Guinness Peat Group plc

The following unaudited consolidated results of Coats Group Limited ("the Group") for the six months ended 30 June 2012 are released by Guinness Peat Group plc ("GPG") for information only.

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Coats Group Limited: unaudited results* for the six months ended 30 June 2012

Financial Summary

	2012 half year			2011 half year		
	Before exceptional items Unaudited US$m	**Exceptional items** Unaudited US$m**	**Total Unaudited US$m**	Before exceptional items Unaudited US$m	Exceptional items** Unaudited US$m	Total Unaudited US$m
Revenue	**819.3**		**819.3**	861.8		861.8
Operating profit/(loss)	**59.9**	**(101.1)**	**(41.2)**	83.5	(14.8)	68.7
Profit/(loss) before taxation	**53.9**	**(136.9)**	**(83.0)**	78.9	(14.8)	64.1
Net profit/(loss) attributable to equity shareholders	**25.9**	**(135.3)**	**(109.4)**	51.5	(14.6)	36.9
Net cash inflow from normal operating activities***			**75.5**			30.5
Average net debt			**285.1**			295.6

**see note 1 to the financial information – basis of preparation*
***see notes 2 and 4 to the financial information*
****see note 6 to the financial information*
All figures included in this document are at actual exchange rates, unless otherwise stated

Results for the period have been significantly impacted by $120.4 million of exceptional operating and finance charges in respect of the EC fine, following the European General Court’s decision in June 2012.

Total revenue of $819.3 million (2011 - $861.8 million). Industrial Division sales of $555.3 million (2011 - $592.7 million) and Crafts Division sales of $264.0 million (2011 - $269.1 million). Sales at constant exchange rates increased by 1 per cent in 2012 over the same period in 2011. Crafts Division sales increased by 5 per cent while Industrial Division sales fell 1 per cent. Industrial sales were impacted negatively primarily by inventory reductions in the customer base.

Sales per working day trends relative to the prior year consistently improved throughout the first half of 2012 on a like-for-like basis, as did year-on-year relative pre-exceptional operating profit performance between the first and second quarters.

Operating results

Industrial sales are largely driven by underlying demand for clothing and footwear, as well as inventory levels in the retail supply chain, in developed economies. Demand in the six months to June 2012 has been impacted by uncertain economic conditions, particularly in Europe, and by tight inventory control by clothing and footwear retailers. A pre-exceptional operating profit (before reorganisation, impairment and other exceptional items) of $51.3 million (2011 - $68.8 million) was generated by the Industrial Division, with year-on-year profitability comparisons being negatively impacted by a strong first half for the Division in 2011. Raw material cost pressures have begun to ease and an operating profit margin of 9.2% (2011 - 11.6%) was achieved in the period; up slightly from 9.0% in the second half of 2011.

Crafts Division sales benefitted from expanded shelf space won with large retail customers. There has been pressure on margins as raw material input costs incurred in the second half of 2011 flowed through into the Income Statement. Price increases were implemented across all regions during the period, but the benefit will be weighted towards the second half of 2012. A pre-exceptional operating profit of $8.6 million (2011 - $14.7 million) was generated. In EMEA Crafts, although the consumer environment remains weak overall, sales encouragingly were flat on a like-for-like basis, after years of decline. At actual exchange rates, sales of $76.2 million were $5.5 million down on 2011 and operating losses were $0.4 million higher than in first half of 2011.

Further details on Industrial and Crafts performance on a like-for-like basis are included in the Operating Review.

In total, a pre-exceptional operating profit of $59.9 million (2011 - $83.5 million) was generated by the Group as follows.

GROUP	**2012 reported $m**	**2011 like-for-like* $m**	**2011 reported $m**	**Like-for-like increase/ (decrease) %**	**Actual decrease %**
Sales					
Industrial	555.3	563.0	592.7	(1)%	(6)%
Crafts	264.0	251.7	269.1	5%	(2)%
Total	**819.3**	**814.7**	**861.8**	**1%**	**(5)%**
Pre-exceptional operating profit **					
Industrial	51.3	65.0	68.8	(21)%	(25)%
Crafts	8.6	13.2	14.7	(35)%	(41)%
Total	**59.9**	**78.2**	**83.5**	**(23)%**	**(28)%**

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

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

European Commission fine and other exceptional items

At the end of June this year, the European General Court dismissed Coats' appeal against the €110.3 million fine imposed by the European Commission in 2007. Coats is extremely disappointed with the Court's decision and maintains its position that the European Commission's allegations of a market sharing agreement in the European haberdashery market in the period from 1977 to 1998 are unfounded.

Provisions held previously had been based on well-reasoned judgments reached after taking account of external advice. An exceptional charge of $120.4 million has been incurred in the period to fully provide for both the cost of the fine and interest accrued from the date of the original European Commission decision in 2007. Within the consolidated income statement, $84.6 million represents an exceptional item within operating profit and $35.8 million represents an exceptional item within finance costs. Coats refinanced its senior debt facilities in October 2011, making allowance for the possibility of an unfavourable judgment. It therefore had adequate banking facilities to allow it to settle the fine and associated interest of $175 million in total, which was paid in July 2012.

A further $16.5 million of operating profit exceptional items have been incurred, including reorganisation costs of $11.2 million (2011 - $11.9 million).

Results

Excluding exceptional items, finance costs, net of investment income and profits of joint ventures, were $6.0 million (2011 - $4.6 million).

A tax charge of $20.2 million (2011 - $23.6 million) has been incurred. Excluding all exceptional items plus any associated tax effect and prior year tax adjustments, the effective tax rate on pre-tax profits of $53.9 million (2011 - $78.9 million) is 41% (2011 - 31%). This rate reflects a weighting of profits to high tax rate countries and, in relative terms, higher unrelieved losses in certain territories, principally in Europe. No tax relief is available on the European Commission fine and associated interest.

The $2.0 million loss from discontinued operations (2011 - $0.2 million profit) primarily relates to provisioning for historic UK employer liability claims.

As a result of the above, the Group in the half year generated a net profit attributable to equity shareholders before exceptional items and their associated tax effect of $25.9 million (2011 - $51.5 million).

Investment

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

Investment in new plant and systems amounted to $19.8 million (2011 - $20.9 million). This capital expenditure was focussed on productivity improvements in the Industrial Division and supporting growth initiatives across Coats.

Reorganisation costs were $11.2 million (2011 - $11.9 million), focused on some restructuring of our European industrial zips operation and headcount reductions in EMEA Crafts.

Cash flow

EBITDA (defined as pre-exceptional operating profit before depreciation and amortisation) was $87.1 million (2011 - $112.7 million).

The net cash inflow from normal operating activities improved to $75.5 million (2011 - $30.5 million). This reflects the fact that the net working capital outflow was reduced to $3.5 million (2011 - $70.8 million), with inventory at 30 June 2012 being $58.9 million lower than at the preceding half year. The $0.6 million (2011 - $15.9 million outflow) reduction in debtors included the benefit of the assignment of $25.0 million (2011 – nil) of receivables to GPG.

Interest and tax paid reduced to $29.6 million (2011 - $32.1 million).

Net debt reduced from $238.4 million at the 2011 year end to $228.2 million at the end of June 2012, and was $47.9 million below the June 2011 level of $276.1 million. Average net debt reduced from $295.6 million in the first half of 2011 to $285.1 million in 2012, primarily due to the improvement in the net cash inflow from normal operating activities.

A key metric for the Group is the leverage ratio of net debt to EBITDA. Under the definitions of net debt (which includes the full EC fine obligation) and EBITDA prescribed in Coats' senior debt facility put in place in October 2011, net debt at 30 June 2012 was 2.3 times EBITDA of the preceding twelve months.

Balance sheet

Equity shareholders' funds fell from $230.3 million at the end of 2011 to $126.9 million at June 2012. This primarily reflects the $109.4 million attributable loss arising in the period.

Pensions and other post-employment benefits

The Group's most significant funded defined benefit pension arrangement is in the UK. As at June 2012, the deficit in the UK scheme on an IAS 19 accounting basis improved slightly from $251.0 million at the 2011 year end to $233.1 million at June 2012. Company contributions remain at $13.5 million per annum (at 30 June 2012 exchange rates) in line with the ten year recovery plan agreed with the scheme's trustee as part of the April 2009 triennial valuation. The April 2012 triennial valuation is underway.

Prospects

The current economic situation remains challenging, with the poor outlook in Europe further compounded by declining growth in US apparel imports and stuttering growth in emerging markets in Asia and Latin America. This will inevitably impact consumer demand for apparel and footwear in the key markets of the US and Europe. Raw material cost pressures are expected to continue to ease in the second half, but payroll and other inflationary pressures are expected to remain high in many of the countries in which Coats operates.

Year-on-year improvement in Industrial thread demand is expected during the second half of 2012 and profits are expected to exceed first half levels. Above and beyond the core apparel and footwear market, our focus remains on four primary areas of growth; namely speciality threads, zips, global accounts and emerging domestic markets in the larger developing economies.

The Crafts Division achieved like-for-like sales growth of 5% in the first half of 2012 and further underlying growth is expected in the second half, reflecting price and volume increases, with continuing benefits from expanded shelf space with large retail customers and our focus on digital channels and class leading product ranges and service levels. Some improvement in margins is anticipated in the second half as the impact of raw material cost pressures ease. EMEA Crafts' performance in the second half of 2012 is expected to better the first half, assuming the European macro-environment remains broadly stable.

In conclusion

Coats' strong brands, substantial market shares and truly global operations, along with its unparalleled access to apparel and footwear companies, industrial manufacturers and Crafts channels, provide a solid foundation to take the business forward despite challenging market conditions. We are confident that the ongoing investment we are making in new product development, global sales and marketing, digital technology, recruitment and growth-related capital investment will sustain Coats' market leadership and provide a firm base for revenue and profit growth during the second half of 2012 and beyond.

Paul Forman

Group Chief Executive

29 August 2012

Operating Review

Industrial Trading Performance

INDUSTRIAL	2012 reported $m	2011 like-for-like* $m	2011 reported $m	Like-for-like decrease %	Actual decrease %
Sales					
Asia and Rest of World	269.2	272.3	280.3	(1)%	(4)%
EMEA	134.1	135.6	147.9	(1)%	(9)%
Americas	152.0	155.1	164.5	(2)%	(8)%
Total sales	**555.3**	**563.0**	**592.7**	**(1)%**	**(6)%**
Pre-exceptional operating profit**	**51.3**	**65.0**	**68.8**	**(21)%**	**(25)%**

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

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

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

The Asian and EMEA sales declines of 1% reflect the downturn in demand in European end-user markets. Profitability has been impacted by inflationary pressures. However, in the second half of 2012 comparators will ease and year-on-year sales and margin improvement is anticipated. Coats' long-established relationships with global apparel and footwear suppliers and brand owners continue to help underpin the business.

The Americas sales decline of 2% reflects slowing consumer demand for apparel and footwear in Latin America, compounded by the substitution of imports for local production given local currency strength. Year-on-year profitability has been impacted by associated lower productivity and inflationary pressures, but year-on-year sales and margin improvement is expected in the second half.

Crafts Trading Performance

CRAFTS	2012 reported $m	2011 like-for-like* $m	2011 reported $m	Like-for-like increase / (decrease) %	Actual increase / (decrease) %
Sales					
Asia and Rest of World	36.4	34.5	39.4	6%	(8)%
EMEA	76.2	76.1	81.7	-	(7)%
Americas	151.4	141.1	148.0	7%	2%
Total sales	**264.0**	**251.7**	**269.1**	**5%**	**(2)%**
Pre-exceptional operating profit**	**8.6**	**13.2**	**14.7**	**(35)%**	**(41)%**

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

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

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

Sales growth of 6% in Asia follows strong growth seen in recent years as domestic markets in Asia continue to expand.

Sales growth of 7% in the Americas reflects benefits from volume increases through gains in shelf space won with large retail customers in North America. However, Latin America's performance has been adversely impacted by customer overstocking in handknittings from 2011, after several years of strong growth. There has been pressure on margins due to general cost inflation and as higher raw material prices incurred in the prior period have flowed through into cost of sales.

The EMEA crafts market remains weak, particularly in traditional consumer sewings markets in Southern Europe, where austerity measures and cuts in public spending continue to constrain consumer confidence. However, there was strong demand in the period for handknittings - the largest product category – and encouragingly overall EMEA sales were flat year-on-year on a like-for-like basis, after years of decline. Margins have been impacted by a weaker product mix.

Consolidated Income Statement (unaudited)

For the six months ended 30 June 2012	Notes	**2012 Half year** Before exceptional items Unaudited US$m	**2012 Half year** Exceptional items Unaudited US$m	**2012 Half year** Total Unaudited US$m	2011 Half year Before exceptional items Unaudited US$m	2011 Half year Exceptional items Unaudited US$m	2011 Half year Total Unaudited US$m	2011 Full year Total Unaudited US$m
Continuing operations								
Revenue		**819.3**	**-**	**819.3**	861.8	-	861.8	1,701.6
Cost of sales		**(529.3)**	**(99.0)**	**(628.3)**	(537.3)	(14.3)	(551.6)	(1,104.0)
Gross profit		**290.0**	**(99.0)**	**191.0**	324.5	(14.3)	310.2	597.6
Distribution costs		**(139.3)**	**-**	**(139.3)**	(147.0)	-	(147.0)	(289.9)
Administrative expenses		**(90.8)**	**(2.1)**	**(92.9)**	(94.0)	(0.5)	(94.5)	(178.8)
Other operating income		**-**	**-**	**-**	-	-	-	2.7
Operating profit/(loss)		**59.9**	**(101.1)**	**(41.2)**	83.5	(14.8)	68.7	131.6
Share of profits of joint ventures		**0.2**	**-**	**0.2**	0.8	-	0.8	2.1
Investment income		**1.3**	**-**	**1.3**	1.9	-	1.9	7.3
Finance costs	3	**(7.5)**	**(35.8)**	**(43.3)**	(7.3)	-	(7.3)	(16.8)
Profit/(loss) before taxation	2	**53.9**	**(136.9)**	**(83.0)**	78.9	(14.8)	64.1	124.2
Taxation	4	**(21.8)**	**1.6**	**(20.2)**	(23.8)	0.2	(23.6)	(45.6)
Profit/(loss) from continuing operations		**32.1**	**(135.3)**	**(103.2)**	55.1	(14.6)	40.5	78.6
Discontinued operations								
(Loss)/profit from discontinued operations		**(2.0)**	**-**	**(2.0)**	0.2	-	0.2	(1.8)
Profit/(loss) for the period		**30.1**	**(135.3)**	**(105.2)**	55.3	(14.6)	40.7	76.8
Attributable to:								
EQUITY SHAREHOLDERS OF THE COMPANY		**25.9**	**(135.3)**	**(109.4)**	51.5	(14.6)	36.9	71.2
Non-controlling interests		**4.2**	**-**	**4.2**	3.8	-	3.8	5.6
		30.1	**(135.3)**	**(105.2)**	55.3	(14.6)	40.7	76.8

Consolidated Statement of Comprehensive Income (unaudited)

For the six months ended 30 June 2012	**2012 Half year Unaudited US$m**	2011 Half year Unaudited US$m	2011 Full year Unaudited US$m
(Loss)/profit for the period	**(105.2)**	40.7	76.8
Cash flow hedges:			
Losses arising during the period	**(2.3)**	(3.5)	(7.5)
Transferred to profit or loss on cash flow hedges	**2.8**	3.3	6.2
Exchange differences on translation of foreign operations	**(4.5)**	18.1	(36.7)
Actuarial gains/(losses) in respect of retirement benefit schemes	**8.0**	(9.6)	(299.3)
Tax relating to components of other comprehensive income	**-**	-	(0.1)
Other comprehensive income and expense for the period	**4.0**	8.3	(337.4)
Total comprehensive income and expense for the period	**(101.2)**	49.0	(260.6)
Attributable to:			
EQUITY SHAREHOLDERS OF THE COMPANY	**(105.5)**	45.3	(265.8)
Non-controlling interests	**4.3**	3.7	5.2
	(101.2)	49.0	(260.6)

Consolidated Statement of Financial Position (unaudited)

At 30 June 2012	Notes	**2012 30 June Unaudited US$m**	2011 30 June Unaudited US$m	2011 31 December Unaudited US$m
Non-current assets				
Intangible assets		**253.4**	257.0	256.1
Property, plant and equipment		**378.9**	424.0	393.4
Investments in joint ventures		**15.4**	15.0	16.1
Available-for-sale investments		**2.9**	3.0	2.7
Deferred tax assets		**13.3**	14.4	13.5
Pension surpluses		**31.5**	39.2	30.7
Trade and other receivables		**15.3**	16.0	14.6
		710.7	768.6	727.1
Current assets				
Inventories		**316.6**	375.5	316.7
Trade and other receivables		**302.5**	346.4	305.7
Available-for-sale investments		**0.7**	0.2	1.0
Cash and cash equivalents	7	**125.8**	94.4	112.0
		745.6	816.5	735.4
Non-current assets classified as held for sale		**0.1**	2.6	0.1
Total assets		**1,456.4**	1,587.7	1,462.6
Current liabilities				
Trade and other payables		**(332.9)**	(375.2)	(347.4)
Current income tax liabilities		**(11.3)**	(12.6)	(7.9)
Bank overdrafts and other borrowings		**(31.1)**	(82.1)	(60.9)
Provisions		**(215.6)**	(98.0)	(97.8)
		(590.9)	(567.9)	(514.0)
Net current assets		**154.7**	248.6	221.4
Non-current liabilities				
Trade and other payables		**(18.7)**	(18.4)	(18.0)
Deferred tax liabilities		**(41.5)**	(34.5)	(39.3)
Borrowings		**(322.9)**	(288.4)	(289.5)
Retirement benefit obligations:				
Funded schemes		**(225.5)**	(1.2)	(243.5)
Unfunded schemes		**(82.7)**	(90.4)	(84.3)
Provisions		**(28.3)**	(29.8)	(25.8)
		(719.6)	(462.7)	(700.4)
Total liabilities		**(1,310.5)**	(1,030.6)	(1,214.4)
Net assets		**145.9**	557.1	248.2
Equity				
Share capital		**20.5**	20.5	20.5
Share premium account		**412.1**	412.1	412.1
Equity reserve		**4.7**	0.5	2.6
Hedging and translation reserve		**(23.1)**	36.6	(19.0)
Retained (loss)/earnings		**(287.3)**	69.6	(185.9)
EQUITY SHAREHOLDERS' FUNDS		**126.9**	539.3	230.3
Non-controlling interests	5	**19.0**	17.8	17.9
Total equity		**145.9**	557.1	248.2

Consolidated Statement of Changes in Equity (unaudited)

	Share capital Unaudited US$m	Share premium account Unaudited US$m	Equity reserve Unaudited US$m	Hedging reserve Unaudited US$m	Translation reserve Unaudited US$m	Retained (loss)/earnings Unaudited US$m	Total Unaudited US$m
Balance as at 1 January 2011	20.5	412.1	-	(8.8)	27.4	42.3	493.5
Profit for the period	-	-	-	-	-	36.9	36.9
Other comprehensive income and expense for the period	-	-	-	(0.2)	18.2	(9.6)	8.4
Total comprehensive income and expense for the period	-	-	-	(0.2)	18.2	27.3	45.3
Contribution from parent in respect of capital incentive plan	-	-	0.5	-	-	-	0.5
Balance as at 30 June 2011	20.5	412.1	0.5	(9.0)	45.6	69.6	539.3
Balance as at 1 January 2011	20.5	412.1	-	(8.8)	27.4	42.3	493.5
Profit for the year	-	-	-	-	-	71.2	71.2
Other comprehensive income and expense for the year	-	-	-	(1.3)	(36.3)	(299.4)	(337.0)
Total comprehensive income and expense for the year	-	-	-	(1.3)	(36.3)	(228.2)	(265.8)
Contribution from parent in respect of capital incentive plan	-	-	2.6	-	-	-	2.6
Balance as at 31 December 2011	20.5	412.1	2.6	(10.1)	(8.9)	(185.9)	230.3
Loss for the period	-	-	-	-	-	(109.4)	(109.4)
Other comprehensive income and expense for the period	-	-	-	0.5	(4.6)	8.0	3.9
Total comprehensive income and expense for the period	-	-	-	0.5	(4.6)	(101.4)	(105.5)
Contribution from parent in respect of capital incentive plan	-	-	2.1	-	-	-	2.1
Balance as at 30 June 2012	**20.5**	**412.1**	**4.7**	**(9.6)**	**(13.5)**	**(287.3)**	**126.9**

Statement of Consolidated Cash Flows (unaudited)

For the six months ended 30 June 2012	Notes	**2012 Half year Unaudited US$m**	2011 Half year Unaudited US$m	2011 Full year Unaudited US$m
Cash inflow/(outflow) from operating activities				
Net cash inflow generated by operations	6	**63.1**	20.9	134.0
Interest paid		**(14.1)**	(12.7)	(20.5)
Taxation paid		**(15.5)**	(19.4)	(40.2)
Net cash generated/(absorbed) from operating activities		**33.5**	(11.2)	73.3
Cash inflow/(outflow) from investing activities				
Dividends received from associates and joint ventures		**0.9**	0.8	0.8
Acquisition of property, plant and equipment and intangible assets		**(19.8)**	(20.9)	(50.5)
Disposal of property, plant and equipment and intangible assets		**0.2**	1.7	2.0
Acquisition of financial investments		**(0.4)**	-	(0.9)
Acquisition and disposal of businesses		**(0.5)**	(1.2)	(2.1)
Net cash absorbed in investing activities		**(19.6)**	(19.6)	(50.7)
Cash inflow/(outflow) from financing activities				
Dividends paid to non-controlling interests		**(3.2)**	(3.2)	(4.6)
Increase/(decrease) in debt and lease financing		**21.0**	(13.3)	(36.3)
Net cash generated/(absorbed) from financing activities		**17.8**	(16.5)	(40.9)
Net increase/(decrease) in cash and cash equivalents		**31.7**	(47.3)	(18.3)
Net cash and cash equivalents at beginning of the period		**85.6**	115.5	115.5
Foreign exchange gains/(losses) on cash and cash equivalents		**0.3**	2.5	(11.6)
Net cash and cash equivalents at end of the period	7	**117.6**	70.7	85.6
Reconciliation of net cash flow to movement in net debt				
Net increase/(decrease) in cash and cash equivalents		**31.7**	(47.3)	(18.3)
Cash (inflow)/outflow from change in debt and lease financing		**(21.0)**	13.3	36.3
Change in net debt resulting from cash flows		**10.7**	(34.0)	18.0
Other		**(1.1)**	(1.6)	(4.5)
Foreign exchange		**0.6**	1.4	(10.0)
Decrease/(increase) in net debt		**10.2**	(34.2)	3.5
Net debt at start of period		**(238.4)**	(241.9)	(241.9)
Net debt at end of period	7	**(228.2)**	(276.1)	(238.4)

Notes

1 Basis of preparation

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

The financial information for the six months ended 30 June 2012 has been prepared in accordance with the recognition and measurement requirements of International Financial Reporting Standards ("IFRS") endorsed by the European Union. The accounting policies adopted have been consistently applied to the financial information presented for the six months ended 30 June 2011 and the full year ended 31 December 2011.

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

Enquiries have been made into the adequacy of the Group's financial resources, through a review of the current financial projections, reorganisation and capital expenditure plans and the financing facilities available. The Group's forecasts and projections take account of reasonably possible changes in trading performance. Giving due consideration to the financial resources available to the Group, it is appropriate to continue to adopt the going concern basis in preparing the financial information. In reaching this view on going concern, six categories of risk were considered, namely liquidity risk, capital risk, credit risk, currency risk, interest rate risk and market risk. The Group is financed primarily through a banking facility subject to guarantees issued by Coats plc and certain of its principal subsidiaries. The Group actively maintains a mixture of long-term and short-term debt finance that is designed to ensure that the Group has sufficient funds for its operations.

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

		June 2012	June 2011	December 2011
Average	Sterling	**0.63**	0.62	0.62
	Euro	**0.77**	0.71	0.72
Period end	Sterling	**0.64**	0.62	0.64
	Euro	**0.79**	0.69	0.77

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

	2012 Half year Unaudited US$m	2011 Half year Unaudited US$m	2011 Full year Unaudited US$m
Exceptional items:			
Cost of sales:			
European Commission fine and associated exchange losses/(gains)	**84.6**	2.4	(1.0)
Reorganisation costs and impairment of property, plant and equipment	**11.2**	11.9	14.6
US environmental costs	**3.2**	-	2.5
	99.0	14.3	16.1
Administrative expenses:			
Capital incentive plan charge	**2.1**	0.5	2.6
UK pension increase exchange offer	**-**	-	(4.0)
	2.1	0.5	(1.4)
Other operating income:			
Profit on the sale of property	**-**	-	(2.7)
	101.1	14.8	12.0
Finance costs:			
European Commission fine interest cost	**35.8**	-	-
Total	**136.9**	14.8	12.0

As noted in previous reports, the US Environmental Protection Agency has notified Coats that it is a potentially responsible party under the US Superfund for investigation and remediation costs in connection with the Lower Passaic River Study Area in New Jersey, in respect of former facilities which operated in that area prior to 1950. Approximately 70 companies to date have formed a cooperating parties group to fund and conduct a remedial investigation and feasibility study of the area. Coats joined this group in 2011.

2 Profit/(loss) before taxation (continued)

Since the year end, the cooperating parties group has agreed to fund the remediation of one part of the study area (River Mile 10.9) and Coats' provisional allocation of the cost of this is estimated at $0.5 million to $0.7 million, the higher amount of which has been charged in the six months to 30 June 2012 as part of the US environmental costs exceptional item. Coats believes that its former facilities which operated in the Lower Passaic River Study Area did not generate the contaminants which are driving the current and anticipated remedial actions and that this, and other mitigating factors, should result in a reduced share of any exposure for future remedial and other costs. At the present time, there can be no assurance as to the scope of future remedial and other costs nor can Coats predict what its ultimate share will be. Accordingly, no provision has been made for these costs.

3 Finance costs

	2012 Half year Unaudited US$m	2011 Half year Unaudited US$m	2011 Full year Unaudited US$m
Non-exceptional items			
Interest on bank and other borrowings	**12.0**	12.6	23.8
Net return on pension scheme assets and liabilities	**(8.4)**	(8.6)	(16.9)
Other	**3.9**	3.3	9.9
	7.5	7.3	16.8
Exceptional items (see note 2)			
European Commission fine interest cost	**35.8**	-	-
Total	**43.3**	7.3	16.8

4 Taxation

The taxation charges for the six months ended 30 June 2012 and 30 June 2011 are based on the estimated effective tax rates for the full year, including the effect of prior period tax adjustments.

For the six months ended 30 June 2012 the tax relief in respect of exceptional items is $1.6 million (2011 - $0.2 million). For the year ended 31 December 2011 the tax relief in respect of exceptional items was $2.1 million.

5 Non-controlling interests

	2012 Half year Unaudited US$m	2011 Half year Unaudited US$m	2011 Full year Unaudited US$m
At 1 January	**17.9**	17.3	17.3
Total recognised income and expense for the period	**4.3**	3.7	5.2
Dividends paid	**(3.2)**	(3.2)	(4.6)
At 30 June/31 December	**19.0**	17.8	17.9

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

	2012 Half year Unaudited US$m	2011 Half year Unaudited US$m	2011 Full year Unaudited US$m
Operating (loss)/profit	**(41.2)**	68.7	131.6
Depreciation	**23.7**	25.0	49.0
Amortisation of intangible assets (computer software)	**3.5**	4.2	8.0
Reorganisation costs (see note 2)	**11.2**	11.9	14.6
Other operating exceptional items (see note 2)	**89.9**	2.9	(2.6)
Increase in inventories	**(4.0)**	(61.2)	(33.6)
Decrease/(increase) in debtors	**0.6**	(15.9)	(1.3)
(Decrease)/increase in creditors	**(0.1)**	6.3	5.4
Provision movements	**(9.4)**	(10.9)	(23.2)
Other non-cash movements	**1.3**	(0.5)	2.4
Net cash inflow from normal operating activities	**75.5**	30.5	150.3
Net cash outflow in respect of reorganisation costs	**(10.7)**	(8.1)	(13.7)
Net cash outflow in respect of other operating exceptional items	**(1.7)**	(1.5)	(2.6)
Net cash inflow generated by operations	**63.1**	20.9	134.0

7 Net debt

	2012 Half year Unaudited US$m	2011 Half year Unaudited US$m	2011 Full year Unaudited US$m
Cash and cash equivalents	**125.8**	94.4	112.0
Bank overdrafts	**(8.2)**	(23.7)	(26.4)
Net cash and cash equivalents	**117.6**	70.7	85.6
Other borrowings	**(345.8)**	(346.8)	(324.0)
Total net debt	**(228.2)**	(276.1)	(238.4)

8 Statement of financial position consolidated by Guinness Peat Group plc (unaudited)

The statement of financial position consolidated by Guinness Peat Group plc (GPG) as at 30 June 2012 differs from that disclosed as follows:

	Coats Group Limited Unaudited US$m	**Coats Group Limited US$:GBP at 0.6376 Unaudited £m**	**GPG fair value adjustments Unaudited £m**	**GPG other adjustments Unaudited £m**	**Included in GPG's consolidated statement of financial position Unaudited £m**
Intangible assets	253.4	161	4	-	165
Other non-current assets	457.3	292	-	-	292
Current assets	745.6	475	-	-	475
Non-current assets classified as held for sale	0.1	-	-	-	-
Total assets	1,456.4	928	4	-	932
Current liabilities	(590.9)	(377)	-	-	(377)
Non-current liabilities	(719.6)	(459)	-	(3)	(462)
Non-controlling interests	(19.0)	(12)	-	-	(12)
Equity shareholders' funds	126.9	80	4	(3)	81