26 February 2015

Preliminary report of Guinness Peat Group plc for the year ended 31 December 2014

Results for announcement to the market for the year ended 31 December 2014

Disclosures made in accordance with the requirements of Appendix 4E to ASX Listing Rules.

Please note the following key information:

- Revenue was £1,023 million, a decrease of £66 million (6%) from 2013 (£1,089 million)
- Profit from ordinary activities after tax attributable to members was £9 million – a decrease of £14 million (61%) from the previous year's profit of £23 million
- Net profit for the year attributable to members was £9 million – a decrease of £14 million (61%) from the previous year's profit of £23 million
- No dividends were paid or proposed during the year and the Board is not proposing a final or interim dividend at this time (2013: nil)

These Preliminary Results are based on financial information for the year ended 31 December 2014 which is in the process of being audited.

Stuart Morgan
Company Secretary
26 February 2015

26 February 2015

Guinness Peat Group plc
('GPG' or 'the Company')

Preliminary results for the year ended 31 December 2014

GPG highlights

- Company to be renamed Coats Group plc
- Single Board of Directors to lead Coats, a global manufacturing business
- Operating profit of £64 million (2013: £41 million), increase primarily driven by significant reduction in parent group administrative expenses
- Net attributable profit of £9 million, compared to £23 million in 2013 which included a £46 million profit from discontinued operations
- Net asset backing per share of 17.2p[a] (31 December 2013: 31.5p), decline reflects actuarial losses in respect of retirement benefit schemes
- Board and management continue to actively engage with the UK Pensions Regulator's investigations

Coats highlights[b]

- Revenue of $1,686 million, up 1% on a like-for-like[c] basis, with Industrial up 5%
- Operating profit, before exceptional items, of $131 million stable on a like-for-like[c] basis; strong performance by Industrial with growth of 18%
- Net attributable profit, before exceptional items, of $45 million, up 21% year-on-year; $21 million including exceptional items (2013: $29 million)
- Adjusted free cash flow[d] of $70 million, up 30% year-on-year
- Sale of EMEA Crafts agreed; better positions Coats for future profitable growth and allows focus on high performing global Industrial and strong Americas Crafts businesses
- Debt facility successfully refinanced in 2015, extending maturity to 2020 and reducing margin

Commenting on GPG's full year 2014 results Mike Clasper, GPG Chairman, said:

'I am pleased to say we are moving on. Coats is a world class, manufacturing business and is returning to the market under its own name in the 125th anniversary year of its first listing on the London Stock Exchange. It is moving further away from the GPG investment company past, we now have one Board to lead the business and we are structuring our executive team to efficiently support the simplified corporate structure.

'Within Coats, the Industrial business delivered good profit growth; however the Group results were impacted by Crafts, particularly in EMEA. Despite this Coats achieved a high conversion into free cash flow during the year. We have recently agreed the sale of the loss making EMEA Crafts business, leaving management free to focus on further growth opportunities in our strong and profitable global Industrial and Americas Crafts businesses.

'The ongoing investigations by the UK Pensions Regulator mean we cannot pass on our success by way of returns to shareholders. However, we are not going to let the investigations stop us from creating further value for our shareholders and continuing to strengthen Coats' business which underpins the Company's obligations to its pension scheme members.'

a See Note 7 of GPG consolidated financial information
b Figures represent results of Coats as contained within consolidated financial information for GPG. See Note 1 of Coats consolidated financial information
c Restates 2013 comparative figures at 2014 exchange rates. Reported revenue of $1,703.7 million in 2013.
d See Coats Group financial review for calculation of adjusted free cash flow

Commenting on Coats' 2014 results Paul Forman, Coats Group Chief Executive, said:

'We are pleased to have delivered material increases in pre-exceptional attributable profit and free cash flow in 2014. These results show the positive effect of our growth strategy, with a 14% growth in Speciality sales contributing to an 18% increase in Industrial operating profit.

'The ongoing introduction of value adding services and innovative products is delivering operational and financial benefits, and the sale of EMEA Crafts will enable us to focus more on our high performing global Industrial and strong Americas Crafts businesses. The successful refinancing of our debt facility and reduction in leverage gives Coats a strong platform to invest in organic and inorganic growth opportunities.'

Conference call

Coats Group Chief Executive, Paul Forman, and Chief Financial Officer, Richard Howes, will discuss this report in a webcast / conference call with the investment community at 0900 GMT today (26 February 2015).

The webcast can be accessed via http://edge.media-server.com/m/p/7of58trj. The conference call can be accessed by dialling 0800 279 4842 (UK), 09 308 4000 (New Zealand), 1800 037 237 (Australia) or +44 20 3427 1924 (international), and using access code 6833163. The webcast will also be made available in archive on the GPG website, www.gpgplc.com.

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Chairman's Statement

Corporate and Board changes

The Directors of GPG have taken the decision to rename the Company as Coats Group plc and establish a single, combined Board of Directors. This establishes Coats as the standalone, listed entity and signals its return to the market in the 125th anniversary year of its first listing on the London Stock Exchange. It also marks the point at which the listed Company becomes a focused, global industrial manufacturing business and moves on from being an investment company with a diversified portfolio of assets.

The name change from Guinness Peat Group plc to Coats Group plc is expected to be effective over the coming days. A regulatory announcement will be made once this change is completed.

Rob Campbell, Scott Malcolm, Chair of the Remuneration and Nominations Committee, and Waldemar Szlezak will all step down from the Board, effective 2 March 2015. Rob, as former GPG Chairman, has brought continuity, experience and insight over this period of change. The Board would like to thank all retiring directors for their leadership during the successfully completed asset realisation programme, and for their support for the corporate changes announced today.

Directors of the Coats plc Board will be appointed to the Coats Group plc Board, effective Monday 2 March 2015. David Gosnell, who was recently appointed to the Coats plc Board, and Alan Rosling will both become Independent Non-Executive Directors, while Paul Forman, Coats Group Chief Executive, Richard Howes, Chief Financial Officer, and Rajiv Sharma, Chief Executive Officer Industrial, will become Executive Directors. They will join Mike Allen, Ruth Anderson, Sir Ron Brierley, Blake Nixon and me on the Coats Group plc Board. In line with best practice, it is the intention that Directors of Coats Group plc will stand for re-election on an annual basis, and the Board will continue to assess its composition with respect to its size and mix to reflect the needs of a FTSE 250 global manufacturing business.

With the departure of Scott Malcolm, and in line with best practice, the Board has decided to separate the Remuneration and Nominations Committee. The Coats Group plc Remuneration Committee will be chaired by David Gosnell and its Nominations Committee will be chaired by me. Further information on Board committees will be made available in due course.

Capital management and share schemes

In addition to the corporate changes, the Board intends to put in place a suitable capital structure to support the business and its growth strategy. To that end Coats has successfully refinanced its main debt facility which features an extended maturity and a lower margin. The facility is backed by a group of international banks that reflects Coats' global footprint (see Coats section for more details).

Coats Group plc will look to grant share-based long term incentives for senior executives, in line with the standards of a FTSE 250 company. To support this programme we plan to fund an employee benefit trust to buy shares in the open market over time, and we are considering wider share ownership across the Group. The employee benefit trust is able to hold shares at any one time of up to 5% of the market capitalisation without seeking shareholder approval.

Although the Company is moving forward with the change in name, corporate structure and capital structure, in one aspect the Company is unable to move on. While the pension schemes are under investigation by the UK Pensions Regulator, we cannot pass on the success of the strong and cash generative Coats business by way of returns to shareholders. It is entirely appropriate that the Company fulfils all obligations to its pension schemes, and the Board and Management continue to work to find a route forward balancing the interests of all GPG stakeholders.

Reported (consolidated) financial results

Movements in shareholders' funds

Shareholders' funds decreased from £444 million (NZ$888 million) at 31 December 2013 to £241 million (NZ$482 million) at 31 December 2014. The major change was actuarial losses in respect of retirement benefit schemes (£201 million), which was only partially offset by Coats' attributable profit (£13 million).

The net asset backing per share has, as a result, decreased from 31.5p (NZ63.0c) to 17.2p (NZ34.4c).

Income statement

The Group generated revenues, all attributable to Coats, of £1,023 million (NZ$2,046 million) in 2014 (2013: £1,089 million, NZ$2,178 million). See the Coats Group section of this announcement for further information. Gross profit of £375 million (NZ$750 million) which was relatively flat year-on-year (2013: £380 million, NZ$760 million). Operating profit increased from £41 million (NZ$82 million) to £64 million (NZ$128 million) in 2014, primarily driven by a significant reduction in parent group administrative expenses. Net attributable profit was £9 million compared to £23 million in 2013, which included a £46 million profit from discontinued operations. Earnings per share from continuing operations was 0.66p (2013: loss of 1.58p).

Overview of GPG's key net assets

Coats

Net profit attributable to GPG was £13 million (US$21 million) compared with £19 million (US$29 million) in 2013. The decline was primarily driven by an £11 million (US$19 million) impairment charge on property, plant and equipment and intangible assets relating to the EMEA Crafts business. Excluding this and other exceptional items, net attributable profit to GPG was £27 million (US$45 million), up £3 million from 2013 (£24 million, US$37 million). Coats generated a free cash inflow of £44 million (US$72 million) which contributed to a reduction in Coats net debt to £169 million (US$263 million) as of 31 December 2014 (31 December 2013: £199 million (US$329 million)). Free cash flow is the foundation for investing in future growth and will provide the capacity to pay dividends in the future.

The agreed EMEA Crafts sale follows a comprehensive review of the business, including its strategic fit within Coats, and the formulation of a turnaround plan. The sale, expected to complete in Q2 2015, better positions Coats for future profitable growth and allows it to focus attention on its high performing global Industrial and strong Americas Crafts businesses.

A full description of Coats' 2014 performance can be found later in this announcement.

Cash at bank

At 31 December 2014 the GPG Parent Group had cash of £375 million (NZ$750 million) (31 December 2013: £383 million (NZ$766 million)). The decrease in cash during the year was primarily as a result of operating expenses and costs related to pensions investigations, which were partially offset by foreign exchange gains.

Pensions

The deficits in the Coats UK Pension Plan ('Coats Plan') and the Brunel and Staveley schemes, on an IAS19 financial reporting basis have increased from the position at 31 December 2013. This is due to an increase in liabilities largely driven by a 115 basis point (bps) decrease in the discount rate, which more than offset a 35bps decrease in the inflation rate, the adoption of revised assumption setting methodologies and the Coats Plan Trustee formally adopting improved cash commutation factors for members.

The relative period end positions are set out below:

IAS19 deficit	31 December 2014 £m	31 December 2013 £m
Coats UK Pension Plan	214	78
Other Coats net employee benefit obligations	49	44
Total Coats net employee obligations	263	122
Brunel	54	28
Staveley	58	28
Total £ million	**375**	**178**
Total NZ$ million	*750*	*356*

Coats has appointed John Lovell, previously Head of Pensions at J Sainsbury plc, as Group Pensions Director responsible for overseeing Group pension schemes. This newly created position will be responsible for further developing the Group pension strategy and working closely with the trustees of the various schemes to ensure its delivery.

The UK Pensions Regulator's investigations

The Board continues to actively engage with the UK Pensions Regulator's ('tPR') investigations and will continue to explore all options to try to resolve these matters balancing the interests of all GPG stakeholders.

Coats Plan

As previously announced on 19 December 2014 the Company, GPG (UK) Holdings plc and Coats plc received a Warning Notice ('WN') from tPR in relation to the Coats Plan.

The WN explains that tPR's case team is of the view that each of the three sponsoring employers of the Coats Plan was insufficiently resourced at the relevant date (31 December 2012), which is a prerequisite for it to use its statutory powers. Further, the case team considers it is reasonable for the Determinations Panel ('DP') of tPR to issue a Financial Support Direction ('FSD') in relation to the Coats Plan. This could result in GPG and Coats being required to put in place further financial support for the Coats Plan.

Having reviewed the WN with its legal and other advisers, the Company will continue to robustly oppose tPR's view on insufficiency of resources. The Company believes that the Coats Plan already benefits from strong support provided by the Coats business in accordance with the statutory scheme specific funding regime, and also does not accept that under the regulations, it is proper for tPR to seek to use its statutory powers in relation to the Coats Plan. The Board intends to litigate this matter as far as necessary unless it can be resolved satisfactorily via negotiation.

Brunel and Staveley schemes

As previously disclosed, in December 2013 GPG received WN's from tPR in respect of Brunel and Staveley. GPG submitted written representations on the WNs at the end of September 2014 within the deadlines set by tPR, but has yet to receive responses from tPR.

Timing and settlement discussions

Hearings before the DP for the Brunel and Staveley schemes would have been likely in 2015. However, in the Coats WN, tPR has indicated that it believes that it would be appropriate for the DP to hear the Brunel and Staveley cases at the same time as the Coats case rather than considering one or two of the three schemes in isolation. Therefore, the timetable is likely to be driven by the status of the Coats Plan FSD proceedings and, as a result, any hearing before the DP for all three schemes is unlikely before the second half of 2016 at the earliest. The delay that will be caused by linking all three schemes is frustrating in the view of the Board.

In early 2015 a proposal, which reflected the Board's view of the strong legal position in respect of the Coats Plan, was put to tPR and the various Trustees to settle matters across the three schemes in order to resolve all investigations. This proposal was not accepted by tPR or the various scheme Trustees. As noted above, the Board will litigate these matters as far as necessary, unless they can be resolved satisfactorily via negotiation.

Triennial funding valuations

The current level of deficit reduction payments for the Coats Plan of £14 million per annum that commenced in November 2013 for a period of approximately 14 years will be subject to review at the next triennial valuation, which is due with effect from 1 April 2015.

The triennial valuation processes for both the Brunel and Staveley schemes are on-going and have been delayed by tPR's investigations. We are engaged in discussions with the Trustees of both schemes with a view to reaching agreement on the valuations in due course.

Parent group overheads

Total operating costs, net of foreign exchange gains/losses, were £7 million compared with £43 million in 2013. Foreign exchange gains in 2014 of £11 million (2013: £2 million loss) were partly driven by the strengthening US Dollar against the British Pound.

The Company continues to carefully manage its costs while focussing on achieving a successful completion of tPR's investigations, taking external advice as necessary in order to protect the Company's interests. Costs incurred in relation to the tPR's investigations during 2014 were covered by an £8 million provision made at the end of 2013 for anticipated costs during 2014. A further £8 million provision has been made at the end of 2014 to respond to the Warning Notice received from tPR in relation to the Coats Plan and for progressing the process around the Staveley and Brunel schemes, for GPG and the Trustees of these schemes.

As reported at the 2014 half year results, GPG completed the downsizing and outsourcing of support services on 30 June 2014 with the closure of its London office. This followed a significant reduction in staff numbers during 2013. As a consequence staff costs significantly reduced year-on-year to £2 million (2013: £13 million). Other Company expenses, which included staff costs as well as GPG Board expenses, legal, audit and other non-pensions related professional fees, declined from £21 million to £6 million in 2014. Other pensions related expenses, including pension scheme administrative costs under IAS19, totalled £4 million.

Excluding pension investigations costs, the Company maintains its guidance of annual overheads of approximately £3-4 million for pension related expenses. Given the corporate structure changes announced today the Company expects other corporate expenses to reduce to around £3 million per annum (previous guidance was £3-4 million).

Other items

Shareholdings and change of tickers

Following the change in Company name the stock market tickers will also change. On the London Stock Exchange, the Company's primary listing, and on the New Zealand Stock Exchange the ticker of the common equity stock will change from 'GPG' to 'COA' (ISIN number will remain the same). On the Australian Stock Exchange the ticker of the Company's CHESS Depository Instruments will change from 'GPG' to 'CGW' (the ISIN is expected to change as a result). These changes will take place over the coming weeks and effective dates will be communicated in the change of Company name regulatory announcement.

Shares of Coats Group plc will retain the same nominal value as those of Guinness Peat Group plc, and existing share certificates will remain valid. Further information for shareholders can be found at www.coats.com.

Annual General Meeting

The Annual General Meeting is intended to be held on Thursday 21 May in London. Further details of the location and time will be provided in the Notice of Meeting which will be sent to shareholders in April 2015.

Mike Clasper
Chairman
Guinness Peat Group plc
26 February 2015

Note: All NZ$ comparatives to £ amounts are for illustrative purposes only, based on the NZ$:GBP exchange rate on 31 December 2014, NZ$2.00: £1.00.

Coats Group

Coats Chief Executive's review

Financial summary

Unaudited results for the year ended 31 December 2014

All figures reported in the Coats Group section unless otherwise stated are in US dollars (US$), which is the presentational currency of the Coats Group.

	2014			2013		
	Before exceptional items	**Exceptional items[1]**	**Total**	Before exceptional items	Exceptional items[1]	Total
$m	**Unaudited**	**Unaudited**	**Unaudited**	Unaudited	Unaudited	Unaudited
Revenue	1,685.9	-	1,685.9	1,703.7	-	1,703.7
Operating profit	130.9	(23.8)	107.1	132.7	(8.5)	124.2
Profit before taxation	100.2	(23.8)	76.4	96.6	(8.5)	88.1
Net profit attributable to equity shareholders	45.1	(23.9)	21.2	37.3	(8.1)	29.2
Free cash inflow			71.8			44.8

1 *Exceptional items are set out in note 2 of the Coats financial information*

In 2014 Coats' reported revenues marginally declined to $1,685.9 million from $1,703.7 million in 2013. On a like-for-like basis Coats' revenues grew 1% during 2014, with 5% growth in Industrial sales and a 9% decline in Crafts. The decline in demand for fashion handknitting products in both North America and EMEA impacted performance in Crafts, suppressing growth in group sales. The decline on a reported basis reflected the translation impact of a strengthening US Dollar against currencies such as the Brazilian Real and the Indian Rupee.

Coats' pre-exceptional operating profit declined 1% year-on-year on a reported basis and remained stable on a like-for-like basis at $130.9 million. Industrial delivered a like-for-like 18% improvement, driven by increased sales, while inflationary cost rises continued to be offset with procurement and productivity improvements coupled with pricing initiatives. Crafts was primarily impacted by a decline in sales, as well as by one-off costs. However performance in the second half improved in line with guidance issued in the 2014 half year results. Operating profit included approximately $8 million of reorganisation related costs that have not been classified as exceptional.

Operating summary

	2014	2013	2013	Reported increase/(decrease)			Like-for-like increase/(decrease)		
	Reported	Reported	Like-for-like[1]	Full year	First half	Second half	Full year	First half	Second half
	$m	$m	$m	%	%	%	%	%	%
Revenue									
Industrial	1,243.1	1,211.8	1,185.1	3%	3%	3%	5%	5%	4%
Crafts	442.8	491.9	485.0	(10)%	(8)%	(12)%	(9)%	(7)%	(10)%
Total revenue	**1,685.9**	**1,703.7**	**1,670.1**	**(1)%**	**0%**	**(2)%**	**1%**	**2%**	**0%**
Pre-exceptional operating profit[2]									
Industrial	128.1	110.7	108.9	16%	22%	10%	18%	24%	12%
Crafts	2.8	22.0	22.0	(87)%	N/A	(70)%	(87)%	N/A	(70)%
Total	**130.9**	**132.7**	**130.9**	**(1)%**	**3%**	**(5)%**	**0%**	**5%**	**(4)%**
Operating margin[2]	**7.8%**	**7.8%**	**7.8%**	**0bps**	**20bps**	**(30)bps**	**(10)bps**	**20bps**	**(30)bps**

1 *2013 like-for-like restates 2013 figures at 2014 exchange rates*
2 *Excluding exceptional items (see note 2 to the Coats financial information)*

In the following commentary, all comparisons with 2013 are on a like-for-like currency basis and all references to operating profit are on a pre-exceptional basis unless stated otherwise.

Industrial

Industrial sales in 2014 were $1,243.1 million, up 5% year-on-year, continuing the positive momentum from 2013. Revenue growth was balanced across the regions with double digit growth in the key markets of Turkey, the USA and Vietnam. Speciality sales grew 14% year-on-year, and by 18% in the second half of 2014, with strong demand from the protective clothing markets in EMEA and North America and the outdoor and sporting goods markets in Asia. Operating profit growth of 18% year-on-year was delivered through volume growth, with productivity and purchasing improvements, coupled with pricing initiatives, successfully offsetting cost inflation.

Crafts

Crafts' sales of $442.8 million represented a 9% year-on-year decline. The reduction in both the Americas and EMEA was primarily due to lower demand for fashion handknitting products. Excluding this anticipated decline, North American Crafts sales grew 3% year-on-year. Sales in EMEA were also impacted by a decline in the Needlecrafts category and a change in Coats' Scandinavian operating model. As a result of improved sales performance in the Americas and cost reduction initiatives the business returned to profitability in the second half of 2014, thereby delivering a $2.8 million operating profit for the full year.

Sale of EMEA Crafts

As announced on 19 February 2015 Coats has agreed to sell the EMEA Crafts business to the Aurelius Group. The sale follows a comprehensive review of the business, including its strategic fit within Coats, and the formulation of a turnaround plan. The sale better positions Coats for future profitable growth and allows it to focus attention on its high performing global Industrial and strong Americas Crafts businesses. The sale is subject to a limited number of conditions usual for this type of transaction and is expected to complete in Q2 2015.

Further details of the transaction are included later in this report.

Financial summary

Net profit attributable to equity shareholders increased 21% to $45.1 million, on a reported pre-exceptional basis, compared to 2013 ($37.3 million). This was primarily due to lower pension finance costs, reduced finance costs resulting from lower year-on-year net debt and average interest rates, and a lower tax charge. Pensions finance costs will be significantly higher in 2015 due to the increase in the pensions deficit of the Coats Plan during 2014. Including exceptional items and their associated tax effect, including an $18.8 million impairment charge of property, plant and equipment and intangible assets relating to the EMEA Crafts business, Coats generated a reported attributable profit of $21.2 million (2013: $29.2 million). No exceptional reorganisation charges were incurred in 2014. Operating profit included approximately $8 million of reorganisation related costs that have not been classified as exceptional.

In 2014 Coats generated adjusted free cash flow[a] of $70.1 million, a 30% increase on 2013 ($54.1 million). The year-on-year improvement was driven by improved working capital management, lower interest and tax payments. Reflecting strong cash generation, year-end net debt fell to $262.6 million (2013: $329.2 million) and Coats' leverage ratio[b] of net debt to EBITDA fell to 1.4 times (2013: 1.8 times).

Return on capital employed[c] increased to 26% (2013: 22%), primarily driven by the reduction in net working capital.

Prospects

A mixed regional picture in consumer demand for Coats' products is expected to continue in 2015. While Coats anticipates a broadly positive outlook in Asia and solid growth in North America, the situation in Europe is likely to be affected by underlying macroeconomic developments and Latin America is expected to remain relatively flat. In a general deflationary environment it will become increasingly challenging to use pricing improvements to offset payroll and other inflationary pressures which Coats faces in the many countries in which it operates.

In the core Apparel and Footwear business there will be an increased focus on customer engagement and order management using digital channels, while in the Speciality business continued growth is expected to be achieved through geographic expansion and new product innovation in areas such as aramids and composites. Year-on-year performance in the Americas Crafts business is expected to remain relatively stable, as ongoing growth in core handknitting sales will be offset by reduced demand for fashion handknitting products.

The mixed consumer demand outlook, ongoing inflationary challenges and a continued strengthening of the US dollar will have a negative impact on operating profits in 2015. This will be somewhat mitigated by the treatment of losses attributable to EMEA Crafts as discontinued items, leading to a broadly stable operating profit for the year, with profitability weighted towards the second half. Attributable profit will be reduced by an increase in pensions finance costs, which should be offset by a continuing reduction in the effective tax rate and interest charges.

Conclusion

The underlying results for the year demonstrate a strengthening of the core Apparel and Footwear business, double digit sales growth within Specialty and a strong and profitable Americas Crafts business. This enabled Coats to deliver growth in pre-exceptional attributable profit and to generate significant free cash flow, which provides a strong base for organic and inorganic growth.

Paul Forman
Group Chief Executive
Coats plc
26 February 2015

a See Coats Group financial review for calculation of adjusted free cash flow
b Under the definitions of net debt and EBITDA prescribed in Coats' senior debt facility
c Return on capital employed defined as pre-exceptional operating profit divided by capital employed at period end

Coats Group Operating Review

Industrial

	2014	2013		2013	Like-for-like increase		
	Reported	Reported[1]	Reported increase	Like-for-like[1]	Full year	First half	Second half
	$m	$m	%	$m	%	%	%
Revenue							
By region							
Asia and Australasia	679.8	659.0	3%	651.4	4%	5%	3%
Americas	288.6	284.5	1%	274.1	5%	3%	7%
EMEA	274.7	268.3	2%	259.6	6%	7%	5%
Total	**1,243.1**	**1,211.8**	3**%**	**1,185.1**	5**%**	5**%**	4**%**
By category							
Apparel and Footwear [2]	1,008.1	1,001.3	1%	979.3	3%	4%	2%
Speciality	235.0	210.6	12%	205.8	14%	10%	18%
Total	**1,243.1**	**1,211.8**	3%	**1,185.1**	5%	5%	4%
Pre-exceptional operating profit [3]	128.1	110.7	16**%**	108.9	18%	24**%**	12**%**
Operating margin [3]	**10.3%**	**9.1%**	**120bps**	**9.2%**	**110bps**	**160bps**	**60bps**

1 *2013 like-for-like restates 2013 figures at 2014 exchange rates*
2 *Includes accessories, zips and trims and global services*
3 *Excluding exceptional items (see note 2 to the Coats financial information)*

In the following commentary, all comparisons with 2013 are on a like-for-like currency basis and all references to operating profit are on a pre-exceptional basis unless stated otherwise.

Industrial sales rose 5% year-on-year due primarily to significant revenue growth in Speciality (14%) and steady growth in the core Apparel and Footwear category. This resulted in both categories growing by approximately the same amount in absolute terms. Double digit sales growth was delivered in key markets such as Turkey, USA and Vietnam due to market share gains and underlying market growth.

Asia and Australasia sales increased by 4% year-on-year with growth across the region. A key growth driver was apparel and footwear sales in both Vietnam and India, although a marginal slowdown in these key markets led to reduced regional growth in the second half. Speciality made good progress, with the outdoor and sporting goods markets in particular contributing to sales growth.

A strong second half performance enabled the Americas region to generate a 5% year-on-year increase in revenues. In H2 2014 growth of 7% was primarily driven by North American Speciality sales, particularly within the protective clothing and wire and cable markets, which also showed good growth in the first half. In addition the Apparel and Footwear category delivered an improved performance following softness in demand from some US brands during the first half of 2014.

Sales in EMEA increased 6% with year-on-year growth across most key markets and a strong performance from both Speciality and Zips. The Speciality category benefited from strong demand in the bedding market during the second half and the protective clothing market throughout 2014.

Revenues in the Apparel and Footwear category grew 3% year-on-year from a combination of market share gains and underlying market growth, although growth during the second half slowed due to strong comparators.

In the Speciality category, 14% year-on-year growth (18% in the second half) was achieved through geographic expansion and new product innovation and sales. For example, sales to engineered performance fabrics customers, including sales of the Flamepro product range, an aramid thread used in personal protective equipment, increased $6 million year-on-year, while sales of aramid composite products, that enable the replacement of steel natural gas pipes with reinforced thermoplastic pipes, were up $3 million.

Industrial operating profit increased by 18% to $128.1 million (2013: $108.9 million), with volume growth, productivity, procurement and pricing initiatives more than offsetting payroll and energy inflation. As a result operating margins increased by 110bps to 10.3% (2013: 9.2%).

Crafts

	2014	2013		2013	Like-for-like decrease		
	Reported	Reported[1]	Reported decrease	Like-for-like[1]	Full year	First half	Second half
	$m	$m	%	$m	%	%	%
Revenue							
By region							
Americas	295.7	318.5	(7)%	311.8	(5)%	(4)%	(6)%
EMEA	147.1	173.4	(15)%	173.2	(15)%	(13)%	(17)%
Total	**442.8**	**491.9**	(10)**%**	**485.0**	(9)**%**	(7)**%**	(10)**%**
By category							
Needlecrafts [2]	206.4	225.8	(9)%	220.2	(6)%	(6)%	(6)%
Handknittings	236.4	266.1	(11)%	264.8	(11)%	(8)%	(13)%
Total	**442.8**	**491.9**	(10)%	**485.0**	(9)%	(7)%	(10)%
Pre-exceptional operating profit [3]	2.8	22.0	(87)%	22.0	(87)%	N/A	(70)%
Operating margin [3]	**0.6%**	**4.5%**	**(390)bps**	**4.5%**	**(390)bps**	**(430)bps**	**(350)bps**

1 *2013 like-for-like restates 2013 figures at 2014 exchange rates*
2 *Includes other textile craft products*
3 *Excluding exceptional items (see note 2 to the Coats financial information)*

In the following commentary, all comparisons with 2013 are on a like-for-like currency basis and all references to operating profit are on a pre-exceptional basis unless stated otherwise.

Crafts sales declined 9% year-on-year, primarily due to the impact of lower demand for fashion handknitting products in North America and EMEA and the change in operating model in Scandinavia in 2013.

In the Americas, revenue fell 5% year-on-year, primarily due to a decline in fashion handknitting sales, including Red Heart's Sashay product range, following a peak in demand in 2013. Excluding fashion handknitting sales, North American Crafts grew sales by 3%. In the smaller Latin America business, growth in Handknittings in the first half of 2014 continued into the second half, despite challenging market conditions. Overall Americas Crafts remains a strong business that generates good margins based on its market leading position.

Revenue in EMEA, down 15%, was significantly impacted by the decline in fashion handknitting sales. The full year decline also reflected falling sales in the Needlecrafts category and the move from a retail sales model to distribution model in Scandinavia, which impacted sales by approximately $11 million, equating to a 6% decline in EMEA revenues.

The 6% decline in Needlecraft sales reflects the long term decline in that market. The 11% fall in Handknitting sales was impacted by the previously mentioned change in fashion trends following a peak in demand in 2013, although the core handknitting business grew globally.

Due to the overall weaker sales performance, and change in operating model in Scandinavia, Crafts made an operating profit of $2.8 million in 2014, compared to $22.0 million in 2013. This resulted in a decline in operating margin to 0.6% from 4.5% in 2013. However, and in line with prior guidance, the Crafts business returned to profitability in the second half due to improved sales performance in the Americas and cost reduction initiatives. This enabled the Americas business to deliver a reasonable operating profit for the year.

Sale of EMEA Crafts

Coats announced an agreement to sell its EMEA Crafts business to the Aurelius Group on 19 February 2015 for a total consideration of US$10.0 million, payable in cash on completion and subject to customary adjustments. As part of the sale an amount of cash will be retained within the business being sold, which is expected to result in the transaction being marginally cash negative. The sale followed a comprehensive review of the business, including its strategic fit within Coats, and the formulation of a turnaround plan. The sale better positions Coats for future profitable growth and allows it to focus attention on its high performing global Industrial and strong Americas Crafts businesses. The sale is subject to a limited number of conditions usual for this type of transaction and is expected to complete in Q2 2015.

As part of the strategy review and sales process it was decided that the UK Crafts business should remain within Coats. This decision was based on a number of factors, including the long heritage of Coats in the UK and the due diligence requirements for any buyer in relation to the ongoing tPR investigations. On balance it was concluded that retaining the business would generate the best overall value to shareholders.

In 2014 EMEA Crafts (excluding the UK) generated revenues of $124.9 million and a pre-exceptional operating loss of $9.8 million. Including exceptional items, namely an $18.8 million impairment of property, plant and equipment and intangible assets, EMEA Crafts incurred an operating loss of $28.6 million. As at 31 December 2014, after impairment, the business had net tangible assets of $35.4 million, including cash retained within the business as part of the sale. Given the total consideration of $10 million for the business compared to its net tangible asset position of $35.4 million at 2014 year end, and taking into account completion adjustments and disposal-related costs, a substantial loss on disposal is expected to be recognised on completion of the transaction. The precise quantum will be finalised on completion and will in addition include historical foreign exchange translation gains and losses previously recognised in equity. The results of the EMEA Crafts business (excluding UK) together with the loss on disposal will be presented as a discontinued operation when the Group reports its 2015 half year results.

On completion of the sale Coats expects to provide some transitional support services to the EMEA business under new ownership for a period of time. However during the transition period Coats will continue to incur some costs previously allocated to the EMEA Crafts business, thereby impacting Coats' 2015 operating profit from ongoing operations. These costs will be subject to review during 2015 to ensure Group operating margins will not be negatively affected in the medium term.

Coats Group financial review

Exceptional items

Net exceptional costs before taxation totalled $23.8 million (2013: $8.5 million). This included an $18.8 million impairment of property, plant and equipment and intangible assets related to EMEA Crafts.

In addition there was a $3.7 million charge relating to costs incurred by the trustee of the Coats Plan in 2014 in responding to tPR's investigation into the scheme, and a provision made for the Trustee's expected costs to respond to the Warning Notice received from tPR. There was a $2.9 million gain on the disposal of properties, related to activities in 2014 and prior years, and $4.2 million of other exceptional costs related to the capital incentive plan. This plan is intended to reward the Coats' senior executive team for delivering growth in the value of GPG's investment; the amount incurred in 2015 is expected to reduce.

No exceptional reorganisation charges were incurred in 2014 (2013: $21.6 million). Operating profit includes approximately $8 million of reorganisation related costs that have not been classified as exceptional.

Non-operating results

The share of profit from joint ventures was $1.5 million (2013: $0.7 million).

Excluding IAS19 pensions interest, finance costs reduced by 7% to $27.4 million (2013: $29.4 million) as a result of lower year-on-year net debt and a reduction in the margin over LIBOR on borrowings as a consequence of lower leverage.

The taxation charge for 2014 was $45.6 million (2013: $51.0 million) resulting in a reported tax rate of 60%. Excluding all exceptional items and the impact of IAS19 finance charges, the underlying effective rate on pre-tax profits reduced by 500bps to 42% (2013: 47%). The reduction was primarily driven by a change in mix as regions with lower statutory tax rates contributed higher profits and a reduction in unrelieved losses in the year.

Profits attributable to minority interests were $9.6 million in 2014 (2013: $7.8 million).

Net profit attributable to equity shareholders, on a pre-exceptional basis, was $45.1 million, a 21% year-on-year improvement (2013: $37.3 million). Including exceptional items and their associated tax effect, Coats generated a reported attributable profit of $21.2 million (2013: $29.2 million).

Investment

During 2014 investment continued to be made to support business growth and to further improve Coats' operational performance. Investment in new plant and systems amounted to $47.4 million (2013: $37.8 million). The year-on-year increase was driven by investment in IT, digital services and efficiency initiatives, such as the construction and commissioning of a bio mass plant for steam generation at an Indian factory. Capital expenditure was 1.0 times depreciation (including computer software amortisation) for 2014 (2013: 0.8 times).

Cash flow

Adjusted free cash flow of $70.1 million was up 30% on 2013 ($54.1 million). This excludes reorganisation spend of $3.7 million related to expenses incurred in 2013 (2013: $27.7 million), a $1.8 million tax inflow (repayment) related to a US antitrust litigation (2013: $8.2 million non-tax related outflow) and proceeds from property disposals, including tax, of $3.6 million (2013: $26.6 million). Free cash flow was $71.8 million (2013: $44.8 million).

EBITDA (defined as pre-exceptional operating profit before depreciation and amortisation) was $179.4 million (2013: $181.6 million).

Net working capital as a percentage of sales fell year-on-year to 11.5% (2013: 15.1%) resulting in a cash inflow of $41.1 million. This improvement was driven by a continued focus on all aspects of working capital, with improvements made in Industrial inventory and debtor management, as well as reduced Crafts sales.

Interest paid decreased to $21.9 million (2013: $26.2 million), as a result of lower year-on-year net debt and lower interest rates achieved on borrowings.

Taxation paid was $56.0 million, compared to $53.3 million in 2013. Excluding the tax impact of exceptional items, taxation paid in 2014 declined by $2.5 million in 2014 to $53.3 million (2013: $55.8 million).

Pension payments increased to $37.7 million in 2014 (2013: $25.6 million) due to higher recovery plan contributions to the UK funded scheme, in line with the recovery plan agreed with the Coats Plan trustee in 2013.

Balance sheet

Due to the strong cash flow performance net debt reduced to $262.6 million (2013: $329.2 million).

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, net debt at 31 December 2014 was 1.4 times EBITDA of the preceding twelve months (31 December 2013: 1.8 times). Coats is comfortably within the covenant limit of 3.0 times.

Equity shareholders' funds decreased from $226.2 million at 31 December 2013 to a deficit of $11.5 million at 31 December 2014. This primarily reflects actuarial losses in respect of retirement benefit schemes of $246.1 million, which more than offset attributable profit of $21.2 million.

Pensions and other post-employment benefits

The net obligation for the Group's retirement and other post-employment defined benefit liabilities was $409.6 million as at 31 December 2014, up from $202.6 million at the end of 2013.

Coats Plan
As at 31 December 2014, the deficit on an IAS19 accounting basis in the Coats Plan, which represents the Group's most significant funded defined benefit arrangement, increased from $129.2 million at the end of 2013 to $333.6 million. The movement was due to an increase in liabilities, which was primarily driven by a 115bps decrease in discount rate, which more than offset a 35bps decrease in the inflation rate. In addition the adoption of revised assumption setting methodologies and the Trustee formally adopting improved cash commutation factors for members had a negative impact of approximately $41 million on the deficit. Deficit reduction contributions to the plan during the year were $23.1 million, which is in line with the 14 year recovery plan agreed with the scheme's trustee in 2013 as part of the 2012 triennial valuation.

Other pension and post-employment arrangements
The recognised surplus for the US funded defined benefit scheme increased to $54.8 million as at 31 December 2014 (31 December 2013: $47.1 million), while the overall net deficit on other plans was $130.8 million (31 December 2013: $120.5 million).

Refinanced debt facility

In February 2015 Coats successfully replaced its $760 million syndicated bank facility with a new $680 million, five year revolving facility. The new facility, which matures in February 2020, was oversubscribed and is syndicated among a changed group of international banks, which better reflects Coats' global footprint. It features a lower margin, approximately 25 bps, compared with the previous facility and indicative pricing for 2015 is LIBOR plus 150bps. The size of the new facility reflects Coats' ability to generate free cash. There is no change to the financial covenants, namely, net debt will not exceed three times EBITDA and EBITDA will not be lower than four times net finance charges.

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 approximately 20,000 people across six continents. Revenues in 2014 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
- More than 100 million car airbags are made using Coats' thread every year
- Coats produces enough yarn to knit 70 million scarves a year
- Every three hours Coats makes enough thread to go to the moon and back
- More than 450 million pairs of shoes are made every year using Coats' thread
- In 1879 Thomas Edison used Coats' thread in his experiments to invent the light bulb
- Every week over 10 billion teabags are brewed using Coats' thread
- Coats produces enough thread to reach around the Equator every ten minutes
- Thousands of surgical operations take place every day using Coats' thread
- 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

Consolidated income statement

Year ended 31 December			**2014**			2013
	Coats Unaudited £m	**Other Unaudited £m**	**Total Unaudited £m**	Coats Audited £m	Other Audited £m	Total Audited £m
Continuing operations						
Revenue	**1,023**	-	**1,023**	1,089	-	1,089
Cost of sales	**(648)**	-	**(648)**	(709)	-	(709)
Gross profit	**375**	-	**375**	380	-	380
Interest receivable						
- Parent Group	**-**	**6**	**6**	-	4	4
Distribution costs	**(172)**	**-**	**(172)**	(183)	-	(183)
Administrative expenses	**(138)**	**(7)**	**(145)**	(118)	(43)	(161)
Other operating income	**-**	**-**	**-**	-	1	1
Operating profit	**65**	**(1)**	**64**	79	(38)	41
Interest and other income						
- Coats	**2**	**-**	**2**	3	-	3
Share of profit of joint ventures	**1**	**-**	**1**	1	-	1
Finance costs (net)	**(21)**	**(3)**	**(24)**	(27)	(4)	(31)
Profit before taxation from continuing operations	**47**	**(4)**	**43**	56	(42)	14
Tax on profit from continuing operations	**(28)**	**-**	**(28)**	(32)	-	(32)
Profit/(loss) for the year from continuing operations	**19**	**(4)**	**15**	24	(42)	(18)
Discontinued operations						
Profit from discontinued operations	**-**	**-**	**-**	-	46	46
Profit for the year	**19**	**(4)**	**15**	24	4	28
Attributable to:						
EQUITY HOLDERS OF THE PARENT	**13**	**(4)**	**9**	19	4	23
Non-controlling interests	**6**	**-**	**6**	5	-	5
	19	**(4)**	**15**	24	4	28
Earnings per ordinary share from continuing and discontinued operations:						
Basic and diluted			**0.64p**			1.62p
Earnings/(loss) per ordinary share from continuing operations:						
Basic and diluted			**0.66p**			(1.58)p

Guinness Peat Group plc

Consolidated statement of comprehensive income

Year ended 31 December	**2014 Unaudited £m**	2013 Audited £m
Profit for the year	**15**	28
Items that will not be reclassified subsequently to profit or loss:		
Net actuarial (losses)/gains on retirement benefit schemes	**(201)**	106
Tax on items that will not be reclassified	**(1)**	1
	(202)	107
Items that may be reclassified subsequently to profit or loss:		
Losses on revaluation of fixed asset investments	**-**	(5)
Exchange losses on translation of foreign operations	**(11)**	(36)
(Losses)/gains on cash flow hedges	**(1)**	1
Tax on items that may be reclassified	**-**	1
Transferred to profit or loss on sale or impairment of fixed asset investments	**-**	(11)
Transferred to profit or loss on sale of businesses	**-**	(30)
Transferred to profit or loss on cash flow hedges	**2**	3
	(10)	(77)
Net comprehensive (expense)/income for the year	**(197)**	58
Attributable to:		
EQUITY HOLDERS OF THE PARENT	**(204)**	53
Non-controlling interests	**7**	5
	(197)	58

Guinness Peat Group plc

Consolidated statement of financial position

Year ended 31 December	**2014 Unaudited £m**	2013 Audited £m
Non-current assets		
Intangible assets	**165**	155
Property, plant and equipment	**191**	206
Investments in joint ventures	**9**	8
Fixed asset investments	**2**	2
Deferred tax assets	**10**	8
Pension surpluses	**33**	27
Trade and other receivables	**10**	12
	420	418
Current assets		
Inventories	**166**	170
Trade and other receivables	**196**	207
Derivative financial instruments	**3**	3
Cash and cash equivalents	**474**	458
	839	838
Assets held for sale	**1**	1
Total assets	**1,260**	1,257
Current liabilities		
Trade and other payables	**236**	228
Current income tax liabilities	**7**	11
Other borrowings	**73**	50
Derivative financial instruments	**6**	3
Provisions	**48**	48
	370	340
Net current assets	**469**	498
Non-current liabilities		
Trade and other payables	**10**	11
Deferred tax liabilities	**25**	22
Other borrowings	**195**	224
Derivative financial instruments	**-**	1
Retirement benefit obligations:		
- Funded schemes	**312**	118
- Unfunded schemes	**77**	68
Provisions	**14**	16
	633	460
Total liabilities	**1,003**	800
Net assets	**257**	457

Consolidated statement of financial position (continued)

	2014 Unaudited £m	2013 Audited £m
Equity		
Share capital	**70**	70
Share premium account	**1**	1
Translation reserve	**10**	22
Capital reduction reserve	**48**	48
Other reserves	**126**	124
Retained (loss)/earnings	**(14)**	179
EQUITY SHAREHOLDERS' FUNDS	**241**	444
Non-controlling interests	**16**	13
Total equity	**257**	457
Net asset backing per share	**17.2p**	31.5p

Guinness Peat Group plc

Consolidated statement of changes in equity

	Share capital £m	Share premium account £m	Translation reserve £m	Unrealised gains reserve £m	Capital reduction reserve £m	Other reserves £m	Retained (loss)/ earnings £m	Total £m	Non-controlling interests £m
Audited									
Balance as at 1 January 2013	78	-	89	14	93	112	48	434	24
Net comprehensive (expense)/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
Unaudited									
Net comprehensive (expense)/ income for the year	-	-	(12)	-	-	1	(193)	(204)	7
Dividends	-	-	-	-	-	-	-	-	(4)
Share based payments	-	-	-	-	-	1	-	1	-
Balance as at 31 December 2014	**70**	**1**	**10**	**-**	**48**	**126**	**(14)**	**241**	**16**

Guinness Peat Group plc

Consolidated statement of cash flows

Year ended 31 December	**2014 Unaudited £m**	2013 Audited £m
Cash inflow from operating activities		
Net cash inflow from operating activities**	**101**	149
Interest paid	**(13)**	(18)
Taxation paid	**(34)**	(35)
Net cash generated by operating activities	**54**	96
Cash (outflow)/inflow from investing activities		
Dividends received from joint ventures	**1**	3
Net capital expenditure and financial investment	**(23)**	(6)
Acquisitions and disposals**	**-**	129
Net cash (absorbed in)/generated by investing activities	**(22)**	126
Cash outflow from financing activities		
Net buy-back of Ordinary Shares	**-**	(45)
Dividends paid to non-controlling interests	**(4)**	(5)
Net decrease in borrowings	**(27)**	(28)
Net cash absorbed in financing activities	**(31)**	(78)
Increase in cash and cash equivalents	**1**	144
Cash and cash equivalents at beginning of the year	**447**	311
Exchange gains/(losses) on cash and cash equivalents	**8**	(8)
Cash and cash equivalents at end of the year	**456**	447
Cash and cash equivalents per the Consolidated Statement of Financial Position	**474**	458
Bank overdrafts	**(18)**	(11)
Cash and cash equivalents at end of the year	**456**	447
Summary of net cash		
- Parent Group* cash	**375**	383
- Other group cash	**99**	75
- Other group debt	**(268)**	(274)
Total Group net cash	**206**	184

* 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 the financial information for the year ended 31 December 2014

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

2. The financial information set out in this report does not constitute the GPG Group's statutory accounts for the years ended 31 December 2014 and 2013. The financial information for the year ended 31 December 2013 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 2014 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 2015.

   At the year end the Parent Group had net cash totalling £375 million (2013: £383 million). The Parent Group also has various other actual and contingent liabilities. The Board expects to be able to meet these obligations from existing resources. Further information on the net cash position of the Group is provided in the table at the foot of the Consolidated Statement of Cash Flows.

   Giving due consideration to the nature of the Group's business and underlying investments, 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 2014, GPG recognised in operating profit £11 million of net foreign exchange gains (2013: £2 million loss). Net foreign exchange losses of £11 million (2013: £36 million) were recognised in reserves.

4. Tax on profit from continuing operations

	2014 £m	2013 £m
UK Corporation tax at 21.5% (2013: 23.25%)	**-**	-
Overseas tax charge	**29**	32
	29	32
Deferred tax credit	**(1)**	-
	28	32

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

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

6. Earnings per share – The calculation of basic earnings per Ordinary Share from continuing and discontinued operations is based on the profit for the year attributable to equity shareholders of the parent and the weighted average number of 1,407,431,333 (2013: 1,433,827,035) Ordinary Shares in issue during the year.

   The calculation of basic earnings/(loss) per Ordinary Share from continuing operations is based on the profit/(loss) for the year from continuing operations attributable to equity shareholders of the parent and the weighted average of 1,407,431,333 (2013: 1,433,837,035) Ordinary Shares in issue during the year.

   For the calculation of diluted earnings/(loss) per Ordinary Share, the weighted average number of Ordinary Shares in issue is adjusted, where appropriate, to assume conversion of all dilutive potential Ordinary Shares, being share options granted to former employees.

7. The net asset backing per share at 31 December 2014 was 17.2p (2013: 31.5p). The calculation of the net asset backing per share is based on the equity shareholders' funds and the number of shares in issue at the 31 December. The net tangible assets (net assets excluding intangible assets) per share at 31 December 2014 were 6.6p (2013: 21.5p).

8. Changes in the issued share capital during the year ended 31 December 2014 comprise the following:

	Number of shares	£m
At 1 January 2014	1,407,152,123	70
Employee options exercised	460,159	-
At 31 December 2014	1,407,612,282	**70**

9. Dividends – No dividends were paid or proposed during the year (2013: Nil).

10. Contingent liabilities – As noted in previous reports, the US Environmental Protection Agency ('EPA') has notified Coats & Clark, Inc. ('CC') that it is a 'potentially responsible party' ('PRP') 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 $136 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 its 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 allocation. In April 2014, the EPA released a Focused Feasibility Study ('FFS') for the lower 8 miles of the LPRSA. The FFS analyses a series of remedial alternatives and the EPA has estimated the cost of its preferred remedy at approximately $1.7 billion on a net present value basis. The CPG has submitted extensive comments opposing the FFS during the comment period. The EPA is required to review and respond to all substantive comments submitted by both the CPG and other parties. The EPA is not currently expected to issue a Record of Decision ('ROD') selecting a remedy until the end of H2 2015.

It is not yet known which, if any, of the proposed FFS remedies EPA will select, and there are a number of uncertainties that could have a material effect on the scope and cost of EPA's preferred remedy including:

- The development by the CPG of a Sustainable Remedy proposal that combines targeted dredging of the most contaminated sediment with other pollution control and risk management policies, at a lower cost than EPA's preferred remedy;

- The RI/FS is currently expected to be submitted to EPA in H1 2015, before the expected selection of an FFS remedy for the lower 8 miles, and it is possible that EPA will combine the RI/FS and the FFS to select a single remedy for the entire LPRSA;

- The EPA has specifically requested comment on several aspects of its preferred FFS remedy that could materially affect the scope and estimated cost of the remedy.

Once the RI/FS has been submitted to the EPA and the EPA has issued a ROD for the FFS and/or the RI/FS, it is expected to begin negotiations with PRPs to implement the selected remedy. These negotiations are likely to involve parties that are not currently in the CPG, including TMO and other PRPs who have previously been identified by EPA. While the cost of the remedial design and the FFS and/or RI/FS remedy are expected to be shared among hundreds of parties, the allocation of such costs among these parties is not yet known. The interim CPG allocation does not apply to remedial actions, and non-CPG members not included in the interim allocation are expected to participate in the funding of the remedy. 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, which was provided.

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. Therefore, while the foregoing factors could reduce CC's relative allocation of remedial costs, the Company cannot predict what CC's share of any such costs would be in light of the significant uncertainties surrounding the selection and cost of EPA's FFS remedy, the number of parties who will participate in the remediation and the relative allocation of costs among such parties. The Company believes, in light of the significant uncertainties at this stage in the process, that it is not possible to reliably estimate future remediation costs nor CC's share of those costs. Accordingly, no provision has been made for such costs at the present time.

11. Post balance sheet event – On 19 February 2015 Coats agreed to sell its EMEA Crafts business for a consideration of US$10 million (£6 million at 2014 year end rate) payable in cash on completion subject to customary adjustments. The sale is conditional upon, inter alia, a limited number of conditions usual for this type of transaction and is expected to complete in the second quarter of 2015. The UK Crafts business will remain within Coats.

For the year ended 31 December 2014, EMEA Crafts (excluding UK) generated external sales of £76 million and an operating loss of £17 million, which includes a property, plant and equipment and intangible assets exceptional impairment charge of £11 million. As at 31 December 2014, after impairment, the business had net tangible assets of £23 million, including cash retained within the business as part of the sale. Given the total consideration for the business of US$10 million (£6 million at 2014 year end rate) and its net tangible asset position of £23 million at 2014 year end, and taking into account completion adjustments and disposal-related costs, a substantial loss on disposal is expected to be recognised on completion of the transaction. The precise quantum will be finalised on completion and will in addition include historical foreign exchange translation gains and losses previously recognised in equity.

The results of the EMEA Crafts business (excluding UK) together with the loss on disposal will be presented as a discontinued operation when the Group reports its 2015 half year results.

12. 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:

M Clasper CBE	(appointed 20 February 2014)
MN Allen	
R Anderson	(appointed 16 April 2014)
R Campbell	
Sir Ron Brierley	
SL Malcolm	
BA Nixon	
WR Szlezak	

13. Directors' Report - The Chairman's Statement appearing in the Preliminary Results and signed by Mike Clasper provides a review of the operations of the Group for the year ended 31 December 2014.

On behalf of the Board
M. Clasper
Chairman
26 February 2015

United Kingdom

Prism Cosec, 10 Margaret Street, London, W1W 8RL Tel: 020 3008 6446

New Zealand

c/o Computershare Investor Services Limited
Private Bag 92119, Auckland 1142 Tel: 09 488 8700 Fax: 09 488 8787

Australia

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

Registered in England No. 103548

Coats

Coats consolidated financial information

Consolidated income statement (unaudited)

For the year ended 31 December	Notes	2014 Before exceptional items Unaudited US$m	2014 Exceptional items Unaudited US$m	2014 Total Unaudited US$m	2013 Before exceptional items Unaudited US$m	2013 Exceptional items Unaudited US$m	2013 Total Unaudited US$m
Continuing operations							
Revenue		**1,685.9**	**-**	**1,685.9**	1,703.7	-	1,703.7
Cost of sales		**(1,056.4)**	**(11.8)**	**(1,068.2)**	(1,079.5)	(30.4)	(1,109.9)
Gross profit		**629.5**	**(11.8)**	**617.7**	624.2	(30.4)	593.8
Distribution costs		**(278.5)**	**(5.3)**	**(283.8)**	(285.7)	-	(285.7)
Administrative expenses		**(220.1)**	**(9.6)**	**(229.7)**	(205.8)	1.8	(204.0)
Other operating income		**-**	**2.9**	**2.9**	-	20.1	20.1
Operating profit		**130.9**	**(23.8)**	**107.1**	132.7	(8.5)	124.2
Share of profits of joint ventures		**1.5**	**-**	**1.5**	0.7	-	0.7
Investment income		**2.5**	**-**	**2.5**	4.9	-	4.9
Finance costs	3	**(34.7)**	**-**	**(34.7)**	(41.7)	-	(41.7)
Profit before taxation	2	**100.2**	**(23.8)**	**76.4**	96.6	(8.5)	88.1
Taxation	4	**(45.5)**	**(0.1)**	**(45.6)**	(51.4)	0.4	(51.0)
Profit from continuing operations		**54.7**	**(23.9)**	**30.8**	45.2	(8.1)	37.1
Discontinued operations							
Loss from discontinued operations		**-**	**-**	**-**	(0.1)	-	(0.1)
Profit for the year		**54.7**	**(23.9)**	**30.8**	45.1	(8.1)	37.0
Attributable to:							
EQUITY SHAREHOLDERS OF THE COMPANY		**45.1**	**(23.9)**	**21.2**	37.3	(8.1)	29.2
Non-controlling interests		**9.6**	**-**	**9.6**	7.8	-	7.8
		54.7	**(23.9)**	**30.8**	45.1	(8.1)	37.0

Consolidated statement of comprehensive income (unaudited)

Year ended 31 December	**2014 Unaudited US$m**	2013 Unaudited US$m
Profit for the year	**30.8**	37.0
Items that will not be reclassified subsequently to profit or loss		
Actuarial (losses)/gains on retirement benefit schemes	**(246.1)**	130.8
Tax relating to items that will not be reclassified	**(1.7)**	1.4
	(247.8)	132.2
Items that may be reclassified subsequently to profit or loss		
Cash flow hedges:		
(Losses)/gains arising during the year	**(1.5)**	0.8
Transferred to profit or loss on cash flow hedges	**3.7**	4.8
Exchange differences on translation of foreign operations	**(13.5)**	(20.5)
	(11.3)	(14.9)
Other comprehensive income and expense for the year	**(259.1)**	117.3
Total comprehensive income and expense for the year	**(228.3)**	154.3
Attributable to:		
EQUITY HOLDERS OF THE COMPANY	**(237.7)**	147.0
Non-controlling interests	**9.4**	7.3
	(228.3)	154.3

Coats
Consolidated statement of financial position (unaudited)

Year ended 31 December	Notes	**2014 Unaudited US$m**	2013 Unaudited US$m
Non-current assets			
Intangible assets		**257.8**	257.2
Property, plant and equipment		**297.4**	340.6
Investments in joint ventures		**13.7**	13.7
Available-for-sale investments		**3.0**	3.5
Deferred tax assets		**15.3**	13.6
Pension surpluses		**51.0**	44.6
Trade and other receivables		**16.1**	20.7
		654.3	693.9
Current assets			
Inventories		**257.8**	281.0
Trade and other receivables		**307.9**	342.4
Available-for-sale investments		**0.4**	0.6
Cash and cash equivalents	6	**155.5**	124.9
		721.6	748.9
Non-current assets classified as held for sale		**0.8**	-
Total assets		**1,376.7**	1,442.8
Current liabilities			
Trade and other payables		**(371.6)**	(366.8)
Current income tax liabilities		**(9.2)**	(17.4)
Bank overdrafts and other borrowings		**(113.5)**	(82.4)
Provisions		**(57.6)**	(59.0)
		(551.9)	(525.6)
Net current assets		**169.7**	223.3
Non-current liabilities			
Trade and other payables		**(12.6)**	(19.1)
Deferred tax liabilities		**(39.2)**	(36.8)
Borrowings		**(304.6)**	(371.7)
Retirement benefit obligations:			
- Funded schemes		**(313.7)**	(105.6)
- Unfunded schemes		**(119.1)**	(112.4)
Provisions		**(22.8)**	(23.8)
		(812.0)	(669.4)
Total liabilities		**(1,363.9)**	(1,195.0)
Net assets		**12.8**	247.8
Equity			
Share capital		**20.5**	20.5
Share premium account		**412.1**	412.1
Hedging and translation reserve		**(51.0)**	(39.9)
Retained loss		**(393.1)**	(166.5)
EQUITY SHAREHOLDERS' (DEFICIT)/FUNDS		**(11.5)**	226.2
Non-controlling interests		**24.3**	21.6
Total equity		**12.8**	247.8

Consolidated statement of changes in equity (unaudited)

	Share capital Unaudited US$m	Share premium account Unaudited US$m	Hedging reserve Unaudited US$m	Translation reserve Unaudited US$m	Retained loss Unaudited US$m	Equity shareholders' funds/(deficit) Unaudited US$m	Non-controlling interests Unaudited US$m	Total equity Unaudited US$m
Balance as at 1 January 2013	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
Profit for the year	-	-	-	-	21.2	21.2	9.6	30.8
Other comprehensive income and expense for the year	-	-	2.2	(13.3)	(247.8)	(258.9)	(0.2)	(259.1)
Total comprehensive income and expense for the year	-	-	2.2	(13.3)	(226.6)	(237.7)	9.4	(228.3)
Dividends paid to non-controlling interests	-	-	-	-	-	-	(6.7)	(6.7)
Balance as at 31 December 2014	**20.5**	**412.1**	**(1.3)**	**(49.7)**	**(393.1)**	**(11.5)**	**24.3**	**12.8**

Coats

Consolidated statement of cash flows (unaudited)

Year ended 31 December	Notes	**2014 Unaudited US$m**	2013 Unaudited US$m
Cash inflow from operating activities			
Net cash inflow from operating activities	5	**192.6**	139.6
Interest paid		**(21.9)**	(26.2)
Taxation paid		**(56.0)**	(53.3)
Net cash generated by operating activities		**114.7**	60.1
Cash outflow from investing activities			
Dividends received from joint ventures		**1.5**	0.5
Acquisition of property, plant and equipment and intangible assets		**(47.4)**	(37.8)
Disposal of property, plant and equipment and intangible assets		**9.3**	28.3
Acquisition of financial investments		**-**	(1.1)
Disposal of financial investments		**0.4**	-
Disposal of businesses		**-**	1.5
Acquisition of investment in joint ventures		**-**	(0.4)
Net cash absorbed in investing activities		**(36.2)**	(9.0)
Cash outflow from financing activities			
Dividends paid to non-controlling interests		**(6.7)**	(6.3)
Decrease in debt and finance leasing		**(44.0)**	(43.3)
Net cash absorbed in financing activities		**(50.7)**	(49.6)
Net increase in cash and cash equivalents		**27.8**	1.5
Net cash and cash equivalents at beginning of the year		**106.8**	110.4
Foreign exchange losses on cash and cash equivalents		**(7.7)**	(5.1)
Net cash and cash equivalents at end of the year	6	**126.9**	106.8
Reconciliation of net cash flow to movement in net debt			
Net increase in cash and cash equivalents		**27.8**	1.5
Cash outflow from change in debt and lease financing		**44.0**	43.3
Change in net debt resulting from cash flows (Free cash flow)		**71.8**	44.8
Other		**(2.3)**	(2.3)
Foreign exchange losses		**(2.9)**	(4.1)
Decrease in net debt		**66.6**	38.4
Net debt at start of year		**(329.2)**	(367.6)
Net debt at end of year	6	**(262.6)**	(329.2)

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 consolidation financial information of GPG for year ended 31 December 2014 and audited consolidated financial information of GPG for the year ended 31 December 2013.

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 2014 and 31 December 2013 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.

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 within audited financial information of its ultimate parent company, GPG.

The financial information for the year ended 31 December 2014 has been prepared in accordance with the recognition and measurement requirements of International Financial Reporting Standards ('IFRS') endorsed by the European Union. The same accounting policies have been applied to the financial information presented for the year ended 31 December 2013.

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

		2014	2013
Average	Sterling	**0.61**	0.64
	Euro	**0.75**	0.75
	Brazilian Real	**2.35**	2.16
	Indian Rupee	**61.01**	58.55
Year end	Sterling	**0.64**	0.60
	Euro	**0.83**	0.73
	Brazilian Real	**2.66**	2.36
	Indian Rupee	**63.03**	61.80

Coats

Notes to the Coats consolidated financial information

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

For the year ended 31 December	**2014 Unaudited US$m**	2013 Unaudited US$m
Exceptional items:		
Cost of sales:		
US antitrust settlement costs	**-**	7.2
Reorganisation costs	**-**	21.6
Impairment of property, plant and equipment and intangible assets	**11.8**	1.1
US environmental costs	**-**	0.5
	11.8	30.4
Distribution costs:		
Impairment of property, plant and equipment	**5.3**	-
Administrative expenses:		
Impairment of property, plant and equipment	**1.7**	-
Capital incentive plan charge	**4.2**	0.4
UK Pensions Regulator (“tPR”) investigation costs	**3.7**	-
Transition costs of Coats to a standalone listed entity	**-**	4.8
UK pension increase exchange offer	**-**	(7.0)
	9.6	(1.8)
Other operating income:		
Profit on the sale of property	**(2.9)**	(20.1)
Total	**23.8**	8.5

An impairment charge of property, plant and equipment and intangible assets of $18.8 million has been made for the year ended 31 December 2014 (2013: $1.1 million) relating to the EMEA Crafts business. Please refer to note 7.

Please refer to note 10 to the Guinness Peat Group plc financial information for further details of the US environmental costs referred to above.

3. Finance costs

For the year ended 31 December	**2014 Unaudited US$m**	2013 Unaudited US$m
Interest on bank and other borrowings	**20.4**	24.3
Net interest on pension scheme assets and liabilities	**7.3**	12.3
Other	**7.0**	5.1
Total	**34.7**	41.7

Notes to the Coats consolidated financial information

4. Taxation

		2014 Unaudited US$m		2013 Unaudited US$m
UK taxation based on profit for the year:				
Corporation tax at 21.5% (2013: 23.25%)		**4.3**		3.5
Double taxation relief		**(4.3)**		(3.5)
Total UK taxation		**-**		-
Overseas taxation:				
Current taxation		**51.0**		53.4
Deferred taxation		**(3.4)**		(0.7)
		47.6		52.7
Prior year adjustments:				
Current taxation	**(3.3)**		(1.8)	
Deferred taxation	**1.3**		0.1	
		(2.0)		(1.7)
		45.6		51.0

5. Reconciliation of operating profit to net cash inflow generated by operations

For the year ended 31 December	2014 Unaudited US$m	2013 Unaudited US$m
Operating profit	**107.1**	124.2
Depreciation	**42.7**	44.4
Amortisation of intangible assets (computer software)	**5.8**	4.5
Reorganisation costs and impairment (see note 2)	**18.8**	22.7
Exceptional profit on sale of property (see note 2)	**(2.9)**	(20.1)
Other operating exceptional items (see note 2)	**7.9**	5.9
Pre-exceptional operating profit before depreciation and amortisation (EBITDA)	**179.4**	181.6
Decrease in inventories	**8.6**	16.7
Decrease/(increase) in debtors	**15.4**	(32.9)
Increase in creditors	**17.1**	26.4
Provision movements	**(23.1)**	(12.3)
Other non-cash movements	**5.4**	5.6
Net cash inflow from normal operating activities	**202.8**	185.1
Net cash outflow in respect of reorganisation costs	**(3.7)**	(28.2)
Net cash outflow in respect of other operating exceptional items	**(6.5)**	(17.3)
Net cash inflow generated by operations	**192.6**	139.6

Notes to the Coats consolidated financial information

6. Net debt

For the year ended 31 December	**2014 Unaudited US$m**	2013 Unaudited US$m
Cash and cash equivalents	**155.5**	124.9
Bank overdrafts	**(28.6)**	(18.1)
Net cash and cash equivalents	**126.9**	106.8
Other borrowings	**(389.5)**	(436.0)
Total net debt	**(262.6)**	(329.2)

7. Post balance sheet event

On 19 February 2015 Coats agreed to sell its EMEA Crafts business for a consideration of $10 million payable in cash on completion subject to customary adjustments. The sale is conditional upon, inter alia, a limited number of conditions usual for this type of transaction and is expected to complete in the second quarter of 2015. The UK Crafts business will remain within Coats.

For the year ended 31 December 2014, EMEA Crafts (excluding UK) generated external sales of $124.9 million and an operating loss of $28.6 million, which includes a property, plant and equipment and intangible assets exceptional impairment charge of $18.8 million. As at 31 December 2014, after impairment, the business had net tangible assets of $35.4 million, including cash retained within the business as part of the sale. Given the total consideration of $10 million for the business and its net tangible asset position of $35.4 million at 2014 year end, and taking into account completion adjustments and disposal-related costs, a substantial loss on disposal is expected to be recognised on completion of the transaction. The precise quantum will be finalised on completion and will in addition include historical foreign exchange translation gains and losses previously recognised in equity.

The results of the EMEA Crafts business (excluding UK) together with the loss on disposal will be presented as a discontinued operation when the Group reports its 2015 half year results.