# Guinness Peat Group plc
# ('GPG' or 'the Company')

## 2014 Half Year Financial Report

### Highlights

- Net attributable profit of £8 million (H1 2013: £9 million loss from continuing activities)
- Net asset backing per share of 28.4p (31 December 2013: 31.5p)
- Coats' net profit attributable to GPG of £11 million (US$19 million) (H1 2013: £4 million, US$7 million)
- Parent Group cash maintained (30 June 2014: £376 million, 31 December 2013: £383 million); supported by prudent management of overheads
- Board and management continue to engage constructively with the UK Pensions Regulator in relation to its investigations; all options are being explored with the aim of resolving these matters as efficiently as possible
- Mike Clasper appointed Chairman of GPG Board on 16 April 2014

Commenting on GPG's half year 2014 results Mike Clasper, GPG Chairman, said:

'During the first half of 2014 GPG continued to take a number of important steps in delivering our strategy. The Board is pleased with its investment in Coats and its business performance. It is encouraging that Coats has again delivered an increase in profits and is generating a level of free cash* that allows it to invest in its growth strategy and will enable it to pay dividends in the future.

The composition of the GPG Board has further evolved to best support the needs of the Company and the interests of shareholders, and we have maintained the cash position of the Group by prudently managing overheads. However the UK Pensions Regulator's investigations continue to defer GPG's ability to complete its strategic objectives, including the return of value to shareholders. The Board and management continue to engage constructively with the Regulator and are maintaining an open dialogue with the trustees of the pension schemes. All options are being explored to try to resolve these matters as efficiently as possible, recognising the interests of both our shareholders and pension scheme members.'

### Conference call

Coats Group Chief Executive, Paul Forman, and Chief Financial Officer, Richard Howes, will discuss this report in a conference call / audiocast with the investment community at 6pm NZST (7am BST) on 13 August 2014.

For details of the conference call / audiocast please contact Geoff Senescall (+64 9 309 5659, geoff@senescallakers.co.nz), Citigate (+44 40 7282 1054, kevin.smith@citigatedr.co.uk) or Buchanan (+44 20 7466 5107, charlesr@buchanan.uk.com). The audiocast will also be made available in archive on the GPG website, www.gpgplc.com.

*On an annualised basis. See Coats Group financial review for calculation of adjusted free cash flow (page 12)

## Chairman's Statement for Half Year Financial Report

## Reported (consolidated) financial results

### Movements in shareholders' funds

Shareholders' funds decreased during the half year by £44 million (NZ$84 million) to £400 million (NZ$782 million). The major components of the change were a decline in the IAS19 funding position of the Group's employee benefit obligations (£47 million), foreign exchange losses (£4 million) and GPG Parent Group overheads (£6 million). This was partially offset by Coats' attributable profit (£11 million).

The net asset backing per share has, as a result, decreased from 31.5p (NZ61.6c) to 28.4p (NZ55.6c).

### Consolidated income statement

| *£m, unless otherwise stated* | | **Half year ended 30 June 2014** | | **Half year ended 30 June 2013** | | **Full year ended 31 December 2013** |
|---|---|---|---|---|---|---|
| Coats | | | | | | |
| - Attributable profit before exceptionals | **12** | | 7 | | 24 | |
| - Exceptional items | **(1)** | | (3) | | (5) | |
| | | **11** | | 4 | | 19 |
| Parent Group | | | | | | |
| - Overheads | **(6)** | | (15) | | (44) | |
| - Foreign exchange gains | **1** | | 1 | | 1 | |
| - Other income | **-** | | - | | 1 | |
| - Net interest income | **2** | | 1 | | - | |
| | | **(3)** | | (13) | | (42) |
| | | **8** | | (9) | | (23) |
| Discontinued activities | | **-** | | 37 | | 46 |
| **Net profit for the period attributable to GPG shareholders** | | **8** | | 28 | | 23 |
| ***Total NZ$ million*** | | ***15*** | | *54* | | *45* |

### Simplified balance sheet

GPG's financial position on a non-statutory basis is shown in the simplified balance sheet below:

| *£m, unless otherwise stated* | | **30 June 2014** | | **31 December 2013** |
|---|---|---|---|---|
| Total investments | | **-** | | 1 |
| Cash | | **376** | | 383 |
| GPG assets, excluding Coats | | **376** | | 384 |
| GPG pension schemes | | **(70)** | | (56) |
| Other sundry Parent Group net liabilities | | **(15)** | | (20) |
| | | **291** | | 308 |
| Coats | | | | |
| - Other net assets | **473** | | 457 | |
| - Net debt | **(212)** | | (199) | |
| - Employee benefit obligations | **(152)** | | (122) | |
| | | **109** | | 136 |
| **Shareholders' funds** | | **400** | | 444 |
| ***Shareholders' funds NZ$ million*** | | ***782*** | | *866* |
| **NAV per share (p)** | | **28.4** | | 31.5 |
| ***NAV per share (NZ¢)*** | | ***55.6*** | | *61.6* |

## Overview of GPG's key net assets

### Coats

Reported turnover for the business during the first half of 2014 was £502 million (US$837 million), up 2% year-on-year on a like-for-like[a] currency basis, and net profit attributable to GPG was £11 million (US$19 million) compared with £4 million (US$7 million) in the first half of 2013. The intra year cyclical nature of Coats' business is such that there is generally an operating cash outflow during the first half. Year-on-year performance was relatively stable and net debt as of 30 June 2014 was £212 million (US$364 million) (31 December 2013: £199 million (US$329 million)). A full description of the performance of Coats during the first half of 2014 can be found later in this announcement.

### Cash at bank

At 30 June 2014 the GPG Parent Group had cash of £376 million (NZ$734 million) (31 December 2013: £383 million (NZ$748 million)). The slight decrease in cash during the half year is primarily as a result of the general strengthening of the GBP against the US Dollar and operating expenses.

At the period end the Parent Group cash was held in the following currencies:

| | **30 June 2014 £m** | **31 December 2013 £m** |
|---|---|---|
| GBP | **144** | 145 |
| NZD | **133** | 127 |
| USD | **96** | 106 |
| AUD | **3** | 5 |
| **Total £ million** | **376** | 383 |
| ***Total NZ$ million*** | ***734*** | *748* |

### Pensions

The deficits in the Coats UK Pension Plan and the two GPG pension schemes, Brunel and Staveley, (together the 'UK Pension Schemes') on an IAS19 financial reporting basis have increased from the position at 31 December 2013. This is mainly due to an increase in liabilities largely driven by a 30 basis point (bps) decrease in the discount rate, which more than offset a 10bps decrease in the inflation rate.

The relative period end positions are set out below:

| **IAS19 deficit** | **30 June 2014 £m** | **31 December 2013 £m** |
|---|---|---|
| Coats UK Pension Plan | **108** | 78 |
| Other Coats net employee benefit obligations | **44** | 44 |
| Total Coats net employee obligations | **152** | 122 |
| Brunel | **35** | 28 |
| Staveley | **35** | 28 |
| **Total £ million** | **222** | 178 |
| ***Total NZ$ million*** | ***434*** | *348* |

*The UK Pensions Regulator's investigations*

The Board and management continue to engage constructively with the UK Pensions Regulator ('tPR') and are maintaining an open dialogue with the trustees of the relevant pension schemes. All options are being explored to try to resolve these matters as efficiently as possible, recognising the interests of both shareholders and pension scheme members.

a H1 2013 figures at H1 2014 exchange rates

*Brunel and Staveley*

Discussions with tPR and the Brunel trustees on an appropriate package of measures for settlement continue, as do discussions with the Staveley trustees on a similar package. Notwithstanding these discussions, GPG does not accept that it is reasonable for tPR to issue a Financial Support Direction ('FSD') in either case.

GPG's proposals in these discussions are conditional on a number of matters including tPR ceasing its investigations and withdrawing the Warning Notices, the approval of the Board and of the trustees of the relevant schemes, negotiation of legal documentation and third party consents. Accordingly, there is no certainty that any resolution will be reached with tPR or the trustees as to the form or structure of any package of measures that might be agreed.

The GPG Board has previously indicated that it expected to retain £124 million of investment realisation proceeds within the Group to support the Brunel and Staveley pension schemes. The recent discussions with tPR and trustees indicate this will not be sufficient to result in tPR ceasing its investigations and withdrawing the Warning Notices.

Discussions are ongoing. Accordingly, there is no certainty as to the amount of investment realisation proceeds that would need to be retained within the Group to support the Brunel and Staveley schemes. However GPG's proposals involve retaining within the Group approximately £170 million across the two schemes. The currently proposed package of measures comprises a combination of cash invested directly into the schemes and cash invested into the sponsoring employers of the schemes which would be loaned within the Group over the long term. Capped parent company guarantees from GPG plc are also included.

If a package of measures cannot be agreed upon with tPR and the trustees, which the Board considers to be reasonable both to shareholders and pension scheme members in terms of quantum and structure then, having received representations on the Warning Notices from all parties, the matter may go before tPR's Determinations Panel ('DP') should tPR consider it appropriate to exercise its power to issue FSDs.

The Board has previously indicated that it did not expect any DP hearing before the second half of 2014. However, at the Brunel trustees' request and with the agreement of GPG and the other directly affected parties, tPR has extended the deadline by which the trustees of the Brunel and Staveley schemes and GPG have to submit written representations on the Warning Notices to 30 September 2014 (previously 30 June 2014). As a result any hearing before the DP is now unlikely before the first half of 2015 at the earliest. If it is not possible to resolve matters through the ongoing discussions and if the DP makes a determination to issue FSDs, it could take several years before matters are resolved should the formal legal process be followed to its conclusion (including the relevant parties pursuing all rights of appeal).

*Coats UK Pension Plan*

The Board considers, and has submitted calculations to tPR which show, that the sponsoring companies for the Coats Plan were sufficiently resourced as at the relevant date (31 December 2012). A FSD can only be issued by tPR's DP if one or more of the sponsoring companies of the Coats Plan is determined to be insufficiently resourced and the DP considers it reasonable to do so. tPR has indicated that GPG will receive a response to its submitted calculations by the end of the year. No Warning Notice for the Coats Plan has been received to date.

If tPR was to issue a Warning Notice in relation to the Coats Plan, GPG, Coats and the Coats trustees would have the opportunity to provide representations on the Warning Notice. Any hearing before the DP would be unlikely to be heard before the second half of 2015 at the earliest.

*Coats' triennial funding valuation*

Notwithstanding tPR's investigations, agreement was reached during 2013 with the trustee of the Coats UK Pension Plan on the April 2012 funding valuation. Deficit reduction payments of £14 million (NZ$28 million) per annum (previously £7 million (NZ$14 million) per annum) commenced in November 2013 for a period of approximately 14 years. The deficit reduction payments will be subject to review at the next triennial valuation, which is due with effect from 1 April 2015.

*Brunel triennial funding valuation*

The Brunel scheme is due to complete a funding valuation with an effective date of 31 March 2013. This process is ongoing, but the timing has been impacted by tPR's investigation process. tPR has been made aware of progress to date on the valuation.

*Staveley triennial funding valuation*

The next triennial valuation for the Staveley scheme was scheduled to be as at 5 April 2014. However, the trustee of that scheme has decided, in light of tPR's investigation, to accelerate the timetable and has called instead for a funding valuation as at 31 December 2013. This valuation is due for completion by 31 March 2015. This process is ongoing, but has been delayed by tPR's investigation.

**Overhead costs**

Total net operating costs of £6 million (NZ$12 million) were down 60% compared with the first half of 2013 (£15 million (NZ$29 million)).

GPG is carefully managing costs while it continues to focus on achieving a successful and efficient completion of tPR's investigations, taking external advice as necessary in order to comply with the group's obligations. The pension investigations cost GPG approximately £10 million in advisory fees in 2013, with a further £8 million provided for at the end of 2013 for anticipated costs associated with responding to tPR's investigations in 2014. During 2014 tPR costs have been charged against that provision and at this point, there has been no change in the estimate for that work (H1 2013: costs of $2 million).

In addition the GPG Board has continued to focus on minimising costs at a group level following the completion of the investment realisation programme. Following the significant reduction in staff numbers during 2013, staff related costs have been significantly reduced and were £2 million in the first half of 2014 (H1 2013: £6 million). Other costs incurred in H1 2014 included £1 million in relation to IAS19 administrative charges and £3 million of other costs, which included non-pensions related legal and professional fees.

The Company completed the downsizing and outsourcing of support services on 30 June 2014 with the closure of its London office. As a consequence GPG expects overheads to reduce further in the second half of 2014. Excluding tPR related costs the Company now expects annualised overheads, during the course of tPR's investigations, to be approximately £3-4 million of pensions related costs, including pension scheme administrative expenses, and £3-4 million of other costs, which include GPG Board expenses and legal, audit and other non-pensions related professional fees. Post the completion of tPR's investigations, these costs are expected to reduce further.

**Capital management**

Any decision on the future capital structure of Coats and return of value to shareholders continues to be deferred while tPR's investigations are ongoing. However, once these matters are resolved, the Board expects to run an appropriately leveraged balance sheet and pay annual dividends to shareholders from free cash flows generated by the Coats group.

## Board changes and structure

Having previously been a Non-Executive Director of GPG, I was appointed Chairman of GPG on 16 April. On the same date Ruth Anderson was appointed Non-Executive Director and Chair of the Audit and Risk Committee. The former Chairman Rob Campbell remains on the Board as a Non-Executive Director to maintain continuity as GPG continues the transition to being renamed as Coats plc.

I am currently Chairman of GPG's subsidiary Coats plc, a Non-Executive Director at Serco Group plc, Chairman of Which? Ltd and was, until recently, Senior Independent Non-Executive Director of ITV plc. Ruth Anderson is currently Non-Executive Director and Chair of the Audit Committee at both Ocado Group plc and Travis Perkins plc, and sits on the Board of Coats plc.

## Second interim management statement

GPG is scheduled to release its second interim management statement on 28 October 2014 (NZST).

Mike Clasper
Chairman
Guinness Peat Group plc
13 August 2014

*Note: All NZ$ comparatives to £ amounts are for illustrative purposes only, based on the NZ$:GBP exchange rate on 30 June 2014, NZ$1.95: £1.00.*

# Coats Group

## Highlights

- Revenue of $837 million, up 2% year-on-year on a like-for-like[a] basis, flat on a reported basis
- Operating profit of $65 million, up 5%, like-for-like[a] before exceptional items, up 3% on a reported basis
- Strong performance across the Industrial Division; Crafts impacted by reduction in fashion handknitting demand and one-off costs
- Profit before tax up 28% to $50 million
- Net attributable profit more than doubled to $19 million
- Last 12 months adjusted free cash flow[b] of $49 million

## Financial summary

**Unaudited results for the six months ended 30 June 2014**

*All figures reported in the Coats Group section are in US dollars (US$) unless otherwise stated*

| | **2014 half year** | | | 2013 half year | | |
|---|---|---|---|---|---|---|
| | **Before exceptional items** | **Exceptional Items[1]** | **Total** | Before exceptional items | Exceptional Items[1] | Total |
| | **Unaudited** | **Unaudited** | **Unaudited** | Unaudited | Unaudited | Unaudited |
| | **$m** | **$m** | **$m** | $m | $m | $m |
| Revenue | **837.1** | **-** | **837.1** | 839.7 | - | 839.7 |
| Operating profit | **65.3** | **(2.3)** | **63.0** | 63.6 | (4.2) | 59.4 |
| Profit before taxation | **51.9** | **(2.3)** | **49.6** | 43.1 | (4.2) | 38.9 |
| Net profit attributable to equity shareholders | **21.0** | **(2.3)** | **18.7** | 10.9 | (4.3) | 6.6 |
| Free cash outflow | | | **(31.1)** | | | (15.4) |

*1 Exceptional items are set out in note 2 of the Coats financial information*

Commenting on Coats' half year 2014 results Paul Forman, Group Chief Executive, said:

'Coats' group performance in the first half of 2014 continued to improve and build on the growth achieved in 2013. The Industrial Division delivered another strong performance, illustrating the strength of our core markets and leading global market positions, as well as the increasing contribution from our Speciality business. Crafts performance was impacted by a reduction in fashion handknitting demand and one-off costs. We expect both Divisions to contribute positively in the second half of 2014 and for the Group to deliver a year-on-year increase in profits, with full year attributable profit in line with market expectations. The significant growth in attributable profit and good level of free cash flow are satisfying outcomes.'

a H1 2013 figures at H1 2014 exchange rates
b See Coats Group financial review for calculation of adjusted free cash flow (page 12)

# Coats Chief Executive's review

## Operating summary

| | H1 2014 reported $m | H1 2013 reported [1] $m | H1 2013 like-for-like [1] $m | Reported change % | Like-for-like change % |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| Industrial | 622.3 | 606.7 | 591.0 | 3% | 5% |
| Crafts | 214.8 | 233.0 | 231.5 | (8)% | (7)% |
| **Total revenue** | **837.1** | **839.7** | **822.5** | **-** | **2%** |
| **Pre-exceptional operating profit/(loss) [2]** | | | | | |
| Industrial | 66.5 | 54.6 | 53.7 | 22% | 24% |
| Crafts | (1.2) | 9.0 | 8.7 | N/A | N/A |
| **Total** | **65.3** | **63.6** | **62.4** | **3%** | **5%** |
| **Operating margin [2]** | **7.8%** | **7.6%** | **7.6%** | **20bps** | **20bps** |

*1 H1 2013 like-for-like restates H1 2013 figures at H1 2014 exchange rates*
*2 Pre-reorganisation and other exceptional items (see note 2 to the Coats financial information)*

*In the following commentary, all comparisons with H1 2013 are on a like-for-like currency basis and all references to operating profit are to pre-exceptional operating profit.*

### Group

Coats' trading over the period continued to improve, driven by growth in the Industrial Division. Consolidated sales for the period increased by 2% year-on-year, continuing the positive sales trend experienced during 2013, despite a sales decline in fashion handknitting in the Crafts Division. Sales growth was flat on a reported basis, reflecting the translation impact of a strengthening US Dollar against currencies such as the Brazilian Real and the Indian Rupee.

Coats' pre-exceptional operating profit increased 5% to $65.3 million (3% increase on a reported basis). The Industrial Division continued to offset inflationary cost rises with procurement and productivity improvements coupled with pricing initiatives. However, the Crafts Division was primarily impacted by the decline in sales, as well as by one-off costs.

### Industrial Division

Industrial sales in the first half of 2014 were $622.3 million, up 5% year-on-year, continuing the positive momentum from 2013. Demand over the half year was encouraging, especially in Asia, driven by apparel and footwear and Speciality demand in both domestic and export markets, and within EMEA across both Apparel and footwear and Speciality categories. Sales growth in the Americas was largely driven by the growth in Speciality products in North America. Operating profit growth of 24% year-on-year was positively impacted by volume improvements, with productivity and purchasing improvements, coupled with pricing initiatives, successfully offsetting cost inflation.

### Crafts Division

Crafts' sales were $214.8 million, which represents a 7% year-on-year decline. The reduction in both the Americas and EMEA was primarily due to lower demand for fashion handknitting products. Sales in EMEA were also impacted by a decline in the Needlecrafts category and a change in Coats' Scandinavian operating model. The move from a retail sales model to a distribution model in Scandinavia reduced sales by approximately $7 million, relative to H1 2013, which equates to an 8% impact on EMEA and 3% impact on Divisional year-on-year revenue. A strategy review is being undertaken within EMEA Crafts and is expected to be completed in Q4 2014. The Division generated an operating loss for the first half of 2014, primarily due to a decline in sales as well as unexpected one-off costs associated with the change to the Scandinavian operating model.

## Financial summary

Net profit attributable to shareholders of $21.0 million, on a reported pre-exceptional basis, was almost double that achieved in H1 2013 ($10.9 million). This was due to increased operating profits, lower pension finance costs, reduced finance costs resulting from lower year-on-year net debt and average interest rates, and a lower tax charge, notwithstanding the higher profitability, reflecting a change in regional profit mix.

Including exceptional items and their associated tax effect, Coats generated a reported attributable profit of $18.7 million (H1 2013: $6.6 million). No exceptional reorganisation charges were incurred in H1 2014, with reorganisation activity substantially completed in 2013. Operating profit includes approximately $4 million of costs that have not been classified as exceptional in H1 2014.

The intra-year cyclical nature of Coats' business is such that there is generally an operating cash outflow during the first half of the year. In H1 2014 Coats generated a free cash outflow[a] of $31.1 million. Although this represents a year-on-year increase (H1 2013: $15.4 million outflow), the first half of 2013 benefited from $18.4 million of proceeds from a property disposal. Due to the cash outflow net debt at the end of the period increased to $363.6 million (year end 2013: $329.2 million). Adjusted free cash flow for the last twelve months was $49.4 million.

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 $15.8 million (H1 2013: $12.7 million).

Return on capital employed[b] increased to 21% (H1 2013: 19%), primarily driven by improved operating profit.

## Prospects

Regional variations in consumer demand for Coats' products are expected to continue, with a broadly positive outlook in Asia tempered by softness in apparel thread demand from some US brands, solid growth in both North America and Europe and a relatively flat situation in Latin America. Raw material costs are expected to continue to trend marginally upwards and payroll and other inflationary pressures are set to continue in many countries in which Coats operates. Coats expects the Industrial Division to deliver year-on-year sales improvement for 2014 with volume growth through market share gains, new market entry and underlying market volume growth. Cost increases will continue to be offset by procurement, productivity gains and pricing initiatives. In the Crafts Division performance is expected to improve on H1 2014, driven primarily by increased sales and cost reduction initiatives. However trading is expected to remain challenging. A strategy review is being undertaken in EMEA Crafts and is due for completion in Q4 2014. At a Group level it is expected that, while operating profit will continue to be impacted by Crafts, attributable profit will be in line with market expectations.

Paul Forman
Group Chief Executive
Coats plc
13 August 2014

a See Coats Group financial review for calculation of adjusted free cash flow (page 12)
b Return on capital employed defined as pre-exceptional operating profit divided by capital employed at period end

# Coats Group Operating Review

## Industrial Division

| | H1 2014 reported $m | H1 2013 reported [1] $m | H1 2013 like-for-like [1] $m | Reported change % | Like-for-like change % |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| ***By region*** | | | | | |
| Asia and Australasia | 334.5 | 325.5 | 317.1 | 3% | 5% |
| Americas | 140.1 | 142.3 | 135.8 | (2)% | 3% |
| EMEA | 147.7 | 138.9 | 138.1 | 6% | 7% |
| **Total** | **622.3** | **606.7** | **591.0** | **3%** | **5%** |
| ***By category*** | | | | | |
| Apparel and footwear [2] | 511.3 | 503.4 | 489.8 | 2% | 4% |
| Speciality | 111.0 | 103.3 | 101.2 | 7% | 10% |
| **Total** | **622.3** | **606.7** | **591.0** | **3%** | **5%** |
| **Pre-exceptional operating profit [3]** | **66.5** | **54.6** | **53.7** | **22%** | **24%** |
| **Operating margin [3]** | **10.7%** | **9.0%** | **9.1%** | **170bps** | **160bps** |

*1 H1 2013 like-for-like restates H1 2013 figures at H1 2014 exchange rates*
*2 Includes accessories, zips and trims and global services*
*3 Pre-reorganisation and other exceptional items (see note 2 to the Coats financial information)*

*In the following commentary, all comparisons with H1 2013 are on a like-for-like currency basis and all references to operating profit are to pre-exceptional operating profit.*

Industrial Division revenue rose 5% year-on-year, primarily due to strong growth in Asia and EMEA in both the core Apparel and footwear category and within Coats' expanding Specialty business. Double digit sales growth was delivered in key markets like India, Turkey, USA and Vietnam due to share gains and market growth.

Asia and Australasia revenue increased by 5% year-on-year as a result of good growth across the region. The key growth drivers were apparel and footwear sales in both Vietnam and India, zips sales in China and increasing Speciality sales in the automotive, home textiles and sporting goods markets.

The Americas region generated a 3% increase in revenue, partially due to strong Speciality sales in North America particularly within both automotive and protective clothing markets. Apparel and footwear sales in North America were impacted by softness in apparel thread demand from some US brands. Year-on-year growth for the entire region benefited from weaker comparators following slow demand in Latin America and supply chain pressures following a major ERP implementation in Brazil in the first half of 2013.

EMEA sales increased by 7% driven by strong growth in both Speciality and zips. Within the Speciality category there was an increase in demand from the protective clothing market.

Revenues in the Apparel and footwear category (which includes accessories, zips and trims and global services) grew by 4% year-on-year as Coats gained market share with European and US brands and benefited from market growth. The higher growth rate within Speciality, of 10%, reflects increasing market share gains through geographic expansion and new product innovation, which includes a strong uptake in demand for Coats Flamepro, a high performance flame retardant weaving and knitting aramid yarn that was launched in late 2013.

Industrial Division operating profit increased by 24% to $66.5 million (H1 2013: $53.7 million), with volume growth, productivity, procurement and pricing initiatives more than offsetting payroll and energy inflation. As a result operating margins increased by 160bps to 10.7% (H1 2013: 9.1%).

## Crafts Division

| | H1 2014 reported $m | H1 2013 reported [1] $m | H1 2013 like-for-like [1] $m | Reported change % | Like-for-like change % |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| ***By region*** | | | | | |
| Americas | 140.8 | 150.7 | 146.4 | (7)% | (4)% |
| EMEA | 74.0 | 82.3 | 85.1 | (10)% | (13)% |
| **Total** | **214.8** | **233.0** | **231.5** | **(8)%** | **(7)%** |
| ***By category*** | | | | | |
| Needlecrafts [2] | 104.8 | 113.6 | 111.5 | (8)% | (6)% |
| Handknittings | 110.0 | 119.4 | 120.0 | (8)% | (8)% |
| **Total** | **214.8** | **233.0** | **231.5** | **(8)%** | **(7)%** |
| **Pre-exceptional operating (loss)/profit** [3] | **(1.2)** | **9.0** | **8.7** | N/A | N/A |
| **Operating margin** [3] | **(0.5)%** | **3.9%** | **3.8%** | **(440)bps** | **(430)bps** |

*1 H1 2013 like-for-like restates H1 2013 figures at H1 2014 exchange rates*
*2 Includes other textile craft products*
*3 Pre-reorganisation and other exceptional items (see note 2 to the Coats financial information)*

*In the following commentary, all comparisons with H1 2013 are on a like-for-like currency basis and all references to operating profit are to pre-exceptional operating profit.*

Revenues in the Crafts Division declined 7% year-on-year, primarily driven by a decline in fashion handknitting yarn sales as well as a change of operating model in Scandinavia.

In the Americas revenue fell by 4% year-on-year, primarily due to a decline in handknitting product sales following a peak in demand in 2013 within the fashion yarn segment, which includes Red Heart's Sashay product range. Despite challenging market conditions, Latin America achieved growth in both the Needlecrafts and Handknittings categories.

Revenue in EMEA, down 13%, also declined due to a slowdown in fashion handknitting product sales as well as reduced needlecraft sales. The decline in the region also reflects the change in operating model in Scandinavia made at the end of the first half of 2013. The move from a retail sales model to a distribution model impacted sales by approximately $7 million, relative to H1 2013, which equates to an 8% impact on EMEA and 3% impact on Divisional revenue year-on-year. A strategy review is being undertaken within EMEA Crafts and is expected to be completed in Q4 2014.

The 6% decline in sales in the Needlecrafts category (which includes other textile craft products) reflects the long term decline in that market. The 8% fall in sales in the Handknittings category was impacted by the aforementioned change in fashion trends following a peak in demand in 2013, although the core handknitting business grew globally.

The Division made a loss for the period of $1.2 million (H1 2013: $8.7 million profit). The operating loss was mainly due to the overall weaker sales performance. In addition unexpected one-off costs, following the change in operating model in Scandinavia, also adversely impacted profitability. Lower sales and one-off costs resulted in the operating margin falling to (0.5)% from 3.8% in H1 2013.

## Coats Group financial review

### Exceptional items

Net exceptional costs before taxation totalled $2.3 million in the first half of 2014 (H1 2013: $4.2 million). This included a gain of $0.8 million in relation to additional proceeds received from a UK property disposal made in a previous year and a charge of $3.1 million related to the capital incentive plan. This plan is intended to reward the Coats senior executive team for delivering growth in the value of GPG's investment.

No exceptional reorganisation charges were incurred in H1 2014 (H1 2013: $14.7 million), with reorganisation activity substantially completed in 2013. Operating profit includes approximately $4 million of costs that would have been previously classified as exceptional.

### Non-operating results

The share of profit from joint ventures was $1.5 million (H1 2013: $0.5 million).

Excluding IAS19 pensions interest, finance costs reduced by $3.9 million to $12.5 million (H1 2013: $16.4 million) as a result of lower year-on-year net debt and a reduction in interest rates achieved on borrowings.

The taxation charge for the first half of 2014 was $24.5 million (H1 2013: $27.5 million) resulting in a reported tax rate of 49%. The half year rate is based on the expected full year 2014 rate. Excluding all exceptional items and the impact of IAS19 finance charges, the underlying effective rate on pre-tax profits reduced by 10 percentage points to 44% (H1 2013: 54%). The fall in the underlying effective tax rate primarily reflects higher profitability and a change in profit mix as regions with lower statutory tax rates contributed higher profits. The global tax review to identify actions to improve the underlying tax rate, which commenced in 2013, is expected to deliver its first benefits in late 2014 and into 2015.

Profits attributable to minority interests were $6.4 million in the first half of 2014 (H1 2013: $4.7 million).

Net profit attributable to equity shareholders was $18.7 million (H1 2013: $6.6 million). Excluding exceptional items this was $21.0 million, almost double the figure achieved in H1 2013 ($10.9 million).

### Investment

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

Investment in new plant and systems amounted to $15.8 million (H1 2013: $12.7 million). Capital expenditure was 0.7 times depreciation (including computer software amortisation) for the first half of 2014, which was in line with the figure for the full year 2013. It is expected that capital expenditure will remain below 1.0 times depreciation in the medium term.

### Cash flow

EBITDA (defined as pre-exceptional operating profit before depreciation and amortisation) was $88.6 million (H1 2013: $88.6 million).

The historical free cash flow trend, whereby the second half cash inflow significantly exceeds that in the first half, continued with a free cash outflow of $31.1 million in H1 2014. The cash outflow was higher year-on-year as H1 2013 ($15.4 million outflow) benefited from $18.4 million of proceeds from a property disposal in Peru.

Adjusted free cash outflow of $27.3 million (H1 2013: $22.7 million) excludes reorganisation spend of $2.8 million related to expenses incurred in 2013 (H1 2013: $11.1 million), a $2.8 million outflow, including tax, related to property disposals in 2013 (H1 2013: $18.4 million inflow) and a $1.8 million tax inflow related to US antitrust litigation (H1 2013: $nil).

Net working capital as a percentage of sales fell year-on-year to 18.1% (H1 2013: 19.1%). However due to the aforementioned intra-year cyclical nature of Coats' business there was a net cash outflow related to working capital of $42.6 million (H1 2013: $48.1 million).

Interest paid decreased to $11.0 million (H1 2013: $13.3 million), primarily reflecting the reduction in interest paid as a result of lower year-on-year net debt and a reduction in interest rates achieved on borrowings. Taxation paid was $31.6 million, compared to $28.6 million in H1 2013, with the year-on-year increase mainly due to a one-off payment made in relation to a property disposal in 2013.

Pension payments increased by $6.3 million year on year to $17.8 million for H1 2014 due to higher recovery plan contributions to the UK funded scheme, in line with the recovery plan agreed with the scheme's trustee in 2013.

Adjusted free cash flow for the last twelve months was $49.4 million.

**Balance sheet**

Due to the cash outflow in H1 2014, which follows the historical trend whereby the second half cash inflow significantly exceeds that in the first half, net debt increased to $363.6 million (31 December 2013: $329.2 million).

An important metric for the Coats Group is the leverage ratio of net debt to EBITDA. Under the definitions of net debt and EBITDA prescribed in Coats' senior debt facility put in place in October 2011, net debt at 30 June 2014 was 1.9 times EBITDA of the preceding twelve months (30 June 2013: 2.1 times). Coats' remains well within the covenant limit of 3.0 times.

Equity shareholders' funds decreased from $226.2 million at 31 December 2013 to $185.8 million at 30 June 2014. This primarily reflects actuarial losses in respect of retirement benefit schemes of $55.8 million, which more than offset attributable profit of $18.7 million.

**Pensions and other post-employment benefits**

The net obligation for the Group's retirement and other post-employment defined benefit liabilities was $259.7 million as at 30 June 2014, up from $202.6 million at the end of 2013.

*UK pension plan*

As at 30 June 2014, the deficit on an IAS19 accounting basis in the Coats UK pension plan, which represents the Group's most significant funded defined benefit arrangement, increased from $129.2 million at the end of 2013 to $184.5 million. The increase in liabilities was largely due to a 30bps decrease in discount rate, which more than offset a 10bps decrease in the inflation rate. Deficit reduction contributions to the plan during the half were $11.5 million, which is in line the 14 year recovery plan agreed with the scheme's trustee in 2013 as part of the 2012 triennial valuation.

*Other pension and post-employment arrangements*

The recognised surplus for the US funded defined benefit scheme remained relatively stable at $45.6 million as at 30 June 2014 (31 December 2013: $47.0 million), while the overall net deficit on other plans was $120.8 million (31 December 2013: $120.5 million).

## Enquiry details

### For GPG


| | | |
|---|---|---|
| Company Secretary<br>**Prism Cosec** | +44 20 3008 6446 | enquiries@gpgplc.co.uk |
| *New Zealand and Australia media* | | |
| **Geoff Senescall** | +64 9 309 5659 | geoff@senescallakers.co.nz |
| *UK media* | | |
| **Kevin Smith** | +44 40 7282 1054 | kevin.smith@citigatedr.co.uk |


### For Coats


| | | |
|---|---|---|
| Head of Investor Relations<br>**Jaideep Thatai** | +44 20 8210 5086 or<br>+44 7827 882 405 | jaideep.thatai@coats.com |
| Group Director of Communications<br>**Anna Mitchell** | +44 20 8210 5015 or<br>+44 7740 747 976 | anna.mitchell@coats.com |
| *UK media* | | |
| **Charles Ryland** | +44 20 7466 5000 or<br>+44 7768 230 457 | charlesr@buchanan.uk.com |


### About Coats

With a rich heritage dating back to the 1750s, Coats is the world's leading industrial thread and consumer textile crafts business, at home in more than 70 countries, employing more than 20,000 people across six continents. Revenues in 2013 were US$1.7bn.

Our well-known brands and strong relationships with customers and consumers mean our products and services meet current and future needs. Our company-wide understanding of our business partners and consumers, coupled with the deep expertise of our people, builds trust and certainty.

Coats' pioneering history and innovative culture ensure the company continues leading the way around the world: providing complementary and value added products and services to the apparel and footwear industries; extending the crafts offer into new markets and online; and applying innovative techniques to develop products in new areas such as tracer threads, aramids and fibre optics.

- One in five garments on the planet is held together using Coats' thread
- 100 million car airbags are made using Coats' thread every year
- Coats produces enough yarn to knit 70 million scarves a year
- In three and a half hours, Coats makes enough thread to go to the moon and back
- 400 million pairs of shoes are made every year using Coats' thread
- One million teabags using Coats' thread are brewed every 10 minutes
- Thousands of surgical operations take place every day using Coats' thread
- Thomas Edison used Coats' thread in 1879 to invent the light bulb
- Coats produces enough thread to reach around the Equator every 11 minutes
- Coats is the second largest and fastest growing global zip manufacturer

To find out more about Coats visit www.coats.com

## Independent review report to Guinness Peat Group plc

We have been engaged by the Guinness Peat Group plc (the 'Company') to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2014 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of financial position, the condensed consolidated statement of changes in equity, the condensed statement of consolidated cash flows and related notes 1 to 16, Coats consolidated income statement for the six months ended 30 June 2014, the Coats consolidated statement of comprehensive income, the Coats consolidated statement of financial position, the Coats consolidated statement of changes in equity, the Coats consolidated statement of cash flows and related Coats notes 1 to 6 as presented within the Guinness Peat Group plc financial statements. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

**Directors' responsibilities**
The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1 to the GPG condensed consolidated financial statements, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

**Our responsibility**
Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

**Scope of review**
We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**
Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2014 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

**Deloitte LLP**
Chartered Accountants and Statutory Auditor
London, United Kingdom
13 August 2014

## Guinness Peat Group plc

## Condensed consolidated financial statements

### Condensed consolidated income statement

| | Six months to 30 June 2014 | | | Six months to 30 June 2013 | | | Year to 31 December 2013 |
|---|---|---|---|---|---|---|---|
| | **Coats unaudited £m** | **Other unaudited £m** | **Total unaudited £m** | Coats unaudited £m | Other unaudited £m | Total unaudited £m | Total audited £m |
| Revenue | **502** | **-** | **502** | 544 | - | 544 | 1,089 |
| Cost of sales | **(311)** | **-** | **(311)** | (359) | - | (359) | (709) |
| Gross profit | **191** | **-** | **191** | 185 | - | 185 | 380 |
| Interest receivable | | | | | | | |
| - Parent Group | **-** | **3** | **3** | - | 3 | 3 | 4 |
| Distribution costs | **(85)** | - | **(85)** | (91) | - | (91) | (183) |
| Administrative expenses | **(68)** | **(5)** | **(73)** | (56) | (14) | (70) | (161) |
| Other operating income | | **-** | | - | - | - | 1 |
| **Operating profit/(loss)** | **38** | **(2)** | **36** | 38 | (11) | 27 | 41 |
| Interest and other income | | | | | | | |
| - Coats | **1** | **-** | **1** | 1 | - | 1 | 3 |
| Share of profit of joint ventures | **1** | **-** | **1** | - | - | - | 1 |
| Finance costs (net) | **(10)** | **(1)** | **(11)** | (14) | (2) | (16) | (31) |
| **Profit/(loss) before taxation from continuing operations** | **30** | **(3)** | **27** | 25 | (13) | 12 | 14 |
| Tax on profit/(loss) from continuing operations | **(15)** | **-** | **(15)** | (18) | - | (18) | (32) |
| **Profit/(loss) for the period from continuing operations** | **15** | **(3)** | **12** | 7 | (13) | (6) | (18) |
| Profit from discontinued operations | **-** | **-** | **-** | - | 37 | 37 | 46 |
| **Profit/(loss) for the period** | **15** | **(3)** | **12** | 7 | 24 | 31 | 28 |
| Attributable to: | | | | | | | |
| **EQUITY HOLDERS OF THE PARENT** | **11** | **(3)** | **8** | 4 | 24 | 28 | 23 |
| Non-controlling interests | **4** | **-** | **4** | 3 | - | 3 | 5 |
| | **15** | **(3)** | **12** | 7 | 24 | 31 | 28 |
| **Earnings per ordinary share from continuing and discontinued operations:** | | | | | | | |
| Basic and diluted | | | **0.54p** | | | 1.90p | 1.62p |
| **Earnings/(loss) per ordinary share from continuing operations:** | | | | | | | |
| Basic and diluted | | | **0.56p** | | | (0.58)p | (1.58)p |

## Guinness Peat Group plc

### Consolidated statement of comprehensive income

| | **6 months to 30 June 2014 unaudited** | 6 months to 30 June 2013 unaudited | Year to 31 December 2013 audited |
|---|---|---|---|
| | **£m** | £m | £m |
| **Profit for the period** | **12** | 31 | 28 |
| **Items that will not be reclassified subsequently to profit or loss:** | | | |
| Net actuarial (losses)/gains on retirement benefit schemes | **(47)** | 81 | 106 |
| Tax on items that will not be reclassified | **-** | - | 1 |
| | **(47)** | 81 | 107 |
| **Items that may be reclassified subsequently to profit or loss:** | | | |
| Losses on revaluation of fixed asset investments | **-** | (4) | (5) |
| Exchange losses on translation of foreign operations | **(5)** | (9) | (36) |
| (Losses)/gains on cash flow hedges | **(1)** | 2 | 1 |
| Tax on items that may be reclassified | **-** | 1 | 1 |
| Transferred to profit or loss on sale or impairment of fixed asset investments | **-** | (12) | (11) |
| Transferred to profit or loss on sale of businesses | **-** | (7) | (30) |
| Transferred to profit or loss on cash flow hedges | **1** | 2 | 3 |
| | **(5)** | (27) | (77) |
| **Net comprehensive (expense)/income for the period** | **(40)** | 85 | 58 |
| Attributable to: | | | |
| **EQUITY HOLDERS OF THE PARENT** | **(44)** | 82 | 53 |
| Non-controlling interests | **4** | 3 | 5 |
| | **(40)** | 85 | 58 |

## Guinness Peat Group plc

### Consolidated statement of financial position

| | **30 June 2014 unaudited** | 30 June 2013 unaudited | 31 December 2013 audited |
|---|---|---|---|
| | **£m** | £m | £m |
| **Non-current assets** | | | |
| Intangible assets | **149** | 169 | 155 |
| Property, plant and equipment | **193** | 225 | 206 |
| Investments in joint ventures | **9** | 9 | 8 |
| Fixed asset investments | **2** | 2 | 2 |
| Deferred tax assets | **9** | 10 | 8 |
| Pension surpluses | **25** | 22 | 27 |
| Trade and other receivables | **11** | 11 | 12 |
| | **398** | 448 | 418 |
| **Current assets** | | | |
| Inventories | **173** | 206 | 170 |
| Trade and other receivables | **212** | 249 | 207 |
| Derivative financial instruments | **3** | 2 | 3 |
| Cash and cash equivalents | **444** | 431 | 458 |
| | **832** | 888 | 838 |
| Assets held for sale | **1** | 74 | 1 |
| **Total assets** | **1,231** | 1,410 | 1,257 |
| **Current liabilities** | | | |
| Trade and other payables | **209** | 246 | 228 |
| Current income tax liabilities | **9** | 13 | 11 |
| Other borrowings | **47** | 37 | 50 |
| Derivative financial instruments | **3** | 4 | 3 |
| Provisions | **41** | 50 | 48 |
| | **309** | 350 | 340 |
| **Net current assets** | **523** | 538 | 498 |
| **Non-current liabilities** | | | |
| Trade and other payables | **9** | 12 | 11 |
| Deferred tax liabilities | **23** | 26 | 22 |
| Other borrowings | **233** | 302 | 224 |
| Derivative financial instruments | **-** | 2 | 1 |
| Retirement benefit obligations: | | | |
| - Funded schemes | **163** | 146 | 118 |
| - Unfunded schemes | **65** | 65 | 68 |
| Provisions | **15** | 21 | 16 |
| | **508** | 574 | 460 |
| **Total liabilities** | **817** | 924 | 800 |
| **Net assets** | **414** | 486 | 457 |

## Consolidated statement of financial position (continued)

| | **30 June 2014 unaudited £m** | 30 June 2013 unaudited £m | 31 December 2013 audited £m |
|---|---|---|---|
| **Equity** | | | |
| Share capital | **70** | 70 | 70 |
| Share premium account | **1** | 1 | 1 |
| Translation reserve | **17** | 72 | 22 |
| Unrealised gains reserve | **-** | - | - |
| Capital reduction reserve | **48** | 48 | 48 |
| Other reserves | **124** | 124 | 124 |
| Retained earnings | **140** | 157 | 179 |
| **EQUITY SHAREHOLDERS' FUNDS** | **400** | 472 | 444 |
| Non-controlling interests | **14** | 14 | 13 |
| **Total equity** | **414** | 486 | 457 |
| | | | |
| **Net asset backing per share** | **28.44p** | 33.52p | 31.52p |

Guinness Peat Group plc

## Condensed consolidated statement of changes in equity

| | Share capital £m | Share premium account £m | Translation reserve £m | Unrealised gains reserve £m | Capital reduction reserve £m | Other reserves £m | Retained earnings £m | Total £m | Non-controlling interests £m |
|---|---|---|---|---|---|---|---|---|---|
| Balance as at 1 January 2013 | 78 | - | 89 | 14 | 93 | 112 | 48 | 434 | 24 |
| Net comprehensive (expense)/income for the period | - | - | (17) | (14) | - | 4 | 109 | 82 | 3 |
| Share buybacks | (8) | - | - | - | (45) | 8 | - | (45) | - |
| Dividends | - | - | - | - | - | - | - | - | (3) |
| Share issues | - | 1 | - | - | - | - | - | 1 | - |
| Dilution of investment in subsidiaries | - | - | - | - | - | - | - | - | 1 |
| Disposal of subsidiaries | - | - | - | - | - | - | - | - | (11) |
| Balance as at 30 June 2013 | 70 | 1 | 72 | - | 48 | 124 | 157 | 472 | 14 |
| | | | | | | | | | |
| Balance as at 1 January 2013 | 78 | - | 89 | 14 | 93 | 112 | 48 | 434 | 24 |
| Net comprehensive (expense)/ income for the year | - | - | (67) | (14) | - | 4 | 130 | 53 | 5 |
| Share buybacks | (8) | - | - | - | (45) | 8 | - | (45) | - |
| Dividends | - | - | - | - | - | - | - | - | (5) |
| Share issues | - | 1 | - | - | - | - | - | 1 | - |
| Disposal of subsidiaries | - | - | - | - | - | - | 1 | 1 | (11) |
| **Balance as at 31 December 2013** | **70** | **1** | **22** | **-** | **48** | **124** | **179** | **444** | **13** |
| **Net comprehensive (expense)/income for the period** | **-** | **-** | **(5)** | **-** | **-** | **-** | **(39)** | **(44)** | **4** |
| **Dividends** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **(3)** |
| **Balance as at 30 June 2014** | **70** | **1** | **17** | **-** | **48** | **124** | **140** | **400** | **14** |

## Condensed statement of consolidated cash flows

| | **6 months to 30 June 2014 IFRS unaudited £m** | 6 months to 30 June 2013 IFRS unaudited £m | Year to 31 December 2013 IFRS audited £m |
|---|---|---|---|
| **Cash (outflow)/inflow from operating activities** | | | |
| Net cash inflow from operating activities** | **9** | 100 | 149 |
| Interest paid | **(7)** | (8) | (18) |
| Taxation paid | **(19)** | (19) | (35) |
| **Net cash (absorbed in)/generated by operating activities** | **(17)** | 73 | 96 |
| **Cash (outflow)/inflow from investing activities** | | | |
| Dividends received from joint ventures | **1** | 1 | 3 |
| Net capital expenditure and financial investment | **(8)** | 3 | (6) |
| Acquisitions and disposals** | **-** | 63 | 129 |
| **Net cash (absorbed in)/generated by investing activities** | **(7)** | 67 | 126 |
| **Cash inflow/(outflow) from financing activities** | | | |
| Net buy-back of Ordinary Shares | **-** | (45) | (45) |
| Dividends paid to non-controlling interests | **(3)** | (3) | (5) |
| Net increase/(decrease) in borrowings | **18** | 16 | (28) |
| **Net cash generated by/(absorbed) in financing activities** | **15** | (32) | (78) |
| (Decrease)/increase in cash and cash equivalents | **(9)** | 108 | 144 |
| Cash and cash equivalents at beginning of the period | **447** | 311 | 311 |
| Exchange (losses)/gains on cash and cash equivalents | **(1)** | 3 | (8) |
| **Cash and cash equivalents at end of the period** | **437** | 422 | 447 |
| Cash and cash equivalents per the Consolidated Statement of Financial Position | **444** | 431 | 458 |
| Bank overdrafts | **(7)** | (9) | (11) |
| **Cash and cash equivalents at end of the period** | **437** | 422 | 447 |
| **Summary of net cash** | | | |
| - Parent Group* cash | **376** | 347 | 383 |
| - Other group cash | **68** | 84 | 75 |
| - Other group debt | **(280)** | (339) | (274) |
| Total Group net cash | **164** | 92 | 184 |

* Parent Group comprises the Group's central investment activities

** Acquisitions and disposals include the proceeds of sale of Parent Group operating subsidiary and associated undertakings and joint ventures. Proceeds of sale of other Parent Group fixed and current asset investments are included within cash inflow from operating activities.

**Notes to the condensed consolidated financial statements**

1. The annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The condensed consolidated financial statements included in this half-yearly financial report have been prepared in accordance with International Accounting Standard 34: Interim Financial Reporting, as adopted by the European Union, and comply with the disclosure requirements of the Listing Rules of the UK Financial Services Authority and the Listing Rules of the Australian Securities Exchange.

   The same accounting policies, presentation and methods of computation are followed in the condensed set of financial statements as applied in the Group's latest annual audited financial statements, and are expected to be applied in the annual audited financial statements for the current year.

   At 30 June 2014 the Parent Group had cash totalling £376 million (30 June 2013: £347 million; 31 December 2013: £383 million). The Parent Group also has various actual and contingent liabilities. The Board expects to be able to meet these obligations from existing resources. Further information on the net cash position of the Group is provided in the table at the foot of the Condensed Statement of Consolidated Cash Flows.

   Giving due consideration to the nature of the Group's business and underlying investments, and taking account of the following matters: the ability of the Group to realise its liquid investments and to manage the timing of such liquidations; the Group's foreign currency exposures; the potential requirement to provide financial support to the Group's UK pension schemes; the appropriate capital structure to be adopted by GPG in the future; and the factors which will determine further returns of surplus cash to shareholders; and also taking into consideration the cash flow forecasts prepared by the Group and the sensitivity analysis associated therewith, the directors consider that the Company and the Group are going concerns and this financial information is prepared on that basis.

2. The condensed consolidated financial statements for the six months ended 30 June 2014 have been reviewed - see attached independent review report - but have not been audited. The condensed consolidated financial statements for the equivalent period in 2013 were also reviewed but not audited.

   The information for the year ended 31 December 2013 does not constitute statutory accounts (as defined in section 434 of the Companies Act 2006). The financial information for the year ended 31 December 2013 is derived from the statutory accounts for that year, which have been filed with the Registrar of Companies. The audit report on those accounts did not contain statements under Sections 498(2) or 498(3) of the Companies Act 2006.

3. Group foreign exchange movements - during the six months to 30 June 2014, GPG recognised within operating profit £1 million of net foreign exchange gains (six months to 30 June 2013: £1 million gains; year to 31 December 2013: £2 million losses).

4. The taxation charges for the six months ended 30 June 2014 and 30 June 2013 are based on the estimated effective tax rate for the full year, including the effect of prior period tax adjustments.

**Notes to the condensed consolidated financial statements**

5. Segmental analysis: Analysis by activity

| | Thread manufacture £m | Investment £m | Unallocated £m | Non-operating items (note 1) £m | Total £m |
|---|---|---|---|---|---|
| **6 months ended 30 June 2014:** | | | | | |
| **Revenue:** | | | | | |
| **External sales** | **502** | **-** | **-** | **-** | **502** |
| **Results:** | | | | | |
| ***Continuing operations*** | | | | | |
| **Operating profit/(loss)** | **38** | **(2)** | **-** | **-** | **36** |
| **Profit/(loss) after tax** | **15** | **(3)** | **-** | **-** | **12** |
| **Total assets 30 June 2014** | **754** | **379** | **-** | **98** | **1,231** |
| 6 months ended 30 June 2013: | | | | | |
| Revenue: | | | | | |
| External sales | 544 | - | - | - | 544 |
| Results: | | | | | |
| *Continuing operations* | | | | | |
| Operating profit/(loss) | 38 | (11) | - | - | 27 |
| Profit/(loss) after tax | 7 | (13) | - | - | (6) |
| *Discontinued operations* | | | | | |
| Profit after tax | - | 20 | 17 | - | 37 |
| Total assets 30 June 2013 | 867 | 353 | - | 190 | 1,410 |
| Year ended 31 December 2013: | | | | | |
| Revenue: | | | | | |
| External sales | 1,089 | - | - | - | 1,089 |
| Results: | | | | | |
| *Continuing operations* | | | | | |
| Operating profit/(loss) | 79 | (38) | - | - | 41 |
| Profit/(loss) after tax | 24 | (42) | - | - | (18) |
| *Discontinued operations* | | | | | |
| Profit after tax | - | 30 | 16 | - | 46 |
| Total assets 31 December 2013 | 767 | 386 | - | 104 | 1,257 |

Notes:
1. Non-operating items comprise cash and cash equivalents, derivatives and investments held by operating subsidiaries (which are not considered to be financial operations), plus taxation assets and non-current assets classified as held for sale.

## Guinness Peat Group plc

### Notes to the condensed consolidated financial statements

6. Earnings/(loss) per share – The calculation of basic earnings/(loss) per Ordinary Share from continuing and discontinued operations is based on the profit attributable to equity shareholders of the parent and the weighted average number of 1,407,247,385 Ordinary Shares in issue during the six months ended 30 June 2014 (six months ended 30 June 2013: 1,460,944,073; year ended 31 December 2013: 1,433,827,035).

   The calculation of basic earnings/(loss) per Ordinary Share from continuing operations is based on the profit/(loss) from continuing operations attributable to equity shareholders of the parent and the weighted average number of 1,407,247,385 Ordinary Shares in issue during the six months ended 30 June 2014 (six months ended 30 June 2013: 1,460,944,073; year ended 31 December 2013: 1,433,827,035).

   For the calculation of diluted earnings/(loss) per Ordinary Share, the weighted average number of Ordinary Shares in issue is adjusted, where appropriate, to assume conversion of all dilutive potential Ordinary Shares, being share options granted to employees.

7. The net asset backing per share at 30 June 2014 was 28.44p (30 June 2013: 33.52p, 31 December 2013: 31.52p).

8. Fair values of assets and liabilities - As at 30 June 2014 there were no significant differences between the book value and fair value (as determined by market value) of the Group's financial assets and liabilities.

   Fixed asset investments at 30 June 2014 were £2m (30 June 2013: £2m, 31 December 2013: £2m), of which £1m are classified as level 1 (30 June 2013: £1m, 31 December 2013: £1m) and £1m are classified as level 3 (30 June 2013: £1m*, 31 December 2013: £1m*) measurement in the fair value hierarchy under IFRS 7.

   All derivative financial instruments are classified as level 2 measurement in the fair value hierarchy under IFRS 7 and are measured at fair value through the income statement except for derivative financial assets of £nil (30 June 2013: £1m, 31 December 2013: £1m) and derivative financial liabilities of £2m (30 June 2013: £3m, 31 December 2013: £3m) which are measured at fair value through the statement of comprehensive income.

   Level 1 financial instruments are valued based on quoted bid prices in an active market. Level 2 financial instruments are measured by discounted cash flow. For interest rates swaps future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted at a rate that reflects the credit risk of the various counterparties. For foreign exchange contracts future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of the various counterparties. For equity instruments that are classified as level 3 financial instruments the carrying value approximates to fair value.

9. Issued share capital – Changes in the issued share capital during the six months ended 30 June 2014 comprise the following:

| | **Number of Shares** | **£m** |
|---|---|---|
| At 1 January 2014 | 1,407,152,123 | **70** |
| Exercise of options | 460,159 | **-** |
| **At 30 June 2014** | **1,407,612,282** | **70** |

10. Dividends – No dividend was paid during the period or approved in respect of the period (2013: Nil).

* Comparatives for fixed asset investments have been reclassified from level 2 to level 3 consistent with the presentation in the current period which is considered to be a more appropriate classification

11. Contingent liabilities

As noted in previous reports, the US Environmental Protection Agency ('EPA') has notified Coats & Clark, Inc. ('CC') that it is a 'potentially responsible party' ('PRP') under the US Superfund law for investigation and remediation costs at the Lower Passaic River Study Area ('LPRSA') in New Jersey in respect of an alleged predecessor's former facilities which operated in that area prior to 1950. Approximately 70 companies to date have formed a cooperating parties group ('CPG') to fund and conduct a remedial investigation and feasibility study ('RI/FS') of the area. CC joined the CPG in 2011. The total costs of the RI/FS and related expenditures are currently estimated by the CPG to be approximately $129 million.

Under the interim allocation in place when CC joined the CPG, CC was responsible for approximately 1.7% of the total RI/FS and related CPG costs. During 2012, three companies that had shared a common allocation within the CPG – Tierra Solutions, Inc, Maxus Energy Corporation and Occidental Chemical Corporation (collectively 'TMO') – withdrew from the CPG. TMO is not currently funding the RI/FS, and CC's interim allocation of future RI/FS and related CPG costs is now approximately 2%. The interim allocation is expressly limited to the RI/FS and other authorised expenditures; it does not relate to the ultimate LPR remediation and is subject to reallocation after the RI/FS has been issued. CC believes that there are many parties that will participate in its remediation that are not currently funding the study of the river, including those that are the most responsible for its current contamination, which will reduce CC's allocation.

In April 2014, the EPA released a Focused Feasibility Study ('FFS') for the lower 8 miles of the LPRSA. The FFS analyses a series of remedial alternatives and the EPA has estimated the cost of its preferred remedy at approximately $1.7 billion on a net present value basis. The FFS comment period will remain open until August 2014, after which point the EPA is required to review and respond to all substantive comments. It is anticipated that the CPG will submit extensive comments opposing the FFS. The EPA is not currently expected to issue a Record of Decision ('ROD') selecting a remedy until 2015.

It is not yet known which, if any, of the proposed FFS remedies EPA will select, and there are a number of uncertainties that could have a material effect on the scope and cost of EPA's preferred remedy including:

- The development by the CPG of a Sustainable Remedy proposal that combines targeted dredging of the most contaminated sediment with other pollution control and risk management policies, at a lower cost than EPA's preferred remedy;
- The RI/FS is currently expected to be submitted to EPA at the end of 2014, before the expected selection of an FFS remedy for the lower 8 miles, and it is possible that EPA will combine the RI/FS and the FFS to select a single remedy for the entire LPRSA;
- The EPA has specifically requested comment on several aspects of its preferred FFS remedy that could materially affect the scope and estimated cost of the remedy.

Once the RI/FS has been submitted to the EPA and the EPA has issued a ROD for the FFS and/or the RI/FS, it is expected to begin negotiations with PRPs to implement the selected remedy. These negotiations are likely to involve parties that are not currently in the CPG, including TMO and other PRPs who have previously been identified by EPA. While the cost of the remedial design and the FFS and/or RI/FS remedy are expected to be shared among hundreds of parties, the allocation of such costs among these parties is not yet known. The interim CPG allocation does not apply to remedial actions, and non-CPG members not included in the interim allocation are expected to participate in the funding of the remedy.

During 2012, the members of the CPG, including CC, agreed to fund the remediation of one part of the LPRSA (River Mile 10.9). CC's interim allocation of the cost of this is estimated at approximately $0.6 million, which has been provided.

11. Contingent liabilities (Continued)

    Coats believes that CC's predecessors did not generate any of the contaminants which are driving the current and anticipated remedial actions in the LPRSA, that it has valid legal defences which are based on its own analysis of the relevant facts, and that additional parties not currently in the CPG will be responsible for a significant share of the ultimate costs of remediation. Therefore, while the foregoing factors could reduce CC's relative allocation of remedial costs, the Company cannot predict what CC's share of any such costs would be in light of the significant uncertainties surrounding the selection and cost of EPA's FFS remedy, the number of parties who will participate in the remediation and the relative allocation of costs among such parties. The Company believes, in light of the significant uncertainties at this stage in the process, that it is not possible to reliably estimate future remediation costs nor CC's share of those costs. Accordingly, no provision has been made for such costs at the present time.

12. There have been no changes to the principal risks and uncertainties compared to those outlined in the Strategic Report in the 2013 Annual Report, comprising risks associated with employee defined benefit obligations – accounting impact and regular funding, employee defined benefit obligations – regulatory investigation, treasury concentration risk, foreign currency exposure, human resource and Coats representing the major portion of the Group's business risk.

13. Related party transactions – There have been no related party transactions or changes in related party transactions described in the 2013 Annual Report that could have a material effect on the financial position or performance of the Group in the first six months of the financial year.

14. Directors - The following persons were, except where noted, directors of GPG during the whole of the period and up to the date of this report:

| | |
|---|---|
| M Clasper | (appointed 20 February 2014) |
| M N Allen | |
| R Anderson | (appointed 16 April 2014) |
| Sir R Brierley | |
| R J Campbell | |
| S L Malcolm | |
| B A Nixon | |
| W R Szlezak | |

15. Interim Management Report – The Chairman's Statement appearing in the half-yearly financial report and signed by Mike Clasper provides a review of the operations of the Group for the six months ended 30 June 2014.

16. Publication – This statement will be available at the registered office of the Company, c/o Prism Cosec, 10 Margaret Street, London, W1W 8RL. A copy will also be displayed on the Company's website on www.gpgplc.com.

**Notes to the condensed consolidated financial statements**

DIRECTORS' RESPONSIBILITY STATEMENT

In accordance with a resolution of the directors of Guinness Peat Group plc I state that in the opinion of the directors and to the best of their knowledge:

a. the condensed set of unaudited financial statements:

    (i) give a true and fair view of the financial position as at 30 June 2014 and the performance of the consolidated Group for the half-year ended on that date;

    (ii) have been prepared in accordance with IAS34 'Interim Financial Reporting';

    (iii) comply with the recognition and measurement principles of applicable International Financial Reporting Standards as adopted by the Group; and

b. the half-yearly financial report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8; and

c. there are reasonable grounds to believe the Company will be able to pay its debts as and when they become due and payable.

The Directors of Guinness Peat Group plc are listed in Note 14 to the Condensed Consolidated Financial Statements.

On behalf of the Board
M. Clasper
Chairman
13 August 2014

**United Kingdom**

Prism Cosec, 10 Margaret Street, London, W1W 8RL Tel: 020 3008 6446

**New Zealand**

c/o Computershare Investor Services Limited
Private Bag 92119, Auckland 1142 Tel: 09 488 8700 Fax: 09 488 8787

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Registered in England No. 103548

## Coats

## Coats consolidated financial information

### Consolidated income statement (unaudited)

| | Notes | Half year 2014 Before exceptional items unaudited | Half year 2014 Exceptional items unaudited | Half year 2014 Total unaudited | Half year 2013 Before exceptional items unaudited | Half year 2013 Exceptional items Unaudited | Half year 2013 Total unaudited | Full year 2013 Total unaudited |
|---|---|---|---|---|---|---|---|---|
| | | **US$m** | **US$m** | **US$m** | US$m | US$m | US$m | US$m |
| **Continuing operations** | | | | | | | | |
| **Revenue** | | **837.1** | **-** | **837.1** | 839.7 | - | 839.7 | 1,703.7 |
| Cost of sales | | **(518.8)** | **-** | **(518.8)** | (532.8) | (21.8) | (554.6) | (1,109.9) |
| **Gross profit** | | **318.3** | **-** | **318.3** | 306.9 | (21.8) | 285.1 | 593.8 |
| Distribution costs | | **(141.9)** | **-** | **(141.9)** | (139.5) | - | (139.5) | (285.7) |
| Administrative expenses | | **(111.1)** | **(3.1)** | **(114.2)** | (103.8) | (0.8) | (104.6) | (204.0) |
| Other operating income | | **-** | **0.8** | **0.8** | - | 18.4 | 18.4 | 20.1 |
| **Operating profit** | | **65.3** | **(2.3)** | **63.0** | 63.6 | (4.2) | 59.4 | 124.2 |
| Share of profits of joint ventures | | **1.5** | **-** | **1.5** | 0.5 | - | 0.5 | 0.7 |
| Investment income | | **1.3** | **-** | **1.3** | 1.3 | - | 1.3 | 4.9 |
| Finance costs | 3 | **(16.2)** | **-** | **(16.2)** | (22.3) | - | (22.3) | (41.7) |
| **Profit before taxation** | 2 | **51.9** | **(2.3)** | **49.6** | 43.1 | (4.2) | 38.9 | 88.1 |
| Taxation | 4 | **(24.5)** | **-** | **(24.5)** | (27.4) | (0.1) | (27.5) | (51.0) |
| **Profit from continuing operations** | | **27.4** | **(2.3)** | **25.1** | 15.7 | (4.3) | 11.4 | 37.1 |
| Loss from discontinued operations | | **-** | **-** | - | (0.1) | - | (0.1) | (0.1) |
| **Profit for the period** | | **27.4** | **(2.3)** | **25.1** | 15.6 | (4.3) | 11.3 | 37.0 |
| **Attributable to:** | | | | | | | | |
| **EQUITY SHAREHOLDERS OF THE COMPANY** | | **21.0** | **(2.3)** | **18.7** | 10.9 | (4.3) | 6.6 | 29.2 |
| Non-controlling interests | | **6.4** | **-** | **6.4** | 4.7 | - | 4.7 | 7.8 |
| | | **27.4** | **(2.3)** | **25.1** | 15.6 | (4.3) | 11.3 | 37.0 |

## Consolidated statement of comprehensive income (unaudited)

| | **Half year 2014 unaudited US$m** | Half year 2013 unaudited US$m | Full year 2013 unaudited US$m |
|---|---|---|---|
| **Profit for the period** | **25.1** | 11.3 | 37.0 |
| **Items that will not be reclassified subsequently to profit or loss:** | | | |
| Actuarial (losses)/gains in respect of retirement benefit schemes | **(55.8)** | 98.0 | 130.8 |
| Tax relating to items that will not be reclassified | **-** | - | 1.4 |
| | **(55.8)** | 98.0 | 132.2 |
| **Items that may be reclassified subsequently to profit or loss:** | | | |
| Cash flow hedges: | | | |
| (Losses)/gains arising during the period | **(1.3)** | 2.5 | 0.8 |
| Transferred to profit or loss on cash flow hedges | **1.9** | 2.8 | 4.8 |
| Exchange differences on translation of foreign operations | **(3.9)** | (3.4) | (20.5) |
| | **(3.3)** | 1.9 | (14.9) |
| **Other comprehensive income and expense for the period** | **(59.1)** | 99.9 | 117.3 |
| **Net comprehensive income and expense for the period** | **(34.0)** | 111.2 | 154.3 |
| Attributable to: | | | |
| **EQUITY HOLDERS OF THE PARENT** | **(40.4)** | 106.7 | 147.0 |
| Non-controlling interests | **6.4** | 4.5 | 7.3 |
| | **(34.0)** | 111.2 | 154.3 |

## Coats

### Consolidated statement of financial position (unaudited)

| | Note | **30 June 2014 unaudited US$m** | 30 June 2013 unaudited US$m | 31 December 2013 unaudited US$m |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Intangible assets | | **255.6** | 258.7 | 257.2 |
| Property, plant and equipment | | **330.1** | 341.5 | 340.6 |
| Investments in joint ventures | | **14.9** | 14.0 | 13.7 |
| Available-for-sale investments | | **3.5** | 3.2 | 3.5 |
| Deferred tax assets | | **15.2** | 15.5 | 13.6 |
| Pension surpluses | | **43.0** | 33.0 | 44.6 |
| Trade and other receivables | | **19.3** | 16.3 | 20.7 |
| | | **681.6** | 682.2 | 693.9 |
| **Current assets** | | | | |
| Inventories | | **296.7** | 313.0 | 281.0 |
| Trade and other receivables | | **364.2** | 368.9 | 342.4 |
| Available-for-sale investments | | **0.6** | 0.4 | 0.6 |
| Cash and cash equivalents | **6** | **115.1** | 128.7 | 124.9 |
| | | **776.6** | 811.0 | 748.9 |
| Non-current assets classified as held for sale | | **1.1** | 2.0 | - |
| **Total assets** | | **1,459.3** | 1,495.2 | 1442.8 |
| **Current liabilities** | | | | |
| Trade and other payables | | **(352.7)** | (362.0) | (366.8) |
| Current income tax liabilities | | **(13.1)** | (18.7) | (17.4) |
| Bank overdrafts and other borrowings | | **(80.7)** | (56.4) | (82.4) |
| Provisions | | **(54.1)** | (71.2) | (59.0) |
| | | **(500.6)** | (508.3) | (525.6) |
| **Net current assets** | | **276.0** | 302.7 | 223.3 |
| **Non-current liabilities** | | | | |
| Trade and other payables | | **(17.1)** | (21.6) | (19.1) |
| Deferred tax liabilities | | **(39.0)** | (39.6) | (36.8) |
| Borrowings | | **(398.0)** | (458.9) | (371.7) |
| Retirement benefit obligations: | | | | |
| - Funded schemes | | **(160.0)** | (135.1) | (105.6) |
| - Unfunded schemes | | **(112.1)** | (98.4) | (112.4) |
| Provisions | | **(23.5)** | (27.9) | (23.8) |
| | | **(749.7)** | (781.5) | (669.4) |
| **Total liabilities** | | **(1,250.3)** | (1,289.8) | (1,195.0) |
| **Net assets** | | **209.0** | 205.4 | 247.8 |
| **Equity** | | | | |
| Share capital | | **20.5** | 20.5 | 20.5 |
| Share premium account | | **412.1** | 412.1 | 412.1 |
| Hedging and translation reserve | | **(43.2)** | (23.4) | (39.9) |
| Retained loss | | **(203.6)** | (224.6) | (166.5) |
| **EQUITY SHAREHOLDERS' FUNDS** | | **185.8** | 184.6 | 226.2 |
| Non-controlling interests | | **23.2** | 20.8 | 21.6 |
| **Total equity** | | **209.0** | 205.4 | 247.8 |

## Consolidated statement of changes in equity (unaudited)

| | Share capital unaudited | Share premium account unaudited | Hedging reserve unaudited | Translation reserve unaudited | Retained (loss) / earnings unaudited | Equity shareholders' funds unaudited | Non-controlling interests unaudited | Total equity unaudited |
|---|---|---|---|---|---|---|---|---|
| | US$m | US$m | US$m | US$m | US$m | US$m | US$m | US$m |
| Balance as at 1 January 2013 | 20.5 | 412.1 | (9.1) | (16.4) | (329.2) | 77.9 | 19.9 | 97.8 |
| Profit for the period | - | - | - | - | 6.6 | 6.6 | 4.7 | 11.3 |
| Other comprehensive income and expense for the period | - | - | 5.3 | (3.2) | 98.0 | 100.1 | (0.2) | 99.9 |
| Total comprehensive income and expense for the period | - | - | 5.3 | (3.2) | 104.6 | 106.7 | 4.5 | 111.2 |
| Dividends paid to non-controlling interests | - | - | - | - | - | - | (3.6) | (3.6) |
| Balance as at 30 June 2013 | 20.5 | 412.1 | (3.8) | (19.6) | (224.6) | 184.6 | 20.8 | 205.4 |
| Balance as at 1 January 2013 | 20.5 | 412.1 | (9.1) | (16.4) | (329.2) | 77.9 | 19.9 | 97.8 |
| Profit for the year | - | - | - | - | 29.2 | 29.2 | 7.8 | 37.0 |
| Other comprehensive income and expense for the year | - | - | 5.6 | (20.0) | 132.2 | 117.8 | (0.5) | 117.3 |
| Total comprehensive income and expense for the year | - | - | 5.6 | (20.0) | 161.4 | 147.0 | 7.3 | 154.3 |
| Disposal of a non-controlling interest | - | - | - | - | 1.3 | 1.3 | 0.7 | 2.0 |
| Dividends paid to non-controlling interests | - | - | - | - | - | - | (6.3) | (6.3) |
| Balance as at 31 December 2013 | 20.5 | 412.1 | (3.5) | (36.4) | (166.5) | 226.2 | 21.6 | 247.8 |
| Profit for the period | - | - | - | - | 18.7 | 18.7 | 6.4 | 25.1 |
| Other comprehensive income and expense for the period | - | - | 0.6 | (3.9) | (55.8) | (59.1) | - | (59.1) |
| Total comprehensive income and expense for the period | - | - | 0.6 | (3.9) | (37.1) | (40.4) | 6.4 | (34.0) |
| Dividends paid to non-controlling interests | - | - | - | - | - | - | (4.8) | (4.8) |
| **Balance as at 30 June 2014** | **20.5** | **412.1** | **(2.9)** | **(40.3)** | **(203.6)** | **185.8** | **23.2** | **209.0** |

## Consolidated statement of cash flows (unaudited)

| | Notes | **Half year 2014 unaudited US$m** | Half year 2013 unaudited US$m | Full year 2013 unaudited US$m |
|---|---|---|---|---|
| **Cash (outflow)/inflow from operating activities** | | | | |
| Net cash inflow generated by operations | 5 | **29.3** | 24.7 | 139.6 |
| Interest paid | | **(11.0)** | (13.3) | (26.2) |
| Taxation paid | | **(31.6)** | (28.6) | (53.3) |
| **Net cash (absorbed in)/generated by operating activities** | | **(13.3)** | (17.2) | 60.1 |
| **Cash (outflow)/inflow from investing activities** | | | | |
| Dividends received from joint ventures | | **0.3** | 0.4 | 0.5 |
| Acquisition of property, plant and equipment and intangible assets | | **(15.8)** | (12.7) | (37.8) |
| Disposal of property, plant and equipment and intangible assets | | **2.5** | 18.9 | 28.3 |
| Acquisition of financial investments | | **-** | (0.4) | (1.1) |
| Acquisition and disposal of businesses | | **-** | (0.8) | 1.1 |
| **Net cash (absorbed in)/generated by investing activities** | | **(13.0)** | 5.4 | (9.0) |
| **Cash inflow/(outflow) from financing activities** | | | | |
| Dividends paid to non-controlling interests | | **(4.8)** | (3.6) | (6.3) |
| Increase/(decrease) in debt and finance leasing | | **29.6** | 25.1 | (43.3) |
| **Net cash generated by/(absorbed in) financing activities** | | **24.8** | 21.5 | (49.6) |
| **Net (decrease)/increase in cash and cash equivalents** | | **(1.5)** | 9.7 | 1.5 |
| Net cash and cash equivalents at beginning of the period | | **106.8** | 110.4 | 110.4 |
| Foreign exchange losses on cash and cash equivalents | | **(1.0)** | (6.0) | (5.1) |
| **Net cash and cash equivalents at end of the period** | 6 | **104.3** | 114.1 | 106.8 |
| **Reconciliation of net cash flow to movement in net debt** | | | | |
| Net (decrease)/increase in cash and cash equivalents | | **(1.5)** | 9.7 | 1.5 |
| Cash (inflow)/outflow from change in debt and lease financing | | **(29.6)** | (25.1) | 43.3 |
| Change in net debt resulting from cash flows (Free cash flow) | | **(31.1)** | (15.4) | 44.8 |
| Other | | **(1.1)** | (1.1) | (2.3) |
| Foreign exchange losses | | **(2.2)** | (2.5) | (4.1) |
| (Increase)/decrease in net debt | | **(34.4)** | (19.0) | 38.4 |
| Net debt at start of period | | **(329.2)** | (367.6) | (367.6) |
| Net debt at end of period | 6 | **(363.6)** | (386.6) | (329.2) |

## Notes to the Coats consolidated financial information

### 1. Basis of preparation

The financial information contained in this section of the report represents the unaudited results of Coats as contained within the unaudited consolidation financial information of GPG for the six months ended 30 June 2014 and 30 June 2013 and the audited consolidated financial information of GPG for the year ended 31 December 2013.

It incorporates the consolidated results of Coats Group Limited ("CGL") as adjusted to account for the Coats capital incentive plan ("CIP"), on a basis consistent with that required to be adopted by GPG, and for inclusion in the balance sheet of intangible assets held at the GPG level but which are associated with its acquisition of Coats.

The CIP is operated by GPG for the benefit of certain senior CGL employees. In accordance with IFRS, this is accounted for by CGL as an equity-settled compensation plan as CGL has no obligation to settle the share-based payment. Under IFRS, equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant and this fair value is expensed on a straight-line basis over the vesting period, with a corresponding increase recognised in equity as a contribution from the parent. GPG accounts for this arrangement as a cash-settled share-based compensation plan and, in accordance with IFRS, is required to reassess the fair value of the CIP at each reporting date.

CGL is incorporated in the British Virgin Islands. It does not prepare consolidated statutory accounts and therefore the financial information contained in this section of the report does not constitute full financial statements and has not been, and will not be, audited, other than in so far as it is included within audited financial information of its ultimate parent company, GPG.

The financial information for the six months ended 30 June 2014 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 2013 and the full year ended 31 December 2013.

Enquiries have been made into the adequacy of the Group's financial resources, through a review of the current financial projections 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 and contingent liabilities were considered. The six categories of risk considered were 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.

**Notes to the Coats consolidated financial information**

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

| | | **June 2014** | June 2013 | December 2013 |
|---|---|---|---|---|
| Average | Sterling | **0.60** | 0.65 | 0.64 |
| | Euro | **0.73** | 0.76 | 0.75 |
| | Brazilian Real | **2.29** | 2.03 | 2.16 |
| | Indian Rupee | **60.77** | 55.00 | 58.55 |
| Period end | Sterling | **0.58** | 0.66 | 0.60 |
| | Euro | **0.73** | 0.77 | 0.73 |
| | Brazilian Real | **2.21** | 2.21 | 2.36 |
| | Indian Rupee | **60.18** | 59.39 | 61.80 |

## 2. Profit before taxation is stated after charging/(crediting)

| | **Half year 2014 unaudited US$m** | Half year 2013 unaudited US$m | Full year 2013 unaudited US$m |
|---|---|---|---|
| **Exceptional items:** | | | |
| *Cost of sales:* | | | |
| US antitrust settlement costs | **-** | 7.1 | 7.2 |
| Reorganisation cost and impairment of property, plant and equipment and intangible assets | **-** | 14.7 | 22.7 |
| US environmental costs | **-** | - | 0.5 |
| | **-** | 21.8 | 30.4 |
| *Administrative expenses:* | | | |
| Capital incentive plan charge | **3.1** | - | 0.4 |
| Transition costs of Coats to a standalone listed entity | **-** | 0.8 | 4.8 |
| UK pension increase exchange offer | **-** | - | (7.0) |
| | **3.1** | 0.8 | (1.8) |
| *Other operating income:* | | | |
| Profit on the sale of property | **(0.8)** | (18.4) | (20.1) |
| | **2.3** | 4.2 | 8.5 |
| Total | **2.3** | 4.2 | 8.5 |

Please refer to note 11 to the Guinness Peat Group plc financial information for further details of the US environmental costs referred to above.

## Notes to the Coats consolidated financial information

### 3. Finance costs

| | **Half year 2014 unaudited US$m** | Half year 2013 unaudited US$m | Full year 2013 unaudited US$m |
|---|---|---|---|
| Interest on bank and other borrowings | **10.9** | 13.1 | 24.3 |
| Net interest on pension scheme assets and liabilities | **3.7** | 5.9 | 12.3 |
| Other | **1.6** | 3.3 | 5.1 |
| | **16.2** | 22.3 | 41.7 |

### 4. Taxation

The taxation charges for the six months ended 30 June 2014 and 30 June 2013 are based on the estimated effective tax rate for the full year, including the effect of prior period tax adjustments.

For the six months ended 30 June 2014 the tax charge in respect of exceptional items was nil (2013 - $0.1 million). For the year ended 31 December 2013 the tax credit in respect of exceptional items was $0.4 million.

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

| | **Half year 2014 unaudited US$m** | Half year 2013 unaudited US$m | Full year 2013 unaudited US$m |
|---|---|---|---|
| Operating profit | **63.0** | 59.4 | 124.2 |
| Depreciation | **21.2** | 22.5 | 44.4 |
| Amortisation of intangible assets (computer software) | **2.1** | 2.5 | 4.5 |
| Reorganisation costs and impairment (see note 2) | **-** | 14.7 | 22.7 |
| Exceptional profit on sale of property (see note 2) | **(0.8)** | (18.4) | (20.1) |
| Other operating exceptional items (see note 2) | **3.1** | 7.9 | 5.9 |
| Pre-exceptional operating profit before depreciation and amortisation (EBITDA) | **88.6** | 88.6 | 181.6 |
| (Increase)/decrease in inventories | **(11.3)** | (16.6) | 16.7 |
| Increase in debtors | **(19.7)** | (58.4) | (32.9) |
| (Decrease)/increase in creditors | **(11.6)** | 26.9 | 26.4 |
| Provision movements | **(13.2)** | (3.4) | (12.3) |
| Other non-cash movements | **4.1** | 1.4 | 5.6 |
| Net cash inflow from normal operating activities | **36.9** | 38.5 | 185.1 |
| Net cash outflow in respect of reorganisation costs | **(2.8)** | (11.2) | (28.2) |
| Net cash outflow in respect of other operating exceptional items | **(4.8)** | (2.6) | (17.3) |
| Net cash inflow generated by operations | **29.3** | 24.7 | 139.6 |

## Notes to the Coats consolidated financial information

### 6. Net debt

| | **Half year 2014 unaudited US$m** | Half year 2013 unaudited US$m | Full year 2013 unaudited US$m |
|---|---|---|---|
| Cash and cash equivalents | **115.1** | 128.7 | 124.9 |
| Bank overdrafts | **(10.8)** | (14.6) | (18.1) |
| Net cash and cash equivalents | **104.3** | 114.1 | 106.8 |
| Other borrowings | **(467.9)** | (500.7) | (436.0) |
| Total net debt | **(363.6)** | (386.6) | (329.2) |