

Guinness Peat Group plc (‘GPG’ or ‘the Company’)

Preliminary Results for the Year Ended 31 December 2013

Chairman’s Statement

The past year has been frustrating for GPG. We completed the asset realisation process on time and on value expectations only to have the further announced intention to distribute surplus funds, while maintaining a listing for the Coats business, delayed by regulatory intervention in the UK.

The Board and management continue to engage, to the maximum extent possible, with the UK Pensions Regulator (‘tPR’), and to maintain open dialogue with the trustees of the relevant pension schemes. It has always been and remains our intention to do the right thing, balancing our continuing obligations to the Group’s ongoing schemes with our clear commitment to enhance shareholder returns and we believe a fair and timely resolution is in the interests of all concerned.

At the time of my half year report in August 2013 there were various positive messages: progression of the investment portfolio realisation programme; encouraging Coats trading results; and development of the Coats board transition. The regulatory intervention in the UK by tPR remains the only delay to the successful completion of our stated plan.

Further detail regarding the portfolio realisations will be provided later in this report.

A full description of the performance of Coats during 2013 can be found in this announcement. Reported turnover for the business of £1,089 million (US\$1,704 million) represents year-on-year growth in GBP terms in excess of 4% and the net profit attributable to GPG of £19 million (US\$29 million) compares to a loss in 2012 of £92 million (US\$146 million). Coats also continues to generate improving levels of cash flow, with free cash flow of £29 million (US\$45 million) having been generated during the year (2012, excluding payment of the EC fine and interest of £110 million (US\$175 million): £28 million (US\$45 million)).

During 2013 we announced two important non-executive appointments to the Coats board. Mike Clasper joined that board on 1 September as Chairman and Ruth Anderson joined with effect from 2 January 2014.

I have stated previously the Board’s unchanged intention to treat the Group’s ongoing pension schemes fairly while ensuring that this is done so in the light of our obligations to all stakeholders. We have openly disclosed our acceptance of the need for the Group to retain a portion of the investment portfolio realisation proceeds to support the Staveley and Brunel schemes and the precise nature and quantum required will be determined through the process in which we are involved with tPR and the respective trustees.

We have now received from tPR formal notices (‘Warning Notices’) which state that in its opinion it is reasonable to require the Group to provide further financial support to both the Brunel and Staveley schemes and we are working with our advisers to develop responses. The Board is exploring all options with the aim of resolving these matters as efficiently as possible without unnecessarily compromising shareholder interests. It is still too early to advise shareholders as to the likely outcome and, if the matter is not settled through negotiation, any hearing before tPR’s Determinations Panel (the ‘Panel’) will not take place earlier than the second half of this year.

TPR notified the Board on 29 November 2013 that it would not be in a position to conclude its initial investigation and determine whether or not to issue a Warning Notice in respect of the Coats UK Pension Plan by the year end. TPR has still to reach a decision on this.

Any decision on the future capital structure of Coats and further cash distributions to shareholders continues to be deferred while these matters are being resolved.

The Board fully shares the natural frustration of shareholders about this process and its prevention of further surplus distributions to shareholders.

Conclusion of the capital management realisation initiatives and transition has been delayed while the regulatory process continues. We continue to work on this aspect with legal advice. The main principle being applied is that we will do nothing to impact the regulatory process adversely, while also ensuring that the Coats business has the right strategic direction and corporate governance in place.

Reported (Consolidated) Financial Results

Movements in shareholders' funds

Shareholders' funds, despite a share buyback of £45 million (NZ\$91 million), have increased during the year by £10 million (NZ\$20 million) to £444 million (NZ\$896 million):

	Year ended 31 December 2013		Year ended 31 December 2012	
	£m	£m	£m	£m
Opening shareholders' funds		434		602
Shareholders' returns				
- Share buyback		(45)		(25)
Profit/(loss) for the year		23		(29)
Movements in unrealised gains reserve				
- Gain realised in the period (recycled through the Income statement)	(16)		(40)	
- Net unrealised movements on AFS investments	-		(13)	
- Reclassification	1		-	
- Deferred tax movement	1		4	
		(14)		(49)
IAS19 adjustments				
- GPG schemes	22		(12)	
- Coats	85		(2)	
		107		(14)
Foreign currency movements				
- Coats net losses	(12)		(4)	
- Other group net losses arising in the year	(24)		(8)	
- Total net losses arising in the year	(36)		(12)	
- Historical net gains recycled to the Income statement	(30)		(39)	
- Reclassification	(1)		-	
		(67)		(51)
Other, mainly hedging		6		-
Total £million		444		434
Total NZ\$ million		896		876

The major components of the change in shareholders' funds are the improved IAS19 funding position of the Group's employee benefit obligations and Coats' trading results (£19 million) offset by net foreign exchange losses caused by the general strengthening of GBP (£36 million), the share buyback (£45 million), and GPG's Parent Group overheads, including costs of responding to tPR's investigation into the GPG UK defined benefit pension schemes.

The net asset backing per share has, as a consequence of the events arising in the year, increased from 27.7p (NZ\$0.56) to 31.5p (NZ\$0.64).

Consolidated Income Statement

	Year ended 31 December 2013		Year ended 31 December 2012	
	£m	£m	£m	£m
Continuing activity				
Coats				
- Attributable profit before exceptionals		24		13
- EC fine and related interest		-		(76)
- Other exceptional items		(5)		(27)
		<u>19</u>		<u>(90)</u>
Parent Group				
- Overheads	(44)		(23)	
- Foreign exchange gains/(losses)	1		(2)	
- Other income	1		1	
- Net interest expense	-		(12)	
		<u>(42)</u>		<u>(36)</u>
Net loss from continuing activity		<u>(23)</u>		<u>(126)</u>
Discontinued activity				
Coats		-		(2)
Parent Group subsidiary and associated undertakings and joint ventures		30		62
Investment activity				
- Gains realised in the period (recycled from the unrealised gains reserve)	11		39	
- Dividend income	5		6	
- Impairments	(1)		(3)	
		<u>15</u>		<u>42</u>
Foreign exchange losses		(1)		-
Other income		3		-
Parent Group tax charge		(1)		(5)
Net profit from discontinued activities		<u>46</u>		<u>97</u>
Net profit/(loss) for the period attributable to GPG shareholders £ million		<u>23</u>		<u>(29)</u>
Total NZ\$ million		<u>46</u>		<u>(59)</u>

Simplified Balance Sheet

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

	31 December 2013		31 December 2012	
	£m	£m	£m	£m
Net held for sale assets		1		222
Current asset investments		-		9
Total investments		1		231
Cash		383		243
GPG assets, excluding Coats		384		474
GPG Pension Schemes		(56)		(74)
Other sundry Parent Group net liabilities		(20)		(14)
		308		386
Coats				
- Other net assets	457		481	
- Net debt	(199)		(226)	
- Employee benefit obligations	(122)		(207)	
		136		48
Shareholders' funds £ million		444		434
Shareholders' funds NZ\$ million		896		876
NAV per share (p)		31.5		27.7
NAV per share (NZ\$)		63.6		55.9

Overview of GPG's Key Net Asset Value Components

Investment Portfolio (excluding Coats)

The Group announced on 3 October 2013 the completion of the value realisation programme. Total cash generated since 1 January 2011 was £698 million (NZ\$1,408 million) of which £240 million (NZ\$484 million) arose in 2013. The proceeds generated, including dividends and other forms of distribution, should be compared with the approximate portfolio market value shortly before the announcement of the realisation strategy of £677 million (NZ\$1,366 million). A schedule showing the proceeds generated in 2013 from disposals is included as an appendix to this report.

Cash at bank

At 31 December 2013 the GPG Parent Group had cash of £383 million (NZ\$773 million) (2012: £243 million (NZ\$490 million)). The increase in cash during the year is primarily as a result of the proceeds of the portfolio realisation programme partially offset by share buybacks (£45 million (NZ\$91 million)), operating expenses and the impact of the general strengthening of GBP.

Pensions

The carrying values of the Coats UK Pension Plan and the two GPG pension schemes, Brunel and Staveley, (together the 'UK Pension Schemes') on an IAS19 financial reporting basis have significantly improved from the position at 31 December 2012. This improvement is mainly due to strong investment performance during the year.

The period end positions are set out below:

	31 December 2013	31 December 2012
IAS19 deficit	£m	£m
Coats UK Pension Plan	78	161
Other Coats net employee benefit obligations	44	46
Total Coats net employee obligations	122	207
Brunel	28	38
Staveley	28	36
Total £ million	178	281
Total NZ\$ million	359	567

The UK Pensions Regulator's investigations

As announced on 23 December 2013, GPG has received Warning Notices from the Executive of tPR in respect of the Brunel and Staveley schemes. These detail the Executive's arguments as to why it believes it would be reasonable for the Panel to impose a regulatory direction (Financial Support Direction ('FSD')) on one or more GPG group companies requiring them to put in place further financial support for each of the schemes. The Company and its advisors are in the process of developing a formal response to each Warning Notice. Once these responses are complete and submitted, tPR's case team will decide whether to submit the Warning Notices in final form, together with the recipients' defence, to the Panel for it to determine if FSD's should be imposed or to withdraw them. The form of any such further financial support required would not be specified by the Panel. The recipients would need to put a proposal to tPR which would have to be approved as reasonable. In practice such arrangements would first be agreed with the trustee of the relevant scheme. If one or more FSD is issued by the Panel the recipients would have right of appeal to the Upper Tribunal. Such an appeal process, if pursued, would be unlikely to complete before the end of 2015.

No Warning Notice dealing with the Coats UK Pension Plan has been received to date. The three Coats sponsor companies have been requested to submit calculations to tPR of their respective resources as at 31 December 2012. Any Warning Notice can only be issued if these calculations show one or more of the companies to have been 'insufficiently resourced' and tPR considers it 'reasonable' to issue the Warning Notice. TPR has stated it is seeking to conclude its investigation into whether or not to issue a Warning Notice in relation to the Coats UK Pension Plan as soon as practicable.

Coats' triennial funding valuation

Notwithstanding the pensions investigations, agreement was reached during the year with the trustee of the Coats UK Pension Plan on the April 2012 funding valuation. The agreed funding deficit was £215 million (NZ\$434 million) compared with £101 million (NZ\$204 million) at the time of the April 2009 valuation. Deficit reduction payments of £14 million (NZ\$28 million) per annum (previously £7 million (NZ\$14 million) per annum) commenced in November 2013 for a period of approximately 14 years. In order to ensure the trustee of the scheme felt able to take full account of the support provided by the Coats Group in assessing the covenant supporting the scheme, Coats plc agreed as part of the 2012 funding valuation to provide the trustee with a Parent Company Guarantee. The deficit reduction payments will be subject to review at the next triennial valuation, which is due with effect from 1 April 2015.

Brunel triennial funding valuation

The Brunel scheme is due by 30 June 2014 to complete a funding valuation with an effective date of 31 March 2013. This valuation process has commenced, but understandably has been impacted by tPR's investigation process.

Staveley funding valuation

The next triennial valuation for the Staveley scheme was scheduled to be as at 5 April 2014. However, the trustee of that scheme has decided, in the light of tPR's investigation, to accelerate the timetable and has called instead for a funding valuation as at 31 December 2013.

Overhead costs

Net operating costs in 2013 for the Parent Group have been significantly impacted by the work of advisors relating to tPR's investigation into the UK Pension Schemes. Total net operating costs of £44 million (NZ\$89 million) compare with £23 million (NZ\$46 million) for 2012. The figure for 2013 includes costs associated with responding to tPR's investigations of £10 million for the period to 31 December 2013 and £8 million for work the Group is already committed to in 2014. Also included within overheads are advisory costs relating to the value realisation programme of £2 million (NZ\$4 million) and staff related costs of £13 million (NZ\$26 million) (2012: £11 million (NZ\$22 million)). The staff costs reflect the acceleration of investment team terminations and associated incentives following completion of the asset realisation programme.

Downsizing and migration of support services to Coats has been a focus of 2013. As at 31 December 2013 the permanent headcount, excluding Directors, of GPG had reduced to seven (2012:15), six dealing with finance, company secretarial and administration and one support staff member.

Capital Management

The share buyback programme announced during 2012 was completed during the first quarter of 2013 and the Board took the decision in July 2013 that no further returns of capital would be progressed during the period of uncertainty relating to tPR's investigation. There are also no current intentions for the Board to announce a dividend.

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

	31 December 2013	31 December 2012
	£m	£m
GBP	145	114
AUD	5	26
NZD	127	103
USD	106	-
Total £ million	383	243
Total NZ\$ million	773	490

The GBP and AUD balances are for known short and long term obligations of the Group. The remainder is held in either NZD or USD and the Board has no plans at present to change this allocation.

Board Changes and Structure

On 6 March 2013 Waldemar Szlezak was appointed as a Non-Executive Director of the Company. Following his appointment, the Board comprised six Directors, including the independent Chairman and two independent directors. On 20 February 2014 Mike Clasper was appointed as an independent Non-Executive Director of the Company.

The composition of the Board 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.

Annual General Meeting

The Annual General Meeting is intended to be held on Thursday, 22 May 2014 in London. Further details of the exact location and timing will be provided in the Notice of Meeting which GPG plans to send to shareholders in April 2014.

Rob Campbell
Chairman
Guinness Peat Group plc

25 February 2014

Note: All NZ\$ comparatives to £ amounts are for illustrative purposes only, based on the NZ\$: GBP exchange rate on 31 December 2013, NZ\$2.0175: £1.00.

Appendix

Net proceeds from portfolio divestments from 1 January 2011 to 31 December 2013

	£million	NZ\$million
2011 Disposals	144	291
2012 Disposals	314	633
2013 Disposals		
Tower	82	165
Ridley	38	77
CIC Australia	35	71
Capral	27	55
Prime Ag	26	52
Tandou	10	20
AV Jennings	6	12
	<hr/>	<hr/>
	224	452
Disposals less than £5 million, dividend receipts and other investment activity	<hr/>	<hr/>
	16	32
Total generated in 2013	<hr/>	<hr/>
	240	484
Grand total	<hr/>	<hr/>
	698	1,408

Coats Group

Unaudited results for the year ended 31 December 2013

All figures reported in the Coats Group section are in US dollars (US\$) unless otherwise stated

	2013			2012 (restated) ¹		
	Before exceptional items Unaudited	Exceptional items Unaudited	² Total Unaudited	Before exceptional items Unaudited	Exceptional items Unaudited	² Total Unaudited
	\$m	\$m	\$m	\$m	\$m	\$m
Revenue	1,703.7	-	1,703.7	1,653.4	-	1,653.4
Operating profit/(loss)	132.7	(8.5)	124.2	120.6	(131.7)	(11.1)
Profit/(loss) before taxation	96.6	(8.5)	88.1	76.2	(167.5)	(91.3)
Net profit/(loss) attributable to equity shareholders	37.3	(8.1)	29.2	17.2	(163.6)	(146.4)
Free cash flow			44.8			44.8 ³

¹ The basis of preparation is set out in note 1 of the Coats financial information and includes the restatement of 2012 for adoption of IAS 19 (revised)

² Exceptional items are set out in note 3 of the Coats Financial Information

³ 2012 figure excludes the \$174.8 million payment of the European Commission fine and associated interest

Highlights

- Robust trading results despite muted market conditions
- Revenue of \$1,704 million, up 5% like-for-likeⁱ with both Divisions showing growth
- Operating profit up 12% like-for-like before exceptional items
- Attributable profit before exceptional items up \$20 million to \$37 million
- Full year free cash flow of \$45 million (\$54 million before reorganisation, property sales and US antitrust litigation)
- Reorganisation activity substantially completed
- New Chairman appointed to Coats' Board

Commenting on Coats' Full Year 2013 results Paul Forman, Group Chief Executive, said

'I am pleased to report that despite muted market conditions, Coats' results for the year show growth in sales and profit across both Divisions. This illustrates the underlying resilience of our core markets and our strong global market positions. We have continued to generate a good level of free cash flow and growth in returns on capital. Furthermore we have increasingly robust foundations for future growth through accelerating product innovation, exciting new service offerings and greater capability in key areas like consumer crafts marketing and market leading digital propositions.'

ⁱ 2012 figures at 2013 exchange rates

Coats Chief Executive's review

Operating summary

	2013	2012	2012	Reported increase/(decrease)			Like-for-like increase		
	Reported	Reported ¹	Like-for-like ^{1,2}	Full Year	First Half	Second Half	Full Year	First Half	Second Half
	\$m	\$m	\$m	%	%	%	%	%	%
Revenue									
Industrial	1,211.8	1,174.7	1,151.5	3%	3%	4%	5%	4%	7%
Crafts	491.9	478.7	475.2	3%	2%	3%	4%	4%	3%
Total revenue	1,703.7	1,653.4	1,626.7	3%	3%	4%	5%	4%	6%
Pre-exceptional operating profit³									
Industrial	110.7	107.0	105.4	3%	8%	(1)%	5%	8%	2%
Crafts	22.0	13.6	13.0	62%	41%	81%	69%	61%	76%
Total	132.7	120.6	118.4	10%	12%	8%	12%	13%	11%
Operating margin³	7.8%	7.3%	7.3%	50bps	70bps	40bps	50bps	70bps	40bps

¹ 2012 pre-exceptional operating profit and margin has been restated for the adoption of IAS 19 (revised)

² 2012 like-for-like restates 2012 figures at 2013 exchange rates

³ Pre-reorganisation and other exceptional items (see note 3 to the Coats financial information)

In the following commentary, all comparisons with 2012 are on a like-for-like constant currency basis and all references to operating profit are to pre-exceptional operating profit.

Group

Coats' trading over the year has been robust despite mixed market conditions. Consolidated sales for the year increased by 5% year-on-year, as a result of growth across both operating Divisions, continuing the positive sales trend experienced in the first half of the year. Sales growth at 3% on a reported currency basis reflects the like-for-like performance, offset by the translation impact of a strengthening US Dollar, primarily in the second half, against currencies such as the Brazilian Real and the Indian Rupee.

Coats' operating profit was \$132.7 million, an increase of 12%. Both Divisions continue to offset inflationary cost rises (energy, labour, raw materials and finished goods) with procurement and productivity improvements coupled with pricing initiatives.

Industrial Division

Industrial Division sales are largely driven by demand for clothing and footwear in developed economies. Demand over the last year has continued to be impacted by the slow economic recovery; nonetheless many of our businesses, especially in Asia and Europe, displayed good growth. Sales growth in the Americas was affected by soft Latin American demand and, as previously reported, a major ERP system implementation in the region. Despite these challenges and tougher comparators, second half sales were up 7%, driven by a good performance in Asia and EMEA. This builds on growth seen in the first half. Operating profit growth of 5% year-on-year was primarily driven by volume improvements, as cost inflation and investments in new business were successfully offset by pricing and productivity.

Crafts Division

Crafts' second half sales were up 3% as a result of the first half expansion in shelf space with large retail customers and the ongoing strong growth in handknittings, particularly in North America and Europe. Operating profit for the full year was up 69% on 2012. Profitability for the second half was up 76% year-on-year, mainly driven by the benefits of reorganisation activity.

Financial Summary

Full year sales of \$1,703.7 million (2012 - \$1,653.4 million reported) and an operating profit of \$132.7 million (2012 - \$120.6 million reported) were achieved in 2013 despite the slow economic recovery. At like-for-like exchange rates, which gives the best view of underlying performance, full year sales increased by 5%, with the encouraging performance during the first half of 2013 continuing into the second half. Second half operating profit showed an improvement on 2012, with an increase of 11% while operating margins rose from 7.6% to 8.0%. Productivity, procurement and reorganisation activity drove the improved profitability. Post exceptional items, the operating profit for the year was \$124.2 million (2012 - \$11.1 million reported loss).

Net profit attributable to shareholders was \$29.2 million (2012 - \$146.4 million reported loss). Excluding exceptional items and their associated tax effect, Coats generated attributable profit of \$37.3 million (2012 - \$17.2 million reported).

Continued strong cash generation was reflected in the adjusted free cash flowⁱ of \$54.1 million, although this was lower than 2012 (\$64.9 million) due to the timing of tax payments. Reflecting the strong cash generation, year end net debt fell to \$329.2 million (2012 - \$367.6 million).

Return on capital employedⁱⁱ increased to 22% (2012 - 18%), primarily driven by improved operating profit.

Investment continued to be made to support the growth of the business and to improve its operational performance. Investment in new plant and systems amounted to \$37.8 million (2012 - \$38.8 million).

Board Changes

During 2013 we announced two important non-executive appointments to the Coats Board. Mike Clasper joined as Chairman on 1 September 2013 and Ruth Anderson joined on 2 January 2014.

Prospects

Many of our markets closely reflect trends in GDP and consumer spend in their underlying demand pattern. Therefore we expect a broadly positive picture in Asia, moderate growth in demand in North America and Europe, and a relatively flat situation in Latin America, especially Brazil. It is expected that raw material costs will trend marginally upwards, and payroll and other inflationary pressures will continue to feature in many of the countries in which Coats operates.

Year-on-year improvement in Industrial Division sales is expected during 2014, with contributions from both volume and price. Inflationary cost rises in the business will continue to be offset by procurement and productivity improvements, while pricing initiatives will remain important in achieving profitable sales growth.

In the Crafts Division, while 2013 saw 4% like-for-like sales growth, it is expected that a reduction in fashion handknitting yarn sales will contribute to a sales decline in both EMEA and North America, limiting year-on-year growth.

Conclusion

Coats' underlying results for the year show sound growth across both Divisions illustrating the resilience and strength of our core footwear, apparel, Speciality thread and Crafts businesses. A good cash flow has again been generated and there are sound foundations for future sales and profit growth through ongoing product innovation, market leading use of digital channels together with procurement, productivity and pricing initiatives.

Paul Forman
Group Chief Executive
Coats plc
25 February 2014

ⁱ See Coats Group financial review for calculation of adjusted free cash flow

ⁱⁱ Return on capital employed defined as pre-exceptional operating profit divided by capital employed at period end

Coats Group Operating Review

Industrial Division

	2013	2012	2012	2012	Like-for-like increase/(decrease)		
	Reported	Reported ¹	Reported increase/(decrease)	Like-for-like ^{1,2}	Full Year	First Half	Second Half
	\$m	\$m	%	\$m	%	%	%
Revenue							
Asia and Australasia	659.0	624.8	5%	609.5	8%	8%	8%
Americas	284.5	295.8	(4)%	288.0	(1)%	(5)%	3%
EMEA	268.3	254.1	6%	254.0	6%	4%	8%
Total revenue	1,211.8	1,174.7	3%	1,151.5	5%	4%	7%
Pre-exceptional operating profit ³	110.7	107.0	3%	105.4	5%	8%	2%
Operating margin ³	9.1%	9.1%	-	9.2%	(10)bps	40bps	(40)bps

¹ 2012 pre-exceptional operating profit and margin has been restated for the adoption of IAS 19 (revised)

² 2012 like-for-like restates 2012 figures at 2013 exchange rates

³ Pre-reorganisation and other exceptional items (see note 3 to the Coats financial information)

In the following commentary, all comparisons with 2012 are on a like-for-like constant currency basis and all references to operating profit are to pre-exceptional operating profit.

Industrial Division sales rose 5% year-on-year, primarily due to increased growth in apparel, footwear, Speciality and zips in Asia and Australasia and in Speciality and zips in EMEA.

Asia and Australasia sales increased by 8% year-on-year as a result of strong growth across the region, with the key driver being apparel and footwear sales in Vietnam, India and Bangladesh driven by local, US and Western European demand.

The Americas sales decline of 1% reflects performance within Latin America where softer demand in Brazil and supply chain pressures due to a major ERP implementation adversely impacted performance during the first half. North American manufacturing and defence sector weakness, primarily in the first half, also had an impact on Speciality product sales. However performance improved in the second half of 2013, with a 3% increase in sales.

EMEA sales increased by 6% driven by strong growth in both Speciality and zips products.

Industrial Division operating profit increased 5% to \$110.7 million (2012 - \$105.4 million), with volume growth, productivity, procurement and pricing initiatives more than offsetting raw material, payroll and energy inflation. Operating margins of 9.1% (2012 - 9.2%) declined slightly as growth and efficiency improvement activity was offset by investment in key strategic growth areas, in addition to facing tougher comparators in the second half.

Crafts Division

	2013	2012	2012	2012		Like-for-like increase/(decrease)		
	Reported	Reported ¹	Reported increase	Like-for-like	^{1,2}	Full Year	First Half	Second Half
	\$m	\$m	%	\$m		%	%	%
Revenue								
Americas	318.5	311.0	2%	304.2		5%	2%	7%
EMEA	173.4	167.7	3%	171.0		1%	7%	(3)%
Total revenue	491.9	478.7	3%	475.2		4%	4%	3%
Pre-exceptional operating profit ³	22.0	13.6	62%	13.0		69%	61%	76%
Operating margin ³	4.5%	2.8%	170bps	2.7%		180bps	140bps	210bps

¹ 2012 pre-exceptional operating profit and margin has been restated for the adoption of IAS 19 (revised)

² 2012 like-for-like restates 2012 figures at 2013 exchange rates

³ Pre-reorganisation and other exceptional items (see note 3 to the Coats financial information)

In the following commentary, all comparisons with 2012 are on a like-for-like constant currency basis and all references to operating profit are to pre-exceptional operating profit.

Sales in the Crafts Division rose 4% year-on-year. A significant increase in sales of handknitting products in North America and EMEA continued to drive growth.

Sales growth of 5% year-on-year in the Americas was again primarily due to very strong handknitting sales driven by the fashion yarn segment which includes Red Heart's Sashay product range. Performance in Latin America was adversely impacted by softer demand in Brazil and some supply chain pressures due to the major ERP implementation. Second half growth of 7% (first half 2%) reflected a short term spike in sales of Sashay and operational improvements in Brazil.

The EMEA Crafts business continued to build on the positive performance of the first half of 2013. Strong handknitting sales were partly offset by lower sales in sewing and embroidery. Overall growth in EMEA sales was 1% year-on-year, with the second half decline primarily reflecting a change in operating model in Scandinavia made at the end of the first half. The Scandinavian region has moved from a retail sales to a distribution model, with the intention of improving operating margins albeit at a reduced level of sales.

Operating profit for the Division for the full year was 69% higher than 2012. The improvement in profitability reflected the rationalisation of the business in EMEA. The continued operational efficiency focus drove the increase in Crafts' operating profit margin to 4.5% from 2.7% in the prior year.

Coats Group financial review

Exceptional items

Net exceptional costs charged to profit before taxation totalled \$8.5 million (2012 - \$167.5 million, of which \$120.4 million related to the European Commission fine).

As previously reported, during 2013 settlement was reached in the US antitrust litigation which had been pending in the US District Court for the Eastern District of Pennsylvania. The lawsuit related to alleged activity in the period from 1991–2007. The settlement was approved by the Court on 24 January 2014. While Coats denies that it breached any US antitrust law and continued to believe it had good defences to the claims alleged, it decided to enter into the settlement to avoid further expense and the distraction of ongoing and protracted litigation in the US. During the second half of 2013, Coats paid a settlement amount of \$9.9 million, which included plaintiffs' legal costs and expenses. The net exceptional charge in the year arising from this settlement was \$2.7 million post US tax deductions of \$4.5 million and existing provisions.

A further \$21.4 million of operating exceptional items was incurred in 2013 (2012 - \$45.3 million). This included reorganisation costs (including impairment) of \$22.7 million (2012 - \$39.9 million) and other exceptional costs of \$5.7 million (2012 - \$5.4 million), offset by the profit on sale of property of \$20.1 million (2012 - \$1.8 million loss) and a UK pension increase exchange offer of \$7.0 million (2012 - \$nil).

The reorganisation primarily related to the restructuring of operations in EMEA. This reorganisation is part of the accelerated programme announced in 2012 to bring forward projects planned for future years, with the aim of not incurring separately identifiable reorganisation expenditure from 2014 onwards. In 2013, the charge also included \$5.0 million of specific projects in Latin America undertaken in response to the trading performance in the region. These were completed in the second half of 2013. Gains on property disposals in the year included sales in Peru (\$18.4 million) and in Portugal (\$1.9 million).

The \$0.5 million (2012 - \$8.0 million) US environmental exceptional charge is primarily connected with the remediation of one part of the Lower Passaic River and Coats & Clarke's latest estimated share of the remedial investigation, feasibility study and associated legal and consultancy costs (see note 12 to the GPG consolidated financial statements for further details).

Non-operating results

Investment income increased by \$2.3 million to \$4.9 million (2012 - \$2.6 million) following the recovery of a long standing debt. Excluding IAS 19 pensions interest and exceptional items, finance costs reduced by \$4.9 million to \$29.4 million (2012 - \$34.3 million) as a result of lower interest rates on borrowings fixed through swaps and gains on foreign exchange contracts.

The taxation charge for 2013 was \$51.0 million (2012 - \$44.9 million) resulting in a reported tax rate of 58%. Excluding all exceptional items plus any associated tax effect, prior year tax adjustments and the impact of IAS19 finance charges, the underlying effective rate on pre-tax profits of \$108.9 million (2012 - \$90.0 million) was 49% (2012 - 55%). The fall in the underlying effective tax rate primarily reflects reduced losses in EMEA. A global tax review will continue to identify specific actions to reduce the effective tax rate.

There was a \$0.1 million loss from discontinued operations in 2013 (2012 - \$2.7 million loss, primarily relating to provisioning for historical UK employer liability claims). Minority interests of \$7.8 million (2012 - \$7.5 million) mainly reflect the post-tax profits made by minority holdings in operations in Bangladesh, China, Hong Kong, Turkey and Vietnam.

The net profit attributable to shareholders was \$29.2 million (2012 - \$146.4 million loss).

Pre-exceptional attributable profit increased 117% to \$37.3 million (2012 - \$17.2 million). This excludes reorganisation costs of \$22.7 million (2012 - \$39.9 million), property profits of \$20.1 million (2012 - \$1.8 million loss), other exceptional items of \$5.9 million (2012 - \$5.4 million) and tax on exceptional items of \$0.4 million (2012 - \$3.9 million). The 2012 figure also excludes the EC fine.

Investment

Investment continued to be made to support the growth of the business and to further improve its operational performance.

Investment in new plant and systems amounted to \$37.8 million (2012 - \$38.8 million). This capital expenditure was primarily focussed on productivity improvements in the Industrial Division, especially in EMEA. Capital expenditure was 0.8 times depreciation (including computer software amortisation) (2012 - 0.7 times).

Cash flow

Adjusted free cash flow of \$54.1 million (2012 - \$64.9 million) excludes, all net of tax, reorganisation spend of \$27.7 million (2012 - \$21.1 million), US antitrust litigation of \$8.2 million (2012 - \$nil) and proceeds from property disposals of \$26.6 million (2012 - \$1.0 million). The free cash flow was \$44.8 million (2012 - \$130.0 million) outflow, which included the \$174.8 million payment of the European Commission fine and associated interest.

EBITDA (defined as pre-exceptional operating profit before depreciation and amortisation) was \$181.6 million (2012 - \$173.4 million).

Net working capital as a percentage of sales fell to 14.8% (2012 - 17.1%) resulting in a cash inflow of \$10.2 million. This improvement was driven by a continued focus on all aspects of working capital, with improvements being made primarily in inventory and creditors.

Interest and tax paid increased to \$79.5 million (2012 - \$62.6 million excluding the exceptional interest of \$35.8 million), primarily reflecting the timing of tax payments on account which is now more aligned to the tax charge. Net debt decreased from \$367.6 million at the end of 2012 to \$329.2 million at the end of 2013.

Cash outflow for reorganisation activity of \$28.2 million (2012 - \$21.4 million) was primarily in relation to the restructuring of operations in EMEA, some of which was announced in 2012 as part of the accelerated programme to bring forward projects planned for future years. Coats expects a cash outflow from reorganisation, net of proceeds from related property disposals, over the duration of the programme (across the years 2013 and 2014) of c. \$10-15 million, which excludes the associated benefits.

Balance sheet

An important 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 put in place in October 2011, net debt at 31 December 2013 was 1.8 times EBITDA of the preceding twelve months (2012 - 2.1 times). This fall in leverage will reduce the margin on funds borrowed in 2014 from 200 to 175 basis points.

Equity shareholders' funds increased from \$77.9 million at December 2012 to \$226.2 million at December 2013. This primarily reflects the \$29.2 million attributable profit arising in the period and a \$130.8 million actuarial gain taken directly to reserves in respect of all of the Coats Group's retirement benefit arrangements.

Pensions and other post-employment benefits

IAS19 (revised) has impacted the accounting for Coats' defined benefit schemes by replacing the interest cost and expected return on plan assets with a net interest amount on net defined benefit assets and liabilities. In addition, pension scheme administrative costs are recognised as administrative expenses. The impact of adopting this new standard is an increase in finance costs of \$37.0 million (2012 - \$28.7 million), an increase in administrative expenses of \$7.0 million (2012 - \$6.4 million) and a reduction in deferred tax of \$1.5 million (2012 - \$1.7 million), compared to what would have been recognised prior to the adoption of this standard. However, the adoption of this standard has had no impact on the Group's net defined benefit obligation nor cash flow.

The net obligation for the Group's retirement and other post-employment defined benefit liabilities improved from \$336.9 million to \$202.7 million at the end of 2013, for the reasons set out below.

UK pension plan

As at 31 December 2013, the deficit on an IAS 19 accounting basis in the Coats UK pension plan, which represents the Group's most significant funded defined benefit arrangement, reduced significantly from \$261.8 million at the 2012 year end to \$129.2 million. The reduction was primarily as a result of improved asset performance, with the impact from changes in bond yields and inflation largely offsetting each other.

As part of the long-term strategy to manage risks and uncertainties associated with the UK pension plan, during the year certain pensioners were offered the opportunity to uplift their pension with effect from March 2014 in return for surrendering their rights to future inflationary increases in annual pension payments ('UK pension increase exchange offer'). Acceptance of this offer resulted in an exceptional credit of \$7.0 million, net of costs, reflecting the reduction in liabilities which has arisen. As a result, the ongoing funding deficit of the UK plan has reduced by approximately \$12 million and the buy-out deficit has reduced by approximately \$20 million.

Agreement with the Trustees on the triennial valuation for the UK pension plan was also reached. Annual recovery plan contributions have doubled to \$23 million over 14 years and the first payment was made in November 2013. These contributions will be reviewed at the next triennial valuation date in 2015. Total UK employer contributions in 2014 are estimated to be around \$27 million compared to actual contributions of \$16.4 million in 2013.

Other pension and post-employment arrangements

The recognised surplus for the US funded defined benefit scheme increased from \$37.3 million to \$47.1 million primarily due to an increase in the expected utilisation for US post-retirement medical claims, partly reflecting a change in legislation in 2013.

The overall net deficit on other plans was \$120.6 million (2012 - \$112.4 million). The increase reflects higher expected claims for the US post-retirement medical plan, partly offset by increases in bond yields in respect of other plans.

Enquiry details

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About Coats

With a rich heritage dating back to the 1750s, Coats is the world's leading industrial thread and consumer textile crafts business, at home in more than 70 countries, employing more than 20,000 people across six continents. Revenues in 2013 were US\$1.7bn.

Our well-known brands and strong relationships with customers and consumers mean our products and services meet current and future needs. Our company-wide understanding of our business partners and consumers, coupled with the deep expertise of our people, builds trust and certainty.

Coats' pioneering history and innovative culture ensure the company continues leading the way around the world: 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.

- One in five garments on the planet is held together using Coats' thread
- 100 million car airbags are made using Coats' thread every year
- Coats produces enough yarn to knit 70 million scarves a year
- In three and a half hours, Coats makes enough thread to go to the moon and back
- 400 million pairs of shoes are made every year using Coats' thread
- One million teabags using Coats' thread are brewed every 10 minutes
- Thousands of surgical operations take place every day using Coats' thread
- Thomas Edison used Coats' thread in 1879 to invent the light bulb
- Coats produces enough thread to reach around the Equator every 11 minutes
- Coats is the second largest and fastest growing global zip manufacturer

To find out more about Coats visit www.coats.com

Guinness Peat Group plc financial information

Consolidated Income Statement

Year ended 31 December

	2013 IFRS			2012 IFRS		
	Coats Unaudited	Other Unaudited	Total Unaudited	Coats Audited Restated	Other Audited Restated	Total Audited Restated
	£m	£m	£m	£m	£m	£m
Continuing operations						
Revenue	1,089	-	1,089	1,043	-	1,043
Cost of sales (2012: including £53m in respect of the EC fine)	(709)	-	(709)	(755)	-	(755)
Gross profit	380	-	380	288	-	288
Interest receivable						
- Parent Group	-	4	4	-	6	6
Distribution costs	(183)	-	(183)	(177)	-	(177)
Administrative expenses	(118)	(43)	(161)	(118)	(24)	(142)
Other operating income	-	1	1	-	-	-
Operating profit/(loss) (2012: £29m profit excluding impact of the EC fine)	79	(38)	41	(7)	(18)	(25)
Interest and other income						
- Coats	3	-	3	2	-	2
Share of profit of joint ventures	1	-	1	1	-	1
Finance costs (net) (Coats – 2012: including £23m in respect of the EC fine)	(27)	(4)	(31)	(53)	(18)	(71)
Profit/(loss) before taxation from continuing operations (2012: £17m loss excluding impact of the EC fine)	56	(42)	14	(57)	(36)	(93)
Tax on profit/(loss) from continuing operations	(32)	-	(32)	(28)	-	(28)
Profit/(loss) for the year from continuing operations	24	(42)	(18)	(85)	(36)	(121)
Discontinued operations Profit/(loss) from discontinued operations	-	46	46	(2)	97	95
PROFIT/(LOSS) FOR THE YEAR	24	4	28	(87)	61	(26)
Attributable to:						
EQUITY HOLDERS OF THE PARENT	19	4	23	(92)	63	(29)
Non-controlling interests	5	-	5	5	(2)	3
	24	4	28	(87)	61	(26)
EARNINGS/(LOSS) PER ORDINARY SHARE FROM CONTINUING AND DISCONTINUED OPERATIONS:						
Basic and diluted			1.57p			(1.77)p
LOSS PER ORDINARY SHARE FROM CONTINUING OPERATIONS:						
Basic and diluted			(1.53)p			(7.76)p

*Restated to reflect the impact of adoption of IAS19 (revised) 'Employee Benefits', see Note 1.

Guinness Peat Group plc

Consolidated Statement of Comprehensive Income

Year ended 31 December

	2013 IFRS Unaudited £m	2012 IFRS Audited Restated £m *
PROFIT/ (LOSS) FOR THE YEAR	28	(26)
Items that will not be reclassified subsequently to profit or loss:		
Net actuarial gains/(losses) on retirement benefit schemes	106	(13)
Tax on items that will not be reclassified	1	(1)
	107	(14)
Items that may be reclassified subsequently to profit or loss:		
Losses on revaluation of fixed asset investments	(5)	(13)
Exchange losses on translation of foreign operations	(36)	(13)
Gains/(losses) on cash flow hedges	1	(3)
Tax on items that may be reclassified	1	4
Transferred to profit or loss on sale or impairment of fixed asset investments	(11)	(40)
Transferred to profit or loss on sale of businesses	(30)	(39)
Transferred to profit or loss on cash flow hedges	3	3
	(77)	(101)
NET COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR	58	(141)
Attributable to:		
EQUITY HOLDERS OF THE PARENT	53	(143)
Non-controlling interests	5	2
	58	(141)

* Restated to reflect the impact of adoption of IAS19 (revised) 'Employee Benefits' and amendments to IAS1 "Presentation of Items in Other Comprehensive Income", see Note 1.

Guinness Peat Group plc

Consolidated Statement of Financial Position

31 December

	2013 IFRS Unaudited £m	2012 IFRS Audited £m
NON-CURRENT ASSETS		
Intangible assets	155	160
Property, plant and equipment	206	226
Investments in joint ventures	8	9
Fixed asset investments	2	2
Deferred tax assets	8	9
Pension surpluses	27	21
Trade and other receivables	12	13
	418	440
CURRENT ASSETS		
Inventories	170	191
Trade and other receivables	207	190
Current asset investments	-	10
Derivative financial instruments	3	2
Cash and cash equivalents	458	322
	838	715
Assets held for sale	1	273
TOTAL ASSETS	1,257	1,428
CURRENT LIABILITIES		
Trade and other payables	228	220
Current income tax liabilities	11	10
Other borrowings	50	27
Derivative financial instruments	3	4
Provisions	48	46
	340	307
NET CURRENT ASSETS	498	408
Liabilities directly associated with assets held for sale	-	37
NON-CURRENT LIABILITIES		
Trade and other payables	11	15
Deferred tax liabilities	22	25
Other borrowings	224	278
Derivative financial instruments	1	3
Retirement benefit obligations:		
Funded schemes	118	225
Unfunded schemes	68	61
Provisions	16	19
	460	626
TOTAL LIABILITIES	800	970
NET ASSETS	457	458

Guinness Peat Group plc

**Consolidated Statement of Financial Position
(continued)**

31 December	2013 IFRS Unaudited £m	2012 IFRS Audited £m
EQUITY		
Share capital	70	78
Share premium account	1	-
Translation reserve	22	89
Unrealised gains reserve	-	14
Capital reduction reserve	48	93
Other reserves	124	112
Retained earnings	179	48
EQUITY SHAREHOLDERS' FUNDS	444	434
Non-controlling interests	13	24
TOTAL EQUITY	457	458
 Net asset backing per share	 31.52p	 27.73p

Guinness Peat Group plc

Consolidated Statement of Changes in Equity

Year ended 31 December	Share capital	Share premium account	Translation reserve	Unrealised gains reserve	Capital reduction reserve	Other reserves	Retained earnings	Total	Non-controlling interests
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Balance as at 1 January 2012	81	-	139	64	118	109	91	602	64
Net comprehensive expense for the year	-	-	(50)	(50)	-	-	(43)	(143)	2
Share buybacks	(3)	-	-	-	(25)	3	-	(25)	-
Dividends	-	-	-	-	-	-	-	-	(4)
Disposal of subsidiaries	-	-	-	-	-	-	-	-	(38)
Balance as at 31 December 2012	78	-	89	14	93	112	48	434	24
Net comprehensive income for the year	-	-	(67)	(14)	-	4	130	53	5
Share buybacks	(8)	-	-	-	(45)	8	-	(45)	-
Dividends	-	-	-	-	-	-	-	-	(5)
Share issues	-	1	-	-	-	-	-	1	-
Disposal of subsidiaries	-	-	-	-	-	-	1	1	(11)
Balance as at 31 December 2013	70	1	22	-	48	124	179	444	13

Guinness Peat Group plc

Consolidated Statement of Cash Flows

Year ended 31 December

	2013 IFRS Unaudited £m	2012 IFRS Audited £m
Cash inflow from operating activities		
Net cash inflow from operating activities**	149	134
Interest paid	(18)	(58)
Taxation paid	(35)	(24)
Net cash generated by operating activities	96	52
Cash inflow from investing activities		
Dividends received from joint ventures	3	6
Net capital expenditure and financial investment	(6)	(27)
Acquisitions and disposals**	129	193
Net cash generated by investing activities	126	172
Cash outflow from financing activities		
Net buy-back of Ordinary Shares	(45)	(24)
Dividends paid to non-controlling interests	(5)	(5)
Net decrease in borrowings	(28)	(142)
Net cash absorbed in financing activities	(78)	(171)
Increase in cash and cash equivalents	144	53
Cash and cash equivalents at beginning of the year	311	259
Exchange losses on cash and cash equivalents	(8)	(1)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	447	311
Cash and cash equivalents per the Consolidated Statement of Financial Position	458	322
Bank overdrafts	(11)	(11)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	447	311
Summary of net cash		
- Parent Group* cash	383	243
- Other group cash	75	79
- Other group debt	(274)	(305)
Total Group net cash	184	17

* 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 cash inflow from operating activities.

NOTES TO FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2013

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. During the year the Group adopted amendments to IAS1 'Presentation of Items in Other Comprehensive Income', IAS19 'Employee Benefits' and IFRS13 'Fair Value Measurement'.

The impact of adoption of IAS19 (revised), effective from 1 January 2013 but applied retrospectively, is as follows:

	Year to 31 December 2013 £m	Year to 31 December 2012 £m
Increase in operating expenses re administration costs	(4)	(5)
Increase in finance costs	(24)	(22)
Decrease in tax charge	1	1
Increase in net actuarial gains/decrease in net actuarial losses in other comprehensive income	27	26

IAS19 (revised) has impacted the accounting for the Group's defined benefit schemes by replacing the interest cost and expected return on plan assets with a net interest amount on net defined assets and liabilities. In addition, pension scheme administrative expenses including the PPF levy and actuary, audit, legal and trustee charges are recognised as administrative expenses. There have been no changes to the Group's total defined benefit obligations recognised in the Consolidated Statement of Financial Position or to the net cash inflow generated by operations recognised in the Consolidated Statement of Cash Flows.

Other than a change in presentation of items within the Consolidated Statement of Comprehensive Income, the adoption of amendments to IAS1 has no impact on the financial information.

The adoption of IFRS13 has had no significant impact on these consolidated financial statements.

2. The financial information set out in this report does not constitute the GPG Group's statutory accounts for the years ended 31 December 2013 and 2012. Other than the restatement of the Consolidated Income Statement and the Consolidated Statement of Comprehensive Income to reflect the impact of adoption of IAS19 (revised) 'Employee Benefits', the financial information for the year ended 31 December 2012 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 statements under Sections 498(2) or 498(3) of the Companies Act 2006. The audit opinion contained in that report was unmodified. The audit of the statutory accounts for the year ended 31 December 2013 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 consolidated financial statements that comply with IFRS; these will be available to shareholders in March 2014.

At the year end the Parent Group had net cash totalling £383 million (2012: £243 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.

NOTES TO FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2013 - continued

Giving due consideration to the nature of the Group's business and underlying investments, 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 Group's foreign currency exposures; the potential requirement to provide support to the Group's defined benefit pension schemes; the capital structure to be adopted by GPG in readiness for its re-launch as Coats; and the factors which will determine further returns of surplus cash to shareholders; 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 2013, GPG recognised in operating profit £2 million of net foreign exchange losses (2012: £2 million). Net foreign exchange losses of £36 million (2012: £13 million) were recognised in reserves.

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

	2013 £m	2012 £m
UK Corporation tax at 23.25% (2012: 24.5%)	-	-
Overseas tax charge	32	29
	32	29
Deferred tax credit	-	(1)
	32	28

The tax charge for both years reflects the impact of unrelieved losses around the Group.

5. Associated undertakings and joint ventures

At 31 December 2012 the investments in Capral Ltd and Tower Ltd were included in Assets Held for Sale (note 6). During the year to 31 December 2013 the Group sold its entire interest in both of these investments. The remaining joint ventures at 31 December 2013 and 2012 are those held by Coats.

6. Discontinued operations

With effect from 31 December 2012, the remaining investments within the Parent Group (other than Coats) were reclassified as assets held for sale, and their results reclassified as discontinued operations.

The combined results of discontinued operations were as follows:

	Investment	Unallocated	2013 £m Total	2012 £m Total
Revenue	9	2	11	108
Cost of sales	(9)	(2)	(11)	(69)
Expenses	-	(6)	(6)	(42)
	-	(6)	(6)	(3)
Other income	31	5	36	93
Finance costs	-	(1)	(1)	(3)
Loss before tax	31	(2)	29	87
Attributable tax	(1)	1	-	(4)
Profit after tax	30	(1)	29	83
Loss arising on measurement to fair value	-	-	-	(17)
Gain on disposal of businesses	-	17	17	29
Profit from discontinued operations	30	16	46	95

NOTES TO FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2013 - continued

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

	2013 £m	2012 £m
Property, plant and equipment	-	20
Associated undertakings	-	113
Joint ventures	-	36
Other fixed asset investments	1	76
Deferred tax assets	-	4
Inventories	-	7
Due from associated undertakings and joint ventures	-	7
Trade receivables	-	2
Other financial asset receivables	-	4
Other receivables	-	1
Cash and cash equivalents	-	3
Assets held for sale	1	273
Due to associated undertakings	-	(13)
Other financial liability payables	-	(4)
Borrowings	-	(20)
Liabilities directly associated with assets held for sale	-	(37)

7. Other investments – For Coats, fixed asset investments within non-current assets are classified under IFRS as available-for-sale investments.

8. Earnings/(loss) per share – The calculation of basic earnings/(loss) per Ordinary Share from continuing and discontinued operations is based on the profit/(loss) for the year attributable to equity shareholders of the parent and the weighted average number of 1,473,849,270 (2012: 1,618,876,707) Ordinary Shares in issue during the year.

The calculation of basic loss per Ordinary Share from continuing operations is based on the loss for the year from continuing operations attributable to equity shareholders of the parent and the weighted average of 1,473,849,270 (2012: 1,618,876,707) Ordinary Shares in issue during the year.

9. The net tangible assets (net assets excluding intangible assets) per share at 31 December 2013 were 21.46p (2012: 19.07p).
10. Changes in the issued share capital during the year ended 31 December 2013 comprise the following:

	Number of shares	£m
At 1 January 2013	1,565,935,990	78
Employee options exercised	1,717,816	-
Share buy-backs	(160,501,683)	(8)
At 31 December 2013	1,407,152,123	70

In January 2013, 23,480,921 Ordinary Shares purchased in December 2012 were cancelled. Between January and March 2013, a further 137,020,762 Ordinary Shares were purchased and cancelled.

11. Dividends – No dividends were paid or proposed during the year (2012: Nil).

NOTES TO FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2013 - continued

12. Contingent liabilities – 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 \$125 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 CPG costs. During 2012, 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. TMO is not currently funding the RI/FS, and CC's interim allocation of future RI/FS and related CPG costs is now approximately 2%. The interim allocation is expressly limited to the RI/FS and other authorised expenditures; it does not relate to the ultimate LPR remediation and is subject to reallocation after the RI/FS has been issued. CC believes that there are many parties that will participate in the remediation that are not currently funding the study of the river, including those that are the most responsible for its current contamination, which will reduce CC's interim allocation.

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 2014, 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 2012, 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 \$0.6 million. The \$0.5 million (2012: \$8.0 million) US environmental charge reported by Coats is primarily connected with this remediation and CC's latest estimated share of study costs and associated legal and consultancy costs.

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 which 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.

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:

RJ Campbell
MN Allen
Sir Ron Brierley
M Clasper CBE (appointed 20 February 2014)
SL Malcolm
BA Nixon
WR Szlezak (appointed 6 March 2013)

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 2013.

Guinness Peat Group plc

NOTES TO FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2013 - continued

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.

On behalf of the Board
R. J. Campbell, Chairman
25 February 2014

UNITED KINGDOM

First Floor, Times Place, 45 Pall Mall, London SW1Y 5GP	Tel: 020 7663 3992	Fax: 020 3367 1084
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AUSTRALIA

c/o BDO East Coast Partnership Level 10, 1 Margaret Street, Sydney, NSW 2000	Tel: 02 9251 4100	Fax: 02 9240 9821
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NEW ZEALAND

c/o Computershare Investor Services Limited Private Bag 92119, Auckland 1142	Tel: 09 488 8700	Fax: 09 488 8787
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Registered in England No. 103548

Coats consolidated financial information

Consolidated Income Statement (unaudited)

For the year ended 31 December	Notes	2013			2012 Restated *		
		Before exceptional items	Exceptional items	Total	Before exceptional items	Exceptional items	Total
		Unaudited US\$m	Unaudited US\$m	Unaudited US\$m	Unaudited US\$m	Unaudited US\$m	Unaudited US\$m
Continuing operations							
Revenue		1,703.7	-	1,703.7	1,653.4	-	1,653.4
Cost of sales		(1,079.5)	(30.4)	(1,109.9)	(1,065.0)	(132.5)	(1,197.5)
Gross profit		624.2	(30.4)	593.8	588.4	(132.5)	455.9
Distribution costs		(285.7)	-	(285.7)	(280.3)	-	(280.3)
Administrative expenses		(205.8)	1.8	(204.0)	(187.5)	2.6	(184.9)
Other operating income/(expense)		-	20.1	20.1	-	(1.8)	(1.8)
Operating profit/(loss)		132.7	(8.5)	124.2	120.6	(131.7)	(11.1)
Share of profits of joint ventures		0.7	-	0.7	1.1	-	1.1
Investment income		4.9	-	4.9	2.6	-	2.6
Finance costs	4	(41.7)	-	(41.7)	(48.1)	(35.8)	(83.9)
Profit/(loss) before taxation	3	96.6	(8.5)	88.1	76.2	(167.5)	(91.3)
Taxation	5	(51.4)	0.4	(51.0)	(48.8)	3.9	(44.9)
Profit/(loss) from continuing operations		45.2	(8.1)	37.1	27.4	(163.6)	(136.2)
Discontinued operations							
Loss from discontinued operations		(0.1)	-	(0.1)	(2.7)	-	(2.7)
Profit/(loss) for the year		45.1	(8.1)	37.0	24.7	(163.6)	(138.9)
Attributable to:							
EQUITY SHAREHOLDERS OF THE COMPANY							
		37.3	(8.1)	29.2	17.2	(163.6)	(146.4)
Non-controlling interests		7.8	-	7.8	7.5	-	7.5
		45.1	(8.1)	37.0	24.7	(163.6)	(138.9)

* Results for the year ended 31 December 2012 have been restated to reflect the impact of the adoption of IAS 19 (revised) 'Employee Benefits' (see note 1 to the Financial Information)

Consolidated Statement of Comprehensive Income (unaudited)

For the year ended 31 December	2013 Unaudited US\$m	Restated* 2012 Unaudited US\$m
Profit/(loss) for the year	37.0	(138.9)
Items that will not be reclassified subsequently to profit or loss:		
Actuarial gains/(losses) in respect of retirement benefit schemes	130.8	(0.8)
Tax relating to components of other comprehensive income	1.4	(2.1)
	<u>132.2</u>	<u>(2.9)</u>
Items that may be reclassified subsequently to profit or loss:		
Cash flow hedges:		
Gains/(losses) arising during the year	0.8	(4.7)
Transferred to profit or loss on cash flow hedges	4.8	5.7
Exchange differences on translation of foreign operations	(20.5)	(7.4)
	<u>(14.9)</u>	<u>(6.4)</u>
Other comprehensive income and expense for the year	<u>117.3</u>	<u>(9.3)</u>
Total comprehensive income and expense for the year	<u>154.3</u>	<u>(148.2)</u>
Attributable to:		
EQUITY SHAREHOLDERS OF THE COMPANY	147.0	(155.8)
Non-controlling interests	7.3	7.6
	<u>154.3</u>	<u>(148.2)</u>

* Results for the year ended 31 December 2012 have been restated to reflect the impact of the adoption of IAS 19 (revised) 'Employee Benefits' (see note 1 to the Financial Information)

Consolidated Statement of Financial Position (unaudited)

At 31 December	Notes	2013 Unaudited US\$m	2012 Unaudited US\$m
Non-current assets			
Intangible assets		257.2	260.1
Property, plant and equipment		340.6	366.9
Investments in joint ventures		13.7	13.4
Available-for-sale investments		3.5	3.1
Deferred tax assets		13.6	15.1
Pension surpluses		44.6	34.6
Trade and other receivables		20.7	15.1
		<u>693.9</u>	<u>708.3</u>
Current assets			
Inventories		281.0	310.8
Trade and other receivables		342.4	309.3
Available-for-sale investments		0.6	0.2
Cash and cash equivalents	7	124.9	128.4
		<u>748.9</u>	<u>748.7</u>
Non-current assets classified as held for sale		-	3.0
Total assets		<u>1,442.8</u>	<u>1,460.0</u>
Current liabilities			
Trade and other payables		(366.8)	(347.4)
Current income tax liabilities		(17.4)	(14.6)
Bank overdrafts and other borrowings		(82.4)	(43.9)
Provisions		(59.0)	(71.1)
		<u>(525.6)</u>	<u>(477.0)</u>
Net current assets		<u>223.3</u>	<u>271.7</u>
Non-current liabilities			
Trade and other payables		(19.1)	(22.6)
Deferred tax liabilities		(36.8)	(40.6)
Borrowings		(371.7)	(452.1)
Retirement benefit obligations:			
Funded schemes		(105.6)	(245.6)
Unfunded schemes		(112.4)	(99.4)
Provisions		(23.8)	(24.9)
		<u>(669.4)</u>	<u>(885.2)</u>
Total liabilities		<u>(1,195.0)</u>	<u>(1,362.2)</u>
Net assets		<u>247.8</u>	<u>97.8</u>
Equity			
Share capital		20.5	20.5
Share premium account		412.1	412.1
Hedging and translation reserve		(39.9)	(25.5)
Retained loss		(166.5)	(329.2)
EQUITY SHAREHOLDERS' FUNDS		<u>226.2</u>	<u>77.9</u>
Non-controlling interests		21.6	19.9
Total equity		<u>247.8</u>	<u>97.8</u>

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) / earnings Unaudited US\$m	Equity shareholders' funds Unaudited US\$m	Non- controlling interests Unaudited US\$m	Total equity Unaudited US\$m
Balance as at 1 January 2012	20.5	412.1	(10.1)	(8.9)	(179.9)	233.7	17.9	251.6
(Loss)/profit for the year	-	-	-	-	(146.4)	(146.4)	7.5	(138.9)
Other comprehensive income and expense for the year	-	-	1.0	(7.5)	(2.9)	(9.4)	0.1	(9.3)
Total comprehensive income and expense for the year	-	-	1.0	(7.5)	(149.3)	(155.8)	7.6	(148.2)
Dividends paid to non-controlling interests	-	-	-	-	-	-	(5.6)	(5.6)
Balance as at 31 December 2012	20.5	412.1	(9.1)	(16.4)	(329.2)	77.9	19.9	97.8
Profit for the year	-	-	-	-	29.2	29.2	7.8	37.0
Other comprehensive income and expense for the year	-	-	5.6	(20.0)	132.2	117.8	(0.5)	117.3
Total comprehensive income and expense for the year	-	-	5.6	(20.0)	161.4	147.0	7.3	154.3
Disposal of a non-controlling interest	-	-	-	-	1.3	1.3	0.7	2.0
Dividends paid to non-controlling interests	-	-	-	-	-	-	(6.3)	(6.3)
Balance as at 31 December 2013	20.5	412.1	(3.5)	(36.4)	(166.5)	226.2	21.6	247.8

Consolidated Statement of Cash Flows (unaudited)

For the year ended 31 December	Notes	2013 Unaudited US\$m	2012 Unaudited US\$m
Cash inflow/(outflow) from operating activities			
Net cash inflow generated by operations	6	139.6	8.3
Interest paid		(26.2)	(63.1)
Taxation paid		(53.3)	(35.3)
Net cash generated by/(absorbed in) operating activities		60.1	(90.1)
Cash inflow/(outflow) from investing activities			
Dividends received from joint ventures		0.5	0.9
Acquisition of property, plant and equipment and intangible assets		(37.8)	(38.8)
Disposal of property, plant and equipment and intangible assets		28.3	1.7
Acquisition of financial investments		(1.1)	(0.5)
Disposal of financial investments		-	0.3
Disposal of businesses		1.5	2.1
Acquisition of investments in joint ventures		(0.4)	-
Net cash absorbed in investing activities		(9.0)	(34.3)
Cash (outflow)/inflow from financing activities			
Dividends paid to non-controlling interests		(6.3)	(5.6)
(Decrease)/increase in debt and lease financing		(43.3)	151.9
Net cash (absorbed in)/generated by financing activities		(49.6)	146.3
Net increase in cash and cash equivalents			
Net cash and cash equivalents at beginning of the year		110.4	85.6
Foreign exchange (losses)/gains on cash and cash equivalents		(5.1)	2.9
Net cash and cash equivalents at end of the year	7	106.8	110.4
Reconciliation of net cash flow to movement in net debt			
Net increase in cash and cash equivalents		1.5	21.9
Cash outflow/(inflow) from change in debt and lease financing		43.3	(151.9)
Change in net debt resulting from cash flows (Free cash flow)		44.8	(130.0)
Other		(2.3)	(2.3)
Foreign exchange (losses)/gains		(4.1)	3.1
Decrease/(increase) in net debt		38.4	(129.2)
Net debt at start of year		(367.6)	(238.4)
Net debt at end of year	7	(329.2)	(367.6)

Notes to the Coats consolidated financial information

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 ended 31 December 2013 and the audited consolidated financial information of GPG for the year ended 31 December 2012, as adjusted for the impact of the adoption of amendments to IAS 1 and IAS 19 (revised).

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 inclusion in the balance sheet both at 31 December 2013 and 31 December 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.

As previously reported, 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 future development of that business over the next two to three years. That amendment, which provides for a benefit pool equivalent to between 1% and 1.5% of GPG's equity, was formally agreed by the GPG Board on 22 August 2013 and has been reflected in the results for the year ended 31 December 2013.

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 included in due course within audited financial information of its ultimate parent company, GPG.

The financial information for the year ended 31 December 2013 has been prepared in accordance with the recognition and measurement requirements of International Financial Reporting Standards ('IFRS') endorsed by the European Union. During the period, CGL adopted the amendments to IAS 1 'Presentation of items in Other Comprehensive Income' and IAS 19 (revised) 'Employee Benefits'. The accounting policies adopted have been consistently applied to the financial information presented for the year ended 31 December 2012 and, as the Group has applied IAS 1 and IAS 19 (revised) retrospectively, comparative amounts for this period have been restated.

The amendments to IAS 1 require items of other comprehensive income to be grouped by those items that will be reclassified subsequently to profit or loss and those items that will never be reclassified, together with their associated income tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income in the Consolidated Statement of Comprehensive Income have been restated to reflect the change. The amendments affected presentation only and had no impact on the Group's financial position or performance.

IAS 19 (revised) has impacted the accounting for the Group's defined benefit schemes by replacing the interest cost and expected return on plan assets with a net interest amount on net defined benefit assets and liabilities. In addition, pension scheme administrative expenses including the PPF (Pension Protection Fund) levy and actuary, audit, legal and trustee charges are recognised as administrative expenses. There have been no changes to the Group's total defined benefit obligations recognised in the Consolidated Statement of Financial Position or to the net cash inflow generated by operations recognised in the Consolidated Statement of Cash Flows. The impact of the adoption of IAS 19 (revised) is set out in Note 2.

Notes to the Coats consolidated financial information - continued

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

		2013	2012
Average	Sterling	0.64	0.63
	Euro	0.75	0.78
	Brazilian Real	2.16	1.95
	Indian Rupee	58.55	53.80
Year end	Sterling	0.60	0.62
	Euro	0.73	0.76
	Brazilian Real	2.36	2.05
	Indian Rupee	61.80	55.00

2. Impact of adoption of IAS 19 (revised) 'Employee Benefits'

The impact of the adoption of IAS 19 (revised) is set out below:

	As previously reported Unaudited US\$m	2012 Full Year Adjustment Unaudited US\$m	As restated Unaudited US\$m
Consolidated Income Statement *			
Administrative expenses	(181.1)	(6.4)	(187.5)
Operating profit	127.0	(6.4)	120.6
Finance costs	(19.4)	(28.7)	(48.1)
Profit before taxation	111.3	(35.1)	76.2
Taxation	(50.5)	1.7	(48.8)
Profit from continuing operations	60.8	(33.4)	27.4
Net profit attributable to equity shareholders	50.6	(33.4)	17.2
* Before exceptional items (see note 3)			
Consolidated Income Statement			
Administrative expenses	(178.5)	(6.4)	(184.9)
Operating loss	(4.7)	(6.4)	(11.1)
Finance costs	(55.2)	(28.7)	(83.9)
Loss before taxation	(56.2)	(35.1)	(91.3)
Taxation	(46.6)	1.7	(44.9)
Loss from continuing operations	(102.8)	(33.4)	(136.2)
Net loss attributable to equity shareholders	(113.0)	(33.4)	(146.4)
Consolidated Statement of Comprehensive Income			
Loss for the period	(105.5)	(33.4)	(138.9)
Actuarial losses in respect of retirement benefit schemes	(35.9)	35.1	(0.8)
Taxation	(0.4)	(1.7)	(2.1)
Total comprehensive income and expense	(148.2)	-	(148.2)
Consolidated Statement of Cash Flows			
Operating loss	(4.7)	(6.4)	(11.1)
Provision movements	(16.3)	6.4	(9.9)
Net cash inflow generated by operations	8.3	-	8.3

Notes to the Coats consolidated financial information – continued

The adoption of IAS 19 (revised) has resulted in an increase in administrative expenses of \$7.0 million, an increase in finance costs of \$37.0 million and a decrease in the deferred tax charge of \$1.5 million for the year ended 31 December 2013 in the Consolidated Income Statement compared to what would have been recognised prior to the adoption of IAS 19 (revised).

3. Profit/(loss) before taxation is stated after charging/(crediting)

	2013 Unaudited US\$m	2012 Unaudited US\$m
Exceptional items:		
<i>Cost of sales:</i>		
European Commission fine and associated exchange losses	-	84.6
US antitrust settlement costs	7.2	-
Reorganisation costs and impairment of property, plant and equipment and intangible assets	22.7	39.9
US environmental costs	0.5	8.0
	<u>30.4</u>	<u>132.5</u>
<i>Administrative expenses:</i>		
Capital incentive plan charge/(credit)	0.4	(2.6)
Transition costs of Coats to a standalone listed entity	4.8	-
UK pension increase exchange offer	(7.0)	-
	<u>(1.8)</u>	<u>(2.6)</u>
<i>Other operating (income)/costs:</i>		
(Profit)/loss on disposal of property	(20.1)	1.8
	<u>8.5</u>	<u>131.7</u>
<i>Finance costs:</i>		
European Commission fine interest cost	-	35.8
	<u>-</u>	<u>35.8</u>
Total	<u>8.5</u>	<u>167.5</u>

Please refer to note 12 to the Guinness Peat Group plc financial information for further details regarding the UK environmental costs referred to above.

Notes to the Coats consolidated financial information - continued

4. Finance costs

	2013 Unaudited US\$m	Restated 2012 Unaudited US\$m
Non-exceptional items		
Interest on bank and other borrowings	24.3	25.0
Net interest on pension scheme assets and liabilities	12.3	13.8
Other	5.1	9.3
	<u>41.7</u>	<u>48.1</u>
Exceptional items		
European Commission fine interest cost	-	35.8
Total	<u>41.7</u>	<u>83.9</u>

5. Taxation

	2013 Unaudited US\$m	Restated 2012 Unaudited US\$m
UK taxation based on profit for the year:		
Corporation tax at 23.25% (2012: 24.5%)	3.5	3.7
Double taxation relief	(3.5)	(3.7)
Total UK taxation	<u>-</u>	<u>-</u>
Overseas taxation:		
Current taxation	53.4	47.4
Deferred taxation	(0.7)	(2.2)
	<u>52.7</u>	<u>45.2</u>
Prior year adjustments:		
Current taxation	(1.8)	(0.7)
Deferred taxation	0.1	0.4
	<u>(1.7)</u>	<u>(0.3)</u>
	<u>51.0</u>	<u>44.9</u>

Notes to the Coats consolidated financial information - continued

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

	2013 Unaudited US\$m	Restated 2012 Unaudited US\$m
Operating profit/(loss)	124.2	(11.1)
Depreciation	44.4	47.1
Amortisation of intangible assets (computer software)	4.5	5.7
Reorganisation costs and impairment (see note 3)	22.7	39.9
Exceptional (profit)/loss on sale of property (see note 3)	(20.1)	1.8
Other operating exceptional items (see note 3)	5.9	90.0
Pre-exceptional operating profit before depreciation and amortisation (EBITDA)	181.6	173.4
Decrease in inventories	16.7	2.9
Increase in debtors	(32.9)	(5.3)
Increase in creditors	26.4	9.4
Provision movements	(12.3)	(9.9)
Other non-cash movements	5.6	1.3
Net cash inflow from normal operating activities	185.1	171.8
Net cash outflow in respect of reorganisation costs	(28.2)	(21.4)
Net cash outflow in respect of other operating exceptional items	(17.3)	(142.1)
Net cash inflow generated by operations	139.6	8.3

7. Net debt

	2013 Unaudited US\$m	2012 Unaudited US\$m
Cash and cash equivalents	124.9	128.4
Bank overdrafts	(18.1)	(18.0)
Net cash and cash equivalents	106.8	110.4
Other borrowings	(436.0)	(478.0)
Total net debt	(329.2)	(367.6)