Guinness Peat Group plc

The following unaudited consolidated results of Coats Group Limited ("the Group") for the six months ended 30 June 2011 are released by Guinness Peat Group plc ("GPG") for information only.

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26 August 2011

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Coats Group Limited: unaudited results* for the six months ended 30 June 2011

Financial Summary

	2011 Half year Unaudited US$m	2010 Half year Unaudited US$m
Revenue	**861.8**	761.2
Operating profit before reorganisation, impairment and other exceptional items**	**83.5**	66.9
Operating profit	**68.7**	60.7
Profit before taxation and exceptional items**	**78.9**	61.0
Profit before taxation	**64.1**	54.8
Net profit attributable to equity shareholders	**36.9**	35.5
Net cash inflow/(outflow) from normal operating activities	**30.5**	(8.8)
Average net debt	**295.6**	306.8
Net gearing	**50%**	65%

**see note 1 to the financial information*
***see note 2 to the financial information*

- Total revenue up 13%.
- Pre-exceptional operating profit increased by 25%.
- Profit before tax on a normalised basis, excluding exceptional items, increased by $17.9 million or 29% to $78.9 million (2010 - $61.0 million).
- Attributable profit increased to $36.9 million (2010 - $35.5 million), notwithstanding a $6.9 million worsening of foreign exchange exceptional losses. This is Coats' best first half attributable profit performance under GPG ownership.
- Industrial Division pre-exceptional operating profit increased by 19% to $68.8 million (2010 - $57.8 million). All regions registered double digit sales growth.
- Improved performance from the Crafts Division: pre-exceptional operating profit of $14.7 million was 62% up on 2010 and the operating profit margin increased to 5.5% (2010 – 3.7%).
- Reorganisation costs were $11.9 million (2010 - $12.9 million). Almost all reorganisation projects for the year were actioned in the first half, and minimal charges are expected in the second half.
- First half average net debt has fallen to $295.6 million (2010 - $306.8 million). Net gearing was at 50% (2010 – 65%).

Business Review

Overview

Coats has had a good first half, with 13% growth in revenue and a 25% increase in pre-exceptional operating profit. Attributable profit increased to $36.9 million (2010 - $35.5 million) – the best first half performance under GPG ownership. Average net debt for the period reduced by $11.2 million to $295.6 million.

Operating results

Whilst the Industrial Division has seen continued raw material and payroll inflationary pressures, plus some local disruption to customer activity in both North East Asia (arising from the catastrophic events in Japan in the first quarter) and North Africa, the business has performed well overall in the first half and each geographic region has traded in advance of 2010.

Industrial sales, which are largely driven by demand for clothing and footwear in developed economies, grew by 15% to $592.7 million (2010 - $516.4 million), reflecting both volume improvements and the early implementation of selling price increases to offset unprecedented raw material price increases (in the order of 25% up on 2010). Coats is focussed on four primary areas of growth above and beyond that of the core apparel and footwear market; namely zips, speciality threads, global accounts and domestic apparel/footwear markets in the larger developing economies. We have placed more emphasis commercially on zips as a naturally complementary product area, sales of which in the first half increased by 14% over 2010 levels. There was double digit growth in speciality sales, underpinned by new product development, widening geographic spread and market share increases. Additional focus has been given to global accounts, sales to which exceeded 2010 by approximately 17%. We are also enhancing our participation in sales to apparel and footwear manufacturers supplying local demand in emerging markets, through the development of targeted product offerings, and have seen market share gains in the half year across Asia.

Pre-exceptional operating profit (before reorganisation, impairment and other exceptional items) for the Industrial Division increased by 19% to $68.8 million (2010 - $57.8 million).

The performance of the Crafts Division has been encouraging, despite raw material price pressures. Crafts sales increased by 10% to $269.1 million (2010 - $244.8 million) and a pre-exceptional operating profit of $14.7 million (2010 - $9.1 million) was achieved. This resulted in an operating profit margin of 5.5% (2010 – 3.7%).

In EMEA, where the consumer environment remains weak overall, Crafts sales were 2% up on 2010 levels (although 4% down on a like-for-like basis). Operating losses were reduced to $8.8 million, down from $10.3 million in the first half of 2010. Although the business has been impacted by higher raw material costs, headcount reductions in all key markets to further streamline the business delivered benefits.

Sales from the Crafts businesses in the Americas and Asia increased by 14% to $187.4 million (2010 - $165.1 million). Profits of $23.5 million (2010 - $19.4 million) were 21% up on 2010. This reflects margin improvements in the Americas, with purchasing benefits from strengthening local currencies.

Further details are included in the Operating Review.

Results

In total, a pre-exceptional operating profit of $83.5 million (2010 - $66.9 million) was generated by the Group - $16.6 million higher than in 2010.

Net exceptional charges were higher at $14.8 million (2010 - $6.2 million). Although reorganisation costs were $1.0 million lower than in 2010, this was offset by a $6.9 million worsening of foreign exchange losses, $2.2 million lower property profits and a $0.5 million charge in respect of a capital incentive plan.

The recently implemented capital incentive plan is a GPG arrangement for the benefit of certain senior Coats executives. However, under International Accounting Standards, the cost of the plan is required to be accounted for by Coats, including the recognition of a deemed equity contribution in reserves. Awards were granted by GPG on 16 May 2011 and are currently assumed to vest in March 2014. The fair value of the ultimate settlement was estimated at $12.0 million at the date of grant and this charge is being recognised over the assumed vesting period.

Finance costs, net of investment income, reduced marginally to $5.4 million (2010 - $5.6 million).

The tax charge was $23.6 million (2010 - $17.1 million) on pre-tax profit of $64.1 million (2010 - $54.8 million), representing a tax rate of 37% (2010 – 31%). However, excluding prior year tax adjustments and exceptional items plus their associated tax effect, the effective tax rate reduced to 31% (2010 - 32%).

As a result of the above, the Group in the half year generated a net profit attributable to equity shareholders of $36.9 million (2010 - $35.5 million) - Coats' best first half attributable profit performance under GPG ownership.

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 $20.9 million (2010 - $12.1 million). This capital expenditure was focussed on productivity improvements in the Industrial Division and supporting growth initiatives across Coats.

Reorganisation costs were $11.9 million (2010 - $12.9 million), focused on headcount reductions in EMEA Crafts. Almost all reorganisation projects for the year were actioned in the first half, and minimal charges are expected in the second half.

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 $112.7 million (2010 - $96.0 million).

A cash inflow from normal operating activities of $30.5 million (2010 - $8.8 million outflow) arose. In addition to the EBITDA improvement, this also reflected a $27.6 million lower net working capital outflow of $70.8 million (2010 - $98.4 million). Inventories at the end of June 2011 at $375.5 million were $109.6 million higher than at June 2010, reflecting volume growth to support the higher sales, the impact of raw material cost inflation, strategic forward buying of cotton and other operational initiatives, plus a $20.9 million adverse impact from exchange rate movements.

Total investment in capital projects and reorganisation, net of property disposal proceeds, was $27.3 million (2010 - $18.5 million).

Interest and tax paid was $32.1 million (2010 - $30.8 million).

The cash outflow of $1.2 million (2010 - $0.4 million) arising from the acquisition and disposal of businesses includes a $0.6 million initial investment in a new joint venture partnership formed to market a proprietary tracer thread; a value-added product for global brands in their fight against counterfeiting.

Accordingly, net debt increased from $241.9 million at the 2010 year end to $276.1 million at the end of June 2011, but was $37.3 million below the June 2010 level of $313.4 million. Average net debt reduced from $306.8 million in the first half of 2010 to $295.6 million in 2011.

Balance sheet

Equity shareholders' funds increased from $493.5 million at the end of 2010 to $539.3 million (2010 - $468.3 million) at the end of June 2011. This reflects the $36.9 million attributable profit, plus net gains of $8.9 million taken directly to reserves. These largely represent exchange translation gains of $18.2 million (2010 - $11.2 million losses), which arose on the translation of operations with functional currencies other than the US dollar, partly offset by actuarial losses in respect of retirement benefit arrangements of $9.6 million (2010 - $5.5 million).

The combination of the fall in net debt and the increase in equity shareholders' funds led to net gearing reducing from 65% at June 2010 to 50% at June 2011.

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 2011. As stated in the 2010 year end report, the UK plan's triennial valuation as at April 2009 was completed during 2010 and showed an actuarial funding deficit. A ten year recovery plan has been agreed with the scheme's trustee, under which contributions of $13.8 million per annum (at 30 June 2011 exchange rates) are payable from January 2011 (of which $2.6 million per annum relates to future service). This will be reviewed at the next triennial valuation as at April 2012. This is a cash item and has no direct impact on earnings. On an IAS 19 accounting basis, the UK and US plans remained in surplus at 30 June 2011.

European Commission investigation

As noted in previous reports, in September 2007 the European Commission concluded its investigation into European fasteners. It imposed fines against several producers, including a fine against the Coats plc Group of €110.3 million in respect of the Commission's allegation of a market sharing agreement in the European haberdashery market. Coats totally rejects this allegation and is vigorously contesting the Commission's decision in an appeal which was lodged with the European General Court in Luxembourg. The only development since the year end is that a hearing took place in July 2011 before that Court in respect of Coats' appeal; the outcome of which is currently assumed in 2012.

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 state of the global economy is likely to remain fragile during the second half of 2011. This will inevitably impact consumer demand for apparel and footwear in the US and Europe, as well as the attitude of retailers to inventory levels.

Although the third quarter has started slowly, year on year improvement in Industrial thread demand is expected during the second half of 2011 overall, but at a lower rate than seen in the first half. There will be pressure on selling prices and margins, particularly in the third quarter, as market raw material prices ease but inventories reflecting prior higher raw material prices are sold.

EMEA Crafts' performance in the second half of 2011 is expected to be materially better than the first half. Year on year improvement in demand in the Americas and Asia Crafts markets is expected during the second half, but at a lower rate than seen in the first half. Assuming the Western macro-environment remains broadly stable, the Crafts business remains on track to deliver margins in the range of historic levels seen in 2004 and 2005 within the next two years.

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, are providing the base for revenue growth. We are investing at greater levels in new product development, global sales and marketing, digital technology, recruitment and growth-related capital investment and are confident that these actions will sustain Coats' market leadership and revenue and profit growth during the second half of 2011 and beyond.

Paul Forman

Group Chief Executive

26 August 2011

Operating Review

Industrial Trading Performance

INDUSTRIAL	2011 reported $m	*2010 like-for-like $m	2010 restated*** $m	Like-for-like increase %	Actual increase %
Sales					
Asia and Rest of World	280.3	246.0	242.6	14%	16%
EMEA	147.9	134.4	129.3	10%	14%
Americas	164.5	151.7	144.5	8%	14%
Total sales	**592.7**	**532.1**	**516.4**	**11%**	**15%**
Pre-exceptional operating profit**	**68.8**	**59.3**	**57.8**	**16%**	**19%**

**2010 like-for-like restates 2010 figures at 2011 exchange rates*

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

**** In line with changes in 2011 to the Group's internal management structure, results are now presented for EMEA (Europe, Middle East & Africa), as opposed to Europe, and the 2010 comparative figures have been restated accordingly*

In the following commentary, all comparisons with 2010 are on a like-for-like basis

The Asian industrial business delivered a good performance overall. The sales growth of 14% reflects both volume improvements in the Asian apparel and footwear export sector and selling price increases to mitigate the unprecedented raw material price rises. Sales to the Japanese export sector continue to be adversely impacted by the catastrophic events which occurred in Japan in the first quarter. Coats' long-established relationships with global apparel and footwear suppliers and brand owners continue to help underpin the business.

The EMEA industrial sales growth of 10% reflected generally buoyant consumer demand in the early part of the year although, in North Africa, there was some disruption to customer activity from the political troubles there. Selling price increases were achieved to offset raw material price rises. Notable growth was achieved in speciality applications outside of apparel and footwear. EMEA profitability improved significantly compared to 2010, benefiting from enhanced productivity.

Sales growth in the Americas reflects a combination of volume growth and selling price increases, introduced to offset considerable raw material and payroll inflation. As with EMEA, we have seen significant growth in speciality sales. Productivity benefits have contributed to improved profitability.

Crafts Trading Performance

CRAFTS	**2011 reported $m**	***2010 like-for-like $m**	**2010 reported $m**	**Like-for-like increase / (decrease) %**	**Actual increase %**
Sales					
Asia and Rest of World	39.4	32.8	32.4	20%	22%
EMEA***	81.7	85.0	79.7	-4%	2%
Americas	148.0	137.7	132.7	7%	12%
Total sales	**269.1**	**255.5**	**244.8**	**5%**	**10%**
Pre-exceptional operating profit**	**14.7**	**9.2**	**9.1**	**60%**	**62%**

**2010 like-for-like restates 2010 figures at 2011 exchange rates*

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

****EMEA Crafts figures for 2010 are in line with those reported for Europe in the 2010 half year report*

In the following commentary, all comparisons with 2010 are on a like-for-like basis

The EMEA Crafts market remains weak, particularly in Southern Europe where austerity measures and cuts in public spending continue to constrain consumer confidence, and sales overall were down 4% from last year on a like-for-like basis: a marginal improvement over the 5% decrease reported in the corresponding period of 2010. Demand for handknittings - the key product category - increased, and significant year-on-year growth was generated from our initiatives in lifestyle fabrics. Selling price increases were implemented to help offset significant raw material cost rises. Notwithstanding the weak consumer environment, operating losses were reduced to $8.8 million, down from $10.3 million in the first half of 2010. Service levels are now at consistently much higher levels and product innovation has increased significantly and the business is well positioned to take advantage of any improvements in market conditions.

Crafts results in the Americas reflect strong growth in handknittings, particularly in South America. Sales of lifestyle fabrics in North America were also strong, with market share gains. As for EMEA Crafts, selling price increases were implemented to help offset significant raw material cost rises.

Consolidated Income Statement (unaudited)

For the six months ended 30 June 2011	Notes	**2011 Half year Unaudited US$m**	2010 Half year Unaudited US$m	2010 Full year Unaudited US$m
Continuing operations				
Revenue		**861.8**	761.2	1,583.6
Cost of sales		**(551.6)**	(481.3)	(1,010.4)
Gross profit		**310.2**	279.9	573.2
Distribution costs		**(147.0)**	(137.6)	(270.7)
Administrative expenses		**(94.5)**	(83.8)	(190.9)
Other operating income		**-**	2.2	6.4
Operating profit	2	**68.7**	60.7	118.0
Share of profits/(losses) of joint ventures		**0.8**	(0.3)	0.4
Investment income		**1.9**	1.7	4.7
Finance costs	3	**(7.3)**	(7.3)	(15.7)
Profit before taxation		**64.1**	54.8	107.4
Taxation	4	**(23.6)**	(17.1)	(42.2)
Profit from continuing operations		**40.5**	37.7	65.2
Discontinued operations				
Profit from discontinued operations		**0.2**	0.5	-
Profit for the period		**40.7**	38.2	65.2
Attributable to:				
EQUITY SHAREHOLDERS OF THE COMPANY		**36.9**	35.5	59.9
Non-controlling interests		**3.8**	2.7	5.3
		40.7	38.2	65.2

Consolidated Statement of Comprehensive Income (unaudited)

For the six months ended 30 June 2011	**2011 Half year Unaudited US$m**	2010 Half year Unaudited US$m	2010 Full year Unaudited US$m
Profit for the period	**40.7**	38.2	65.2
Cash flow hedges:			
Losses arising during the period	**(3.5)**	(6.8)	(7.0)
Transferred to profit or loss on cash flow hedges	**3.3**	3.9	7.0
Exchange differences on translation of foreign operations	**18.1**	(11.3)	8.1
Acquisition of part of a non-controlling interest	**-**	0.1	0.1
Actuarial losses in respect of retirement benefit schemes	**(9.6)**	(5.5)	(26.6)
Tax relating to components of other comprehensive income	**-**	-	(0.3)
Other comprehensive income and expense for the period	**8.3**	(19.6)	(18.7)
Total comprehensive income and expense for the period	**49.0**	18.6	46.5
Attributable to:			
EQUITY SHAREHOLDERS OF THE COMPANY	**45.3**	16.0	41.2
Non-controlling interests	**3.7**	2.6	5.3
	49.0	18.6	46.5

Consolidated Statement of Financial Position (unaudited)

At 30 June 2011	Notes	**2011 30 June Unaudited US$m**	2010 30 June Unaudited US$m	2010 31 December Unaudited US$m
Non-current assets				
Intangible assets		**257.0**	260.2	258.2
Property, plant and equipment		**424.0**	407.1	425.1
Investments in joint ventures		**15.0**	13.0	13.7
Available-for-sale investments		**3.0**	2.7	2.9
Deferred tax assets		**14.4**	15.0	13.7
Pension surpluses		**39.2**	42.3	49.1
Trade and other receivables		**16.0**	15.6	18.5
		768.6	755.9	781.2
Current assets				
Inventories		**375.5**	265.9	304.0
Trade and other receivables		**346.4**	334.2	319.7
Available-for-sale investments		**0.2**	0.3	0.2
Cash and cash equivalents	7	**94.4**	105.6	141.8
		816.5	706.0	765.7
Non-current assets classified as held for sale		**2.6**	6.8	2.5
Total assets		**1,587.7**	1,468.7	1,549.4
Current liabilities				
Trade and other payables		**(375.2)**	(305.6)	(362.4)
Current income tax liabilities		**(12.6)**	(10.2)	(9.0)
Bank overdrafts and other borrowings		**(82.1)**	(130.0)	(113.7)
Provisions		**(98.0)**	(85.0)	(108.2)
		(567.9)	(530.8)	(593.3)
Net current assets		**248.6**	175.2	172.4
Non-current liabilities				
Trade and other payables		**(18.4)**	(17.5)	(17.6)
Deferred tax liabilities		**(34.5)**	(32.2)	(33.8)
Borrowings		**(288.4)**	(289.0)	(270.0)
Retirement benefit obligations:				
Funded schemes		**(1.2)**	(3.0)	(1.2)
Unfunded schemes		**(90.4)**	(78.9)	(87.0)
Provisions		**(29.8)**	(32.5)	(35.7)
		(462.7)	(453.1)	(445.3)
Total liabilities		**(1,030.6)**	(983.9)	(1,038.6)
Net assets		**557.1**	484.8	510.8
Equity				
Share capital		**20.5**	20.5	20.5
Share premium account		**412.1**	412.1	412.1
Equity reserve		**0.5**	-	-
Hedging and translation reserve		**36.6**	(3.6)	18.6
Retained profit		**69.6**	39.3	42.3
EQUITY SHAREHOLDERS' FUNDS		**539.3**	468.3	493.5
Non-controlling interests	5	**17.8**	16.5	17.3
Total equity		**557.1**	484.8	510.8

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$m	Retained earnings Unaudited US$m	Total Unaudited US$m
Balance as at 1 January 2010	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
Balance as at 1 January 2010	20.5	412.1	-	(8.8)	19.3	9.2	452.3
Profit for the year	-	-	-	-	-	59.9	59.9
Other comprehensive income and expense for the year	-	-	-	-	8.1	(26.8)	(18.7)
Total comprehensive income and expense for the year	-	-	-	-	8.1	33.1	41.2
Balance as at 31 December 2010	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

Statement of Consolidated Cash Flows (unaudited)

For the six months ended 30 June 2011	Notes	**2011 Half year Unaudited US$m**	2010 Half year Unaudited US$m	2010 Full year Unaudited S$m
Cash inflow/(outflow) from operating activities				
Net cash inflow/(outflow) generated by operations	6	**20.9**	(22.5)	94.2
Interest paid		**(12.7)**	(11.6)	(22.9)
Taxation paid		**(19.4)**	(19.2)	(32.6)
Net cash (absorbed)/generated from operating activities		**(11.2)**	(53.3)	38.7
Cash inflow/(outflow) from investing activities				
Dividends received from associates and joint ventures		**0.8**	0.9	0.9
Acquisition of property, plant and equipment and intangible assets		**(20.9)**	(12.1)	(36.5)
Disposal of property, plant and equipment and intangible assets		**1.7**	7.3	17.6
Disposal of financial investments		**-**	0.3	0.1
Acquisition and disposal of businesses		**(1.2)**	(0.4)	(1.1)
Net cash absorbed in investing activities		**(19.6)**	(4.0)	(19.0)
Cash inflow/(outflow) from financing activities				
Dividends paid to non-controlling interests		**(3.2)**	(1.5)	(3.5)
(Decrease)/increase in debt and lease financing		**(13.3)**	14.9	(16.8)
Net cash (absorbed)/generated from financing activities		**(16.5)**	13.4	(20.3)
Net decrease in cash and cash equivalents		**(47.3)**	(43.9)	(0.6)
Net cash and cash equivalents at beginning of the period		**115.5**	112.7	112.7
Foreign exchange gains on cash and cash equivalents		**2.5**	3.7	3.4
Net cash and cash equivalents at end of the period	7	**70.7**	72.5	115.5
Reconciliation of net cash flow to movement in net debt				
Net decrease in cash and cash equivalents		**(47.3)**	(43.9)	(0.6)
Cash outflow/(inflow) from change in debt and lease financing		**13.3**	(14.9)	16.8
Change in net debt resulting from cash flows		**(34.0)**	(58.8)	16.2
Other		**(1.6)**	(1.5)	(2.9)
Foreign exchange		**1.4**	5.4	3.3
(Increase)/decrease in net debt		**(34.2)**	(54.9)	16.6
Net debt at start of period		**(241.9)**	(258.5)	(258.5)
Net debt at end of period	7	**(276.1)**	(313.4)	(241.9)

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 2011 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 2010 and the full year ended 31 December 2010.

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 2011	June 2010	December 2010
Average	Sterling	**0.62**	0.66	0.65
	Euro	**0.71**	0.75	0.75
Period end	Sterling	**0.62**	0.67	0.64
	Euro	**0.69**	0.82	0.75

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

	2011 Half year Unaudited US$m	2010 Half year Unaudited US$m	2010 Full year Unaudited US$m
Exceptional items:			
Reorganisation costs and impairment of property, plant and equipment	**11.9**	12.9	19.8
Profit on the sale of property	**-**	(2.2)	(6.1)
US environmental legal and professional costs	-	-	2.5
Capital incentive plan charge	**0.5**	-	-
Foreign exchange losses/(gains)	**2.4**	(4.5)	(1.9)
Total	**14.8**	6.2	14.3

3 Finance costs

	2011 Half year Unaudited US$m	2010 Half year Unaudited US$m	2010 Full year Unaudited US$m
Interest on bank and other borrowings	**12.6**	12.2	23.6
Net return on pension scheme assets and liabilities	**(8.6)**	(7.1)	(14.0)
Other	**3.3**	2.2	6.1
Total	**7.3**	7.3	15.7

4 Taxation

The taxation charges for the six months ended 30 June 2011 and 30 June 2010 are based on the estimated effective tax rate for the full year, including the effect of prior period tax adjustments.

5 Non-controlling interests

	2011 Half year Unaudited US$m	2010 Half year Unaudited US$m	2010 Full year Unaudited US$m
At 1 January	**17.3**	15.6	15.6
Total recognised income and expense for the period	**3.7**	2.6	5.3
Dividends paid	**(3.2)**	(1.5)	(3.5)
Other	**-**	(0.2)	(0.1)
At 30 June/31 December	**17.8**	16.5	17.3

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

	2011 Half year Unaudited US$m	2010 Half year Unaudited US$m	2010 Full year Unaudited US$m
Operating profit	**68.7**	60.7	118.0
Depreciation	**25.0**	24.8	50.1
Amortisation of intangible assets (computer software)	**4.2**	4.3	8.8
Reorganisation costs (see note 2)	**11.9**	12.9	19.8
Other exceptional items (see note 2)	**2.9**	(6.7)	(5.5)
Increase in inventories	**(61.2)**	(29.9)	(55.6)
Increase in debtors	**(15.9)**	(62.4)	(42.4)
Increase/(decrease) in creditors	**6.3**	(6.1)	25.9
Provision movements	**(10.9)**	(9.2)	(11.7)
Other non-cash movements	**(0.5)**	2.8	10.4
Net cash inflow/(outflow) from normal operating activities	**30.5**	(8.8)	117.8
Net cash outflow in respect of reorganisation costs	**(8.1)**	(13.7)	(23.6)
Net cash outflow in respect of other exceptional items	**(1.5)**	-	-
Net cash inflow/(outflow) generated by operations	**20.9**	(22.5)	94.2

7 Net debt

	2011 Half year Unaudited US$m	2010 Half year Unaudited US$m	2010 Full year Unaudited US$m
Cash and cash equivalents	**94.4**	105.6	141.8
Bank overdrafts	**(23.7)**	(33.1)	(26.3)
Net cash and cash equivalents	**70.7**	72.5	115.5
Other borrowings	**(346.8)**	(385.9)	(357.4)
Total net debt	**(276.1)**	(313.4)	(241.9)

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 2011 differs from that disclosed as follows:

	Coats Group Limited Unaudited US$m	**Coats Group Limited US$:GBP at 0.6229 Unaudited £m**	**GPG fair value adjustments Unaudited £m**	**Included in GPG's consolidated statement of financial position Unaudited £m**
Intangible assets	257.0	160	3	163
Other non-current assets	511.6	319	-	319
Current assets	816.5	508	-	508
Non-current assets classified as held for sale	2.6	2	-	2
Total assets	1,587.7	989	3	992
Current liabilities	(567.9)	(354)	-	(354)
Non-current liabilities	(462.7)	(288)	-	(288)
Non-controlling interests	(17.8)	(11)	-	(11)
Equity shareholders' funds	539.3	336	3	339