**Guinness Peat Group plc**

The following unaudited consolidated results of Coats Group Limited ("the Group") for the year ended 31 December 2010 are released by Guinness Peat Group plc ("GPG") for information only.

Chris Healy
Company Secretary
Guinness Peat Group plc

25 February 2011

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|---|---|---|
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**Coats Group Limited: unaudited results* for the year ended 31 December 2010**

| **Financial Summary** | **2010 Unaudited US$m** | 2009 Unaudited US$m |
|---|---|---|
| Revenue | **1,583.6** | 1,408.3 |
| Operating profit before reorganisation, impairment and other exceptional items** | **132.3** | 95.9 |
| Operating profit | **118.0** | 54.3 |
| Profit before taxation | **107.4** | 36.4 |
| Net profit/(loss) attributable to equity shareholders | **59.9** | (4.5) |
| Average net debt | **300.5** | 367.2 |
| Net gearing | **47%** | 55% |

** see note 1 to the financial information*

*** see note 2 to the financial information*

- Total revenue up 12% and 38% increase in pre-exceptional operating profit.
- Attributable profit increased to $59.9 million (2009 - $4.5 million loss) - a $64.4 million turnaround.
- Industrial Division pre-exceptional operating profit margin increased to 11% (2009 – 8%). All regions registered double digit like-for-like sales growth and improved margins.
- Sales growth of 2% achieved by the Crafts Division, following two years of decline. In European Crafts, the rate of sales decline has significantly abated and in the later part of the year demonstrated year on year growth.
- Reorganisation costs of $19.8 million at less than half 2009 levels (2009 - $49.0 million).
- Tax rate improved to 39% (2009 – 89%).
- Average net debt reduced to $300.5 million (2009 - $367.2 million). Net gearing was at 47% (2009 – 55%).
- Average net working capital/sales ratio (annualised basis) reduced to 19% (2009 – 20%), notwithstanding the improvement in trading.

## Business Review

### Overview

Coats made encouraging progress in 2010, with 12% growth in revenue and a 38% increase in pre-exceptional operating profit. Attributable profit for the year increased to $59.9 million (2009 - $4.5 million loss) – a $64.4 million turnaround. Average net debt reduced by $66.7 million to $300.5 million.

Restructuring activities were significantly lower than during any of the previous six years of GPG's ownership of Coats and Coats is now, with the vast majority of restructuring complete, focused on delivering sustained profitable revenue growth and using its investment in IT to enhance productivity. The increase in revenue is pleasing, even though it was on the back of weak 2009 comparatives. It is particularly encouraging given the limited reliance on restocking for the year as a whole and the fact that internally driven factors such as new products, new customers and market share gains have contributed. Excellent conversion of sales growth to profit reflected the decisive actions taken in 2009 and earlier years to reduce Coats' cost base.

### Results

Industrial Division sales, which are largely driven by demand for clothing and footwear, grew by 19% to $1,055.0 million (2009 - $888.4 million). Inventory levels in the apparel supply chain were at historically low levels at the end of 2009, but there has been limited restocking over the year in our core geographic end markets. Hence growth achieved reflects underlying improvement in demand and market share gains. As a result of these factors, double digit revenue growth was broadly achieved throughout the year and across all regions. Pre-exceptional operating profit (before reorganisation, impairment and other exceptional items) increased by 58% to $112.0 million (2009 - $70.9 million), representing an operating profit margin of 11% (2009 – 8%). Productivity levels improved compared to 2009, due to many plants operating at close to full capacity and operating efficiencies arising from previous reorganisation initiatives, and this has more than offset raw material cost and payroll inflation pressures. 2010 has seen market shortages of key raw materials, but the investment made in previous years in SAP and, in particular, demand planning tools has enabled Coats to significantly mitigate these constraints.

Crafts Division sales increased by 2% to $528.6 million (2009 - $519.9 million). A pre-exceptional operating profit of $20.3 million (2009 - $25.0 million) was generated, impacted primarily by product mix changes and unprecedented raw material price increases in the second half.

In Europe, where the consumer environment remains weak overall, Crafts sales were 6% down on 2009 levels and 3% down on a like-for-like basis (at consistent foreign exchange rates). However, notwithstanding these sales decreases, operating losses of $21.0 million were maintained at the same level as 2009 ($20.9 million), reflecting additional 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 is being continued, albeit at lower levels than in the past, and is positioning the business for a return to profitability in the foreseeable future.

Sales from the Crafts businesses in the Americas and Asia increased by 6% to $361.5 million (2009 - $342.0 million); this growth was achieved notwithstanding some significant destocking during the first part of the year by key North American customers. Profits of $41.3 million (2009 - $45.9 million) were impacted by very significant raw material price increases.

Further details on Industrial and Crafts performance on a like-for-like basis (at consistent foreign exchange rates) are included in the Operating Review. (All other figures included in this document are at actual exchange rates, unless otherwise stated).

The results for the Industrial and Crafts businesses as reported (at actual exchange rates) over the last seven years of GPG's ownership of Coats provide the context for the current year's performance.

| | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 |
|---|---|---|---|---|---|---|---|
| **External sales $m** | | | | | | | |
| Industrial thread & zips | 1,055.0 | 888.4 | 1,071.3 | 1,087.6 | 1,030.1 | 996.2 | 987.7 |
| Crafts | 528.6 | 519.9 | 574.1 | 593.6 | 585.0 | 640.5 | 590.4 |
| **Total** | **1,583.6** | **1,408.3** | **1,645.4** | **1,681.2** | **1,615.1** | **1,636.7** | **1,578.1** |
| | | | | | | | |
| **Sales growth** | | | | | | | |
| Industrial thread & zips | +19% | -17% | -1% | +6% | +3% | +1% | +1% |
| Crafts | +2% | -9% | -3% | +1% | -9% | +8% | +13% |
| **Total** | **+12%** | **-14%** | **-2%** | **+4%** | **-1%** | **+4%** | **+5%** |
| | | | | | | | |
| **Pre-exceptional operating profit/(loss) $m** | | | | | | | |
| Industrial thread & zips | 112.0 | 70.9 | 109.9 | 132.6 | 103.6 | 68.5 | 49.3 |
| Crafts | 20.3 | 25.0 | (7.1) | 25.5 | 18.8 | 58.0 | 41.2 |
| **Total** | **132.3** | **95.9** | **102.8** | **158.1** | **122.4** | **126.5** | **90.5** |
| | | | | | | | |
| **Pre-exceptional operating margin** | | | | | | | |
| Industrial thread & zips | 11% | 8% | 10% | 12% | 10% | 7% | 5% |
| Crafts | 4% | 5% | -1% | 4% | 3% | 9% | 7% |
| **Total** | **8%** | **7%** | **6%** | **9%** | **8%** | **8%** | **6%** |

## Net debt

Year end net debt reduced to $241.9 million (2009 - $258.5 million). This is after investment during the year in new plant and systems and reorganisation projects of $60.1 million (2009 - $73.2 million). Average net debt for the year reduced significantly from $367.2 million in 2009 to $300.5 million in 2010, as tight controls over net working capital and increased profits have had a beneficial impact.

## 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 $36.5 million (2009 - $26.7 million). This capital expenditure was focussed on productivity improvements in the Industrial business and supporting growth initiatives across Coats.

Reorganisation costs were significantly lower than in previous years at $19.8 million (2009 - $49.0 million). Costs incurred in respect of the European Crafts business of $10.2 million were significantly down on 2009 levels ($31.3 million), 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.

Reorganisation cash outflows of $23.6 million (2009 - $46.5 million) were largely offset by $17.6 million (2009 - $14.5 million) proceeds from the sale of properties, including those which had become surplus as a result of the Group's reorganisation programme.

**European Commission investigation**

As noted in last year's report, in September 2007 the European Commission concluded its investigation into European fasteners – the last part outstanding of its general investigation into thread and haberdashery markets which began in 2001. It imposed fines against several producers, including a fine against the Coats plc Group of €110.3 million. This fine is in respect of the Commission's allegation of a market sharing agreement in the European haberdashery market. Coats totally rejects this allegation. Coats is vigorously contesting the Commission's decision in an appeal which has been lodged with the European General Court (formerly known as the Court of First Instance) in Luxembourg.

As stated in previous reports, Coats remains of the view that any anticipated eventual payment of this fine is adequately covered by existing provisions.

**Prospects**

Continued recovery in the global economy is expected in 2011, although heavily indebted developed economies face uncertainty. Prices of many commodities and materials used by Coats increased further during the last quarter of 2010 and are at unprecedented levels. Given market supply constraints, this is expected to continue in 2011. Payroll and other inflationary pressures are also expected to remain high in many of the countries in which Coats operates.

Industrial thread demand is expected to continue to improve during 2011, but at a lower rate than seen in 2010. Sales price increases are now coming through to help offset the pressure on margins from the impact of record raw material cost increases and payroll inflation. Very positive sales momentum continues across all regions, including market share gains in apparel and footwear and expansion in speciality markets such as automotive, health care and cabling.

The Crafts business achieved sales growth of 2% in 2010 and further growth is expected in 2011. Some improvement in margins is anticipated as the benefits of sales growth and European cost reductions take effect. Detailed plans are in place to return the margins of the Crafts business by 2013, assuming the Western macro-economic environment remains broadly stable, to the range of historic levels seen in 2004 and 2005.

It is anticipated that restructuring activity in 2011 will continue to reduce and capital and restructuring spend in aggregate is expected to be broadly in line with depreciation (including amortisation of computer software).

Along with its strong brands, substantial market shares and truly global operations, the Group's major investment, restructuring and cost reduction programme of the last seven years has provided the Group with a strong operational and financial platform to grow the business as market conditions continue to improve. We are now investing at greater levels in new product development, global sales and marketing, e-commerce, recruitment and growth-related capital investment. A number of organisational changes have been made involving external appointments to senior management positions; these will provide greater commercial focus and have upgraded our overall management capability as we enter a new phase of development for Coats. We are confident that these actions will sustain Coats' market leadership and revenue and profit growth during 2011 and beyond.

Gary Weiss (Chairman) and Paul Forman (Group Chief Executive)

25 February 2011

## 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 | 556.2 | 466.7 | 459.4 | +19% | +21% |
| Europe | 198.0 | 177.1 | 181.0 | +12% | +9% |
| Americas | 300.8 | 262.0 | 248.0 | +15% | +21% |
| **Total sales** | **1,055.0** | **905.8** | **888.4** | **+16%** | **+19%** |
| **Pre-exceptional operating profit**** | **112.0** | **73.1** | **70.9** | **+53%** | **+58%** |

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

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

*In the following commentary, 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 improvements in consumer demand plus some limited retailer restocking in North America and Europe, as well as the strengthening of domestic markets within Asia. Gains in market share have been achieved. Coats' long-established relationships with global apparel and footwear suppliers and brand owners continue to provide strong support to the business.

The European Industrial sales growth of 12% reflects improvement in consumer demand in key European markets plus some market share gains. Notable growth was achieved in speciality applications outside of apparel and footwear, and sales to the automotive segment included some benefit from restocking of the supply chain. There has been a significant improvement in profitability compared to 2009 in both the first and the second half of the year, including benefits from previous reorganisation and investment.

Sales in the Americas have also benefited from improvements in consumer demand and some market share gains, with customers focusing not only on price but also on the quality and service which Coats offers. As with Europe, we have seen significant growth in speciality products. Higher demand has resulted in a marked increase in plant capacity utilisation, with associated profitability improvements.

**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 | 77.4 | 67.6 | 64.2 | +14% | +21% |
| Europe | 167.1 | 172.8 | 177.9 | -3% | -6% |
| Americas | 284.1 | 287.4 | 277.8 | -1% | +2% |
| **Total sales** | **528.6** | **527.8** | **519.9** | **-** | **+2%** |
| | | | | | |
| **Pre-exceptional operating profit**** | **20.3** | **26.4** | **25.0** | **-23%** | **-19%** |

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

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

*In the following commentary, 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, the rate of decline in demand has significantly abated, and is showing signs of stabilising. Sales were down only 3% overall from last year on a like-for-like basis, following the double digit declines reported in each of the previous three years. Sales in the most recent three month period from November 2010 to January 2011 registered a year on year growth of 5%; an important directional shift. Sales of handknittings – the key product category – increased in 2010. Notwithstanding the lower sales base, the operating loss from this business has been maintained at 2009 levels, and the business is well positioned to take advantage of any improvements in market conditions and the continuation of our increasingly positive sales trends.

North America Crafts' performance has been impacted by a soft market compared to 2009, with a number of major retailers reducing inventory levels. However, there has been continual improvement as the year progressed, and second half sales were in line with 2009. In South America, sales for the year were ahead of 2009, where good growth in handknittings continued, reflecting strong product introductions plus supply chain benefits. Profitability for the Americas region was impacted by unprecedented raw material price increases.

**Exceptional items**

Net exceptional costs charged to operating profit have significantly reduced to $14.3 million (2009 - $41.6 million). The key items are reorganisation costs of $19.8 million (2009 - $49.0 million) and US environmental costs of $2.5 million (2009 – nil), partly offset by property profits of $6.1 million (2009 - $7.5 million).

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 is in the process of joining this group and the $2.5 million charged in the year is in respect of Coats' estimated share of the cost of this study and associated legal and consultancy expenses.

At the present time, Coats cannot predict what its share of future remedial costs would be. Although there can be no assurance of the scope of future remedial and other costs, Coats believes that its former facilities which operated in the Lower Passaic River Study Area did not generate the contaminants which are driving the 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.

**Investment income and finance costs**

Finance costs, net of investment income, reduced to $11.0 million (2009 - $18.4 million), primarily due to a $4.5 million reduction in interest payable on bank and other borrowings. This reflects lower average net debt, which reduced from $367.2 million in 2009 to $300.5 million in 2010.

**Tax**

The tax charge was $42.2 million (2009 - $32.4 million) on pre-tax profit of $107.4 million (2009 - $36.4 million), representing a tax rate of 39% (2009 – 89%). Excluding prior year tax adjustments and exceptional items plus their associated tax effect, the effective tax rate was 37% (2009 - 47%). These reductions reflect lower unrelieved losses, principally in Europe.

**Pension and other post-employment benefits**

The Group's key funded defined benefit arrangements are in the UK and USA.

The UK plan's triennial valuation as at April 2009 was completed during 2010 and showed an actuarial funding deficit of $158.6 million (at 31 December 2010 exchange rates), which equated to a funding level of 92%. A ten year recovery plan has been agreed with the scheme, under which contributions of $13.5 million per annum are payable from January 2011 (of which $2.5 million per annum relates to future service). This will be reviewed at the next triennial valuation as at April 2012. However, on an IAS 19 accounting basis, as at 31 December 2010 the UK scheme showed a gross surplus of $18.6 million (2009 - $28.7 million) and a recoverable surplus of $1.5 million (2009 - $15.0 million).

As at 31 December 2010, the USA scheme showed a gross surplus of $69.5 million (2009 - $69.6 million) and a recoverable surplus of $32.0 million (2009 – $31.2 million). An employer contribution holiday for this scheme continues to be taken based on actuarial advice.

The recoverable surpluses for these schemes are predominantly included in non-current assets.

There are various pension and leaving indemnity arrangements in other countries (primarily in Europe) where the Group operates. The vast majority of these schemes, in line with local market practice, are not funded but are fully provided in the Group accounts and are predominantly included in current and non-current liabilities.

**Cash flow**

EBITDA (defined as pre-exceptional operating profit before depreciation and amortisation) increased to $191.2 million (2009 - $156.3 million).

An operating cash flow before reorganisation costs of $117.8 million (2009 - $198.1 million) arose. This reflected a $72.1 million increase (2009 - $48.2 million decrease) in net working capital at average exchange rates as a more normalised approach to year end creditor management was adopted. Given the excellent operating cash flow in 2009, it was expected that there would be some reversal in 2010 as trading improved. Nonetheless, the average net working capital/sales ratio (annualised basis) improved to 19% (2009 – 20%), facilitated by the investment in IT systems in recent years.

Spend on reorganisation and capital projects totalled $60.1 million (2009 - $73.2 million), representing 1.0 times (2009 – 1.2 times) depreciation and amortisation of $58.9 million (2009 - $60.4 million). Including the realisation of $17.6 million (2009 - $14.5 million) from the sale of surplus property, reorganisation and capital spend was comfortably met out of internally generated cash flow.

Interest and tax paid was $55.5 million (2009 - $52.3 million).

Accordingly, year end net debt reduced by $16.6 million to $241.9 million (2009 - $258.5 million).

**Balance sheet**

Equity shareholders' funds increased to $493.5 million (2009 - $452.3 million). This reflects the $59.9 million attributable profit, partly offset by losses of $18.7 million taken directly to reserves. This reserves movement largely reflects actuarial losses in respect of retirement benefit arrangements of $26.6 million (2009 - $3.6 million), partly offset by exchange translation gains of $8.1 million (2009 - $32.6 million), which arose on the translation of operations with functional currencies other than the US dollar.

The combination of the fall in net debt and the increase in equity shareholders’ funds led to net gearing reducing to 47% (2009 – 55%).

**Consolidated Income Statement (unaudited)**

| For the year ended 31 December 2010 | Notes | **2010 Unaudited US$m** | 2009 Unaudited US$m |
|---|---|---|---|
| **Continuing operations** | | | |
| **Revenue** | | **1,583.6** | 1,408.3 |
| Cost of sales | | **(1,010.4)** | (943.8) |
| **Gross profit** | | **573.2** | 464.5 |
| Distribution costs | | **(270.7)** | (253.2) |
| Administrative expenses | | **(190.9)** | (166.1) |
| Other operating income | | **6.4** | 9.1 |
| **Operating profit** | 2 | **118.0** | 54.3 |
| Share of profits of joint ventures | | **0.4** | 0.5 |
| Investment income | | **4.7** | 1.7 |
| Finance costs | 3 | **(15.7)** | (20.1) |
| **Profit before taxation** | | **107.4** | 36.4 |
| Taxation | 4 | **(42.2)** | (32.4) |
| **Profit from continuing operations** | | **65.2** | 4.0 |
| **Discontinued operations** | | | |
| Loss from discontinued operations | | **-** | (3.5) |
| **Profit for the year** | | **65.2** | 0.5 |
| **Attributable to:** | | | |
| **EQUITY SHAREHOLDERS OF THE COMPANY** | | **59.9** | (4.5) |
| Non-controlling interests | | **5.3** | 5.0 |
| | | **65.2** | 0.5 |

**Consolidated Statement of Comprehensive Income (unaudited)**

| For the year ended 31 December 2010 | **2010**<br>**Unaudited**<br>**US$m** | 2009<br>Unaudited<br>US$m |
|---|---|---|
| **Profit for the year** | **65.2** | 0.5 |
| Cash flow hedges: | | |
| Losses arising during the year | **(7.0)** | (2.6) |
| Transferred to profit or loss on cash flow hedges | **7.0** | 6.6 |
| Exchange differences on translation of foreign operations | **8.1** | 32.6 |
| Acquisition of part of a non-controlling interest | **0.1** | 1.9 |
| Actuarial losses in respect of retirement benefit schemes | **(26.6)** | (3.6) |
| Tax relating to components of other comprehensive income | **(0.3)** | (0.3) |
| **Other comprehensive income and expense for the year** | **(18.7)** | 34.6 |
| **Total comprehensive income and expense for the year** | **46.5** | 35.1 |
| **Attributable to:** | | |
| **EQUITY SHAREHOLDERS OF THE COMPANY** | **41.2** | 30.1 |
| Non-controlling interests | **5.3** | 5.0 |
| | **46.5** | 35.1 |

**Consolidated Statement of Financial Position (unaudited)**

| At 31 December 2010 | Notes | 2010 Unaudited US$m | 2009 Unaudited US$m |
|---|---|---|---|
| **Non-current assets** | | | |
| Intangible assets | | **258.2** | 264.7 |
| Property, plant and equipment | | **425.1** | 444.7 |
| Investments in joint ventures | | **13.7** | 14.2 |
| Available-for-sale investments | | **2.9** | 3.0 |
| Deferred tax assets | | **13.7** | 14.6 |
| Pension surpluses | | **49.1** | 42.9 |
| Trade and other receivables | | **18.5** | 22.5 |
| | | **781.2** | 806.6 |
| **Current assets** | | | |
| Inventories | | **304.0** | 248.3 |
| Trade and other receivables | | **319.7** | 284.8 |
| Available-for-sale investments | | **0.2** | 0.2 |
| Cash and cash equivalents | 7 | **141.8** | 135.0 |
| | | **765.7** | 668.3 |
| Non-current assets classified as held for sale | | **2.5** | 1.1 |
| **Total assets** | | **1,549.4** | 1,476.0 |
| **Current liabilities** | | | |
| Trade and other payables | | **(362.4)** | (331.2) |
| Current income tax liabilities | | **(9.0)** | (9.9) |
| Bank overdrafts and other borrowings | | **(113.7)** | (103.7) |
| Provisions | | **(108.2)** | (99.4) |
| | | **(593.3)** | (544.2) |
| **Net current assets** | | **172.4** | 124.1 |
| **Non-current liabilities** | | | |
| Trade and other payables | | **(17.6)** | (20.6) |
| Deferred tax liabilities | | **(33.8)** | (28.8) |
| Borrowings | | **(270.0)** | (289.8) |
| Retirement benefit obligations: | | | |
| Funded schemes | | **(1.2)** | (3.0) |
| Unfunded schemes | | **(87.0)** | (89.7) |
| Provisions | | **(35.7)** | (32.0) |
| | | **(445.3)** | (463.9) |
| **Total liabilities** | | **(1,038.6)** | (1,008.1) |
| **Net assets** | | **510.8** | 467.9 |
| **Equity** | | | |
| Share capital | | **20.5** | 20.5 |
| Share premium account | | **412.1** | 412.1 |
| Hedging and translation reserve | | **18.6** | 10.5 |
| Retained earnings | | **42.3** | 9.2 |
| **EQUITY SHAREHOLDERS' FUNDS** | | **493.5** | 452.3 |
| Non-controlling interests | 5 | **17.3** | 15.6 |
| **Total equity** | | **510.8** | 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 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 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** |

**Statement of Consolidated Cash Flows (unaudited)**

| For the year ended 31 December 2010 | Notes | **2010 Unaudited US$m** | 2009 Unaudited US$m |
|---|---|---|---|
| **Cash inflow/(outflow) from operating activities** | | | |
| Net cash inflow generated by operations | 6 | **94.2** | 151.6 |
| Interest paid | | **(22.9)** | (25.4) |
| Taxation paid | | **(32.6)** | (26.9) |
| **Net cash generated from operating activities** | | **38.7** | 99.3 |
| | | | |
| **Cash inflow/(outflow) from investing activities** | | | |
| Dividends received from associates and joint ventures | | **0.9** | 3.2 |
| Acquisition of property, plant and equipment and intangible assets | | **(36.5)** | (26.7) |
| Disposal of property, plant and equipment and intangible assets | | **17.6** | 14.5 |
| Disposal of financial investments | | **0.1** | 0.1 |
| Acquisition of subsidiaries | | **(0.2)** | (2.0) |
| Disposal of subsidiaries | | **(0.9)** | 0.1 |
| **Net cash absorbed in investing activities** | | **(19.0)** | (10.8) |
| | | | |
| **Cash outflow from financing activities** | | | |
| Dividends paid to non-controlling interests | | **(3.5)** | (2.1) |
| Decrease in debt and lease financing | | **(16.8)** | (46.0) |
| **Net cash absorbed in financing activities** | | **(20.3)** | (48.1) |
| | | | |
| **Net (decrease)/increase in cash and cash equivalents** | | **(0.6)** | 40.4 |
| Net cash and cash equivalents at beginning of the year | | **112.7** | 65.4 |
| Foreign exchange gains on cash and cash equivalents | | **3.4** | 6.9 |
| **Net cash and cash equivalents at end of the year** | 7 | **115.5** | 112.7 |
| | | | |
| **Reconciliation of net cash flow to movement in net debt** | | | |
| Net (decrease)/increase in cash and cash equivalents | | **(0.6)** | 40.4 |
| Cash outflow from change in debt and lease financing | | **16.8** | 46.0 |
| Change in net debt resulting from cash flows | | **16.2** | 86.4 |
| Other | | **(2.9)** | (2.9) |
| Foreign exchange | | **3.3** | 4.0 |
| Decrease in net debt | | **16.6** | 87.5 |
| Net debt at start of year | | **(258.5)** | (346.0) |
| Net debt at end of year | 7 | **(241.9)** | (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 year ended 31 December 2010 has been prepared in accordance with the recognition and measurement requirements of International Financial Reporting Standards ("IFRS") adopted by the European Union. The same accounting policies have been applied to the financial information presented for the 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 principal exchange rates (to the US dollar) used are as follows:

| | | **2010** | 2009 |
|---|---|---|---|
| Average | Sterling | **0.65** | 0.64 |
| | Euro | **0.75** | 0.72 |
| Year end | Sterling | **0.64** | 0.62 |
| | Euro | **0.75** | 0.70 |

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

| | **2010 Unaudited US$m** | 2009 Unaudited US$m |
|---|---|---|
| Exceptional items: | | |
| Reorganisation costs and impairment of property, plant and equipment | **19.8** | 49.0 |
| Profit on the sale of property | **(6.1)** | (7.5) |
| Profit on disposal of business | **-** | (0.4) |
| US environmental costs | **2.5** | - |
| Foreign exchange (gains)/losses | **(1.9)** | 0.5 |
| Total | **14.3** | 41.6 |

### 3 Finance costs

| | **2010 Unaudited US$m** | 2009 Unaudited US$m |
|---|---|---|
| Interest on bank and other borrowings | **23.6** | 28.1 |
| Net return on pension scheme assets and liabilities | **(14.0)** | (14.4) |
| Other | **6.1** | 6.4 |
| Total | **15.7** | 20.1 |

## 4 Taxation

| | | 2010 Unaudited US$m | | 2009 Unaudited US$m |
|---|---|---|---|---|
| UK taxation based on profit for the year: | | | | |
| Corporation tax at 28% (2009: 28%) | | **3.7** | | 8.8 |
| Double taxation relief | | **(3.7)** | | (8.8) |
| Total UK taxation | | - | | - |
| Overseas taxation: | | | | |
| Current taxation | | **35.8** | | 28.5 |
| Deferred taxation | | **6.9** | | 7.2 |
| | | **42.7** | | 35.7 |
| Prior year adjustments: | | | | |
| Current taxation | **-** | | 0.3 | |
| Deferred taxation | **(0.5)** | | (3.6) | |
| | | **(0.5)** | | (3.3) |
| | | **42.2** | | 32.4 |

## 5 Non-controlling interests

| | 2010 Unaudited US$m | 2009 Unaudited US$m |
|---|---|---|
| **At 1 January** | **15.6** | 16.7 |
| Total recognised income and expense for the year | **5.3** | 5.0 |
| Dividends paid | **(3.5)** | (2.1) |
| Other | **(0.1)** | (4.0) |
| **At 31 December** | **17.3** | 15.6 |

## 6 Reconciliation of operating profit to net cash inflow generated by operations

| | 2010 Unaudited US$m | 2009 Unaudited US$m |
|---|---|---|
| Operating profit | **118.0** | 54.3 |
| Depreciation | **50.1** | 52.2 |
| Amortisation of intangible assets (computer software) | **8.8** | 8.2 |
| Reorganisation costs (see note 2) | **19.8** | 49.0 |
| Other exceptional items (see note 2) | **(5.5)** | (7.4) |
| (Increase)/decrease in inventories | **(55.6)** | 59.4 |
| Increase in debtors | **(42.4)** | (19.6) |
| Increase in creditors | **25.9** | 8.4 |
| Provision movements | **(11.7)** | (8.7) |
| Other non-cash movements | **10.4** | 2.3 |
| Net cash inflow from normal operating activities | **117.8** | 198.1 |
| Net cash outflow in respect of reorganisation costs | **(23.6)** | (46.5) |
| Net cash inflow generated by operations | **94.2** | 151.6 |

## 7 Net debt

| | **2010 Unaudited US$m** | 2009 Unaudited US$m |
|---|---|---|
| Cash and cash equivalents | **141.8** | 135.0 |
| Bank overdrafts | **(26.3)** | (22.3) |
| Net cash and cash equivalents | **115.5** | 112.7 |
| Other borrowings | **(357.4)** | (371.2) |
| Total net debt | **(241.9)** | (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 31 December 2010 differs from that disclosed as follows:

| | **Coats Group Limited Unaudited US$m** | **Coats Group Limited US$:GBP at 0.6387 Unaudited £m** | **GPG fair value adjustments Unaudited £m** | **Included in GPG consolidated statement of financial position Unaudited £m** |
|---|---|---|---|---|
| Intangible assets | 258.2 | 165 | 3 | 168 |
| Other non-current assets | 523.0 | 334 | - | 334 |
| Current assets | 765.7 | 489 | - | 489 |
| Non-current assets classified as held for sale | 2.5 | 2 | - | 2 |
| Total assets | 1,549.4 | 990 | 3 | 993 |
| Current liabilities | (593.3) | (379) | - | (379) |
| Non-current liabilities | (445.3) | (284) | - | (284) |
| Non-controlling interests | (17.3) | (11) | - | (11) |
| Equity shareholders' funds | 493.5 | 316 | 3 | 319 |