Guinness Peat Group plc

The following unaudited consolidated results of Coats Group Limited ("the Group") for the year ended 31 December 2008 are released by Guinness Peat Group plc ("GPG") for information only.

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27 February 2009

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Coats Group Limited: unaudited results* for the year ended 31 December 2008

Financial summary

	2008 Unaudited US$m	**2007 Unaudited US$m**
Revenue	**1,645.4**	1,681.2
Operating profit before reorganisation, impairment and other exceptional items (see note 2)	**102.8**	158.1
Operating profit	**58.8**	118.8
Profit before taxation	**38.3**	95.6
Net (loss)/profit attributable to equity shareholders	**(8.3)**	61.8
Net cash inflow from operations before reorganisation costs and other exceptional items (see note 6)	**158.4**	190.7
Net debt**	**358.8**	335.9

** see note 1*

*** the net debt figure reported above has been adjusted to include amounts owed to GPG of $12.8 million (2007 - $55.0 million) and is after the payment of European Commission fines cumulatively totalling $65.6 million (2007 - $37.7 million)*

- Sales up 4% on 2007 at end of first 9 months. Severe deterioration in global economic conditions in the fourth quarter resulted in fourth quarter sales 20% down on the comparable period in 2007 and sales for the year as a whole 2% down.
- Industrial thread sales up 2% in Asia for full year 2008.
- Industrial thread pre-exceptional operating profit margin at 10%, comparable to 2006.
- Craft sales 2% up in Americas for full year 2008.
- Europe crafts restructuring progressing well, but operating environment remains exceptionally difficult.
- Strong operating cash flow before reorganisation costs, reflecting a $41.9 million reduction in net working capital, with lower stock and debtors than at the 2007 year end.
- Improvement in net working capital/sales over 2007 year end, reflecting supply chain benefits and reduced trade debtor days.
- $104 million invested in capital spend/reorganisation projects in 2008.

Chairman's statement

Results

Although the overall reported result for the year is disappointing, much has been achieved in 2008, in what has been a very difficult year due to the unprecedented deterioration in global economic conditions, with credit constraints impacting consumers and retailers alike. The year saw oil prices peak at $140/barrel and costs of energy and commodities increase significantly. Together with a weak US dollar for much of the year and strengthening currencies in countries in which Coats has key operations (such as Brazil and Mexico), costs in US dollar terms rose significantly. Sales at the half year stage were 6% up on a buoyant 2007 and were 2% up in the third quarter. However, Coats' industrial sales are largely driven by demand for clothing and footwear, which fell in the fourth quarter, and Coats' total sales were 20% down on 2007 in this quarter. This, together with actions to idle plants to conserve cash, resulted in a poor fourth quarter result. Notwithstanding these conditions and a very poor result from Europe crafts, 2008 operating profits and net debt position demonstrate Coats' resilience and ability to generate cash in these circumstances.

Despite market conditions, Coats' competitive position and market share continued to improve as a result of the substantial investment that has been made in the last few years in the upgrading and relocation of capacity and from the significant progress in rationalising the product offer in both the industrial and crafts businesses.

A pre-exceptional operating profit (before reorganisation, impairment and other exceptional items) of $102.8 million (2007 - $158.1 million) was generated. At the half year stage, profits of $67.5 million were in line with 2007 ($68.4 million). However, they fell below 2007 levels in the second half due to the sales decline in the fourth quarter.

A pre-exceptional operating profit of $109.9 million (2007 - $132.6 million) was delivered by the industrial thread business. While industrial profits exceeded 2007 at the half-year stage, the severe global downturn in the second half, together with destocking in the supply chain, impacted the demand from the key apparel and footwear sectors. There was pressure on margins from plants operating at below normal utilisation due to the sales shortfall. In addition, the unprecedented volatility in costs referred to above adversely impacted profits as these could not be fully recovered through price increases in the short term.

The crafts result was below expectations, with a loss overall of $7.1 million (2007 - $25.5 million profit). In the Americas, crafts sales were 2% up on 2007 and profits were broadly in line. Overall this was a good performance, given the downturn in the North American consumer environment. Profits of $34.5 million (2007 - $44.5 million) were generated from the crafts business in the Americas and Asia.

In Europe, where the consumer environment was fragile, crafts sales were 11% down on 2007 levels, primarily due to the weak demand for crafts products, particularly handknittings. On a like-for-like basis, Europe crafts sales were 14% down on 2007, following a 16% like-for-like decrease reported in 2007. The severe downturn in the European crafts market led to operating losses from Coats European crafts business increasing by $22.6 million to $41.6 million. Gross margins were impacted by the rationalisation of the product offer, which resulted in stock from discontinued product ranges being sold at lower than normal margins, partly offset by some price increases. Distribution and administration costs benefited from reorganisation projects to reduce the cost base, which are continuing, and lower advertising and marketing spend, partly offset by higher freight costs, reflecting higher oil prices during the year, and bad debt provisioning charges. The Europe crafts headcount was reduced by 15% during the year, including from major reorganisation projects in Central Europe and Scandinavia.

Further details on operating performance by region are included in the Operating review.

The results for industrial and crafts as reported over the last five years provide the context for the current year's performance.

	2008	2007	2006	2005	2004
External sales $m					
Industrial thread & zips	1,071.3	1,087.6	1,030.1	996.2	987.7
Crafts	574.1	593.6	585.0	640.5	590.4
Total	**1,645.4**	**1,681.2**	**1,615.1**	**1,636.7**	**1,578.1**
Sales growth					
Industrial thread & zips	-1%	+6%	+3%	+1%	+1%
Crafts	-3%	+1%	-9%	+8%	+13%
Total	**-2%**	**+4%**	**-1%**	**+4%**	**+5%**
Pre-exceptional operating profit/(loss) $m					
Industrial thread & zips	109.9	132.6	103.6	68.5	49.3
Crafts	(7.1)	25.5	18.8	58.0	41.2
Total	**102.8**	**158.1**	**122.4**	**126.5**	**90.5**
Pre-exceptional operating margin					
Industrial thread & zips	10%	12%	10%	7%	5%
Crafts	-1%	4%	3%	9%	7%
Total	**6%**	**9%**	**8%**	**8%**	**6%**

Net debt

Net debt, including amounts owed to GPG of $12.8 million (2007 - $55.0 million), finished the year at $358.8 million (2007 - $335.9 million). Excluding the EC fine payment in the year of $27.9 million, net debt at $330.9 million was below 2007. This is after investment in new plant and systems and reorganisation projects in the year of $104.3 million.

Investment

Significant investment continued to be made in the year to support the business through the global downturn, to ensure that the business is well positioned and to grow market share. The capital invested in new plant and systems amounted to $53.6 million (2007 - $68.8 million). Investment in plant and equipment consisted of productivity improvement projects in Europe, including investment to support the rationalisation of the crafts business. In addition, there has been capacity expansion in Asia, although to a lesser extent than in 2007 as the focus has been on increasing the productivity of existing plant and technology. Investment continues to be made in upgrading IT systems, including the installation of SAP in all Coats units throughout the world.

Reorganisation spend was $50.7 million (2007 - $44.6 million). Approximately 60% of this spend in 2008 was directed towards restructuring in Europe. This includes the major restructuring of the European crafts business, which is transforming the formerly country-based organisation each with its own product range into a more cost effective pan-European business with a single, harmonised product offer and improved supply chains, and reducing the European crafts distribution and administration cost base. This restructuring will continue in 2009. Notwithstanding that some functions in Asia which had previously been contracted out were brought in house (resulting in a 784 decrease in contractors in that region), total numbers employed in the Group fell by 2% to 22,081 (2007 – 22,428) at the end of the year. Only 8% of industrial employees and 42% of crafts employees were in high cost countries.

Reorganisation cash outflows were partly offset by $14.4 million (2007 - $25.9 million) proceeds from the sale of properties which had become surplus as a result of the Group's reorganisation programme.

European Commission Investigation

Having succeeded in its initial appeal to the Court of First Instance in reducing the needles fine from €30 million to €20 million, Coats was unsuccessful in its further appeal to the European Court of Justice. The fine was paid in the course of 2008.

As noted in last year's report, in September 2007 the European Commission concluded its investigation into European fasteners – the last part outstanding of its general investigation into thread and haberdashery markets which began in 2001. It imposed fines against several producers, including a fine against the Coats plc Group of €110.3 million. The €110.3 million fine is in respect of the Commission's allegation of a market sharing agreement in the European haberdashery market. Coats totally rejects this allegation. During the investigation, Coats presented the Commission with ample evidence which refuted the allegation and demonstrated that, in any event, a fine was time-barred. Coats is vigorously contesting the Commission's decision in an appeal which has been lodged with the Court of First Instance in Luxembourg.

As stated in previous reports, Coats remains of the view that any anticipated eventual payment of the remaining fine is adequately covered by existing provisions.

Prospects

The present economic situation clearly holds great challenges for all businesses. The world is in economic turmoil, which makes the outcome for the next year difficult, if not altogether impossible, to predict. What is known is that the prices of many commodities and materials used by Coats have decreased and the current strength of the US dollar compared to the currencies of many of the countries Coats operates in is improving the competitiveness of these countries.

In respect of the industrial business, there are no signs of improvement in consumer demand and the pressures on sales seen in the last quarter of 2008 are expected to continue in 2009. Sales in US dollar terms are also expected to show further decreases due to the weakness of local currencies in Coats' major domestic markets.

In crafts, profitability improvement in 2009 is expected, which is almost entirely dependent on Europe crafts. The European crafts market is expected to continue to decline, but benefits will flow through from the restructuring initiatives taken, including reducing the cost base. In the Americas, it is anticipated that current sales and profit levels will be maintained.

Reorganisation costs in 2009 are expected to remain broadly in line with 2008.

It is expected that the Group's tax rate will reduce as profitability in Europe improves.

Gary Weiss

Chairman

27 February 2009

Operating review

Industrial Trading Performance

INDUSTRIAL	**2008 reported**	***2007 like-for-like**	**2007 reported**	**Like-for-like increase / (decrease) full year**	**Like-for-like increase / (decrease) reported at the 2008 half year**	**Actual increase / (decrease) full year**
	$m	**$m**	**$m**	**%**	**%**	**%**
Sales						
Asia and Rest of World	520.9	506.4	511.1	+3%	+6%	+2%
Europe	248.9	285.1	269.0	-13%	-9%	-7%
Americas	301.5	314.2	307.5	-4%	-3%	-2%
Total sales	**1,071.3**	**1,105.7**	**1,087.6**	**-3%**	**-1%**	**-1%**
Pre-exceptional operating profit**	**109.9**	**133.8**	**132.6**	**-18%**	**+3%**	**-17%**

**2007 like-for-like restates 2007 figures at 2008 exchange rates*

***Pre reorganisation, impairment, and other exceptional items (see note 2)*

In the following comments, all comparisons with 2007 are on a like-for-like basis

The Asian industrial performance reflects a flat Asian apparel export sector, with currency appreciation against the US dollar during the year in many of Coats' key Asian markets putting pressure on the competitiveness of Asian exports. However, Coats has gained share in some Asian markets, benefiting from the investment it has made in additional production capacity and from its relationships with global suppliers and brand owners. The volatility of material prices and cost inflation put pressure on margins.

Western European sales continued to be affected by customer migration from the region and, in the second half, destocking by customers as economic conditions worsened. There has also been some decline in Eastern Europe, reflecting the general market slowdown and some customer migration as cost pressures increased in this region.

The Americas continued to be affected by increased penetration of apparel and footwear imports from Asia, further compounded by weak retail demand.

Crafts Trading Performance

	2008 reported $m	*2007 like-for-like $m	2007 reported $m	Like-for-like increase / (decrease) full year %	Like-for-like increase / (decrease) reported at the 2008 half year %	Actual increase / (decrease) full year %
Sales						
Asia and Rest of World	67.5	61.6	64.8	+10%	+8%	+4%
Europe	222.6	260.2	249.1	-14%	-10%	-11%
Americas	284.0	283.9	279.7	-	+3%	+2%
Total sales	**574.1**	**605.7**	**593.6**	**-5%**	**-2%**	**-3%**
Pre-exceptional operating (loss)/profit**	**(7.1)**	**24.6**	**25.5**	**-129%**	**-133%**	**-128%**

**2007 like-for-like restates 2007 figures at 2008 exchange rates*

***Pre reorganisation, impairment, and other exceptional items (see note 2)*

In the following comments, all comparisons with 2007 are on a like-for-like basis

There has been further decline in the already weak European retail market for crafts products and sales overall were down 14% on last year. This was mainly driven by the continuing decline in the demand for handknittings. The new harmonised consumer sewings ranges have resulted in share gains in a gently declining market. Good progress has been made through the major restructuring of this business to lower the cost base, improve productivity and deliver a harmonised pan-European product offer. However, this business has a relatively high fixed-cost base and, given the severe downturn in the European crafts market, further restructuring projects are continuing in 2009 to reduce the distribution and administration cost base.

Crafts results in the Americas reflect a relatively stable handknittings market in North America and strong growth in handknittings in South America, with some impact from cost pressures. Sales from the relatively new lifestyle fabrics category in North America were also strong and this will be built on in 2009. Overall this was a good performance by the region, given the downturn in the North American consumer environment.

Investment income and finance costs

Finance costs, net of investment income, were $22.0 million (2007 - $25.4 million). Net interest payable, after including $2.0 million (2007 - $2.4 million) of interest receivable shown in investment income, reduced from $42.0 million in 2007 to $36.2 million in 2008. Coats refinanced in June 2008 with a new main borrowing facility of $625.0 million. In addition, 2008 benefited from $3.0m lower facility fee amortisation charges than 2007. The net return on pension scheme assets and liabilities decreased by $3.5 million to $19.6 million.

Tax

The tax charge was $37.8 million (2007 - $43.2 million) on pre-tax profit of $38.3 million (2007 - $95.6 million). Excluding prior year charges of $3.8 million (2007 - $1.7 million), the tax rate was 89% for 2008 compared to 43% in the previous year. This high 2008 rate reflects unrelieved losses in certain territories, principally in Europe. It is expected that the Group's tax rate will reduce as profitability in Europe improves. The Group has significant losses available to reduce future tax payments.

Discontinued operations

The $4.5 million loss in 2008 from discontinued operations largely relates to UK vacant property provisioning. The $14.6 million profit in 2007 principally relates to the sale of a UK property.

Pension and other post-employment benefits

The Group operates a defined benefit plan in the UK and there is a similar arrangement in the USA. The UK scheme continues to show a recoverable surplus, of $10.2 million (2007 - $21.9 million) and the USA scheme also shows a recoverable surplus, of $32.6 million (2007 – $35.0 million). These surpluses are predominantly included in non-current assets. Employer contribution holidays for these schemes continue to be taken based on actuarial advice.

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

Cash flow

EBITDA (defined as pre-exceptional operating profit before depreciation and amortisation) was $169.9 million (2007 - $225.6 million).

The net operating cash flow before reorganisation costs remained strong at $158.4 million (2007 - $190.7 million). Operating cash flow included the benefit of a $41.9 million reduction (2007 - $3.0 million increase) in net working capital, with lower stock and debtors than at the 2007 year end.

Reorganisation spend was $50.7 million (2007 - $44.6 million). Spend on capital projects at $53.6 million was lower than in the previous year (2007 - $68.8 million), representing 0.8 times (2007 – 1.0 times) depreciation and amortisation. Including the realisation of $14.4 million (2007 - $25.9 million) from the sale of surplus property, reorganisation and capital spend was comfortably covered by internally generated cash flow.

Interest and tax paid was $82.4 million (2007 - $76.2 million).

Net debt, including amounts owed to GPG of $12.8 million (2007 - $55.0 million), finished the year at $358.8 million (2007 - $335.9 million). Excluding the EC fine payment in the year of $27.9 million, net debt at $330.9 million was below 2007.

Balance sheet

Equity shareholders' funds decreased from $517.8 million to $405.9 million, reflecting the $8.3 million net attributable loss and losses of $103.6 million taken directly to reserves. These largely represent exchange and actuarial losses. Exchange losses of $57.9 million (2007 - $34.3 million gains) arose on the translation of operations with functional currencies other than the US dollar, reflecting the strength of the US dollar at the year end. Actuarial losses of $35.1 million (2007 - $4.7 million) arose in respect of the Group's pension and other post-employment assets and provisions. As noted above, the Group's key funded defined benefit plans remain in surplus. In addition, $12.6 million (2007 - $7.0 million) losses arose on interest rate swaps utilised for hedging purposes and carried at market value.

Given the fall in equity shareholders' funds (largely as a consequence of exchange rate movements), net gearing (including amounts owed to GPG) was 85% (2007 – 63%).

Consolidated income statement (unaudited)

For the year ended 31 December 2008	Notes	**2008 Unaudited US$m**	2007 Unaudited US$m
Continuing operations			
Revenue		**1,645.4**	1,681.2
Cost of sales		**(1,087.6)**	(1,086.8)
Gross profit		**557.8**	594.4
Distribution costs		**(310.7)**	(303.7)
Administrative expenses		**(190.2)**	(179.6)
Other operating income		**1.9**	7.7
Operating profit	2	**58.8**	118.8
Share of profits of joint ventures		**1.5**	2.2
Investment income		**2.2**	2.6
Finance costs	3	**(24.2)**	(28.0)
Profit before taxation		**38.3**	95.6
Taxation	4	**(37.8)**	(43.2)
Profit from continuing operations		**0.5**	52.4
Discontinued operations			
(Loss)/profit from discontinued operations		**(4.5)**	14.6
(Loss)/profit for the year		**(4.0)**	67.0

Attributable to:			
EQUITY SHAREHOLDERS OF THE COMPANY		**(8.3)**	61.8
Minority interests		**4.3**	5.2
		(4.0)	67.0

Consolidated balance sheet (unaudited)

At 31 December 2008	Notes	**2008 Unaudited US$m**	2007 Unaudited US$m
Non-current assets			
Intangible assets		**266.7**	270.6
Property, plant and equipment		**460.9**	520.7
Investments in joint ventures		**15.9**	16.1
Available-for-sale investments		**2.9**	4.0
Deferred tax assets		**13.4**	13.9
Pension surpluses		**41.7**	63.7
Trade and other receivables		**23.7**	23.1
		825.2	912.1
Current assets			
Inventories		**296.6**	347.4
Trade and other receivables		**256.5**	337.1
Available-for-sale investments		**0.2**	0.2
Cash and cash equivalents	7	**86.6**	84.6
		639.9	769.3
Non-current assets classified as held for sale		**1.4**	2.5
Total assets		**1,466.5**	1,683.9
Current liabilities			
Amounts owed to parent undertaking		**(12.8)**	(55.0)
Trade and other payables		**(312.9)**	(373.4)
Current income tax liabilities		**(9.1)**	(11.4)
Bank overdrafts and other borrowings		**(109.7)**	(104.6)
Provisions		**(110.3)**	(162.2)
		(554.8)	(706.6)
Net current assets		**85.1**	62.7
Non-current liabilities			
Trade and other payables		**(26.8)**	(20.4)
Deferred tax liabilities		**(23.7)**	(17.3)
Borrowings		**(322.9)**	(260.9)
Retirement benefit obligations:			
Funded schemes		**(4.8)**	(1.8)
Unfunded schemes		**(92.3)**	(101.6)
Provisions		**(18.1)**	(39.1)
		(488.6)	(441.1)
Liabilities directly associated with non-current assets classified as held for sale		**(0.5)**	-
Total liabilities		**(1,043.9)**	(1,147.7)
Net assets		**422.6**	536.2
Equity			
Share capital		**4.2**	4.2
Share premium account		**412.1**	412.1
Hedging and translation reserve		**(26.1)**	44.4
Retained profit		**15.7**	57.1
EQUITY SHAREHOLDERS' FUNDS	5	**405.9**	517.8
Minority interests	5	**16.7**	18.4
Total equity	5	**422.6**	536.2

Consolidated cash flow statement (unaudited)

For the year ended 31 December 2008	Notes	**2008 Unaudited US$m**	2007 Unaudited US$m
Cash inflow/(outflow) from operating activities			
Net cash inflow generated by operations	6	**107.7**	146.1
Interest paid		**(43.2)**	(40.4)
Taxation paid		**(39.2)**	(35.8)
Net cash generated from operating activities		**25.3**	69.9
Cash inflow/(outflow) from investing activities			
Dividends received from associates and joint ventures		**0.7**	2.3
Acquisition of property, plant and equipment and intangible assets		**(53.6)**	(68.8)
Disposal of property, plant and equipment and intangible assets		**14.4**	25.9
Acquisition of financial investments		**(0.2)**	-
Disposal of financial investments		**0.1**	0.2
Acquisition of subsidiaries		**(0.1)**	(9.8)
Disposal of subsidiaries		**(0.4)**	2.0
Net cash absorbed in investing activities		**(39.1)**	(48.2)
Cash inflow/(outflow) from financing activities			
Dividends paid to minority interests		**(4.9)**	(2.7)
Amounts (paid to)/received from parent undertaking		**(38.6)**	55.0
Increase/(decrease) in debt and lease financing		**68.8**	(56.7)
Net cash generated/(absorbed) in financing activities		**25.3**	(4.4)
Net increase in cash and cash equivalents		**11.5**	17.3
Net cash and cash equivalents at beginning of the year		**68.2**	50.1
Foreign exchange (losses)/gains on cash and cash equivalents		**(14.3)**	0.8
Net cash and cash equivalents at end of the year	7	**65.4**	68.2
Reconciliation of net cash flow to movement in net debt			
Net increase in cash and cash equivalents		**11.5**	17.3
Cash (inflow)/outflow from change in debt and lease financing		**(68.8)**	56.7
Change in net debt resulting from cash flows		**(57.3)**	74.0
Other		**(3.8)**	(6.8)
Foreign exchange		**(4.0)**	(2.4)
(Increase)/decrease in net debt		**(65.1)**	64.8
Net debt at start of year		**(280.9)**	(345.7)
Net debt at end of year	7	**(346.0)**	(280.9)

Consolidated statement of recognised income and expense (unaudited)

For the year ended 31 December 2008	Notes	**2008 Unaudited US$m**	2007 Unaudited US$m
Losses on cash flow hedges		**(14.0)**	(3.7)
Exchange differences on translation of foreign operations		**(59.0)**	34.4
Actuarial losses in respect of retirement benefit schemes		**(35.1)**	(4.7)
Tax on items taken directly to equity		**2.0**	(1.1)
Net (expense)/income recognised directly in equity		**(106.1)**	24.9
(Loss)/profit for the year		**(4.0)**	67.0
Transferred to profit or loss on cash flow hedges		**1.4**	(3.3)
Total recognised income and expense for the year	5	**(108.7)**	88.6
Attributable to:			
EQUITY SHAREHOLDERS OF THE COMPANY		**(111.9)**	83.3
Minority interests		**3.2**	5.3
		(108.7)	88.6

Notes

1 Basis of preparation

Coats Group Limited is incorporated in the British Virgin Islands. It does not prepare consolidated statutory accounts and therefore the financial information contained in this announcement does not constitute full financial statements and has not been, and will not be, audited.

The financial information for the year ended 31 December 2008 has been prepared in accordance with the recognition and measurement requirements of International Financial Reporting Standards ("IFRS") adopted by the European Union and the accounting policies adopted have been consistently applied to the financial information presented for the year ended 31 December 2007.

Coats Group Limited follows the accounting policies of its ultimate parent company, Guinness Peat Group plc.

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

		2008	2007
Average	Sterling	**0.54**	0.50
	Euro	**0.68**	0.73
Year end	Sterling	**0.68**	0.50
	Euro	**0.72**	0.68

2 Operating profit is stated after charging/(crediting):

	2008 Unaudited US$m	2007 Unaudited US$m
Exceptional items:		
Reorganisation costs and impairment of property, plant and equipment	**49.0**	40.0
Profit on the sale of property	**(3.3)**	(7.1)
Loss on disposal of business	**2.5**	-
Foreign exchange (gains)/losses	**(4.2)**	6.4
Total	**44.0**	39.3

3 Finance costs

	2008 Unaudited US$m	2007 Unaudited US$m
Interest on bank and other borrowings	**38.2**	44.4
Net return on pension scheme assets and liabilities	**(19.6)**	(23.1)
Other	**5.6**	6.7
Total	**24.2**	28.0

4 Taxation

		2008 Unaudited US$m		2007 Unaudited US$m
UK taxation based on profit for the year:				
Corporation tax at 28.5% (2007: 30%)		**5.6**		7.6
Double taxation relief		**(5.6)**		(7.6)
Total UK taxation		**-**		-
Overseas taxation:				
Current taxation		**32.8**		42.3
Deferred taxation		**1.2**		(0.8)
		34.0		41.5
Prior year adjustments:				
Current taxation	**(2.3)**		-	
Deferred taxation	**6.1**		1.7	
		3.8		1.7
		37.8		43.2

5 Reconciliation of equity

	Equity shareholders' funds Unaudited US$m	Minority interests Unaudited US$m	Total equity Unaudited US$m
At 1 January 2008	**517.8**	**18.4**	**536.2**
Total recognised income and expense for the year	**(111.9)**	**3.2**	**(108.7)**
Dividends paid	**-**	**(4.9)**	**(4.9)**
At 31 December 2008	**405.9**	**16.7**	**422.6**

6 Reconciliation of operating profit to net cash inflow generated by operations

	2008 Unaudited US$m	2007 Unaudited US$m
Operating profit	**58.8**	118.8
Depreciation	**58.1**	59.3
Amortisation of intangible assets (computer software)	**9.0**	8.2
Reorganisation costs (see note 2)	**49.0**	40.0
Other exceptional items (see note 2)	**(5.0)**	(0.7)
Decrease/(increase) in inventories	**17.1**	(22.5)
Decrease/(increase) in debtors	**61.2**	(14.6)
(Decrease)/increase in creditors	**(36.4)**	40.1
Provision movements	**(55.9)**	(46.2)
Other non-cash movements	**2.5**	8.3
Net cash inflow from normal operating activities	**158.4**	190.7
Net cash outflow in respect of reorganisation costs and other exceptional items	**(50.7)**	(44.6)
Net cash inflow generated by operations	**107.7**	146.1

7 Net debt

	2008 Unaudited US$m	2007 Unaudited US$m
Cash and cash equivalents	**86.6**	84.6
Bank overdrafts	**(21.2)**	(16.4)
Net cash and cash equivalents	**65.4**	68.2
Other borrowings	**(411.4)**	(349.1)
Total net debt	**(346.0)**	(280.9)

8 Balance sheet consolidated by Guinness Peat Group plc (unaudited)

The balance sheet consolidated by Guinness Peat Group plc (GPG) as at 31 December 2008 differs from that disclosed as follows:

	Coats Group Limited Unaudited US$m	**Coats Group Limited US$:GBP at 0.6837 Unaudited £m**	**GPG fair value adjustments Unaudited £m**	**Included in GPG Consolidated balance sheet Unaudited £m**
Intangible assets	266.7	182	14	196
Other non-current assets	558.5	382	-	382
Current assets	639.9	437	-	437
Non-current assets classified as held for sale	1.4	1	-	1
Total assets	1,466.5	1,002	14	1,016
Current liabilities	(554.8)	(379)	-	(379)
Non-current liabilities	(488.6)	(334)	-	(334)
Liabilities directly associated with non-current assets classified as held for sale	(0.5)	-	-	-
Minority interests	(16.7)	(11)	-	(11)
Equity shareholders' funds	405.9	278	14	292