GPG

GUINNESS PEAT GROUP PLC

HALF-YEARLY FINANCIAL REPORT

2010

Contents

Chairman's Statement

After two disappointing years in 2008/09, GPG returned to a modest level of profit in the first half of 2010. That was mainly due to a vastly improved result from **Coats**, as investment returns still showed a deficit after Note interest and overheads.

A small profit at **Capral** (a long time problem for GPG) is an encouraging sign after the previous 7 years of losses.

Both Coats and Capral still have a long way to go but, hopefully, the actual and intangible resource which GPG has invested over the years is now finally starting to pay off.

Three other events which have had little profile but have impact for the future:

- **eServGlobal Ltd**, in which we have a 19% interest, sold its USP business to Oracle for A$107 million and is now examining capital management options;
- our former subsidiary, MMC Contrarian made a major acquisition of life insurance and wealth management businesses from BUPA and changed its name to **ClearView Wealth Ltd**. We now hold 48% of the enlarged company, operating in an industry where GPG has had considerable success in the past;
- the acquisition of 20% of **Ridley Ltd**, Australia's leading producer of salt and animal stockfeeds (GPG's predecessor, Industrial Equity Ltd previously owned most of the salt business). After an unsuccessful North American expansion, Ridley is restoring the value of its Australian operations and we believe it has a promising future ahead.

Several years ago we announced we were working towards a release of value to shareholders.

Subsequently, those plans have followed a rather erratic course.

First, the global credit crisis intervened and then the Australian demerger proposal did not find favour with various institutional shareholders.

However, it is inescapable that the present corporate model no longer works for GPG and we are now revisiting alternative capital restructuring proposals and will shortly be appointing 3 new Directors to assist in this task.

As most shareholders will be aware, Tony Gibbs recently left the Board after 16 years of service.

Consequently, we have closed the Auckland office and are selling off the New Zealand share portfolio other than the two major investments, **Turners & Growers** (66%) and **Tower** (35%) which have been transferred to Australian portfolio management. When we established in New Zealand, in the early 1990's, there were no undue expectations but, largely due to Tony's efforts, it proved more active and rewarding than anticipated.

More recently, however, there have been little or no opportunities and the New Zealand operation has necessarily become expendable for GPG.

During the forthcoming months, the corporate restructure will continue to be the main priority but not neglecting traditional "value enhancement" measures, expected to emerge before the end of the financial year.

Ron Brierley
CHAIRMAN
26 August 2010

Condensed Consolidated Income Statement

	Unaudited 6 months to 30 June 2010 £m	Unaudited 6 months to 30 June 2009 Restated* £m	Audited Year to 31 December 2009 Restated** £m
Continuing Operations			
Revenue	**643**	577	1,172
Cost of sales	**(417)**	(395)	(799)
Gross profit	**226**	182	373
Profit on disposal of investments and other investment income	**5**	18	26
Distribution costs	**(90)**	(85)	(164)
Administrative expenses	**(110)**	(87)	(200)
Operating profit	**31**	28	35
Share of profit/(loss) of joint ventures	**5**	(9)	(6)
Share of profit of associated undertakings	**7**	3	9
Finance costs	**(17)**	(16)	(31)
Profit before taxation from continuing operations	**26**	6	7
Tax on profit from continuing operations	**(15)**	(18)	(28)
Profit/(loss) for the period from continuing operations	**11**	(12)	(21)
Discontinued Operations			
Profit/(loss) on discontinued operations	**1**	(12)	(17)
Profit/(loss) for the period	**12**	(24)	(38)
Attributable to:			
EQUITY SHAREHOLDERS OF THE COMPANY	**10**	**(22)**	**(36)**
Non-controlling interests	**2**	(2)	(2)
	12	(24)	(38)
Earnings/(loss) (pence) per Ordinary Share from continuing and discontinued operations:			
Basic and diluted	**0.54p**	(1.23p)***	(2.04p)***
Earnings/(loss) (pence) per Ordinary Share from continuing operations:			
Basic and diluted	**0.47p**	(0.57p)***	(1.32p)***

* Restated to reflect the results of Capral Ltd and Staveley Inc. as discontinued operations
** Restated to reflect the results of ClearView Wealth Ltd and Staveley Inc. as discontinued operations
*** Adjusted for the 2010 Capitalisation issue

Condensed Consolidated Statement of Comprehensive Income

	Unaudited 6 months to 30 June 2010 £m	Unaudited 6 months to 30 June 2009 £m	Audited Year to 31 December 2009 £m
Profit/(loss) for the period	**12**	(24)	(38)
(Losses)/gains on revaluation of fixed asset investments	**(1)**	8	41
Gains/(losses) on cash flow hedges	**2**	(1)	(4)
Exchange gains/(losses) on translation of foreign operations	**21**	(33)	15
Actuarial losses on retirement benefit schemes	**(23)**	(17)	(13)
Net (loss)/income recognised directly in equity	**(1)**	(43)	39
Transfers			
Transferred to profit or loss on sale of fixed asset investments	**(3)**	(7)	(13)
Transferred to profit or loss on sale of businesses	**(3)**	(2)	(6)
Transferred to profit or loss on cash flow hedges	**3**	2	4
	(3)	(7)	(15)
Net comprehensive income/(expense) for the period	**8**	**(74)**	**(14)**
Attributable to:			
EQUITY SHAREHOLDERS OF THE COMPANY	**5**	**(72)**	**(12)**
Non-controlling interests	**3**	(2)	(2)
	8	**(74)**	**(14)**

Condensed Consolidated Statement of Financial Position

	Unaudited 30 June 2010 £m	Unaudited 30 June 2009 £m	Audited 31 December 2009 £m
NON-CURRENT ASSETS			
Intangible assets	**199**	190	192
Property, plant and equipment	**416**	463	424
Investments in associated undertakings	**230**	123	157
Investments in joint ventures	**47**	43	47
Fixed asset investments	**259**	169	220
Deferred tax assets	**15**	13	20
Pension surpluses	**28**	25	27
Trade and other receivables	**23**	24	24
	1,217	1,050	1,111
CURRENT ASSETS			
Inventories	**257**	236	179
Trade and other receivables	**308**	302	239
Current asset investments	**13**	8	15
Derivative financial instruments	**2**	4	3
Cash and cash equivalents	**255**	317	402
	835	867	838
Non-current assets classified as held for sale	**4**	–	3
TOTAL ASSETS	**2,056**	1,917	1,952
CURRENT LIABILITIES			
Trade and other payables	**278**	262	256
Current tax liabilities	**9**	5	8
Other borrowings	**130**	126	80
Derivative financial instruments	**17**	20	16
Provisions	**61**	67	65
	495	480	425
NET CURRENT ASSETS	**340**	387	413

– continued

	Unaudited 30 June 2010 £m	Unaudited 30 June 2009 £m	Audited 31 December 2009 £m
NON-CURRENT LIABILITIES			
Trade and other payables	**11**	15	13
Deferred tax liabilities	**28**	20	22
Capital Notes	**195**	167	191
Other borrowings	**257**	248	235
Derivative financial instruments	**4**	3	3
Retirement benefit obligations:			
Funded schemes	**59**	44	39
Unfunded schemes	**53**	58	56
Provisions	**25**	18	24
	632	573	583
TOTAL LIABILITIES	**1,127**	1,053	1,008
NET ASSETS	**929**	864	944
EQUITY			
Share capital	**91**	80	81
Share premium account	**62**	61	63
Translation reserve	**140**	83	123
Unrealised gains reserve	**65**	37	68
Other reserves	**270**	275	274
Retained earnings	**239**	267	258
EQUITY SHAREHOLDERS' FUNDS	**867**	**803**	**867**
Non-controlling interests	**62**	61	77
TOTAL EQUITY	**929**	864	944
Net asset backing per share*			
Pence	**47.69**	45.42	48.64
Australian cents	**84.48**	92.53	87.34
New Zealand cents	**103.76**	115.47	107.95

* The net asset backing per share for June 2009 and December 2009 has been adjusted for the 2010 Capitalisation Issue.

Approved by the Board on 26 August 2010
Blake Nixon, Director

Condensed Reconciliation of Consolidated Changes in Equity

6 months ended 30 June 2010

	Share capital £m	Share premium account £m	Translation reserve £m	Unrealised gains reserve £m	Other reserves £m	Retained earnings £m	Total £m	Non-controlling interests £m
Balance as at 1 January 2009	71	61	118	36	281	311	878	71
Total comprehensive income and expense for the period	–	–	(35)	1	–	(38)	(72)	(2)
Other currency translation differences	–	–	–	–	–	–	–	(3)
Dividends (note 11)	–	–	–	–	–	(14)	(14)	(3)
Scrip dividend alternative	2	(2)	–	–	–	8	8	–
Capitalisation issue of shares	7	–	–	–	(7)	–	–	–
Other share issues	–	2	–	–	–	–	2	–
Share based payments	–	–	–	–	1	–	1	–
Acquisition of subsidiaries	–	–	–	–	–	–	–	(2)
BALANCE AS AT 30 JUNE 2009	80	61	83	37	275	267	803	61
Balance as at 1 January 2009	71	61	118	36	281	311	878	71
Total comprehensive income and expense for the period	–	–	5	32	(1)	(48)	(12)	(2)
Other currency translation differences	–	–	–	–	–	–	–	5
Dividends (note 11)	–	–	–	–	–	(14)	(14)	(6)
Scrip dividend alternative	2	(2)	–	–	–	7	7	–
Capitalisation issue of shares	7	–	–	–	(7)	–	–	–
Other share issues	1	4	–	–	–	–	5	–
Share based payments	–	–	–	–	1	–	1	–
Acquisition of subsidiaries	–	–	–	–	–	–	–	18
Disposal of subsidiaries	–	–	–	–	–	–	–	(7)
Acquisition of non-controlling interests	–	–	–	–	–	2	2	(2)
BALANCE AS AT 31 DECEMBER 2009	**81**	**63**	**123**	**68**	**274**	**258**	**867**	**77**
Total comprehensive income and expense for the period	**–**	**–**	**17**	**(3)**	**4**	**(13)**	**5**	**3**
Other currency translation differences	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**3**
Dividends (note 11)	**–**	**–**	**–**	**–**	**–**	**(16)**	**(16)**	**(3)**
Scrip dividend alternative	**1**	**(1)**	**–**	**–**	**–**	**10**	**10**	**–**
Capitalisation issue of shares	**8**	**–**	**–**	**–**	**(8)**	**–**	**–**	**–**
Other share issues	**1**	**–**	**–**	**–**	**–**	**–**	**1**	**–**
Additional investment in subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**16**
Disposal of subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(34)**
BALANCE AS AT 30 JUNE 2010	**91**	**62**	**140**	**65**	**270**	**239**	**867**	**62**

Condensed Statement of Consolidated Cash Flows

	Unaudited 6 months to 30 June 2010 £m	Unaudited 6 months to 30 June 2009 £m	Audited Year to 31 December 2009 £m
Cash (outflow)/inflow from operating activities			
Net cash (outflow)/inflow from operating activities	**(72)**	–	121
Interest paid	**(20)**	(23)	(46)
Taxation paid	**(15)**	(11)	(20)
NET CASH (ABSORBED IN)/GENERATED BY OPERATING ACTIVITIES	**(107)**	(34)	55
Cash (outflow)/inflow from investing activities			
Dividends received from associated undertakings and joint ventures	**8**	6	10
Capital expenditure and financial investment	**(10)**	(9)	(16)
Acquisitions and disposals	**(90)**	–	27
NET CASH (ABSORBED IN)/GENERATED BY INVESTING ACTIVITIES	**(92)**	(3)	21
Cash inflow/(outflow) from financing activities			
Issue of ordinary shares	**1**	2	5
Equity dividends paid to Company's shareholders	**(6)**	(6)	(6)
Dividends paid to non-controlling interests	**(4)**	(5)	(6)
Increase/(decrease) in debt	**42**	7	(30)
NET CASH GENERATED BY/(ABSORBED IN) FINANCING ACTIVITIES	**33**	(2)	(37)
Net (decrease)/increase in cash and cash equivalents	**(166)**	(39)	39
Cash and cash equivalents at beginning of the period	**388**	347	347
Exchange gains/(losses) on cash and cash equivalents	**8**	(1)	2
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**230**	**307**	**388**
Cash and cash equivalents per the Condensed Consolidated Statement of Financial Position	**255**	317	402
Bank overdrafts	**(25)**	(10)	(14)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**230**	**307**	**388**

Notes to the Condensed Consolidated Financial Statements

1. The annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The condensed consolidated financial statements included in this half-yearly financial report have been prepared in accordance with International Accounting Standard 34: Interim Financial Reporting, as adopted by the European Union, and comply with the disclosure requirements of the Listing Rules of the UK Financial Services Authority and the Listing Rules of the Australian Securities Exchange.

   After making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the forseeable future. Accordingly, they continue to adopt the going concern basis in preparing these condensed consolidated financial statements.

   Other than the adoption of IFRS 3 (2008) ("Business Combinations") and IAS 27 (2008) ("Consolidated and Separate Financial Statements"), the same accounting policies, presentation and methods of computation are followed in the condensed set of financial statements as applied in the Group's latest annual audited financial statements.

2. The information for the year ended 31 December 2009 does not constitute statutory accounts (as defined in section 435 of the Companies Act 2006) but has been extracted 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 unqualified but contained an emphasis of matter paragraph drawing attention to the significant uncertainty surrounding the ultimate outcome of the appeal by Coats plc against the European Commission fine of €110.3 million (equivalent to £90.3 million at 30 June 2010 exchange rates). That uncertainty remains as at 30 June 2010 and the independent review report on these condensed consolidated financial statements contains a similar emphasis of matter paragraph. The directors remain of the view that any anticipated eventual payment of the fine is adequately covered by existing provisions.

   The condensed consolidated financial statements for the six months ended 30 June 2010 have been reviewed - see attached independent review report - but have not been audited. The condensed consolidated financial statements for the equivalent period in 2009 were also reviewed but not audited.

3. Group foreign exchange movements - during the six months to 30 June 2010, GPG recognised in operating profit £2 million of net foreign exchange losses compared to £7 million of net foreign exchange gains in the six months to 30 June 2009 (£8 million net losses in the year to 31 December 2009).

4. Tax on profit from continuing operations

	30 June 2010 £m	30 June 2009 £m	31 December 2009 £m
UK Corporation tax at 28.0% (2009: 28.0%)	**–**	–	–
Overseas tax	**(11)**	(10)	(21)
	(11)	(10)	(21)
Deferred tax	**(4)**	(8)	(7)
	(15)	(18)	(28)

5. The Parent Group's significant joint ventures and associated undertakings are as follows:

	30 June 2010	30 June 2009	31 December 2009
Autologic Holdings plc	**26.2%**	26.2%	26.2%
Australian Country Spinners Ltd	**50.0%**	50.0%	50.0%
Capral Ltd	**44.4%**	na	44.4%
ClearView Wealth Ltd (formerly MMC Contrarian Ltd)	**47.9%**	28.6%	na
Green's General Foods Pty Ltd	**72.5%**	72.5%	72.5%
The Maryborough Sugar Factory Ltd	**24.3%**	24.0%	22.9%
Peanut Company of Australia Ltd	**24.8%**	24.8%	24.8%
Rattoon Holdings Ltd	**44.4%**	44.4%	44.4%
Tower Ltd	**35.0%**	35.0%	35.0%

ClearView Wealth Ltd ("ClearView"), a former subsidiary undertaking which was part of the Group's investment segment, became an associated undertaking on 5 May 2010, as a result of a share placement by that company (see note 7). ClearView, as an associated undertaking, contributed £3 million to the Group result for the period. The carrying value of ClearView at 30 June 2010 amounted to £64 million.

Other significant contributions to the profit/(loss) for the period from Parent Group joint ventures and associated undertakings were:

	30 June 2010 £m	30 June 2009 £m	31 December 2009 £m
Autologic Holdings plc	**–**	1	2
Green's General Foods Pty Ltd	**–**	–	(1)
Peanut Company of Australia Ltd	**(2)**	1	–
Tower Ltd	**5**	2	6

Other contributions to the profit/(loss) for the period from joint ventures and associated undertakings, held by operating subsidiaries, include a CIC joint venture £5 million profit (6 months to 30 June 2009: £9 million loss; year to 31 December 2009: £7 million loss). The CIC joint venture profit for the period includes an impairment charge of £Nil (6 months to 30 June 2009: £12 million; year to 31 December 2009: £12 million).

Notes to the Condensed Consolidated Financial Statements – continued

6. Segmental Analysis – Analysis by activity

	Investment £m	Thread manufacture £m	Fruit/produce distribution £m	Aluminium extrusion £m	Other activities £m	Non-operating items (see note) £m	Total £m
6 months ended 30 June 2010:							
Revenue:							
External sales	**–**	**497**	**134**	**–**	**12**	**–**	**643**
Profit/(loss) after tax:							
Continuing operations	**(19)**	**25**	**1**	**–**	**4**	**–**	**11**
Discontinued operations	**(1)**	**–**	**–**	**–**	**2**	**–**	**1**
Total assets 30 June 2010	**470**	**890**	**199**	**–**	**97**	**400**	**2,056**
6 months ended 30 June 2009:							
Revenue:							
External sales	1	443	120	–	13	–	577
(Loss)/profit after tax:							
Continuing operations	(1)	(4)	2	–	(9)	–	(12)
Discontinued operations	–	–	–	(12)	–	–	(12)
Total assets 30 June 2009	503	792	176	126	68	252	1,917
Year ended 31 December 2009:							
Revenue:							
External sales	2	903	237	–	30	–	1,172
(Loss)/profit after tax:							
Continuing operations	(23)	3	4	–	(5)	–	(21)
Discontinued operations	4	(2)	–	(19)	–	–	(17)
Total assets 31 December 2009	524	815	148	–	83	382	1,952

Note:
Non-operating items comprise cash and cash equivalents, derivatives and investments held by operating subsidiaries (which are not considered to be financial operations).

7. Discontinued operations

As stated in note 5, in May 2010 ClearView became an associated undertaking. ClearView has been treated as a discontinued operation in the 2010 and the 2009 comparative Condensed Consolidated Income Statements.

The impact of the deemed disposal of ClearView was as follows:

	£m
Intangible assets	4
Deferred tax assets	8
Trade and other receivables	2
Cash and cash equivalents	94
Trade and other payables	(3)
Net assets at disposal	**105**
Non-controlling interests	(34)
Group share of net assets at disposal	**71**
Cumulative translation differences recycled from reserves	(3)
	68
Residual carrying value as an associated undertaking	67
Loss on disposal	**1**

Also during the 6 months to 30 June 2010, Staveley Inc. sold its two remaining trading businesses, resulting in a gain of £3 million. That gain, together with the results of those businesses for the period and for the 2009 comparatives, is included within the profit/(loss) on discontinued operations.

8. Earnings/(loss) per share - The calculation of earnings/(loss) per Ordinary Share is based on profit/(loss) after taxation attributable to shareholders and the weighted average number of 1,794,939,109 Ordinary Shares in issue during the six months ended 30 June 2010.

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 employees and Capital Notes. All dilutive potential Ordinary Shares were not dilutive during the period.

The comparatives for the six months to 30 June 2009 and the year to 31 December 2009 have been adjusted for the Capitalisation Issue which took place in June 2010 - see Note 10.

Calculations of earnings/(loss) per share are based on results to the nearest £000s.

9. The net tangible assets per share figure at 30 June 2010 was 40.14p (30 June 2009: 38.14p, 31 December 2009: 42.16p). The comparatives for 30 June 2009 and 31 December 2009 have been adjusted for the 2010 Capitalisation Issue.

10. Changes in the issued share capital during the six months to 30 June 2010 comprise the following:

	£000
At 1 January 2010	81,046
Employee options exercised	162
Scrip dividend alternative shares issued (17 May 2010)	1,456
Capitalisation Issue (4 June 2010)	8,266
At 30 June 2010	**90,930**

Notes to the Condensed Consolidated Financial Statements – continued

11. Dividends - The directors have not recommended the payment of an interim dividend (6 months to 30 June 2009: Nil). An interim dividend of 0.91p per share, adjusted for the 2010 Capitalisation Issue, was paid during the period in respect of the year ended 31 December 2009. An interim dividend of 0.91p per share, adjusted for the 2009 Capitalisation Issue, was paid during the six months ended 30 June 2009 in respect of the year ended 31 December 2008.

12. Contingent liabilities - During the period a subsidiary was released from its previously reported A$12 million exposure to provide funding to, or acquire assets from, an entity in which it has an existing investment.

13. There have been no changes to the principal risks and uncertainties compared to those outlined in note 40 to the Financial Statements in the 2009 Annual Report, comprising risks associated with currency, interest rate, market price, liquidity, credit and capital.

14. Related party transactions - There have been no related party transactions or changes in related party transactions described in the latest annual report that could have a material effect on the financial position or performance of the Group in the first six months of the financial year.

15. Directors – The following persons were, except where noted, directors of GPG during the whole of the period and up to the date of this report:

    Sir Ron Brierley
    A I Gibbs (to 28 June 2010)
    R Langley
    B A Nixon
    Dr G H Weiss

16. Interim Management Report - The Chairman's Statement appearing in the half-yearly financial report and signed by Sir Ron Brierley provides a review of the operations of the Group for the six months ended 30 June 2010.

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

Directors' Responsibility Statement

In accordance with a resolution of the directors of Guinness Peat Group plc I state that:

in the opinion of the Directors and to the best of their knowledge:

a. the condensed set of unaudited financial statements:

   (i) give a true and fair view of the financial position as at 30 June 2010 and the performance of the consolidated Group for the half-year ended on that date;

   (ii) have been prepared in accordance with IAS 34 "Interim Financial Reporting";

   (iii) comply with the recognition and measurement principles of applicable International Financial Reporting Standards as adopted by the Group; and

b. the half-yearly financial report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8; and

c. there are reasonable grounds to believe the Company will be able to pay its debts as and when they become due and payable.

Signed on behalf of the Board
B A Nixon, Director
26 August 2010

Independent Review Report to Guinness Peat Group plc

Introduction

We have been engaged by Guinness Peat Group plc ("the Company") to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2010 which comprises the condensed consolidated income statement, the condensed consolidated statement of financial position, the condensed statement of comprehensive income, the condensed reconciliation of consolidated changes in equity, the condensed statement of consolidated cash flows and related notes 1 to 17. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed consolidated financial statements included in this half-yearly financial report have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting," as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2010 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Emphasis of matter – uncertainty relating to the amount of a potential liability arising from a European Commission investigation

Without qualifying our conclusion, we draw attention to the disclosures made in note 2 to the condensed consolidated financial statements concerning the European Commission competition investigation into alleged market sharing agreements relating to the European haberdashery market. In September 2007, the European Commission imposed a fine of €110.3 million (equivalent to £90.3 million at 30 June 2010 exchange rates) in relation to these allegations, against which one of the Company's subsidiaries, Coats plc, has lodged an appeal. Significant uncertainty surrounds the ultimate outcome of this matter. The directors are of the view that any anticipated eventual payment of the remaining fines is adequately covered by existing provisions.

Deloitte LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom
26 August 2010

Company and Registrar Addresses

UNITED KINGDOM

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NEW ZEALAND

c/o Computershare Investor Services Limited
Private Bag 92119, Auckland 1142
Telephone: 09 488 8777 Facsimile: 09 488 8787

LOCATION OF SHARE REGISTERS

The Company's register of members is maintained in the UK with branch registers in Australia and New Zealand. Register enquiries may be addressed direct to the Company's share registrars named below:

Register	Telephone and postal enquiries	Inspection of Register
UK Main Register: Computershare Investor Services PLC	PO Box 82, The Pavilions, Bridgwater Road, Bristol BS99 7NH Tel: 0870 707 1022 Facsimile: 0870 703 6143	The Pavilions, Bridgwater Road, Bristol BS99 7NH
Australian Branch Register: Computershare Investor Services Pty Limited	GPO Box 2975, Melbourne VIC 3001 Tel: 03 9415 4083 Facsimile: 03 9473 2500	Yarra Falls 452 Johnston Street, Abbotsford VIC 3067
New Zealand Branch Register: Computershare Investor Services Limited	Private Bag 92119, Auckland 1142 Tel: 09 488 8777 Facsimile: 09 488 8787	Level 2, 159 Hurstmere Road, Takapuna, North Shore City