10.2
Loss on sale or termination of operations	(26.8)	(25.6)	(1.2)
Taxation	(11.1)	(13.4)	2.3
Profit for the financial year	10.6	17.8	(7.2)

30 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 other asset fixed investments £m	Total £m
Sales to	0.5	–	0.5
Purchases from	3.3	–	3.3
Other income	1.0	–	1.0
Debtors	1.5	–	1.5
Creditors	0.4	–	0.4

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 on Directors' remuneration on pages 25 to 28.

31 Notes to the cash flow statement

	2001 £m	2000 Restated £m
(a) Reconciliation of operating profit to net cash inflow from operating activities		
Operating profit	35.9	50.4
Dividends from associated companies	0.1	0.1
Depreciation	45.5	55.9
Amortisation of goodwill	0.7	3.0
Reorganisation costs	31.6	32.3
Impairment of fixed assets	(0.1)	3.1
Other exceptional items	1.0	1.5
(Increase) in stocks	(7.4)	(12.1)
Decrease/(increase) in debtors	30.4	(27.5)
(Decrease) in creditors	(33.1)	(1.7)
Abortive demerger and acquisition costs	–	(0.6)
Other non-cash movements	9.8	8.8
Net cash inflow from normal operating activities	114.4	113.2
Continuing operations	121.8	122.0
Discontinued operations	(7.4)	(8.8)
	114.4	113.2
Net cash outflow in respect of reorganisation costs:		
Utilisation of provisions – closures and reorganisation	(29.5)	(39.8)
– other	0.1	(0.2)
– non-cash asset write downs	1.9	0.1
	(27.5)	(39.9)
Net cash inflow from operating activities	86.9	73.3
(b) Analysis of financing cash flows		
Issue of Ordinary share capital	0.6	–
Issue of shares to minorities	0.1	–
	0.7	–
(Decrease) in borrowings: – new long term loans	–	0.1
– new short term loans	116.1	105.8
– repayment of amounts borrowed	(126.9)	(132.7)
– capital element of finance lease rental payments	(24.4)	(6.9)
	(35.2)	(33.7)
Net cash (outflow) from financing	(34.5)	(33.7)

	At 1 January 2001	Cash flow	Acquisitions /disposals (excl. cash/ overdrafts)	Other non-cash changes	Exchange	At 31 December 2001
(c) Analysis of net debt						
Cash at bank and in hand	79.1					63.0
Bank overdrafts	(31.5)					(24.9)
Net cash	47.6	(5.8)			(3.7)	38.1
Short term deposits	27.7	(1.8)				25.9
Loans and loan stock	(135.1)	10.8	(2.9)		(0.5)	(127.7)
Convertible debt	(60.1)			(0.1)		(60.2)
Lease finance	(28.3)	24.4		(0.3)		(4.2)
		35.2				
Total	(148.2)	27.6	(2.9)	(0.4)	(4.2)	(128.1)

62 Notes to the accounts (continued)

31 Notes to the cash flow statement (continued)

	2001 £m	2000 £m
(d) Purchase of subsidiary undertakings		
Tangible fixed assets	6.3	–
Stocks	10.4	0.1
Debtors	13.2	(2.3)
Current asset investment	0.8	–
Businesses acquired for resale	–	0.3
Cash at bank and in hand	3.5	–
Loans	(0.4)	–
Creditors	(11.1)	–
Provisions	(2.3)	0.1
Minority shareholders interests	10.5	1.2
	30.9	(0.6)
Goodwill	(6.1)	4.1
Total	24.8	3.5
Satisfied by:		
Cash	22.4	3.7
Loan notes issued	2.5	–
Transfer from deferred consideration	(0.1)	(0.4)
Transfer to deferred consideration	–	0.2
	24.8	3.5
(e) Sale of subsidiary undertakings		
Goodwill	3.7	0.3
Tangible fixed assets	21.8	51.0
Stock	29.9	57.7
Debtors	33.8	37.1
Business held for resale	–	0.4
Cash at bank and in hand	3.5	0.2
Bank overdrafts	–	(2.1)
Loans and finance lease obligations	–	(0.2)
Creditors	(18.0)	(49.4)
Provisions	(23.4)	(9.7)
Current and deferred taxation	(0.9)	(0.4)
Minority shareholders interests	–	(0.1)
	50.4	84.8
(Loss) on disposal	(26.8)	(84.7)
Profit on sale of fixed assets	4.0	–
Write-back of purchased goodwill	12.5	5.3
	40.1	5.4
Satisfied by:		
Cash	36.6	34.6
Pension credit	–	1.1
Deferred consideration	4.8	(29.6)
Fixed asset investments	0.1	–
Transfer from deferred consideration	(1.4)	(0.7)
	40.1	5.4
(f) Cash flow relating to exceptional items		
Profit on sale of fixed assets	13.6	4.5
Book value of fixed assets sold	11.7	7.0
Less: included in sale of operations	(6.8)	–
Proceeds of sale of fixed assets	18.5	11.5
Proceeds of sale or termination of operations (note e)	36.6	34.6