Guinness Peat Group plc

The following unaudited consolidated results of Coats Group Limited ("the Group") for the six months ended 30 June 2010 are released by Guinness Peat Group plc ("GPG") for information only.

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26 August 2010

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Coats Group Limited: unaudited results* for the six months ended 30 June 2010

Financial Summary

	2010 Half year Unaudited US$m	2009 Half year Unaudited US$m
Revenue	**761.2**	663.4
Operating profit before reorganisation, impairment and other exceptional items**	**66.9**	39.2
Operating profit	**60.7**	18.4
Profit before taxation	**54.8**	9.8
Net profit/(loss) attributable to equity shareholders	**35.5**	(8.7)
Average net debt	**306.8**	394.5
Net gearing	**65%**	76%

**see note 1*
***see note 2*

- Total sales up 15% and 71% growth in pre-exceptional operating profit.

- Attributable profit increased to $35.5 million (2009 - $8.7 million loss) - Coats' best reported first half performance since GPG's first full year of ownership.

- Industrial thread pre-exceptional operating profit margin increased to 11% (2009 – 8%). All regions improved margins.

- Improved performance from the Crafts business; a pre-exceptional operating profit of $9.1 million (2009 - $6.1 million) was achieved.

- Reorganisation costs significantly lower - $8.9 million down at $12.9 million; the full year expectation is for further year on year reduction.

- Tax rate improved to 31% (2009 – 161%).

- Average net debt reduced from $394.5 million in the first half of 2009 to $306.8 million for the same period in 2010. Net gearing was at 65% (2009 – 76%).

- Average net working capital/sales ratio (annualised basis) reduced from 23% in the first of 2009 to 19% in the first half of 2010.

Chairman's Statement

Overview

Coats made good progress in the first half of 2010, with 15% growth in revenue and 71% growth in pre-exceptional operating profit. Attributable profit for the period increased to $35.5 million (2009 - $8.7 million loss) – Coats' best reported first half performance since GPG's first full year of ownership in 2005.

The restructuring process of the last six years is nearing its conclusion and Coats is now focused on delivering sustained revenue growth. The increase in revenue during the period is pleasing, even given the fact it was on the back of weak 2009 comparatives, which were significantly impacted by the global recession and the associated downturn in world-wide demand plus destocking in the supply chain. Excellent conversion of sales growth to profit reflected the decisive action taken in 2009 and earlier years to reduce Coats' cost base.

Operating results

Industrial sales, which are largely driven by demand for clothing and footwear, grew by 23% to $516.4 million (2009 - $421.4 million). Inventory levels in the apparel supply chain were at historically low levels at the end of 2009, and 2010 first half results have benefited from restocking. In addition, there has been some underlying improvement in demand and new customers have been gained. Pre-exceptional operating profit (before reorganisation, impairment and other exceptional items) increased by 75% to $57.8 million (2009 - $33.1 million), representing an operating profit margin of 11% (2009 – 8%). Productivity levels have improved, with plants operating at higher utilisation levels than seen in 2009 and benefiting strongly from previous reorganisation initiatives, and this has more than offset raw material price and payroll inflation pressures.

Crafts sales increased by 1% to $244.8 million (2009 - $242.0 million) and pre-exceptional operating profit increased to $9.1 million (2009 - $6.1 million). This resulted in the operating profit margin growing from 2.5% to 3.7%.

In Europe, where the consumer environment remains weak overall, Crafts sales were 4% down on 2009 levels (5% down on a like-for-like basis, following the 13% decline on a like-for-like basis reported in the first half of 2009). However, notwithstanding these sales decreases, operating losses were reduced to $10.3 million, down from $13.6 million in the first half of 2009 and $20.5 million in the first half of 2008. This reduction in operating losses reflects the benefits from the major restructuring of this business, which focussed on lowering the cost base, enhancing productivity and delivering a harmonised pan-European product offer. This restructuring has positioned the business for profitability when market conditions improve.

Sales from the Crafts businesses in the Americas and Asia have increased by 4% to $165.1 million (2009 - $159.1 million); this growth was achieved despite some destocking in the period by key North American customers. There were some raw material cost increases but profits remained steady at $19.4 million (2009 - $19.7 million).

Further details are included in the Operating Review.

Results

In total, a pre-exceptional operating profit of $66.9 million (2009 - $39.2 million) was generated by the Group - $27.7 million higher than in 2009.

Net exceptional charges at $6.2 million (2009 - $20.8 million) were $14.6 million lower than in 2009, driven by an $8.9 million reduction in reorganisation costs, and $5.7 million higher property profits and foreign exchange gains (see note 2). Exceptional foreign exchange gains of $4.5 million (2009 - $0.1 million) were generated in the period. These arose from exchange rate movements and will not necessarily recur in the second half.

Finance costs, net of investment income, reduced to $5.6 million (2009 - $8.9 million), primarily due to a $2.8 million reduction in interest payable on bank and other borrowings. This reflects lower average net debt, which reduced from $394.5 million in the first half of 2009 to $306.8 million in 2010.

The tax charge was $17.1 million (2009 - $15.8 million) on pre-tax profit of $54.8 million (2009 - $9.8 million), representing a tax rate of 31% (2009 – 161%). Excluding exceptional items and their associated tax effect, the effective tax rate was 34% (2009 - 54%). These reductions reflect lower unrelieved losses, principally in Europe.

As a result of the above improvements, the Group in the half generated a net profit attributable to equity shareholders of $35.5 million (2009 - $8.7 million loss) - a $44.2 million turnaround.

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 $12.1 million (2009 - $11.7 million). This capital expenditure was focussed on productivity improvements in the Industrial business and supporting growth initiatives across Coats.

Reorganisation costs were significantly lower at $12.9 million (2009 - $21.8 million). While some costs were incurred in respect of the European Crafts business, these were significantly down on first half 2009 levels given that the major restructuring of this business, which commenced in 2006, was substantially complete by the end of 2009. The business was formerly organised by country, each with its own product range, but has been transformed into a more cost-effective pan-European business, with a single harmonised product offer, improved supply chains, and reduced distribution and administration costs. Product ranges have been rationalised, manufacturing and distribution centres have been closed and headcount reduction projects have been implemented. Second half reorganisation costs for the Group are expected to be below 2010 first half levels.

2010 full year capital and restructuring spend in aggregate is expected to be broadly in line with depreciation (including amortisation of computer software).

Cash flow

EBITDA (defined as pre-exceptional operating profit before depreciation and amortisation) increased to $96.0 million (2009 - $69.0 million).

An operating cash outflow before reorganisation costs of $8.8 million (2009 - $71.2 million inflow) arose. This reflected a $98.4 million increase (2009 - $6.3 million reduction) in net working capital at average exchange rates (compared to the $88.8 million balance sheet movement at period end exchange rates) since the year end, of which $2.6 million was due to a reduction in the period in receivables assigned (under an assignment facility with GPG) to $0.7 million. In the corresponding period in 2009, receivables assigned increased by $34.8 million to $60.5 million. Given the excellent operating cash inflow for the 2009 full year, it was expected that there would be some reversal in the first half as trading improved. However, the average net working capital/sales ratio (annualised basis) improved from 23% during the first half of 2009 to 19% for the first half of 2010, facilitated by the investment in IT systems in recent years.

The reorganisation cash outflow of $13.7 million (2009 - $19.0 million) was partly offset by $7.3 million (2009 - $3.0 million) in proceeds from the sale of properties, including those which had become surplus as a result of the Group's reorganisation programme. Total investment in capital projects and reorganisation, net of property disposal proceeds, was $18.5 million (2009 - $27.7 million).

Interest and tax paid increased to $30.8 million (2009 - $25.2 million). Tax paid was $6.0 million higher than in 2009, reflecting the higher tax charge and an adverse impact in the half (compared to a favourable impact in the first half of 2009) of timing differences in quarterly payments across the Group.

Accordingly, net debt increased from $258.5 million at the 2009 year end to $313.4 million at the end of June 2010, but was $20.5 million below the June 2009 level of $333.9 million.

Balance sheet

Equity shareholders' funds increased from $452.3 million at the end of 2009 to $468.3 million (2009 - $426.1 million) at the end of June 2010. This reflects the $35.5 million attributable profit, partly offset by losses of $19.5 million taken directly to reserves. These largely represent exchange translation losses of $11.2 million (2009 - $14.2 million gains).

The combination of the fall in net debt and the increase in equity shareholders' funds led to net gearing reducing from 76% at June 2009 to 65% at June 2010.

Average net debt reduced from $394.5 million in the first half of 2009 to $306.8 million in 2010, as tight controls over net working capital and increased profits have had a beneficial impact.

The Group's key funded defined benefit pension arrangements are in the UK and USA and the market value of their investments held up during the six months to 30 June 2010. The UK's scheme's triennial valuation as at April 2009 is in the process of being completed and is expected to show an actuarial funding deficit. However, the market value of investments held by the scheme has improved since that point and, on an IAS 19 accounting basis, both the UK and US schemes remained in surplus at 30 June 2010.

European Commission Investigation

There have been no developments in the European Commission investigation since the year end. As stated in previous reports, Coats remains of the view that any anticipated eventual payment of the fine is adequately covered by existing provisions.

Prospects

The global economy is expected to remain fragile during 2010, but Coats is expected to continue to progress.

Industrial thread demand is expected to continue to improve during the second half of 2010 compared to the previous year, but at a lower rate than seen in the first half. This reflects a stronger performance in the second half of 2009 and, in addition, the benefits from restocking seen in the first half of 2010 are not expected to continue at the same rate, given the higher level of inventory in the apparel supply chain. There will be some pressure on margins from the impact of raw material price increases and payroll inflation.

It is anticipated that the Crafts market will remain challenging in the second half in Europe and North America, but second half margins are expected to hold up compared to 2009. European Crafts' performance in the second half is expected to better the first half and, following its restructuring, the business is well positioned to take advantage of any improvements in market conditions.

Along with its strong brands, good market shares and truly global operations, the Group's major investment, restructuring and cost reduction programme of the last six years has provided the Group with a strong operational and financial platform to grow the business as market conditions improve. We are investing at greater levels in product development, sales and marketing, recruitment and growth-related capital investment and are confident that these actions will sustain Coats' market leadership and revenue and profit growth in the next period and beyond.

Gary Weiss

Chairman

26 August 2010

Operating Review

Industrial Trading Performance

INDUSTRIAL	2010 reported $m	*2009 like-for-like $m	2009 reported $m	Like-for-like increase %	Actual increase %
Sales					
Asia and Rest of World	257.6	223.0	218.1	15%	18%
Europe	114.3	90.8	89.1	26%	28%
Americas	144.5	126.0	114.2	15%	27%
Total sales	**516.4**	**439.8**	**421.4**	**17%**	**23%**
Pre-exceptional operating profit**	**57.8**	**34.3**	**33.1**	**69%**	**75%**

**2009 like-for-like restates 2009 figures at 2010 exchange rates*

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

In the following comments, all comparisons with 2009 are on a like-for-like basis

The Asian industrial performance reflects an upturn in the Asian apparel and footwear export sectors, driven by retailer restocking in North America and Europe, as well as the strengthening of domestic markets within Asia. Coats' long-established relationships with global suppliers and brand owners continue to provide strong support to the business.

The European Industrial market has benefited from the restocking of the supply chain, as well as the return of some manufacturing to Eastern Europe due to rising cost pressures in Asia. There has been a significant improvement in profitability, including good benefits from previous reorganisation and investment.

Sales in the Americas have also benefited from the restocking of the supply chain in both North America and domestic markets in South America, and there have been some gains in market share, resulting in an improvement in profitability.

Crafts Trading Performance

CRAFTS	2010 reported $m	*2009 like-for-like $m	2009 reported $m	Like-for-like increase / (decrease) %	Actual increase / (decrease) %
Sales					
Asia and Rest of World	32.4	29.8	27.9	9%	16%
Europe	79.7	84.0	82.9	-5%	-4%
Americas	132.7	141.2	131.2	-6%	1%
Total sales	**244.8**	**255.0**	**242.0**	**-4%**	**1%**
Pre-exceptional operating profit**	**9.1**	**7.3**	**6.1**	**25%**	**49%**

**2009 like-for-like restates 2009 figures at 2010 exchange rates*

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

In the following comments, all comparisons with 2009 are on a like-for-like basis

The European Crafts market remains weak, particularly in Southern Europe where austerity measures and cuts in public spending are constraining consumer confidence. However, there has been some slowdown in the decline in demand. Sales overall were down 5% from last year on a like-for-like basis, following the decrease of 13% reported in the corresponding period of 2009, and demand for handknittings - the key product category - remained steady. Notwithstanding the weak consumer environment, the major restructuring of this business has driven a reduction in operating losses and the business is well positioned to take advantage of improvements in market conditions.

North America Crafts' performance has been impacted by a soft market overall compared to 2009. A number of major retailers have reduced inventory levels, but there are recent signs that this process has come to an end. In South America, sales were ahead of 2009. Good growth in handknittings continued, reflecting strong product lines and marketing, plus supply chain benefits.

Consolidated Income Statement (unaudited)

For the six months ended 30 June 2010	Notes	**2010 Half year Unaudited US$m**	2009 Half year Unaudited US$m	2009 Full year Unaudited US$m
Continuing operations				
Revenue		**761.2**	663.4	1,408.3
Cost of sales		**(481.3)**	(445.4)	(943.8)
Gross profit		**279.9**	218.0	464.5
Distribution costs		**(137.6)**	(126.2)	(253.2)
Administrative expenses		**(83.8)**	(74.9)	(166.1)
Other operating income		**2.2**	1.5	9.1
Operating profit	2	**60.7**	18.4	54.3
Share of (losses)/profits of joint ventures		**(0.3)**	0.3	0.5
Investment income		**1.7**	0.4	1.7
Finance costs	3	**(7.3)**	(9.3)	(20.1)
Profit before taxation		**54.8**	9.8	36.4
Taxation	4	**(17.1)**	(15.8)	(32.4)
Profit/(loss) from continuing operations		**37.7**	(6.0)	4.0
Discontinued operations				
Profit/(loss) from discontinued operations		**0.5**	0.2	(3.5)
Profit/(loss) for the period		**38.2**	(5.8)	0.5
Attributable to:				
EQUITY SHAREHOLDERS OF THE COMPANY		**35.5**	(8.7)	(4.5)
Non-controlling interests		**2.7**	2.9	5.0
		38.2	(5.8)	0.5

Consolidated Statement of Comprehensive Income (unaudited)

For the six months ended 30 June 2010	**2010 Half year Unaudited US$m**	2009 Half year Unaudited US$m	2009 Full year Unaudited US$m
Profit/(loss) for the period	**38.2**	(5.8)	0.5
Cash flow hedges:			
(Losses)/gains arising during the period	**(6.8)**	1.8	(2.6)
Transferred to profit or loss on cash flow hedges	**3.9**	2.7	6.6
Exchange differences on translation of foreign operations	**(11.3)**	14.1	32.6
Acquisition of part of a non-controlling interest	**0.1**	1.9	1.9
Actuarial losses in respect of retirement benefit schemes	**(5.5)**	(8.7)	(3.6)
Tax relating to components of other comprehensive income	**-**	0.7	(0.3)
Other comprehensive income and expense for the period	**(19.6)**	12.5	34.6
Total comprehensive income and expense for the period	**18.6**	6.7	35.1
Attributable to:			
EQUITY SHAREHOLDERS OF THE COMPANY	**16.0**	3.9	30.1
Non-controlling interests	**2.6**	2.8	5.0
	18.6	6.7	35.1

Consolidated Statement of Financial Position (unaudited)

At 30 June 2010	Notes	**2010 30 June Unaudited US$m**	2009 30 June Unaudited US$m	2009 31 December Unaudited US$m
Non-current assets				
Intangible assets		**260.2**	264.8	264.7
Property, plant and equipment		**407.1**	450.8	444.7
Investments in joint ventures		**13.0**	15.4	14.2
Available-for-sale investments		**2.7**	2.9	3.0
Deferred tax assets		**15.0**	13.6	14.6
Pension surpluses		**42.3**	41.3	42.9
Trade and other receivables		**15.6**	24.0	22.5
		755.9	812.8	806.6
Current assets				
Inventories		**265.9**	276.7	248.3
Trade and other receivables		**334.2**	241.1	284.8
Available-for-sale investments		**0.3**	0.3	0.2
Cash and cash equivalents	7	**105.6**	69.5	135.0
		706.0	587.6	668.3
Non-current assets classified as held for sale		**6.8**	0.1	1.1
Total assets		**1,468.7**	1,400.5	1,476.0
Current liabilities				
Trade and other payables		**(305.6)**	(273.6)	(331.2)
Current income tax liabilities		**(10.2)**	(6.6)	(9.9)
Bank overdrafts and other borrowings		**(130.0)**	(109.1)	(103.7)
Provisions		**(85.0)**	(107.2)	(99.4)
		(530.8)	(496.5)	(544.2)
Net current assets		**175.2**	91.1	124.1
Non-current liabilities				
Trade and other payables		**(17.5)**	(21.4)	(20.6)
Deferred tax liabilities		**(32.2)**	(26.9)	(28.8)
Borrowings		**(289.0)**	(294.3)	(289.8)
Retirement benefit obligations:				
Funded schemes		**(3.0)**	(4.7)	(3.0)
Unfunded schemes		**(78.9)**	(95.4)	(89.7)
Provisions		**(32.5)**	(21.4)	(32.0)
		(453.1)	(464.1)	(463.9)
Total liabilities		**(983.9)**	(960.6)	(1,008.1)
Net assets		**484.8**	439.9	467.9
Equity				
Share capital		**20.5**	20.5	20.5
Share premium account		**412.1**	412.1	412.1
Hedging and translation reserve		**(3.6)**	(7.4)	10.5
Retained profit		**39.3**	0.9	9.2
EQUITY SHAREHOLDERS' FUNDS		**468.3**	426.1	452.3
Non-controlling interests	5	**16.5**	13.8	15.6
Total equity		**484.8**	439.9	467.9

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 earnings Unaudited US$m	Total Unaudited US$m
Balance as at 1 January 2009	4.2	412.1	(12.8)	(13.3)	15.7	405.9
Loss for the period	-	-	-	-	(8.7)	(8.7)
Other comprehensive income and expense for the period	-	-	4.5	14.2	(6.1)	12.6
Total comprehensive income and expense for the period	-	-	4.5	14.2	(14.8)	3.9
Issue of share capital	16.3	-	-	-	-	16.3
Balance as at 30 June 2009	20.5	412.1	(8.3)	0.9	0.9	426.1
Balance as at 1 January 2009	4.2	412.1	(12.8)	(13.3)	15.7	405.9
Loss for the year	-	-	-	-	(4.5)	(4.5)
Other comprehensive income and expense for the year	-	-	4.0	32.6	(2.0)	34.6
Total comprehensive income and expense for the year	-	-	4.0	32.6	(6.5)	30.1
Issue of share capital	16.3	-	-	-	-	16.3
Balance as at 31 December 2009	20.5	412.1	(8.8)	19.3	9.2	452.3
Profit for the period	-	-	-	-	35.5	35.5
Other comprehensive income and expense for the period	-	-	(2.9)	(11.2)	(5.4)	(19.5)
Total comprehensive income and expense for the period	-	-	(2.9)	(11.2)	30.1	16.0
Balance as at 30 June 2010	**20.5**	**412.1**	**(11.7)**	**8.1**	**39.3**	**468.3**

Statement of Consolidated Cash Flows (unaudited)

For the six months ended 30 June 2010	Notes	**2010 Half year Unaudited US$m**	2009 Half year Unaudited US$m	2009 Full year Unaudited US$m
Cash inflow/(outflow) from operating activities				
Net cash (outflow)/inflow generated by operations	6	**(22.5)**	52.2	151.6
Interest paid		**(11.6)**	(12.0)	(25.4)
Taxation paid		**(19.2)**	(13.2)	(26.9)
Net cash (absorbed)/generated from operating activities		**(53.3)**	27.0	99.3
Cash inflow/(outflow) from investing activities				
Dividends received from associates and joint ventures		**0.9**	1.8	3.2
Acquisition of property, plant and equipment and intangible assets		**(12.1)**	(11.7)	(26.7)
Disposal of property, plant and equipment and intangible assets		**7.3**	3.0	14.5
Acquisition of financial investments		**-**	(0.2)	-
Disposal of financial investments		**0.3**	0.1	0.1
Acquisition and disposal of businesses		**(0.4)**	(1.4)	(1.9)
Net cash absorbed from investing activities		**(4.0)**	(8.4)	(10.8)
Cash inflow/(outflow) from financing activities				
Dividends paid to minority interests		**(1.5)**	(1.9)	(2.1)
Increase/(decrease) in debt and lease financing		**14.9**	(28.6)	(46.0)
Net cash generated/(absorbed) in financing activities		**13.4**	(30.5)	(48.1)
Net (decrease)/increase in cash and cash equivalents		**(43.9)**	(11.9)	40.4
Net cash and cash equivalents at beginning of the period		**112.7**	65.4	65.4
Foreign exchange gains/(losses) on cash and cash equivalents		**3.7**	(0.3)	6.9
Net cash and cash equivalents at end of the period	7	**72.5**	53.2	112.7
Reconciliation of net cash flow to movement in net debt				
Net (decrease)/increase in cash and cash equivalents		**(43.9)**	(11.9)	40.4
Cash (inflow)/outflow from change in debt and lease financing		**(14.9)**	28.6	46.0
Change in net debt resulting from cash flows		**(58.8)**	16.7	86.4
Other		**(1.5)**	(1.5)	(2.9)
Foreign exchange		**5.4**	(3.1)	4.0
(Increase)/decrease in net debt		**(54.9)**	12.1	87.5
Net debt at start of period		**(258.5)**	(346.0)	(346.0)
Net debt at end of period	7	**(313.4)**	(333.9)	(258.5)

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 2010 has been prepared in accordance with the recognition and measurement requirements of International Financial Reporting Standards ("IFRS") adopted by the European Union. The accounting policies followed for the six months ended 30 June 2010 have been consistently applied to the financial information presented for the six months ended 30 June 2009 and the full year ended 31 December 2009 other than in respect of IFRS 3 (2008) "Business Combinations" and IAS 27 (2008) "Consolidated and Separate Financial Statements" which have been adopted by the Group in 2010.

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

The Group is satisfied that it has sufficient resources to continue in operation for the foreseeable future and, accordingly, the going concern basis continues to be adopted in preparing the financial information.

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

		June 2010	June 2009	December 2009
Average	Sterling	**0.66**	0.67	0.64
	Euro	**0.75**	0.75	0.72
Period end	Sterling	**0.67**	0.61	0.62
	Euro	**0.82**	0.71	0.70

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

	2010 Half year Unaudited US$m	2009 Half year Unaudited US$m	2009 Full year Unaudited US$m
Exceptional items:			
Reorganisation costs and impairment of property, plant and equipment	**12.9**	21.8	49.0
Profit on the sale of property	**(2.2)**	(0.9)	(7.5)
Profit on disposal of business	**-**	-	(0.4)
Foreign exchange (gains)/losses	**(4.5)**	(0.1)	0.5
Total	**6.2**	20.8	41.6

3 Finance costs

	2010 Half year Unaudited US$m	2009 Half year Unaudited US$m	2009 Full year Unaudited US$m
Interest on bank and other borrowings	**12.2**	15.0	28.1
Net return on pension scheme assets and liabilities	**(7.1)**	(7.1)	(14.4)
Other	**2.2**	1.4	6.4
Total	**7.3**	9.3	20.1

4 Taxation

The taxation charges for the six months ended 30 June 2010 and 30 June 2009 are based on the estimated effective tax rate for the full year, including the effect of prior period tax adjustments.

5 Non-controlling interests

	2010 Half year Unaudited US$m	2009 Half year Unaudited US$m	2009 Full year Unaudited US$m
At 1 January	**15.6**	16.7	16.7
Total recognised income and expense for the period	**2.6**	2.8	5.0
Dividends paid	**(1.5)**	(1.9)	(2.1)
Other	**(0.2)**	(3.8)	(4.0)
At 30 June/31 December	**16.5**	13.8	15.6

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

	2010 Half year Unaudited US$m	2009 Half year Unaudited US$m	2009 Full year Unaudited US$m
Operating profit	**60.7**	18.4	54.3
Depreciation	**24.8**	25.9	52.2
Amortisation of intangible assets (computer software)	**4.3**	3.9	8.2
Reorganisation costs (see note 2)	**12.9**	21.8	49.0
Other exceptional items (see note 2)	**(6.7)**	(1.0)	(7.4)
(Increase)/decrease in inventories	**(29.9)**	26.4	59.4
(Increase)/decrease in debtors	**(62.4)**	19.9	(19.6)
(Decrease)/increase in creditors	**(6.1)**	(40.0)	8.4
Provision movements	**(9.2)**	(4.1)	(8.7)
Other non-cash movements	**2.8**	-	2.3
Net cash (outflow)/inflow from normal operating activities	**(8.8)**	71.2	198.1
Net cash outflow in respect of reorganisation costs	**(13.7)**	(19.0)	(46.5)
Net cash (outflow)/inflow generated by operations	**(22.5)**	52.2	151.6

7 Net debt

	2010 Half year Unaudited US$m	2009 Half year Unaudited US$m	2009 Full year Unaudited US$m
Cash and cash equivalents	**105.6**	69.5	135.0
Bank overdrafts	**(33.1)**	(16.3)	(22.3)
Net cash and cash equivalents	**72.5**	53.2	112.7
Other borrowings	**(385.9)**	(387.1)	(371.2)
Total net debt	**(313.4)**	(333.9)	(258.5)

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 2010 differs from that disclosed as follows:

	Coats Group Limited Unaudited US$m	Coats Group Limited US$:GBP at 0.6684 Unaudited £m	GPG fair value adjustments Unaudited £m	Included in GPG's consolidated statement of financial position Unaudited £m
Intangible assets	260.2	174	14	188
Other non-current assets	495.7	331	-	331
Current assets	706.0	472	-	472
Non-current assets classified as held for sale	6.8	5	-	5
Total assets	1,468.7	982	14	996
Current liabilities	(530.8)	(354)	-	(354)
Non-current liabilities	(453.1)	(303)	-	(303)
Non-controlling interests	(16.5)	(11)	-	(11)
Equity shareholders' funds	468.3	314	14	328