GUINNESS PEAT GROUP plc
("GPG" or "the Company")

PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

CHAIRMAN'S STATEMENT

The Company is in an unusual transitional process and this report reflects that with some unavoidable complexity. In this statement I endeavour to set out the main items which shareholders should consider. The aim is to give shareholders the necessary level of information to judge appropriately the value of their ownership of the Coats business and the value which will be returned to them from assets which have been or will be realised.

The 2012 financial year saw the advancement of the strategy to realise value for shareholders through the orderly realisation of the Group's investment portfolio and the progression of initiatives to transform GPG into the Coats business as a stand-alone, listed entity. As has been reported at various points throughout the year, good progress has been made on asset realisations with the result that GPG's balance sheet has been greatly simplified and cash reserves expanded. The Company's composition of net assets is now comprised of its 100% investment in Coats, cash resources, the GPG pension schemes and a remaining pool of 5 material investment portfolio assets. Further detail on each of these balance sheet categories is provided below.

Divestments from the investment portfolio between 1 January and 31 December 2012 have generated cash proceeds of £314 million with a further £37 million between the year end and 22 February 2013 (a combined total of NZ$689 million). Sales during 2012 included: ClearView Wealth; Green's General Foods; and Gosford Quarry Holdings, together with the completion of the disposal of Turners & Growers. Since the year end, the Group has successfully disposed of Capral and AVJennings. Total net proceeds since 1 January 2011 are £495 million (NZ$971 million) as at 22 February 2013; further details are provided in the Appendix to this Statement. GPG's Parent Group unaudited cash balance as at 22 February 2013 stands at approximately £275 million (NZ$540 million), having increased from £243 million (NZ$477 million) at year end.

The Board continues to review how best to use these cash proceeds to pursue capital management initiatives. Following the £80 million (NZ$157 million) return of capital and £12 million (NZ$24 million) net cash dividend paid in 2011, a £10 million (NZ$20 million) on-market buyback programme was announced on 3 September 2012 and this was extended on 25 October 2012 with a revised upper limit of £70 million (NZ$137 million). As at 22 February 2013, the Company has bought back £34 million (NZ$67 million) of shares and currently intends to continue with this initiative. In particular, as a result of the Company coming out of its close period by publication of this preliminary statement of results, the buyback programme will recommence in Australia. As the asset realisation process progresses, further surplus cash will be returned to shareholders utilising appropriate mechanisms, including making efforts to facilitate exits for those small shareholders who are seeking an efficient route to realisation of their investment. The quantum and timing of future cash distributions will be determined taking into account, in particular, the Group's obligation to support the GPG pension schemes and the appropriate capital structure to be established for Coats. Further capital management initiatives will be outlined to shareholders at or prior to the forthcoming Annual General Meeting of shareholders.

It is the Board's intention that GPG will be re-launched as Coats as the various arrangements for the disposal of assets, return of value to shareholders and establishment of Coats as an independent business are completed. The current target for completion of this transition is the second half of 2013, however both external and internal events may impact on this. The GPG Annual Report, which will be published towards the end of the first quarter of 2013, will reflect progress on this transition.

The transition plan includes the following key initiatives:

- Reconstitution of the Board to ensure it has the requisite skills to develop Coats as a stand-alone, listed entity for the long term;
- A continued focus on enhancing the business performance and strategic positioning of Coats;
- Finalisation of support for the UK pension schemes;
- Determination of the optimal capital structure necessary to provide the stand-alone Coats entity with the resources and mix of debt and equity required for it to achieve its strategic objectives and optimise its capital markets positioning; and
- Evaluation and implementation of the most efficient method to return the maximum amount of excess cash to GPG shareholders, taking into consideration all of the above factors.

Reported (Consolidated) Financial Results

Shareholders' funds decreased by £168 million (NZ$330 million) to £434 million (NZ$852 million) at 31 December 2012. As a consequence, the net asset backing per share decreased during the year from 37.1p (NZ$0.74) to 27.7p (NZ$0.54).

Movements in shareholders' funds	**£ million**	**£ million**
Opening shareholders' funds		602
Shareholders' returns		
- Share buyback		(25)
Loss for the year		
- EC Fine, including related interest	(76)	
- Other profits	73	
		(3)
Movements in unrealised gains reserve		
- Gains realised in the period (recycled through the income statement)	(39)	
- Net unrealised movements on available-for-sale investments	(14)	
- Deferred tax movement	3	
		(50)
IAS19 adjustments		
- GPG schemes	(17)	
- Coats	(23)	
		(40)
Foreign currency movements (primarily amounts re-cycled through the income statement on disposals)		(50)
Total £ million		434
Total NZ$ million		*852*

Consolidated Income Statement:

The presentation of GPG's income statement has significantly changed in 2012. While GPG remains principally an investment group and the activity of the Board and senior officers is that of managing the public company activity, supervising its investment in Coats and maximising value for shareholders through the asset realisation programme and liability management exercise, the reclassification of all remaining non-Coats fixed asset investments as held-for-sale supports the presentation of the gains and losses on investment sales and other investment activity as discontinued. GPG's net loss attributable to members in the year was £3 million (NZ$6 million) compared to a profit of £1 million (NZ$2 million) in 2011.

The key elements of GPG's result for the year are presented in a non-statutory format below:

Elements of reported result for the year		**2012 £m**		**2011 £m**
Continuing activity				
Coats				
- Profit after tax before exceptionals	34		51	
- EC fine and related interest	(76)		1	
- Other exceptional items	(28)		(7)	
		(70)		45
Parent Group				
- Overheads	(21)		(34)	
- Foreign exchange (losses)/gains	(2)		3	
- Other income	1		1	
- Net interest expense	(8)		(12)	
		(30)		(42)
Net (loss)/profit from continuing activity		(100)		3
Discontinued activities				
Coats		(2)		(1)
Parent Group subsidiary and associated undertakings and joint ventures		61		(21)
Investment activity				
- Gains realised in the period (recycled from the unrealised gains reserve)	39		28	
- Dividend income	6		12	
- Mark-to-market adjustments	-		(1)	
- Impairments	(3)		(10)	
		42		29
Other income		1		1
Parent Group tax charge		(5)		(10)
Net profit/(loss) from discontinued activities		97		(2)
Net (loss)/profit for the year attributable to GPG shareholders £ million		(3)		1
Total NZ$ million		*(6)*		*2*

Simplified Balance Sheet:

GPG's financial position on a non-statutory basis is shown in the 31 December 2012 Simplified Balance Sheet below:

	2012		2011	
	£m	£m	£m	£m
Operating subsidiaries excluding Coats (book value)		-		50
Associated undertakings and joint ventures (book value)		-		212
Fixed asset investments available for sale		-		202
Net held for sale assets		222		66
Current asset investments		9		10
Total investments		231		540
Cash		243		200
GPG assets, excluding Coats		474		740
Capital notes		-		(214)
GPG pension schemes		(74)		(64)
Other sundry Parent Group net liabilities		(14)		(10)
		386		452
Coats				
Other net assets	481		504	
Net debt	(226)		(153)	
Employee benefit obligations	(207)		(201)	
		48		150
Shareholders' Funds £ million		**434**		**602**
Shareholders' Funds NZ$ million		**852**		**1,181**
NAV/share (p)		**27.7**		**37.1**
NAV/share (NZ¢)		**54.4**		**73.9**

Overview of GPG's Key Net Asset Value Components

Cash at bank

Parent Group cash at bank on 31 December 2012 was £243 million (NZ$477 million) (2011: Parent Group net debt £14 million (NZ$27 million)). Disposals of investments during 2012 saw net cash generated from investment activity and realisations totalling £314 million (NZ$616 million). Between 1 January 2013 and 22 February 2013 a further £37 million (NZ$73 million) has been realised, including full realisation of investments in Capral and AVJennings. GPG's (unaudited) cash balance as at 22 February 2013 stands at approximately £275 million (NZ$540 million).

As at 22 February 2013, the total net proceeds including dividend and other cash distributions generated since 1 January 2011 are approximately £495 million (NZ$971 million), with circa 67% of the opening investment portfolio (excluding Coats and cash) at 1 January 2011 now realised. A schedule showing the proceeds from disposals since 1 January 2011 is set out in an appendix.

Investment Portfolio (excluding Coats)

As at 22 February 2013, GPG's investment portfolio including former subsidiary and associated undertakings had a valuation of £216 million (NZ$424 million), representing the mark to market value of its listed investments and the current book value of its non-listed investments. A summary of the major holdings in the current investment portfolio is outlined below:

Investments (excluding Coats)	Shareholding	Market Value (£m)
Listed Investments *		
Tower Limited	33.6%	93
Ridley Corporation Limited	22.1%	49
CIC Australia Limited	72.8%	37
PrimeAg Australia Limited	11.6%	25
Tandou Limited **	28.4%	9
Non-listed Investments**		3
Total		**216**

* *Listed investments at market value translated at exchange rate ruling on 22 February 2013*

** *Tandou and non-listed investments, which includes GPG's investment in Tourism Property Investment Group (10.0%) and a freehold site formerly owned by Gosford Quarry Holdings, are shown at book value*

The Board continues to pursue a programme to maximise the value of its investment portfolio, measured to take into account both timing and execution and operating risk. Investors will form their own view on the likely realisation value for the remaining investments but the overall rate of conversion of carrying values into cash proceeds has been encouraging to date. In particular, the recent sale of GPG's 48% shareholding in Capral has removed uncertainty in relation to one of GPG's more illiquid historical positions. The Board has completed a further review of carrying values of its investment assets and has determined that net impairments totalling £3 million (NZ$6 million) should be made including the reversal of previous impairments relating to Capral of £10 million (NZ$20 million). These net impairments are reflected in the full year results.

In relation to GPG's remaining investment portfolio, it is not appropriate to discuss publicly the range of initiatives that continue to be implemented in order to maximise and ultimately unlock value. Nevertheless, a number of work in progress items relevant to some of the remaining investments are noteworthy:

- Tower is GPG's most significant remaining investment, wherein we remain the single largest shareholder (33.6%). Tower confirmed on 19 February 2013 that, following the sale of its Health business, it had obtained High Court orders in relation to the proposed return of approximately NZ$120 million of capital to shareholders pursuant to a scheme of arrangement. GPG's share of that return, which is in the form of a pro-rata cancellation of shares, is NZ$40 million (£21 million). The proposed scheme of arrangement is due to be voted on by members of that company on 21 March 2013. Tower's strategic review continues and the company's stated ambition to become a more focused insurance business has GPG's full support. Another step towards achieving this strategy occurred on 26 February 2013, wherein Tower announced the sale of its Investments business for NZ$79 million. Subject to completion of this transaction, GPG expects that Tower will have the ability to implement additional capital management initiatives over and above the current capital return outlined here.

- Ridley Corporation is expected to complete the sale of its Salt division at the end of February 2013. GPG believes this transaction will more effectively position the company as a focused agri-business within the Australian market and consequently enhance its investor appeal.

- On 15 February 2013, PrimeAg Australia announced that it had agreed to sell approximately 60% of its portfolio of land and water entitlements for some A$125 million in cash. Additionally, and separate from the recent sale, the PrimeAg board has resolved to distribute available excess cash which, based on market expectations, is understood to be in the order of a further A$125 million. However this is subject to confirmation by the company. PrimeAg anticipates an initial distribution, post shareholder approval, in mid April 2013. A subsequent distribution relating to the recent land and water portfolio sale is expected to occur in early August 2013. These anticipated distributions are in addition to the A$0.15 per share distributed during the second half of 2012.

- On 22 February 2013, GPG agreed to sell its entire shareholding in Tandou to a number of unrelated parties. Proceeds from this transaction are expected to total A$15 million.

GPG has significant capital tax losses both in the UK and Australia. To the extent that GPG generates capital gains from the balance of its realisation programme, it is anticipated that the proceeds can be returned to the UK without significant tax leakage.

Coats

Coats' overall result for 2012 was a loss attributable to GPG of £72 million (US$113 million) (2011 profit: £44 million, US$71 million). This loss included the impact of the final outcome of the European Commission fine (£76 million charge) and other exceptional costs after tax of £28 million. Hence, Coats' net profit after tax attributable to GPG, excluding exceptional items, totalled £32 million (2011: £50 million).

Coats' sales of US$1,653 million (£1,043 million) were 3% below the prior year. The challenges faced by Coats were communicated to shareholders at the half year. However, the full year results do reflect the anticipated recovery in the second half with sales on a like–for–like basis increasing in both the Industrial (2%) and Crafts (8%) businesses. For 2012, sales per working day at constant currencies showed a year-on-year increase of 2% for the Coats Group.

The business achieved an increased level of cash conversion, with free cash flow (excluding the US$175 million European Commission fine payment) increasing from US$18 million (£11 million) to US$45 million (£28 million). This was after reorganisation spend of US$21 million (£13 million) (2011: US$14 million (£9 million)) and capital spend of 0.7 times (2011: 0.9 times) depreciation.

As previously announced, Coats has now embarked on a further rationalisation of European Crafts and is taking the actions necessary to vacate freehold properties which are not delivering the return on capital to justify their retention. Over the course of this project it is expected that funds generated from the disposal of these properties will cover the costs arising from the accelerated rationalisation.

Prospects for the underlying Coats business for 2013 and beyond are good, with nascent signs of recovering confidence in world markets being a positive indicator for the drivers of demand for Coats.

The book value of Coats in the GPG consolidated balance sheet at 31 December 2012 was £48 million (US$78 million). This represents a decrease of £102 million from the balance reported at the previous year end. The movement during the year included *inter alia* the charge relating to the final resolution of the European Commission fine (£76 million), other exceptional costs after tax (primarily reorganisation projects) of £28 million, foreign exchange losses taken directly to reserves of £22 million and actuarial losses of £23 million, partially offset by the attributable profit after tax before exceptional items of £32 million. The foreign currency losses arose mainly as a result of the strengthening of the US dollar against the currencies in which Coats' assets are denominated. The funding position of the Coats UK Pension Plan is specifically dealt with in more detail under 'Pensions'.

A full review of the year for Coats and its financial position is included in a separate section of this report.

Capital notes

Two issues of capital notes remained outstanding at the commencement of 2012. Notice of early repayment of the notes with an initial election date of 15 December 2013 was given in September 2011 and this issue, with a principal value of NZ$77 million (£39 million), was purchased on 15 March 2012. The remaining capital notes having an initial election date of 15 November 2012 and a principal value of NZ$350 million (£178 million) were repurchased on that date. There are, therefore, now no outstanding capital notes.

Pensions

The carrying values of the Coats UK Pension Plan ("Coats Plan"), Coats' other employee benefit obligations and the two GPG pension schemes: Brunel and Staveley ("the GPG Pension Schemes") on an IAS19 financial reporting basis (which, irrespective of assets held, requires the liabilities to be discounted using the yield on high quality corporate bonds; which in the UK is generally taken to be those with a AA credit rating) are summarised in the table below:

	31 December 2012	**31 December 2011**
IAS19 deficit	**£m**	**£m**
Coats Plan	161	161
Other Coats net employee benefit obligations	46	40
Total Coats net employee obligations	207	201
Brunel	38	31
Staveley	36	34
Total £ million	281	266
Total NZ$ million	*551*	*522*

As previously acknowledged, these accounting outcomes have a significant impact on the balance sheet of GPG. While the accounting presentation has its place, it only reflects the particular circumstances at the reporting date. Discount rate changes and temporary movements in markets can give rise to large fluctuations in scheme accounting surpluses and deficits and the measurement is based on very prescriptive rules. In judging the commercial impact of the schemes on the Group, the Board places greater emphasis on the cash contributions required by the respective funding arrangements. Changes to these contribution plans are generally driven by the triennial valuation process. The current status of the funding arrangements for GPG's three UK schemes is as follows:

- as announced in July 2012, the April 2011 funding valuation of the Staveley scheme was agreed during the year and the sponsor company is now making regular contributions. The deficit on the funding basis was £20 million and, taking into account the scheme actuary's assumptions on future investment returns, this is in the process of being made good. A one-off payment was made in July 2012 of £5 million from which point monthly contributions of £0.1 million over eight years commenced;
- negotiations over the Coats Plan valuation as at April 2012 continue and management expects these to be concluded during the first half of 2013. The last valuation of the Coats Plan (as at April 2009) resulted in a funding deficit of £101 million (NZ$198 million) which Coats agreed to make good by contributions of £7 million (NZ$14 million) per annum over a period of ten years. It is anticipated, when the 2012 valuation is finalised, that contributions in respect of past service will increase by approximately £7 million per annum to some £14 million per annum;
- no contributions are currently being made to the Brunel pension scheme and the next triennial valuation (effective date 31 March 2013) is due to be completed by 30 June 2014. Given the Company's current value realisation programme and a likely funding deficit at 31 March 2013, the Trustee and the Companyare engaged in discussions regarding the continuing form of support for that scheme.

The accounting standard dealing with employee benefits (IAS19) has been revised and that revised standard will be adopted by GPG from 1 January 2013. This will have a significant impact on the consolidated income statement from 2013 onwards, although there will be no impact on the Group's net defined benefit obligation nor cash flow. The key impacts on the consolidated income statement will be from the replacement of expected returns on plan assets and liabilities with an interest charge derived from the prior year discount rate and the net defined benefit asset or liability at the beginning of the current year and the recognition in operating profit of pension scheme administration costs paid out of plan assets. Had the amended IAS19 been applied in 2012, the estimated full year impact would have been a reduction in operating profit of £5 million and an increase in net interest costs of £22 million. This would have led to a corresponding improvement of £27 million in the actuarial loss arising within reserves. The additional charges primarily relate to the UK pension schemes and, consequently, the associated tax relief recognised in the income statement would be minimal.

The Board continues to develop its plans for how to manage the obligations to the GPG Pension Schemes in the context of the GPG value realisation strategy and the re-launch of Coats. The agreement of the Staveley funding valuation, including the backing of some £70 million in net assets as at 31 December 2012, was a positive step in this process. Furthermore, based on advice received, the Board believes that the Group's obligations to the Brunel scheme are limited to the covenant directly provided by its sponsor company; this represents £54 million. Thus, the current support provisions provide the Trustees of the GPG Pension Schemes with a contingent claim over net assets of approximately £124 million (NZ$243 million).

As reported previously, the Board intends that the support currently provided by GPG to back the GPG Pension Schemes should be maintained. As a result, it is expected that investment portfolio realisation proceeds equivalent to at least £124 million (NZ$243 million) will be required to be retained by the GPG group and will not be available for distribution to shareholders.

Further details in respect of Coats' non-UK employee benefit obligations are provided in the attached report from Coats.

Overhead costs

Net operating expenses arising in the 2012 financial year of £21 million for the Parent Group are further analysed as follows:

	2012 £m	2011 £m
One-off advisors' fees relating to the strategic review and return of capital	-	9
Cost of redundancies arising in the year	1	2
Other staff incentives	6	6
Other operating costs		
- Staff costs	5	7
- Non-executive directors' fees	1	1
- Legal & professional fees	3	4
- Bank facility fees	1	2
- Property costs	2	2
- Legacy costs	1	-
- Other	1	2
Total £ million	21	35
Total NZ$ million	*41*	*69*

The other staff incentives represent the cost of staff retention and reward programmes and future redundancies. As previously reported, these costs are in part dependent on the outcome of the investment portfolio realisation programme. The estimated cost is being spread over the period the related services are being provided. Following the announcement in October 2012 of the transition to New Coats, work streams have been established to ensure the efficient rundown of GPG's corporate offices and the migration of administration responsibility to the Coats management team. Later in 2013, this is likely to involve a merger of all activities with those of Coats. There were, at the year end, 15 permanent members of staff other than Directors within the Parent Group: 3 investment professionals, 9 covering finance, company secretarial and administration; and 3 support staff.

Capital Management

All decisions relating to capital management are taken by the Board with the intention of achieving the best overall value for shareholders. The Group has been running an on-market share buyback programme since September 2012. As at 22 February 2013, shares with a market value of £34 million (NZ$67 million) had been acquired leaving up to a further £36 million (NZ$71 million) to be purchased, subject to shareholder appetite. There are no plans for a final or interim dividend at this time. Further capital management initiatives will be outlined to shareholders at or prior to the forthcoming Annual General Meeting of shareholders.

At the year end the Parent Group cash was held in the following currencies:

	2012 £ million	2011 £ million
GBP	114	73
AUD	26	17
NZD	103	109
Other	-	1
	243	200

The policy of migrating surplus funds into NZD is being continued. The slight fall in the absolute level of NZD funds during 2012 is in part due to the purchase of the two tranches of outstanding capital notes and the cost of servicing them prior to acquisition.

Board Changes and Corporate Governance

On 19 January 2012, Scott Malcolm was appointed an independent Non-Executive Director of the Company. The Board comprises five Non-Executive Directors, of whom three are considered to be independent. This composition is in line with the UK Corporate Governance Code issued by the UK Financial Reporting Council and provides a board of appropriate calibre and experience to pursue the current strategy, while at the same time providing a suitable corporate governance framework. In addition, the Board has the appropriate committee structures and procedures, including a board performance review. The constitution of the Board is currently under review and changes are planned as part of the Coats transition.

Annual General Meeting

The Annual General Meeting is intended to be held on Thursday, 23 May 2013 in Auckland. Further details of the exact location and timing of the meeting will be provided in the Notice of Meeting which GPG intends to send to shareholders in April 2013.

I should like to thank the management team and staff of GPG and Coats, who have all contributed to GPG's achievements in 2012, and to their commitment to enhancing value for all GPG shareholders.

Rob Campbell
Chairman
27 February 2013

Note: All amounts stated in NZ$ are for illustrative purposes only, based on the NZ$: GBP exchange rate on 31 December 2012, NZ$1.9621 : £1.00.

COATS

Summary and highlights

	2012			2011		
	Before exceptional items Unaudited * US$m	**Exceptional items** Unaudited * US$m**	**Total Unaudited * US$m**	Before exceptional items Unaudited * US$m	Exceptional items** Unaudited * US$m	Total Unaudited * US$m
Revenue	**1,653.4**		**1,653.4**	1,701.6		1,701.6
Operating profit/(loss)	**127.0**	**(131.7)**	**(4.7)**	143.6	(12.0)	131.6
Profit/(loss) before taxation	**111.3**	**(167.5)**	**(56.2)**	136.2	(12.0)	124.2
Net profit/(loss) attributable to GPG	**50.6**	**(163.6)**	**(113.0)**	81.1	(9.9)	71.2
Net cash inflow from normal operating activities***	**171.8**			150.3		

**see note 1 to the Coats financial information – basis of preparation*
***see Coats consolidated income statement*
****see note 6 to the Coats financial information*
All figures included in this document are at actual exchange rates, unless otherwise stated

Coats Group Chief Executive's review

I am pleased to report that Coats' underlying results for the year are in line with market expectations and demonstrate encouraging progress in strengthening our foundations for future growth. This robust performance was underpinned by Coats' position as a global market leader with presence in a broad range of end markets and geographies.

Full year sales of $1,653.4 million (2011 - $1,701.6 million) and a pre-exceptional operating profit of $127.0 million (2011 - $143.6 million) were achieved in 2012 despite, as anticipated, market conditions remaining challenging. At constant exchange rates, which give the best view of underlying performance, full year sales increased by 2%. After a weaker first half driven by customer destocking and raw material cost increases, the second half saw improvement versus both the second half of 2011 and the first half of 2012. Sales in the second half increased by 4% year-on-year at constant exchange rates. Second half pre-exceptional operating profit showed a marked improvement on the prior year with growth of 16% at constant exchange rates and operating margins rising from 7.2% to 8.0%. Post exceptional items, the operating loss for the year was $4.7 million (2011 - $131.6 million profit).

The business achieved an increased level of cash conversion, with the net cash inflow from normal operating activities increasing to $171.8 million (2011 - $150.3 million) and free cash flow (excluding the $174.8 million European Commission fine payment) increasing from $18.0 million to $44.8 million. This was after reorganisation spend of $21.4 million (2011 - $13.7 million) and capital spend of 0.7 times (2011 – 0.9 times) depreciation. Year end net working capital as a percentage of sales reduced from 17.6% to 17.1% at constant exchange rates.

Attributable profit for the year, however, was significantly impacted by $120.4 million of exceptional operating and finance charges (in excess of the provision held at 31 December 2011) in respect of the European Commission fine, following the European General Court's decision in June 2012, and accelerated reorganisation costs of $24 million.

Operating results

Despite a stronger second half, sales for the year at actual exchange rates were 3% down on 2011 and pre-exceptional operating profit was 12% down. Year-on-year comparisons were negatively impacted by the very strong first half for the Coats Group in 2011 and currency fluctuations also had an adverse impact. However, in the second half of the year, the year-on-year sales growth of 4% and the pre-exceptional operating profit increase of 16% ($9.3 million) at constant exchange rates demonstrate an improving performance, albeit against a softer 2011 comparable period.

Sales per working day (at constant exchange rates) for the Coats Group were 2% up on 2011. Sales per working day for the Industrial and Crafts Divisions were up 1% and 7% respectively.

COATS GROUP	**Full year 2012 reported $m**	**Full year 2011 reported $m**	**Full year 2011 like-for-like * $m**	**Reported increase/(decrease)**			**Like-for-like increase/(decrease)**		
				Full year	**First half**	**Second half**	**Full year**	**First half**	**Second half**
Sales	1,653.4	1,701.6	1,618.2	-3%	-5%	-1%	+2%	+1%	+4%
Pre-exceptional operating profit **	127.0	143.6	136.0	-12%	-28%	+12%	-7%	-23%	+16%
Operating margin **	7.7%	8.4%	8.4%	-70bps	-240bps	+80bps	-70bps	-230bps	+80bps

**2011 like-for-like restates 2011 figures at 2012 exchange rates*
***Pre reorganisation, impairment, and other exceptional items (see note 2 to the Coats financial information)*

Post exceptional items, the operating loss for the year was $4.7 million (2011 - $131.6 million profit).

Industrial

Industrial divisional sales are largely driven by underlying demand for clothing and footwear in developed economies as well as changes in inventory levels in the related retail supply chains. Demand over the year has been impacted by uncertain economic conditions, particularly in Europe, and by tight inventory control by clothing and footwear retailers. In addition, Industrial sales in Latin America were impacted by a deteriorating economic situation in the key Brazilian market, with local apparel and footwear production being replaced by imports. The division operates across a wide range of markets and, as a result, currency fluctuations can have a significant impact on sales. Sales for the year fell by 4% at actual exchange rates, reflecting the strength of the US dollar against currencies such as the Brazilian real, the Indian rupee and the euro, but grew by 1% at constant exchange rates. Although profitability for the full year for the division was 6% down on 2011 at constant exchange rates, profitability on that basis for the second half was 14% up year-on-year.

Crafts

Crafts divisional sales benefitted from expanded shelf space won with large retail customers and strong growth in handknittings. Divisional sales increased by 1% at actual exchange rates and by 6% at constant exchange rates. However, there was pressure on margins across the division both from changes in product mix and the impact of raw material input costs incurred in the second half of 2011 flowing through into the income statement in the first half of 2012. Profitability for the Crafts Division for the full year was 10% down on 2011 at constant exchange rates, but improved 35% year-on-year in the second half due to the effect of price increases implemented across both regions. In Europe, the Middle East and Africa ("EMEA"), although the consumer environment was weak overall, sales were encouragingly up 5% on a like-for-like basis after years of decline. At actual exchange rates, EMEA Crafts sales of $167.7 million were $3.1 million down on 2011 but operating losses improved, being $4.4 million lower than the prior year.

Further details on Industrial and Crafts performance on a constant exchange rate basis are included in the Operating Review.

Investment

Over the course of 2012, investment continued to be made to support the growth of the business and to improve its operational performance.

Investment in new plant and IT systems amounted to $38.8 million (2011 - $50.5 million), representing 0.7 times (2011 – 0.9 times) depreciation (including computer software amortisation) of $52.8 million (2011 - $57.0 million). This capital expenditure was focused on the Industrial Division, including capacity and productivity improvements in Asia, and supporting growth initiatives across Coats, including investment to support Coats' digital strategy.

Reorganisation costs of $39.9 million (2011 - $14.6 million) were incurred during the year, of which approximately $24 million related to the accelerated programme to bring forward projects originally planned for future years. The focus of reorganisation in 2012 has been on:

- restructuring low operating margin Crafts business in EMEA to reduce fixed costs and drive improved profitability; and
- rationalisation of the EMEA zips business to enhance operational efficiency.

The further refocusing of EMEA Crafts is expected to have an adverse effect on turnover due to the elimination of unprofitable areas of activity, but should support improvements to operating performance.

Prospects

The global economy is likely to remain mixed and uncertain during 2013. While some modest economic growth can be expected in North America and growth in Asian markets should remain relatively strong, activity in EMEA is likely to be subdued. It is expected that raw material costs will continue to trend marginally upwards, and payroll and other inflationary pressures will be a feature in many of the countries in which Coats operates.

Year-on-year improvement in Industrial sales is expected during 2013, with contributions from both price and volume. Passing on cost increases via price rises remains an important factor in maintaining profitability. Underlying demand for clothing and footwear from consumers is expected to remain stable during the year and the expectation is that there will not be further material reductions in retailer inventories. Growth is expected in the speciality (non-apparel and footwear) markets, which continue to grow globally.

The Crafts Division achieved sales growth of 6% in 2012 at constant exchange rates and, while the reorganisation activity will deliver an improvement in profitability, it is expected that continued high customer inventory levels in Brazil will dampen growth in Latin America, contributing to year-on-year sales growth being more limited. Further improvement in margins is anticipated in the second half as the benefits of price increases being implemented in the first half of 2013 and European cost reductions begin to take effect. As referred to above, the further rationalisation of the EMEA Crafts business in 2013 will adversely impact sales growth as non-core product ranges are exited, but should facilitate improved operating results.

Restructuring activity in 2013 is expected to be in line with that set out in GPG's November 2012 Interim Management Statement, which noted that reorganisation charges in total for 2012 and 2013 were projected to be up to $75 million. This accelerated programme brings forward projects planned for future years, however, overall net cash outflows on these accelerated projects are expected to be largely offset by disposal proceeds (before tax) of some $50 million from surplus properties.

In conclusion

Coats occupies a strong position as a market leader with a robust and defendable business model and stable operating margins, even in challenging market conditions. The company operates on a truly global basis with its own well-known brands and has deep and long-standing relationships with the leading retailers and manufacturers in apparel and footwear, speciality customers, crafts retailers and consumers.

The business is focused on accelerating profitable and cash generative growth across its three discrete end markets – apparel and footwear, speciality and textile crafts. These markets, together with an unparalleled geographic footprint, ensure that Coats is well hedged, both geographically and through sector diversification.

The business has well-invested operations in more than 70 countries, together with a highly engaged workforce of more than 20,000 people across six continents.

Coats' growth strategy is underpinned by a pioneering history and culture and the business continues to show industry leadership: providing complementary and value added products and services to the apparel and footwear industries; extending the crafts offer into new markets and online; and applying innovative techniques to develop products in new areas such as tracer threads, aramids and fibre optics.

Coats has seen a period of substantial investment by GPG in developing a world class manufacturing footprint and, more recently, in new product development, digital technology and other enabling assets. We are confident that these actions will sustain and build Coats' market leadership, revenue and profit growth.

Paul Forman
Group Chief Executive, Coats plc

27 February 2013

Operating Review

Industrial Trading Performance

INDUSTRIAL	Full year 2012 reported $m	Full year 2011 restated*** $m	Full year actual decrease	Full year 2011 like-for-like* $m	Like-for-like increase/(decrease)		
					Full year %	First half %	Second half %
Sales							
Asia and Rest of World	624.8	633.1	-1%	609.1	+3%	0%	+6%
Americas	295.8	321.1	-8%	304.1	-3%	-2%	-3%
EMEA	254.1	273.6	-7%	254.4	0%	-1%	+1%
Total sales	**1,174.7**	**1,227.8**	**-4%**	**1,167.6**	**+1%**	**-1%**	**+2%**
Pre-exceptional operating profit**	**110.8**	**124.3**	**-11%**	**117.9**	**-6%**	**-21%**	**+14%**
Operating margin**	**9.4%**	**10.1%**	**-70bps**	**10.1%**	**-70bps**	**-230bps**	**+100bps**

**2011 like-for-like restates 2011 figures at 2012 exchange rates*

***Pre reorganisation, impairment, and other exceptional items (see note 2 to the Coats financial information)*

**** In line with changes in 2012 to the Coats Group's internal management structure, results for Crafts Asia and Rest of World are now reported in the Industrial Division, and the comparative figures for 2011 and first half 2012 have been restated accordingly*

In the following commentary, all comparisons with 2011 are on a like-for-like basis

Asian sales growth of 3% for the year as a whole was impacted by weak demand in European end-user markets. However, sales growth of 6% was achieved in the second half, with benefits from volume growth in segments catering to domestic rather than export demand in territories such as India, as domestic markets continue to expand. Coats' long-standing relationships with global apparel and footwear suppliers and brand owners continue to help underpin the business.

Sales in the Americas were impacted by the poor economic situation in Latin America. In the key market of Brazil, notwithstanding some currency depreciation during the year, local apparel and footwear production continued to be replaced by imports. In North America, there was good sales growth in speciality segments such as fibre optics and aramids, but this was offset by significant reductions in the defence sector.

In EMEA, consumer demand was weak throughout 2012 and the first half was also impacted by retailers exercising caution in terms of inventory management.

For the full year, pre-exceptional operating profits for the Division were 6% lower than 2011 at like-for-like exchange rates. The 14% improvement in profitability in the second half reflects sales growth, easing of raw material price increases and improving gross margins, plus the benefit of soft comparatives in 2011 when a contraction of customer inventory levels in the second half impacted profits. Operating profit margin in the second half improved from 9.0% in 2011 to 10.0%.

Crafts Trading Performance

CRAFTS	Full year 2012 reported $m	Full year 2011 restated*** $m	Full year actual increase/ (decrease) %	Full year 2011 like-for-like* $m	Like-for-like increase/(decrease)		
					Full year %	First half %	Second half %
Sales							
Americas	311.0	303.0	+3%	290.3	+7%	+7%	+7%
EMEA	167.7	170.8	-2%	160.3	+5%	0%	+9%
Total sales	**478.7**	**473.8**	**+1%**	**450.6**	**+6%**	**+5%**	**+8%**
Pre-exceptional operating profit**	**16.2**	**19.3**	**-16%**	**18.1**	**-10%**	**-36%**	**+35%**
Operating margin**	**3.4%**	**4.1%**	**-70bps**	**4.0%**	**-60bps**	**-200bps**	**+70bps**

**2011 like-for-like restates 2011 figures at 2012 exchange rates*

***Pre reorganisation, impairment, and other exceptional items (see note 2 to the Coats financial information)*

**** In line with changes in 2012 to the Coats Group's internal management structure, results for Crafts Asia and Rest of World are now reported in the Industrial Division, and the comparative figures for 2011 and first half 2012 have been restated accordingly*

In the following commentary, all comparisons with 2011 are on a like-for-like basis

Sales growth of 7% in the Americas in 2012 reflects volume increases achieved through gains in shelf space with large retail store customers in North America. This growth was achieved in both handknittings and consumer sewings. However, Latin America's performance was adversely impacted by customer overstocking in handknittings from 2011, followed by a warm winter in 2012.

The overall EMEA crafts market remained weak, particularly traditional consumer sewings in Southern Europe, where austerity measures and cuts in public spending continue to dampen consumer confidence. However, there was strong demand for handknittings, the largest product category, which led to sales growth of 5% for the year after years of decline. The continued focus on digital channels, class-leading product ranges and service levels gave additional sales impetus and supported the very positive EMEA sales growth in the second half of the year. The further rationalisation of the business in 2013 will adversely impact top line sales, but should facilitate improved operating results before exceptional charges.

Pre-exceptional operating profits for the division for the full year were 10% lower than 2011. The 35% improvement in profitability in the second half reflected the impact of price increases implemented across all regions during the first half of 2012 and volume growth, as well as the easing of the impact of raw material price increases in the second half. Operating profit margin in the second half improved from 2.8% in 2011 to 3.5%, notwithstanding adverse changes in product mix. However, the profit of the division continued to be held back by losses in EMEA, which are being addressed by the previously referred to accelerated reorganisation activity.

Coats Group Finance Review

Exceptional items

Net exceptional costs charged to profit before taxation totalled $167.5 million (2011 - $12.0 million), of which $120.4 million (2011 - $1.0 million credit) related to the European Commission fine.

In June 2012, the European General Court dismissed Coats' appeal against the €110.3 million fine imposed by the European Commission in 2007. An exceptional charge of $120.4 million was incurred in the year to recognise the previously unprovided element of the fine and interest accrued from the date of the original European Commission decision in 2007. Within the consolidated income statement, $84.6 million represents an exceptional item within operating profit and $35.8 million represents an exceptional item within finance costs. Coats refinanced its senior debt facilities in October 2011, making allowance for the possibility of an unfavourable judgment. It therefore had adequate banking facilities in July 2012 to enable it to settle the fine and associated interest.

Coats is subject to a lawsuit in the US that followed on from the original decision by the European Commission. While that decision focused on conduct in the European Union relating to fasteners, the consolidated class action complaint filed by US plaintiffs in the Eastern District of Pennsylvania against Coats and three other manufacturers makes allegations under US antitrust laws relating to sales of zippers and other fasteners from January 1991 until September 2007 in the US. Coats considers that the plaintiffs' case is without merit and is vigorously defending it.

A further $47.1 million (2011 - $13.0 million) of operating exceptional items have been incurred, including reorganisation costs of $39.9 million (2011 - $14.6 million) and $8.0 million (2011 - $2.5 million) of US environmental costs. As noted in previous reports, the US Environmental Protection Agency has notified Coats & Clark, Inc. ("CC") that it is a potentially responsible party under the US Superfund law for investigation and remediation costs at the Lower Passaic River Study Area ("LPRSA") in New Jersey, in respect of an alleged predecessor's former facilities which operated in that area prior to 1950. CC has joined a Cooperating Parties Group ("CPG") of approximately 70 potentially responsible parties that have agreed to fund the study of the LPRSA. During the year, the members of the CPG, including CC, also agreed to fund the remediation of part of the LPRSA, and CC's interim allocation of the cost of this remediation is estimated at approximately $0.7 million. The $8.0 million charge is primarily connected with this, CC's latest estimated share of LPRSA study costs, and associated legal and consultancy costs (see note 2 to the Coats financial information for further details).

Non-operating results

Investment income was $2.6 million (2011 - $7.3 million), with the differential largely due to $4.1 million compensation received in 2011 in relation to a compulsory state financing arrangement in Latin America in the 1980s and 1990s.

Excluding exceptional items, finance costs of $19.4 million were $2.6 million higher than in 2011, primarily due to a $2.0 million lower net return on pension scheme assets and liabilities. The impact of payment of the European Commission fine on overall finance costs is not significant given that, during the period of the appeal, guarantees (with an associated finance cost) were provided to the European Commission for the full amount of the fine plus interest.

A tax charge of $46.6 million (2011 - $45.6 million) has been incurred. Excluding all exceptional items plus any associated tax effect and prior year tax adjustments, the effective tax rate on pre-tax profits of $111.3 million (2011 - $136.2 million) is 46% (2011 - 35%). The increase in the underlying tax rate reflects the lower profitability in Latin America. No tax relief is available on the European Commission fine and associated interest.

The $2.7 million loss from discontinued operations (2011 - $1.8 million) primarily relates to provisioning for historical UK employer liability claims.

The net loss attributable to GPG was $113.0 million (2011 - $71.2 million profit). Excluding exceptional items and their associated tax effect, the Coats Group generated a net profit of $50.6 million (2011 - $81.1 million).

Cash flow

EBITDA (defined as pre-exceptional operating profit before depreciation and amortisation) was $179.8 million (2011 - $200.6 million).

The net cash inflow from normal operating activities improved to $171.8 million (2011 - $150.3 million). This reflects a net working capital inflow of $7.0 million (2011 - $29.5 million outflow) generated by lower inventory levels and improvements in creditor terms.

Spend on reorganisation and capital projects totalled $60.2 million (2011 - $64.2 million) representing 1.1 times (2011 – 1.1 times) depreciation.

Interest (excluding the exceptional interest of $35.8 million) and tax paid totalled $62.6 million (2011 - $60.7 million).

Excluding the $174.8 million payment of the European Commission fine and associated interest, a free cash flow (being the change in net debt resulting from cash flows) of $44.8 million (2011 - $18.0 million) was generated which would have resulted in net debt reducing from $238.4 million at the 2011 year end to $192.8 million. Including the impact of the fine and associated interest payment, net debt in fact increased to $367.6 million.

A key metric for the Coats Group is the leverage ratio of net debt to EBITDA. Under the definitions of net debt and EBITDA prescribed in Coats' senior debt facility, net debt at 31 December 2012 was 2.1 times EBITDA (2011 – 2.1 times); well within Coats' covenant limits of 3.0 times.

Balance sheet

Equity shareholders' funds fell from $233.7 million at the end of 2011 to $77.9 million. This primarily reflects the $113.0 million attributable loss and a $35.9 million actuarial loss taken directly to reserves in respect of all of the Coats Group's retirement benefit arrangements.

Pension and other post-employment benefits

Coats' UK scheme has been commented on within the GPG Chairman's statement.

At 31 December 2012, Coats' US scheme showed a gross surplus of $78.0 million (2011 - $72.1 million) and a recoverable surplus of $37.3 million (2011 – $33.7 million). An employer contribution holiday for this scheme continues to be taken based on actuarial advice. The recoverable surplus for this scheme is predominantly included in non-current assets.

There are various pension and leaving indemnity arrangements in other countries (primarily in Europe) where the Coats Group operates. The vast majority of these schemes, in line with local market practice, are not funded but are fully provided in the Coats Group financial information and are predominantly included in current and non-current liabilities.

APPENDIX

GUINNESS PEAT GROUP plc

Net Proceeds from portfolio divestments from 1 January 2011 to 22 February 2013

	£ million	***NZ$ million***
2011 Disposals		
CSR	43	84
Chrysalis	15	29
Pertama	13	26
Alinta Energy (now Redbank Energy)	11	21
Marshalls	6	12
Maryborough SF	6	12
NIB Holdings	5	9
	99	193
Disposals less than £5 million, dividend receipts and other investment activity	45	89
Total generated in the period	144	282

	£ million	***NZ$ million***
2012 Disposals		
ClearView Wealth	75	147
T&G	72	141
Youngs	53	104
Green's General Foods	30	59
Tourism Asset Holdings	12	24
CSR	10	19
Gosford	10	19
eServglobal	9	18
MetalsX	7	14
Newbury Racecourse	6	12
Thwaites	5	10
	289	567
Disposals less than £5 million, dividend receipts and other investment activity	25	49
Total generated in the period	314	616

2013 Disposals

Capral	27	53
AVJennings	5	10
	32	63
Disposals less than £5 million and dividend receipts	5	10
Total generated in the period	37	73

On behalf of the Board, Guinness Peat Group plc
R J Campbell
Director
27 February 2013

Registered in England No. 103548

Enquiry details are:

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Guinness Peat Group plc financial information

Consolidated Income Statement

Year ended 31 December			**2012 IFRS**			2011 IFRS
	Unaudited £m Coats	**Unaudited £m Other**	**Unaudited £m Total**	Unaudited £m Coats	Unaudited £m Other	Audited * £m Total
Continuing Operations						
Revenue	**1,043**	**-**	**1,043**	1,059	-	1,059
Cost of sales	**(755)**	**-**	**(755)**	(687)	-	(687)
Gross profit	**288**	**-**	**288**	372	-	372
Interest receivable – Parent Group	**-**	**6**	**6**	-	5	5
Distribution costs	**(177)**	**-**	**(177)**	(181)	-	(181)
Administrative expenses	**(114)**	**(23)**	**(137)**	(110)	(31)	(141)
Other operating (expense)/income	**(1)**	**1**	**-**	-	1	1
Operating (loss)/profit (2012: £34m profit excluding impact of EC fine)	**(4)**	**(16)**	**(20)**	81	(25)	56
Interest and other income - Coats	**2**	**-**	**2**	5	-	5
Share of profit of joint ventures	**1**	**-**	**1**	1	-	1
Finance costs (net) (Coats – 2012: including £23m cost in respect of the EC fine (2011: £Nil))	**(35)**	**(14)**	**(49)**	(10)	(17)	(27)
(Loss)/profit before taxation from continuing operations (2012: £11m profit excluding impact of the EC fine)	**(36)**	**(30)**	**(66)**	77	(42)	35
Tax on (loss)/profit from continuing operations	**(29)**	**-**	**(29)**	(28)	-	(28)
(Loss)/profit for the year from continuing operations	**(65)**	**(30)**	**(95)**	49	(42)	7
Discontinued Operations						
Profit/(loss) from discontinued operations	**(2)**	**97**	**95**	(1)	(9)	(10)
(LOSS)/PROFIT FOR THE YEAR	**(67)**	**67**	**-**	**48**	**(51)**	**(3)**
Attributable to:						
EQUITY HOLDERS OF THE PARENT	**(72)**	**69**	**(3)**	44	(43)	1
Non-controlling interests	**5**	**(2)**	**3**	4	(8)	(4)
	(67)	**67**	**-**	48	(51)	(3)
(Loss)/earnings per Ordinary Share from continuing and discontinued operations:						
Basic & diluted			**(0.15)p**			0.03p
(Loss)/earnings per Ordinary Share from continuing operations:						
Basic & diluted			**(6.15)p**			0.14p

* Restated to reflect the results of Gosford Quarry Holdings Ltd, Touch Holdings Ltd, CIC Australia Ltd and Parent Group investment operations as discontinued operations.

Guinness Peat Group plc financial information

Consolidated Statement of Comprehensive Income

Year ended 31 December	**2012 IFRS Unaudited £m**	2011 IFRS Audited £m
LOSS FOR THE YEAR	**-**	(3)
Losses on revaluation of fixed asset investments	**(13)**	(27)
Losses on cash flow hedges	**(3)**	(5)
Exchange losses on translation of foreign operations	**(14)**	(23)
Actuarial losses on retirement benefit schemes	**(39)**	(214)
Tax on items taken directly to equity	**4**	9
Net loss recognised directly in equity	**(65)**	(260)
Transfers		
Transferred to profit or loss on sale or of fixed asset investments	**(40)**	(43)
Transferred to profit or loss on sale of businesses	**(39)**	(3)
Transferred to profit or loss on cash flow hedges	**3**	4
	(76)	(42)
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR	**(141)**	(305)
Attributable to:		
EQUITY HOLDERS OF THE PARENT	**(143)**	(301)
Non-controlling interests	**2**	(4)
	(141)	(305)

Guinness Peat Group plc financial information

Consolidated Statement of Financial Position

31 December	**2012 IFRS Unaudited £m**	2011 IFRS Audited £m
NON-CURRENT ASSETS		
Intangible assets	**160**	169
Property, plant and equipment	**226**	303
Investments in associated undertakings	**-**	186
Investments in joint ventures	**9**	62
Fixed asset investments	**2**	203
Deferred tax assets	**9**	12
Pension surpluses	**21**	20
Trade and other receivables	**13**	10
	440	965
CURRENT ASSETS		
Inventories	**191**	216
Trade and other receivables	**190**	217
Current asset investments	**10**	10
Derivative financial instruments	**2**	2
Cash and cash equivalents	**322**	276
	715	721
Assets held for sale	**273**	215
TOTAL ASSETS	**1,428**	1,901
CURRENT LIABILITIES		
Trade and other payables	**220**	250
Current income tax liabilities	**10**	5
Capital notes	**-**	214
Other borrowings	**27**	50
Derivative financial instruments	**4**	6
Provisions	**46**	63
	307	588
NET CURRENT ASSETS	**408**	133
Liabilities directly associated with assets held for sale	**37**	94
NON-CURRENT LIABILITIES		
Trade and other payables	**15**	13
Deferred tax liabilities	**25**	25
Other borrowings	**278**	216
Derivative financial instruments	**3**	3
Retirement benefit obligations:		
Funded schemes	**225**	221
Unfunded schemes	**61**	54
Provisions	**19**	21
	626	553
TOTAL LIABILITIES	**970**	1,235
NET ASSETS	**458**	666

Guinness Peat Group plc financial information

Consolidated Statement of Financial Position (continued)

31 December	**2012 IFRS Unaudited £m**	2011 IFRS Audited £m
EQUITY		
Share capital	**78**	81
Translation reserve	**89**	139
Unrealised gains reserve	**14**	64
Capital reduction reserve	**118**	118
Other reserves	**112**	109
Retained earnings	**23**	91
EQUITY SHAREHOLDERS' FUNDS	**434**	602
Non-controlling interests	**24**	64
TOTAL EQUITY	**458**	666
Net asset backing per share	**27.73p**	37.10p

Guinness Peat Group plc financial information

Consolidated Statement of Changes in Equity

Year ended 31 December 2012

	Share capital £m	Share premium account £m	Translation reserve £m	Unrealised gains reserve £m	Capital reduction reserve £m	Other reserves £m	Retained earnings £m	Total £m	Non-controlling interests £m
Balance as at 1 January 2011	91	62	165	124	-	270	281	993	69
Total comprehensive expense for the year	-	-	(26)	(60)	-	(1)	(214)	(301)	(5)
Return of capital	(11)	(63)	-	-	118	(161)	37	(80)	-
Dividends	-	-	-	-	-	-	(18)	(18)	(4)
Scrip dividend alternative	1	(1)	-	-	-	-	6	6	-
Other share issues	-	2	-	-	-	-	-	2	-
Share based payments	-	-	-	-	-	1	-	1	-
Dilution of investments in subsidiaries	-	-	-	-	-	-	(1)	(1)	4
Balance as at 31 December 2011	**81**	**-**	**139**	**64**	**118**	**109**	**91**	**602**	**64**
Total comprehensive expense for the year	**-**	**-**	**(50)**	**(50)**	**-**	**-**	**(43)**	**(143)**	**2**
Share buy-backs	**(3)**	**-**	**-**	**-**	**-**	**3**	**(25)**	**(25)**	**-**
Dividends	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(4)**
Disposal of subsidiaries	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(38)**
Balance as at 31 December 2012	**78**	**-**	**89**	**14**	**118**	**112**	**23**	**434**	**24**

Guinness Peat Group plc financial information

Consolidated Statement of Cash Flows

Year ended 31 December	**2012 IFRS Unaudited £m**	2011 IFRS Audited £m
Cash inflow/(outflow) from operating activities		
Net cash inflow from operating activities**	**134**	203
Interest paid	**(58)**	(39)
Taxation paid	**(24)**	(28)
Net cash generated by operating activities	**52**	136
Cash inflow/(outflow) from investing activities		
Dividends received from joint ventures	**6**	13
Capital expenditure and financial investment	**(27)**	(38)
Acquisitions and disposals **	**193**	(1)
Net cash generated by/(absorbed in) investing activities	**172**	(26)
Cash outflow from financing activities		
Net buy-back/capital return of Ordinary Shares	**(24)**	(78)
Equity dividends paid to the Company's shareholders	**-**	(12)
Dividends paid to non-controlling interests	**(5)**	(4)
Net decrease in borrowings	**(142)**	(45)
Net cash absorbed in financing activities	**(171)**	(139)
Net increase/(decrease) in cash and cash equivalents	**53**	(29)
Cash and cash equivalents at beginning of the year	**259**	287
Exchange (losses)/gains on cash and cash equivalents	**(1)**	1
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**311**	259
Cash and cash equivalents per the Consolidated Statement of Financial Position	**322**	276
Bank overdrafts	**(11)**	(17)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**311**	259

Summary of net debt

	2012	2011
- Parent Group * cash	**243**	200
- Capital notes	**-**	(214)
- Parent Group net cash/(debt)	**243**	(14)
- Other group cash	**79**	76
- Other group debt	**(305)**	(266)
Total group net cash/(debt)	**17**	(204)

* Parent Group comprises the Group's central investment activities.

** Acquisitions and disposals include the proceeds of sale of Parent Group operating subsidiary and associated undertakings and joint ventures. Proceeds of sale of other Parent Group fixed and current asset investments are included within net cash inflow from operating activities.

Guinness Peat Group plc

NOTES TO FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2012

1. The preliminary financial information ("the financial information") set out in this report is based on GPG's unaudited consolidated financial statements, which are prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union, and complies with the disclosure requirements of the Listing Rules of the UK Financial Services Authority and the Listing Rules of the Australian Securities Exchange. The accounting policies adopted by the Group have been applied consistently to all periods presented.

2. The financial information set out in this report does not constitute the GPG Group's statutory accounts for the years ended 31 December 2012 and 2011. Other than the restatement of the Consolidated Income Statement to reflect Gosford Quarry Holdings Ltd ("Gosford"), Touch Holdings Ltd ("Touch"), CIC Australia Ltd ("CIC") and Parent Group investment operations as discontinued operations, the financial information for the year ended 31 December 2011 is derived from the statutory accounts for that year, which have been filed with the Registrar of Companies. The audit report on those accounts did not contain a statement under Sections 498(2) or 498(3) of the Companies Act 2006. The audit opinion contained in that report was unmodified but contained an emphasis of matter paragraph drawing attention to the significant uncertainty surrounding the ultimate outcome of the appeal by Coats plc against the European Commission competition fine of €110.3 million. The outcome of this appeal is now known and has been reflected in the unaudited results for the year ended 31 December 2012. The audit of the statutory accounts for the year ended 31 December 2012 is not yet complete. Those accounts will be finalised on the basis of the financial information presented by the Directors in this preliminary announcement and will be delivered to the Registrar of Companies following the Company's Annual General Meeting.

   Whilst the financial information included in this report has been compiled in accordance with the recognition and measurement principles of applicable IFRS, this report does not itself contain sufficient information to comply with IFRS. GPG expects to publish full financial statements that comply with IFRS; these will be available to shareholders in March 2013.

   At the year end the Parent Group had net cash, after purchase and cancellation of the capital notes during the year, totalling £243 million (2011: net debt £14 million). The Parent Group also has various other actual and contingent liabilities. The Board expects to be able to meet these obligations from existing resources. Further information on the net cash position of the Group is provided in the table at the foot of the Consolidated Statement of Cash Flows.

   Giving due consideration to the nature of the Group's business and underlying investments, and taking account of the following matters: the ability of the Group to realise its liquid investments and to manage the timing of such liquidations; the uncertainty inherent in the capital markets in which the Group trades; the Group's foreign currency exposures; the potential requirement to provide funding to the Group's defined benefit pension schemes; and also taking into consideration the cash flow forecasts prepared by the Group and the sensitivity analysis associated therewith, the directors consider that the Company and the Group are going concerns and this financial information is prepared on that basis.

3. Group foreign exchange movements – during the year ended 31 December 2012, GPG recognised in operating profit £2 million of net foreign exchange losses (2011: £1 million net foreign exchange gains). Net foreign exchange losses of £14 million (2011: £23 million) were recognised in reserves.

4. Finance costs

	2012 **£m**	2011 Restated £m
Interest payable on bank loans and overdrafts	**(44)**	(21)
Net finance income on pension scheme net assets	**10**	12
Unwinding of discount on provisions	**(1)**	-
Interest payable on Capital notes	**(14)**	(18)
	(49)	(27)

5. Tax on (loss)/profit from continuing operations

	2012 **£m**	2011 Restated £m
UK Corporation tax at 24.5% (2011: 26.5%)	**-**	-
Overseas tax charge	**(29)**	(24)
	(29)	(24)
Deferred tax charge	**-**	(4)
	(29)	(28)

The tax charge for both years reflects the impact of unrelieved losses in certain subsidiary undertakings.

6. Associated undertakings and joint ventures

The Parent Group's associated undertakings and joint ventures at 31 December were as follows:

	2012	2011
Australian Country Spinners Ltd	**na**	50.0%
Autologic Holdings plc	**na**	26.2%
Capral Ltd	**47.4%**	47.4%
ClearView Wealth Ltd	**na**	48.6%
Green's General Foods Pty Ltd	**na**	72.5%
Tower Ltd	**33.6%**	34.1%

At 31 December 2012 the investments in Capral Ltd and Tower Ltd are included in Assets Held for Sale (note 7). Subsequent to the year end the Group sold its entire interest in Capral Ltd.

6. Associated undertakings and joint ventures (continued)

	Associated undertakings £m	Joint ventures £m
At 1 January 2012	**186**	**62**
Currency translation differences	**(1)**	**(1)**
Additions	**-**	**17**
Dividends receivable	**(9)**	**(5)**
Share of profit after tax and minorities	**14**	**12**
Impairments	**-**	**(10)**
Transfer to non-current assets held for sale (note 7)	**(113)**	**(36)**
Capital return	**-**	**(2)**
Disposals	**(77)**	**(28)**
At 31 December 2012	**-**	**9**

The remaining joint ventures at 31 December 2012 are those held by Coats.

7. Discontinued operations

In November 2012, the Board signed heads of agreement for the sale of each of Gosford, GPG's Australian quarry operator subsidiary, and Touch, its Australian electronics subsidiary. Those investments were reclassified as assets held for sale at 30 November 2012 and their results reclassified as discontinued operations for each of 2011 and 2012. The sale of each of those subsidiaries was completed in December 2012. It is the Board's expectation that CIC, its Australian property development subsidiary, and the remaining investments within the Parent Group (other than Coats), will be sold within 12 months of the balance sheet date and consequently CIC and those remaining investments, together with related assets and liabilities within the Parent Group, have been reclassified as assets (and related liabilities) held for sale at 31 December 2012, and their results reclassified as discontinued operations for each of 2011 and 2012. No opening statement of financial position has been presented for the prior year in this financial information as it is unchanged from that previously reported.

Gosford, Touch and CIC together comprise the "unallocated" business segment previously reported.

The net assets of those businesses at reclassification were as follows:

	Parent Group £m	Unallocated £m		
	Book and carrying value	Book value	Impairment	Carrying value
Intangible assets	-	1	-	1
Property, plant and equipment	2	30	(7)	23
Associated undertakings	113	-	-	-
Joint ventures	-	46	(10)	36
Other fixed asset investments	76	-	-	-
Inventories	-	10	-	10
Deferred tax assets	-	4	-	4
Trade and other receivables	-	20	-	20
Cash and cash equivalents	-	8	-	8
Trade and other payables	-	(34)	-	(34)
Borrowings	-	(20)	-	(20)
Net assets at reclassification	**191**	**65**	**(17)**	**48**
Assets classified as held for sale	191	119	(17)	102
Liabilities directly associated with assets classified as held for sale	-	(54)	-	(54)
	191	**65**	**(17)**	**48**

The sale of Turners & Growers, which was classified as an asset held for sale at 31 December 2011, was completed in March 2012.

Guinness Peat Group plc

7. Discontinued operations (continued)
The combined results of discontinued operations were as follows:

	Turners & Growers	Coats	Parent Group	Unallocated	**2012 £m Total**	2011 £m Total
Revenue	**75**	**-**	**-**	**33**	**108**	402
Cost of sales	**(56)**	**-**	**-**	**(13)**	**(69)**	(298)
Expenses	**(17)**	**(2)**	**-**	**(23)**	**(42)**	(110)
	2	**(2)**	**-**	**(3)**	**(3)**	(6)
Other income	**1**	**-**	**83**	**9**	**93**	26
Finance costs	**(1)**	**-**	**-**	**(2)**	**(3)**	(6)
Profit/(loss) before tax	**2**	**(2)**	**83**	**4**	**87**	14
Attributable tax	**-**	**-**	**(5)**	**1**	**(4)**	(13)
Profit/(loss) after tax	**2**	**(2)**	**78**	**5**	**83**	1
Loss arising on measurement to fair value	-	**-**	**-**	**(17)**	**(17)**	(11)
Gain on disposal of businesses	**23**	**-**	**-**	**6**	**29**	-
Gain/(loss) on discontinued operations	**25**	**(2)**	**78**	**(6)**	**95**	(10)

The major classes of assets and liabilities comprising the operations classified as held for sale are as follows:

	2012 £m	2011 £m
Property, plant and equipment	**20**	102
Associated undertakings	**113**	-
Joint ventures	**36**	-
Other fixed asset investments	**76**	8
Deferred tax assets	**4**	-
Biological assets	**-**	16
Inventories	**7**	34
Trade and other receivables	**14**	48
Cash and cash equivalents	**3**	7
Assets held for sale	**273**	215
Trade and other payables	**(17)**	(41)
Borrowings	**(20)**	(45)
Deferred tax liabilities	**-**	(8)
Liabilities directly associated with assets held for sale	**(37)**	(94)

8. Other investments – Fixed asset investments within non-current assets are classified in 2011 under IFRS as available-for-sale investments, and current asset investments within current assets are classified under IFRS as held-for-trading investments.

9. (Loss)/earnings per share - The calculation of basic (loss)/earnings per Ordinary Share from continuing and discontinued operations is based on (loss)/profit for the year attributable to equity shareholders of the parent and the weighted average number of 1,618,876,707 (2011: 1,715,466,321) Ordinary Shares in issue during the year.

   The calculation of basic (loss)/earnings per Ordinary Share from continuing operations is based on (loss)/profit for the year from continuing operations attributable to equity shareholders of the parent and the weighted average number of 1,618,876,707 (2011: 1,715,466,321) Ordinary Shares in issue during the year.

   Calculations of (loss)/earnings per Ordinary Share are based on results to the nearest £'000.

10. The net tangible assets (net assets excluding intangible assets) per share at 31 December 2012 were 19.07p (2011: 30.66p).

11. Changes in the issued share capital during the year ended 31 December 2012 comprise the following:

	£m
At 1 January 2012	81
Share buy-backs	(3)
At 31 December 2012	**78**

   During November and December 2012 a total of 57,079,102 Ordinary Shares were purchased and cancelled. A further 23,480,921 Ordinary Shares were purchased in December 2012 but remained in issue at 31 December 2012.

12. Dividends – No dividends were paid or proposed during the year (an interim cash dividend of 1.15 pence per share in respect of the year ended 31 December 2011 was paid on 24 October 2011 to GPG shareholders).

13. Directors – The following persons were, except as noted, directors of GPG during the whole of the year and up to the date of this report:

   R J Campbell
   M N Allen
   Sir Ron Brierley
   S L Malcolm (appointed 19 January 2012)
   B A Nixon

14. Directors' Report – The Chairman's Statement appearing in the Preliminary Results and signed by Rob Campbell provides a review of the operations of the Group for the year ended 31 December 2012.

15. Publication – This statement will be available at the registered office of the Company, First Floor, Times Place, 45 Pall Mall, London SW1Y 5GP. A copy will also be displayed on the Company's website on www.gpgplc.com.

Coats financial information

Consolidated Income Statement (unaudited)

For the year ended 31 December 2012	Notes	2012 Before exceptional items Unaudited US$m	2012 Exceptional items Unaudited US$m	2012 Total Unaudited US$m	2011 Before exceptional items Unaudited US$m	2011 Exceptional items Unaudited US$m	2011 Total Unaudited US$m
Continuing operations							
Revenue		1,653.4	-	**1,653.4**	1,701.6	-	1,701.6
Cost of sales		(1,065.0)	(132.5)	**(1,197.5)**	(1,087.9)	(16.1)	(1,104.0)
Gross profit		588.4	(132.5)	**455.9**	613.7	(16.1)	597.6
Distribution costs		(280.3)	-	**(280.3)**	(289.9)	-	(289.9)
Administrative expenses		(181.1)	2.6	**(178.5)**	(180.2)	1.4	(178.8)
Other operating (costs)/income		-	(1.8)	**(1.8)**	-	2.7	2.7
Operating profit/(loss)		127.0	(131.7)	**(4.7)**	143.6	(12.0)	131.6
Share of profits of joint ventures		1.1	-	**1.1**	2.1	-	2.1
Investment income		2.6	-	**2.6**	7.3	-	7.3
Finance costs	3	(19.4)	(35.8)	**(55.2)**	(16.8)	-	(16.8)
Profit/(loss) before taxation	2	111.3	(167.5)	**(56.2)**	136.2	(12.0)	124.2
Taxation	4	(50.5)	3.9	**(46.6)**	(47.7)	2.1	(45.6)
Profit/(loss) from continuing operations		60.8	(163.6)	**(102.8)**	88.5	(9.9)	78.6
Discontinued operations							
Loss from discontinued operations		(2.7)	-	**(2.7)**	(1.8)	-	(1.8)
Profit/(loss) for the year		58.1	(163.6)	**(105.5)**	86.7	(9.9)	76.8
Attributable to:							
EQUITY SHAREHOLDERS OF THE COMPANY		50.6	(163.6)	**(113.0)**	81.1	(9.9)	71.2
Non-controlling interests		7.5	-	**7.5**	5.6	-	5.6
		58.1	(163.6)	**(105.5)**	86.7	(9.9)	76.8

Coats financial information

Consolidated Statement of Comprehensive Income (unaudited)

For the year ended 31 December 2012	**2012 Unaudited US$m**	2011 Unaudited US$m
(Loss)/profit for the year	**(105.5)**	76.8
Cash flow hedges:		
Losses arising during the year	**(4.7)**	(7.5)
Transferred to profit or loss on cash flow hedges	**5.7**	6.2
Exchange differences on translation of foreign operations	**(7.4)**	(36.7)
Actuarial losses in respect of retirement benefit schemes	**(35.9)**	(299.3)
Tax relating to components of other comprehensive income	**(0.4)**	(0.1)
Other comprehensive income and expense for the year	**(42.7)**	(337.4)
Total comprehensive income and expense for the year	**(148.2)**	(260.6)
Attributable to:		
EQUITY SHAREHOLDERS OF THE COMPANY	**(155.8)**	(265.8)
Non-controlling interests	**7.6**	5.2
	(148.2)	(260.6)

Coats financial information

Consolidated Statement of Financial Position (unaudited)

At 31 December 2012	Notes	**2012 Unaudited US$m**	2011 Unaudited US$m
Non-current assets			
Intangible assets		**260.1**	262.1
Property, plant and equipment		**366.9**	393.4
Investments in joint ventures		**13.4**	16.1
Available-for-sale investments		**3.1**	2.7
Deferred tax assets		**15.1**	13.5
Pension surpluses		**34.6**	30.7
Trade and other receivables		**15.1**	14.6
		708.3	733.1
Current assets			
Inventories		**310.8**	316.7
Trade and other receivables		**309.3**	305.7
Available-for-sale investments		**0.2**	1.0
Cash and cash equivalents	7	**128.4**	112.0
		748.7	735.4
Non-current assets classified as held for sale		**3.0**	0.1
Total assets		**1,460.0**	1,468.6
Current liabilities			
Trade and other payables		**(347.4)**	(347.4)
Current income tax liabilities		**(14.6)**	(7.9)
Bank overdrafts and other borrowings		**(43.9)**	(60.9)
Provisions		**(71.1)**	(97.8)
		(477.0)	(514.0)
Net current assets		**271.7**	221.4
Non-current liabilities			
Trade and other payables		**(22.6)**	(20.6)
Deferred tax liabilities		**(40.6)**	(39.3)
Borrowings		**(452.1)**	(289.5)
Retirement benefit obligations:			
Funded schemes		**(245.6)**	(243.5)
Unfunded schemes		**(99.4)**	(84.3)
Provisions		**(24.9)**	(25.8)
		(885.2)	(703.0)
Total liabilities		**(1,362.2)**	(1,217.0)
Net assets		**97.8**	251.6
Equity			
Share capital		**20.5**	20.5
Share premium account		**412.1**	412.1
Hedging and translation reserve		**(25.5)**	(19.0)
Retained loss		**(329.2)**	(179.9)
EQUITY SHAREHOLDERS' FUNDS		**77.9**	233.7
Non-controlling interests	5	**19.9**	17.9
Total equity		**97.8**	251.6

Coats financial information

Consolidated Statement of Changes in Equity (unaudited)

	Share capital Unaudited US$m	Share premium account Unaudited US$m	Hedging reserve Unaudited US$m	Translation reserve Unaudited US$m	Retained loss Unaudited US$m	Total Unaudited US$m
Balance as at 1 January 2011	20.5	412.1	(8.8)	27.4	48.3	499.5
Profit for the year	-	-	-	-	71.2	71.2
Other comprehensive income and expense for the year	-	-	(1.3)	(36.3)	(299.4)	(337.0)
Total comprehensive income and expense for the year	-	-	(1.3)	(36.3)	(228.2)	(265.8)
Balance as at 31 December 2011	20.5	412.1	(10.1)	(8.9)	(179.9)	233.7
Loss for the year	-	-	-	-	(113.0)	(113.0)
Other comprehensive income and expense for the year	-	-	1.0	(7.5)	(36.3)	(42.8)
Total comprehensive income and expense for the year	-	-	1.0	(7.5)	(149.3)	(155.8)
Balance as at 31 December 2012	**20.5**	**412.1**	**(9.1)**	**(16.4)**	**(329.2)**	**77.9**

Coats financial information

Consolidated Statement of Cash Flows (unaudited)

For the year ended 31 December 2012	Notes	**2012 Unaudited US$m**	2011 Unaudited US$m
Cash inflow/(outflow) from operating activities			
Net cash inflow generated by operations	6	**8.3**	134.0
Interest paid		**(63.1)**	(20.5)
Taxation paid		**(35.3)**	(40.2)
Net cash (absorbed)/generated from operating activities		**(90.1)**	73.3
Cash inflow/(outflow) from investing activities			
Dividends received from joint ventures		**0.9**	0.8
Acquisition of property, plant and equipment and intangible assets		**(38.8)**	(50.5)
Disposal of property, plant and equipment and intangible assets		**1.7**	2.0
Acquisition of financial investments		**(0.5)**	(0.9)
Disposal of financial investments		**0.3**	-
Acquisition of businesses		**-**	(1.1)
Disposal of subsidiaries		**(0.7)**	(1.0)
Disposal of investments in joint ventures		**2.8**	-
Net cash absorbed in investing activities		**(34.3)**	(50.7)
Cash inflow/(outflow) from financing activities			
Dividends paid to non-controlling interests		**(5.6)**	(4.6)
Increase/(decrease) in debt and lease financing		**151.9**	(36.3)
Net cash generated/(absorbed) in financing activities		**146.3**	(40.9)
Net increase/(decrease) in cash and cash equivalents		**21.9**	(18.3)
Net cash and cash equivalents at beginning of the year		**85.6**	115.5
Foreign exchange gains/(losses) on cash and cash equivalents		**2.9**	(11.6)
Net cash and cash equivalents at end of the year	7	**110.4**	85.6

Reconciliation of net cash flow to movement in net debt			
Net increase/(decrease) in cash and cash equivalents		**21.9**	(18.3)
Cash (inflow)/outflow from change in debt and lease financing		**(151.9)**	36.3
Change in net debt resulting from cash flows		**(130.0)**	18.0
Other		**(2.3)**	(4.5)
Foreign exchange		**3.1**	(10.0)
(Increase)/decrease in net debt		**(129.2)**	3.5
Net debt at start of year		**(238.4)**	(241.9)
Net debt at end of year	7	**(367.6)**	(238.4)

Coats financial information

Notes

1 Basis of preparation

The financial information contained in this section of the report represents the unaudited results of Coats as contained within the unaudited consolidated financial information of GPG for the year end 31 December 2012 and the audited consolidated financial information of GPG for the year ended 31 December 2011.

It incorporates the consolidated results of Coats Group Limited ("CGL") as adjusted to account for the Coats capital incentive plan ("CIP"), on a basis consistent with that required to be adopted by GPG, and for the inclusion in the balance sheet both at 31 December 2011 and 2012 of $6.0 million of intangible assets held at the GPG level but which are associated with its acquisition of Coats.
The CIP is operated by GPG for the benefit of certain senior CGL employees. In accordance with IFRS, this is accounted for by CGL as an equity-settled compensation plan as CGL has no obligation to settle the share-based payment. Under IFRS, equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant and this fair value is expensed on a straight-line basis over the vesting period, with a corresponding increase recognised in equity as a contribution from the parent. GPG accounts for this arrangement as a cash-settled share-based compensation plan and, in accordance with IFRS, is required to reassess the fair value of the CIP at each reporting date.

Following the market update announcement made on 25 October 2012 regarding the strategy to realise value, GPG has estimated the CIP is unlikely to have any value in its current form and has released the provision held for this arrangement. That release has been incorporated into these Coats results (see note 2).

The Board of GPG determined in 2013 that an amendment should be made to the CIP scheme to provide for an appropriate retention mechanism to reward Coats' senior management for their role in the further development of that business over the next two to three years. That amendment is yet to be formalised.

CGL is incorporated in the British Virgin Islands. It does not prepare consolidated statutory accounts and, therefore, the financial information contained in this section of the report does not constitute full financial statements and has not been, and will not be, audited, other than in so far as it is contained within the financial information of its ultimate parent company, GPG.

The financial information for the year ended 31 December 2012 has been prepared in accordance with the recognition and measurement requirements of International Financial Reporting Standards ("IFRS") endorsed by the European Union. The same accounting policies have been applied to the financial information presented for the year ended 31 December 2011.

The principal exchange rates (to the US dollar) used are as follows:

		2012	2011
Average	Sterling	**0.63**	0.62
	Euro	**0.78**	0.72
Year end	Sterling	**0.62**	0.64
	Euro	**0.76**	0.77

Coats financial information

2 Profit/(loss) before taxation is stated after charging/(crediting):

	2012 Unaudited US$m	2011 Unaudited US$m
Exceptional items:		
Cost of sales:		
European Commission fine and associated exchange losses/(gains)	**84.6**	(1.0)
Reorganisation costs and impairment of property, plant and equipment and intangible assets	**39.9**	14.6
US environmental costs	**8.0**	2.5
	132.5	16.1
Administrative expenses:		
Capital incentive plan (credit)/charge (see note 1)	**(2.6)**	2.6
UK pension increase exchange offer	**-**	(4.0)
	(2.6)	(1.4)
Other operating costs/(income):		
Loss/(profit) on disposal of property	**1.8**	(2.7)
	131.7	12.0
Finance costs:		
European Commission fine interest costs	**35.8**	-
Total	**167.5**	12.0

As noted in previous reports, the US Environmental Protection Agency ("USEPA") has notified Coats & Clark, Inc. ("CC") that it is a potentially responsible party under the US Superfund law for investigation and remediation costs at the Lower Passaic River Study Area ("LPRSA") in New Jersey in respect of an alleged predecessor's former facilities which operated in that area prior to 1950. Approximately 70 companies to date have formed a cooperating parties group ("CPG") to fund and conduct a remedial investigation and feasibility study ("RI/FS") of the area. CC joined the CPG in 2011. The total costs of the RI/FS and related expenditures are currently estimated by the CPG to be approximately $110 million.

Under the interim allocation in place when CC joined the CPG, CC was responsible for approximately 1.7% of the total RI/FS and related costs. During the year, three companies that had shared a common allocation within the CPG – Tierra Solutions, Inc, Maxus Energy Corporation and Occidental Chemical Corporation (collectively "TMO") – withdrew from the CPG, and TMO's continued funding of the RI/FS is in question. If TMO continues to fund the RI/FS pursuant to its independent agreement with USEPA, CC's interim allocation of future RI/FS costs would remain approximately 1.7%. If TMO ceases its RI/FS funding, CC's interim allocation of future RI/FS costs would be approximately 2.2%. The interim allocation is expressly limited to the RI/FS and related expenditures, and is subject to reallocation after the RI/FS has been issued. CC believes that a final allocation will include TMO as well as additional parties not currently in the CPG.

USEPA has indicated that it expects to issue a Focused Feasibility Study ("FFS") for remediation of the lower 8 miles of the Lower Passaic River in 2013, before the CPG's RI/FS for the entire 17 mile stretch of the river is completed. At this time, Coats cannot reasonably estimate CC's potential share or a range of future costs because: (a) USEPA has not made a final remedial decision for the FFS; (b) the scope, nature and timing of the remediation is not known; and (c) the total number of parties that will participate in funding future remediation and their respective allocations are not known.

During the year, the members of the CPG, including CC, agreed to fund the remediation of one part of the LPRSA (River Mile 10.9). CC's interim allocation of the cost of this is estimated at approximately $0.7 million. The $8.0 million (2011 - $2.5 million) US environmental charge is primarily connected with this remediation, CC's latest estimated share of study costs and associated legal and consultancy costs.

CC has identified a number of insurance policies that it believes will cover some of the costs previously incurred and to be incurred in respect of this matter, and it is investigating and pursuing its rights under those policies. The availability and extent of coverage under those policies has yet to be determined, and therefore CC has not assumed any insurance recovery in calculating its environmental charge.

Coats believes that CC's predecessors did not generate any of the contaminants which are driving the current and anticipated remedial actions in the LPRSA, that it has valid legal defences that are based on its own analysis of the relevant facts, and that additional parties not currently in the CPG will be responsible for a significant share of the ultimate costs of remediation. The foregoing, as well as other mitigating factors, should result in a reduced share of any exposure for future remedial and other costs. At the present time, there can be no assurance as to the scope of future remedial action and other costs, nor can Coats predict what CC's ultimate share will be. Accordingly, no provision has been made for these costs.

3 Finance costs

	2012 Unaudited US$m	2011 Unaudited US$m
Non-exceptional items		
Interest on bank and other borrowings	**25.0**	23.8
Net return on pension scheme assets and liabilities	**(14.9)**	(16.9)
Other	**9.3**	9.9
	19.4	16.8
Exceptional items		
European Commission fine interest costs (see note 2)	**35.8**	-
Total	**55.2**	16.8

4 Taxation

		2012 Unaudited US$m		2011 Unaudited US$m
UK taxation based on profit for the year:				
Corporation tax at 24.5% (2011: 26.5%)		**3.7**		3.5
Double taxation relief		**(3.7)**		(3.5)
Total UK taxation		**-**		-
Overseas taxation:				
Current taxation	**47.4**		40.4	
Deferred taxation	**(0.5)**		5.4	
		46.9		45.8
Prior year adjustments:				
Current taxation	**(0.7)**		(1.1)	
Deferred taxation	**0.4**		0.9	
		(0.3)		(0.2)
		46.6		45.6

Coats financial information

5 Non-controlling interests

	2012 Unaudited US$m	2011 Unaudited US$m
At 1 January	**17.9**	17.3
Total recognised income and expense for the year	**7.6**	5.2
Dividends paid	**(5.6)**	(4.6)
At 31 December	**19.9**	17.9

6 Reconciliation of operating (loss)/profit to net cash inflow generated by operations

	2012 Unaudited US$m	2011 Unaudited US$m
Operating (loss)/profit	**(4.7)**	131.6
Depreciation	**47.1**	49.0
Amortisation of intangible assets (computer software)	**5.7**	8.0
Reorganisation costs and impairment (see note 2)	**39.9**	14.6
Other exceptional items (see note 2)	**91.8**	(2.6)
Decrease/(increase) in inventories	**2.9**	(33.6)
Increase in debtors	**(5.3)**	(1.3)
Increase in creditors	**9.4**	5.4
Provision movements	**(16.3)**	(23.2)
Other non-cash movements	**1.3**	2.4
Net cash inflow from normal operating activities	**171.8**	150.3
Net cash outflow in respect of reorganisation costs	**(21.4)**	(13.7)
Net cash outflow in respect of other exceptional items	**(142.1)**	(2.6)
Net cash inflow generated by operations	**8.3**	134.0

7 Net debt

	2012 Unaudited US$m	2011 Unaudited US$m
Cash and cash equivalents	**128.4**	112.0
Bank overdrafts	**(18.0)**	(26.4)
Net cash and cash equivalents	**110.4**	85.6
Other borrowings	**(478.0)**	(324.0)
Total net debt	**(367.6)**	(238.4)