Guinness Peat Group plc

The following unaudited consolidated results of Coats Group Limited ("the Group") for the year ended 31 December 2011 are released by Guinness Peat Group plc ("GPG") for information only.

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24 February 2012

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Coats Group Limited: unaudited results* for the year ended 31 December 2011

Financial Summary	**2011 Unaudited US$m**	2010 Unaudited US$m
Revenue	**1,701.6**	1,583.6
Operating profit before reorganisation, impairment and other exceptional items**	**143.6**	132.3
Operating profit	**131.6**	118.0
Profit before taxation	**124.2**	107.4
Net profit attributable to equity shareholders	**71.2**	59.9
Net cash inflow from normal operating activities	**150.3**	117.8
Average net debt	**295.3**	300.5

** see note 1 to the financial information*

*** see note 2 to the financial information*

- Total revenue up 7%. Sales of $1,701.6 million represent Coats' best sales performance under GPG ownership. Sales in all three regions of both Divisions grew year-on-year.
- Pre-exceptional operating profit increased by 9%; this was achieved notwithstanding cost inflation of approximately $100 million.
- Profit before taxation increased by 16%.
- Attributable profit increased by 19% to $71.2 million (2010 - $59.9 million). This is Coats' best full year attributable profit performance under GPG ownership.
- Industrial Division pre-exceptional operating profit increased by 6% to $118.3 million (2010 - $112.0 million).
- Improved performance from the Crafts Division: sales increased by 6% to $559.3 million (2010 - $528.6 million), the highest growth rate seen since 2005, and pre-exceptional operating profit increased by 25% to $25.3 million (2010 - $20.3 million).
- Reorganisation costs reduced to $14.6 million (2010 - $19.8 million).
- Net cash inflow from normal operating activities increased by $32.5 million to $150.3 million (2010 - $117.8 million), reflecting a $42.6 million lower net working capital outflow.
- Average net debt reduced to $295.3 million (2010 - $300.5 million).
- Coats successfully completed the refinancing of its core committed bank facility in 2011 by signing a five year agreement with its key relationship banks.

Business Review

Overview

In the context of some downturn in global demand, Coats has had a satisfactory year overall, with 7% growth in revenue and a 9% increase in pre-exceptional operating profit. Attributable profit for the year increased by 19% to $71.2 million (2010 - $59.9 million) – the best full year performance under GPG ownership. The fact that sales in all regions grew in the second half, despite the difficult economic conditions, and the full year operating profit margin was maintained, notwithstanding total cost inflation of approximately $100 million, reflects the fundamental strength of the Coats business model.

However, there was variation during 2011, as shown in the tables below. The first half saw significant sales growth, reflecting both volume improvements and the early implementation of selling price increases in the Industrial Division to help offset unprecedented raw material price increases. Demand in the second half was impacted by uncertain economic conditions, particularly in Europe, and associated destocking by clothing and footwear retailers. Raw material market prices eased in the second half, but there was pressure on selling prices and margins as inventories reflecting prior higher raw material prices were sold.

INDUSTRIAL	**2011 reported $m**	**Actual increase full year $m**	**Actual increase full year %**	**Actual increase 2011 first half %**	**Actual increase / (decrease) 2011 second half %**
Sales					
Asia and Rest of World	547.6	44.3	+9%	+16%	+3%
Americas	321.1	20.3	+7%	+14%	-
EMEA	273.6	22.7	+9%	+14%	+3%
Total sales	**1,142.3**	**87.3**	**+8%**	**+15%**	**+2%**
Pre-exceptional operating profit	**118.3**	**6.3**	**+6%**	**+19%**	**-9%**

CRAFTS	2011 reported $m	Actual increase full year $m	Actual increase full year %	Actual increase 2011 first half %	Actual increase / (decrease) 2011 second half %
Sales					
Asia and Rest of World	85.5	8.5	+11%	+22%	+3%
Americas	303.0	18.9	+7%	+12%	+2%
EMEA	170.8	3.3	+2%	+2%	+1%
Total sales	**559.3**	**30.7**	**+6%**	**+10%**	**+2%**
Pre-exceptional operating profit	**25.3**	**5.0**	**+25%**	**+62%**	**-5%**

Results

Industrial sales, which are largely driven by demand for clothing and footwear in developed economies, grew by 8% for the year overall to $1,142.3 million (2010 - $1,055.0 million), underpinned by the implementation of selling price increases to offset unprecedented raw material cost increases (in the order of 20% up on 2010), plus also some market share gains in our key product categories. Pre-exceptional operating profit (before reorganisation, impairment and other exceptional items) for the Industrial Division increased by 6% to $118.3 million (2010 - $112.0 million), notwithstanding that this Division has taken the brunt of significant raw material and payroll inflationary pressures.

The performance of the Crafts Division overall has been positive. Crafts sales increased by 6% to $559.3 million (2010 - $528.6 million), the highest growth rate seen since 2005. Pre-exceptional operating profit increased by 25% to $25.3 million (2010 - $20.3 million), despite the rapid and unprecedented raw material cost increases for cotton, wool and acrylics. Price increases have trailed due to the inherent delay before changes can be made in the retail market. Nevertheless, the operating profit margin increased to 4.5% (2010 – 3.8%). Ongoing headcount reductions in Europe helped to reduce full year operating losses of EMEA Crafts by $3.1 million, although work will continue to address the under performance of this business.

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 eight years of GPG's ownership of Coats provide the context for the current year's performance.

	2011	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**
External sales $m								
Industrial thread & zips	1,142.3	1,055.0	888.4	1,071.3	1,087.6	1,030.1	996.2	987.7
Crafts	559.3	528.6	519.9	574.1	593.6	585.0	640.5	590.4
Total	**1,701.6**	**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	+8%	+19%	-17%	-1%	+6%	+3%	+1%	+1%
Crafts	+6%	+2%	-9%	-3%	+1%	-9%	+8%	+13%
Total	**+7%**	**+12%**	**-14%**	**-2%**	**+4%**	**-1%**	**+4%**	**+5%**
Pre-exceptional operating profit/(loss) $m								
Industrial thread & zips	118.3	112.0	70.9	109.9	132.6	103.6	68.5	49.3
Crafts	25.3	20.3	25.0	(7.1)	25.5	18.8	58.0	41.2
Total	**143.6**	**132.3**	**95.9**	**102.8**	**158.1**	**122.4**	**126.5**	**90.5**
Pre-exceptional operating margin								
Industrial thread & zips	10.4%	10.6%	8.0%	10.3%	12.2%	10.1%	6.9%	5.0%
Crafts	4.5%	3.8%	4.8%	-1.2%	4.3%	3.2%	9.1%	7.0%
Total	**8.4%**	**8.4%**	**6.8%**	**6.2%**	**9.4%**	**7.6%**	**7.7%**	**5.7%**

Net debt

Year end net debt reduced slightly to $238.4 million (2010 - $241.9 million). This is after investment during the year in new plant and systems and reorganisation projects of $64.2 million (2010 - $60.1 million). Average net debt for the year also reduced slightly from $300.5 million in 2010 to $295.3 million in 2011, impacted by $75.0 million higher average inventory across the year, reflecting higher sales and significant raw material cost inflation of approximately $40 million. The uplift in average inventory reduced from $89.0 million in the first half to $60.9 million in the second half.

In October 2011, Coats successfully completed the refinancing of its core committed bank facility by signing a five year agreement with its key relationship banks.

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 $50.5 million (2010 - $36.5 million). This capital expenditure was focussed on productivity improvements in the Industrial Division and supporting growth initiatives across Coats, including investment to support our digital strategy.

Reorganisation costs were lower than in previous years at $14.6 million (2010 - $19.8 million), focused on headcount reduction in EMEA Crafts. The timing of reorganisation spend has resulted in the cash outflow during the year of $13.7 million being significantly down on last year (2010 - $23.6 million).

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 during the year is that a hearing took place in July 2011 before that Court in respect of Coats' appeal; the outcome of which is now currently assumed towards the end of 2012 or during the first half of 2013.

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

The state of the global economy is likely to remain fragile and beset with uncertainty during 2012. While some modest economic growth can be expected in the US and more significant growth is anticipated in emerging markets, minimal growth is expected in Europe. Raw material cost pressures are expected to ease slightly in 2012. However, payroll and other inflationary pressures are expected to remain high in many of the countries in which Coats operates. Conditions in the first half of 2012 are expected to remain subdued and this will put pressure on first half profitability compared to the strong 2011 first half performance, which was the best first half pre-exceptional operating profit performance under GPG ownership. Consequently, we anticipate a different profit phasing profile in 2012 compared to 2011.

Year-on-year improvement in Industrial sales is expected during 2012, with contributions from both price and volume. Underlying demand for clothing and footwear by consumers is expected to remain stable during 2012 and the expectation is that retailer inventory will not be materially further reduced.

The Crafts Division achieved sales growth of 6% in 2011 and further underlying growth is expected in 2012 overall, reflecting price and volume increases, with benefits from expanded shelf space with large retail customers. Some improvement in margins is anticipated by the second half as the benefits of price and volume increases and European cost reductions continue to take effect. Assuming some pick-up in the Western European macro-economic environment, the Crafts business remains on track to deliver margins in the range of historic levels seen in 2004 and 2005 within a two year time frame.

It is anticipated that restructuring activity in 2012 will remain broadly in line with 2011 levels and capital and restructuring spend in aggregate is expected to be broadly in line with depreciation (including amortisation of computer software).

In conclusion

Coats' strong brands, substantial market shares and truly global operations, along with its unparalleled access to apparel and footwear companies, industrial manufacturers and Crafts channels, are providing the base for revenue growth and enabling margins to be maintained despite challenging market and cost conditions. Coats is focussed on four primary areas of growth in the Industrial business above and beyond that of the core apparel and footwear market; namely zips, speciality threads, global accounts and emerging domestic markets in the larger developing economies where we are enhancing our participation through the development of targeted product offerings. In Crafts, we continue to focus on market share gains with key retail customers, progress in digital applications and class leading product ranges and service levels. We have been 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.

Paul Forman

Group Chief Executive

24 February 2012

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	547.6	505.4	503.3	+8%	+9%
Americas	321.1	307.4	300.8	+4%	+7%
EMEA	273.6	255.4	250.9	+7%	+9%
Total sales	**1,142.3**	**1,068.2**	**1,055.0**	**+7%**	**+8%**
Pre-exceptional operating profit**	**118.3**	**113.2**	**112.0**	**+5%**	**+6%**

**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 key driver of the 8% sales growth in Asia was selling price increases to mitigate the unprecedented raw material cost rises. In the second half, volume growth was impacted by weaker global economic conditions, and associated supply chain adjustments by the major brands, depressing the Asian apparel and footwear export sectors, and there was some pressure on margins. Coats' long-established relationships with global apparel and footwear suppliers and brand owners continue to help underpin the business.

Sales growth of 4% in the Americas for the year as a whole reflects significant variability between the first and second halves of the year, with nervousness over the state of the world economy affecting market confidence in the second half. The key drivers for the sales growth were selling price increases introduced to offset considerable raw material inflation and we have seen significant growth in speciality applications outside of apparel and footwear. Productivity benefits have contributed to good profitability improvement.

The EMEA industrial sales growth of 7% reflected generally buoyant consumer demand in the first half 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 help offset raw material price rises. As for the Americas, notable growth was achieved in speciality sales. EMEA has delivered improved profitability, benefiting from enhanced productivity.

Crafts Trading Performance

CRAFTS	**2011 reported $m**	***2010 like-for-like $m**	**2010 restated*** $m**	**Like-for-like increase / (decrease) %**	**Actual increase %**
Sales					
Asia and Rest of World	85.5	75.7	77.0	+13%	+11%
Americas	303.0	289.0	284.1	+5%	+7%
EMEA	170.8	175.1	167.5	-2%	+2%
Total sales	**559.3**	**539.8**	**528.6**	**+4%**	**+6%**
Pre-exceptional operating profit**	**25.3**	**19.4**	**20.3**	**+30%**	**+25%**

**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. The impact is negligible.*

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

Sales growth of 5% in the Americas reflects strong growth in handknittings in both North America and Latin America, although weighted in the latter towards the winter season in the first half of the year. Selling price increases were implemented to help offset significant raw material cost rises and profitability was maintained.

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 2% from last year on a like-for-like basis: a marginal improvement over the 3% decrease reported in 2010.

Demand for handknittings - the key product category - increased, and significant year-on-year growth was generated from our initiatives in lifestyle fabrics. As for the Americas, selling price increases were implemented to help offset significant raw material cost rises. Notwithstanding the weak consumer environment, operating losses reduced, with benefits from ongoing headcount reductions. 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.

Exceptional items

Net exceptional costs charged to operating profit have reduced to $12.0 million (2010 - $14.3 million). The key item is reorganisation costs, which have reduced from $19.8 million in 2010 to $14.6 million in 2011. Other exceptional items include gains of $2.7 million (2010 - $6.1 million) from property disposals, $4.0 million (2010 – nil) from a UK pension increase exchange offer and $1.0 million (2010 - $1.9 million) from foreign exchange, partly offset by US environmental costs of $2.5 million (2010 – $2.5 million) and capital incentive plan charges of $2.6 million (2010 – nil).

As part of the long-term strategy to manage risks and uncertainties associated with the UK pension plan, during the year Coats offered certain pensioners the opportunity to uplift their pension with effect from March 2012, in return for giving up rights to annual inflationary increases. The level of pensioner acceptance by the year end resulted in a past service credit of $4.0 million, reflecting the reduction in liabilities which has arisen.

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

Coats joined this group in 2011 and the $2.5 million (2010 - $2.5 million) charged in the year is in respect of Coats' updated estimated share of the cost of this study and associated legal and consultancy expenses.

The capital incentive plan was implemented in 2011 and 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.

Investment income and finance costs

Finance costs, net of investment income, reduced to $9.5 million (2010 - $11.0 million).

Investment income increased to $7.3 million (2010 - $4.7 million) reflecting $4.1 million compensation received in respect of a compulsory state financing arrangement in Latin America in the 1980s and 1990s.

Finance costs increased to $16.8 million (2010 - $15.7 million). The key movements were a $3.1 million higher charge in 2011 from the revaluation of foreign exchange contracts, largely offset by a $2.9 million higher net return on pension scheme assets and liabilities.

Tax

The tax charge was $45.6 million (2010 - $42.2 million) on pre-tax profit of $124.2 million (2010 - $107.4 million), representing a tax rate of 37% (2010 – 39%). Excluding prior year tax adjustments and exceptional items plus their associated tax effect, the effective tax rate fell to 35% (2010 - 37%). 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.

As at 31 December 2011, the UK scheme showed a deficit of $251.0 million on an IAS 19 accounting basis, compared to a gross surplus of $18.6 million and a recoverable surplus of $1.5 million at the 2010 year end. The movement in the year reflects a $290.8 million actuarial loss, with the reduction in the differential at 31 December 2011 between the discount rate of 4.6% (2010 – 5.5%) and the inflation rate of 2.75% (2010 – 3.3%) being the key driver. The 2011 discount rate is determined by the yields on AA long-dated corporate bonds on 31 December 2011, which were at historically low levels on that date. Since 2000, the average has been 5.7% and rates have very rarely been below 5%. Company contributions remain at $13.4 million per annum (at 31 December 2011 exchange rates) in line with the ten year recovery plan agreed with the scheme's trustee as part of the April 2009 triennial valuation.

As at 31 December 2011, the USA scheme showed a gross surplus of $72.1 million (2010 - $69.5 million) and a recoverable surplus of $33.7 million (2010 – $32.0 million). An employer contribution holiday for this scheme continues to be taken based on actuarial advice. The recoverable surplus for this scheme is 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 $200.6 million (2010 - $191.2 million).

The cash inflow from normal operating activities increased to $150.3 million (2010 - $117.8 million). In addition to the EBITDA improvement, this also reflected a $42.6 million lower net working capital outflow at average exchange rates of $29.5 million (2010 - $72.1 million), partly reflecting the cautious outlook for the first half of 2012.

Spend on reorganisation and capital projects totalled $64.2 million (2010 - $60.1 million), representing 1.1 times (2010 – 1.0 times) depreciation and amortisation of $57.0 million (2010 - $58.9 million).

Interest and tax paid was $60.7 million (2010 - $55.5 million).

The cash outflow of $1.1 million (2010 - $0.2 million) arising from the acquisition of businesses represents the investment in 2011 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.

The above contributed to the year end net debt reducing by $3.5 million to $238.4 million (2010 - $241.9 million).

Balance sheet

Equity shareholders' funds fell by $263.2 million to $230.3 million (2010 - $493.5 million). This reflects the $334.4 million (2010 - $18.7 million) net loss taken directly to reserves, partly offset by $71.2 million (2010 - $59.9 million) attributable profit. The reserves movement largely reflects actuarial losses in respect of all of the Group's retirement benefit arrangements of $299.3 million (2010 - $26.6 million), and exchange translation losses of $36.3 million (2010 - $8.1 million gain), which arose on the translation of operations with functional currencies other than the US dollar.

Notwithstanding the small decrease in net debt, the fall in equity shareholders' funds led to net gearing at the year end increasing to 96% (2010 – 47%).

Consolidated Income Statement (unaudited)

For the year ended 31 December 2011	Notes	**2011 Unaudited US$m**	2010 Unaudited US$m
Continuing operations			
Revenue		**1,701.6**	1,583.6
Cost of sales		**(1,104.0)**	(1,010.4)
Gross profit		**597.6**	573.2
Distribution costs		**(289.9)**	(270.7)
Administrative expenses		**(178.8)**	(190.9)
Other operating income		**2.7**	6.4
Operating profit	2	**131.6**	118.0
Share of profits of joint ventures		**2.1**	0.4
Investment income		**7.3**	4.7
Finance costs	3	**(16.8)**	(15.7)
Profit before taxation		**124.2**	107.4
Taxation	4	**(45.6)**	(42.2)
Profit from continuing operations		**78.6**	65.2
Discontinued operations			
Loss from discontinued operations		**(1.8)**	-
Profit for the year		**76.8**	65.2

Attributable to:		
EQUITY SHAREHOLDERS OF THE COMPANY	**71.2**	59.9
Non-controlling interests	**5.6**	5.3
	76.8	65.2

Consolidated Statement of Comprehensive Income (unaudited)

For the year ended 31 December 2011	**2011 Unaudited US$m**	2010 Unaudited US$m
Profit for the year	**76.8**	65.2
Cash flow hedges:		
Losses arising during the year	**(7.5)**	(7.0)
Transferred to profit or loss on cash flow hedges	**6.2**	7.0
Exchange differences on translation of foreign operations	**(36.7)**	8.1
Acquisition of part of a non-controlling interest	**-**	0.1
Actuarial losses in respect of retirement benefit schemes	**(299.3)**	(26.6)
Tax relating to components of other comprehensive income	**(0.1)**	(0.3)
Other comprehensive income and expense for the year	**(337.4)**	(18.7)
Total comprehensive income and expense for the year	**(260.6)**	46.5
Attributable to:		
EQUITY SHAREHOLDERS OF THE COMPANY	**(265.8)**	41.2
Non-controlling interests	**5.2**	5.3
	(260.6)	46.5

Consolidated Statement of Financial Position (unaudited)

At 31 December 2011	Notes	2011 Unaudited US$m	2010 Unaudited US$m
Non-current assets			
Intangible assets		**256.1**	258.2
Property, plant and equipment		**393.4**	425.1
Investments in joint ventures		**16.1**	13.7
Available-for-sale investments		**2.7**	2.9
Deferred tax assets		**13.5**	13.7
Pension surpluses		**30.7**	49.1
Trade and other receivables		**14.6**	18.5
		727.1	781.2
Current assets			
Inventories		**316.7**	304.0
Trade and other receivables		**305.7**	319.7
Available-for-sale investments		**1.0**	0.2
Cash and cash equivalents	7	**112.0**	141.8
		735.4	765.7
Non-current assets classified as held for sale		**0.1**	2.5
Total assets		**1,462.6**	1,549.4
Current liabilities			
Trade and other payables		**(347.4)**	(362.4)
Current income tax liabilities		**(7.9)**	(9.0)
Bank overdrafts and other borrowings		**(60.9)**	(113.7)
Provisions		**(97.8)**	(108.2)
		(514.0)	(593.3)
Net current assets		**221.4**	172.4
Non-current liabilities			
Trade and other payables		**(18.0)**	(17.6)
Deferred tax liabilities		**(39.3)**	(33.8)
Borrowings		**(289.5)**	(270.0)
Retirement benefit obligations:			
Funded schemes		**(243.5)**	(1.2)
Unfunded schemes		**(84.3)**	(87.0)
Provisions		**(25.8)**	(35.7)
		(700.4)	(445.3)
Total liabilities		**(1,214.4)**	(1,038.6)
Net assets		**248.2**	510.8
Equity			
Share capital		**20.5**	20.5
Share premium account		**412.1**	412.1
Equity reserve		**2.6**	-
Hedging and translation reserve		**(19.0)**	18.6
Retained (loss)/earnings		**(185.9)**	42.3
EQUITY SHAREHOLDERS' FUNDS		**230.3**	493.5
Non-controlling interests	5	**17.9**	17.3
Total equity		**248.2**	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$m	Retained (loss)/ earnings Unaudited US$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 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 year	-	-	-	-	-	71.2	71.2
Other comprehensive income and expense for the year	-	-	-	(1.3)	(36.3)	(299.4)	(337.0)
Total comprehensive income and expense for the year	-	-	-	(1.3)	(36.3)	(228.2)	(265.8)
Contribution from parent in respect of capital incentive plan	-	-	2.6	-	-	-	2.6
Balance as at 31 December 2011	**20.5**	**412.1**	**2.6**	**(10.1)**	**(8.9)**	**(185.9)**	**230.3**

Statement of Consolidated Cash Flows (unaudited)

For the year ended 31 December 2011	Notes	**2011 Unaudited US$m**	2010 Unaudited US$m
Cash inflow/(outflow) from operating activities			
Net cash inflow generated by operations	6	**134.0**	94.2
Interest paid		**(20.5)**	(22.9)
Taxation paid		**(40.2)**	(32.6)
Net cash generated from operating activities		**73.3**	38.7
Cash inflow/(outflow) from investing activities			
Dividends received from associates and joint ventures		**0.8**	0.9
Acquisition of property, plant and equipment and intangible assets		**(50.5)**	(36.5)
Disposal of property, plant and equipment and intangible assets		**2.0**	17.6
Acquisition of financial investments		**(0.9)**	-
Disposal of financial investments		**-**	0.1
Acquisition of businesses		**(1.1)**	(0.2)
Disposal of subsidiaries		**(1.0)**	(0.9)
Net cash absorbed in investing activities		**(50.7)**	(19.0)
Cash outflow from financing activities			
Dividends paid to non-controlling interests		**(4.6)**	(3.5)
Decrease in debt and lease financing		**(36.3)**	(16.8)
Net cash absorbed in financing activities		**(40.9)**	(20.3)
Net decrease in cash and cash equivalents		**(18.3)**	(0.6)
Net cash and cash equivalents at beginning of the year		**115.5**	112.7
Foreign exchange (losses)/gains on cash and cash equivalents		**(11.6)**	3.4
Net cash and cash equivalents at end of the year	7	**85.6**	115.5
Reconciliation of net cash flow to movement in net debt			
Net decrease in cash and cash equivalents		**(18.3)**	(0.6)
Cash outflow from change in debt and lease financing		**36.3**	16.8
Change in net debt resulting from cash flows		**18.0**	16.2
Other		**(4.5)**	(2.9)
Foreign exchange		**(10.0)**	3.3
Decrease in net debt		**3.5**	16.6
Net debt at start of year		**(241.9)**	(258.5)
Net debt at end of year	7	**(238.4)**	(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 year ended 31 December 2011 has been prepared in accordance with the recognition and measurement requirements of International Financial Reporting Standards ("IFRS") endorsed by the European Union. The same accounting policies have been applied to the financial information presented for the year ended 31 December 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:

		2011	2010
Average	Sterling	**0.62**	0.65
	Euro	**0.72**	0.75
Year end	Sterling	**0.64**	0.64
	Euro	**0.77**	0.75

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

	2011 Unaudited US$m	2010 Unaudited US$m
Exceptional items:		
Reorganisation costs and impairment of property, plant and equipment	**14.6**	19.8
Profit on the sale of property	**(2.7)**	(6.1)
US environmental legal and professional costs	**2.5**	2.5
UK pension increase exchange offer	**(4.0)**	-
Capital incentive plan charge	**2.6**	-
Foreign exchange gains	**(1.0)**	(1.9)
Total	**12.0**	14.3

3 Finance costs

	2011 Unaudited US$m	2010 Unaudited US$m
Interest on bank and other borrowings	**23.8**	23.6
Net return on pension scheme assets and liabilities	**(16.9)**	(14.0)
Other	**9.9**	6.1
Total	**16.8**	15.7

4 Taxation

		2011 Unaudited US$m		2010 Unaudited US$m
UK taxation based on profit for the year:				
Corporation tax at 28% (2010: 28%)		**3.5**		3.7
Double taxation relief		**(3.5)**		(3.7)
Total UK taxation		**-**		-
Overseas taxation:				
Current taxation		**40.4**		35.8
Deferred taxation		**5.4**		6.9
		45.8		42.7
Prior year adjustments:				
Current taxation	**(1.1)**		-	
Deferred taxation	**0.9**		(0.5)	
		(0.2)		(0.5)
		45.6		42.2

5 Non-controlling interests

	2011 Unaudited US$m	2010 Unaudited US$m
At 1 January	**17.3**	15.6
Total recognised income and expense for the year	**5.2**	5.3
Dividends paid	**(4.6)**	(3.5)
Other	**-**	(0.1)
At 31 December	**17.9**	17.3

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

	2011 Unaudited US$m	2010 Unaudited US$m
Operating profit	**131.6**	118.0
Depreciation	**49.0**	50.1
Amortisation of intangible assets (computer software)	**8.0**	8.8
Reorganisation costs and impairment (see note 2)	**14.6**	19.8
Other exceptional items (see note 2)	**(2.6)**	(5.5)
Increase in inventories	**(33.6)**	(55.6)
Increase in debtors	**(1.3)**	(42.4)
Increase in creditors	**5.4**	25.9
Provision movements	**(23.2)**	(11.7)
Other non-cash movements	**2.4**	10.4
Net cash inflow from normal operating activities	**150.3**	117.8
Net cash outflow in respect of reorganisation costs	**(13.7)**	(23.6)
Net cash outflow in respect of other exceptional items	**(2.6)**	-
Net cash inflow generated by operations	**134.0**	94.2

7 Net debt

	2011 Unaudited US$m	2010 Unaudited US$m
Cash and cash equivalents	**112.0**	141.8
Bank overdrafts	**(26.4)**	(26.3)
Net cash and cash equivalents	**85.6**	115.5
Other borrowings	**(324.0)**	(357.4)
Total net debt	**(238.4)**	(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 31 December 2011 differs from that disclosed as follows:

	Coats Group Limited Unaudited US$m	**Coats Group Limited US$:GBP at 0.6435 Unaudited £m**	**GPG fair value adjustments Unaudited £m**	**GPG other adjustments Unaudited £m**	**Included in GPG's consolidated statement of financial position Unaudited £m**
Intangible assets	256.1	165	4	-	169
Other non-current assets	471.0	303	-	-	303
Current assets	735.4	473	-	-	473
Non-current assets classified as held for sale	0.1	-	-	-	-
Total assets	1,462.6	941	4	-	945
Current liabilities	(514.0)	(331)	-	-	(331)
Non-current liabilities	(700.4)	(451)	-	(2)	(453)
Non-controlling interests	(17.9)	(11)	-	-	(11)
Equity shareholders' funds	230.3	148	4	(2)	150