

1 Operating profit is stated after charging:

	2004 Half year £m	2003 Half year £m	2003 Full year £m
Reorganisation costs and impairment of fixed assets			
Continuing operations			
Thread	14.9	8.4	19.1
Other	–	1.4	1.6
Total	14.9	9.8	20.7
Exceptional items			
Continuing operations			
Thread	0.6	7.1	7.4
Other	–	0.9	1.1
Total	0.6	8.0	8.5

Thread exceptional items largely represent costs incurred by the Company in respect of its acquisition by Coats plc (formerly Coats Holdings plc).

2 Taxation

The taxation charge for the six months ended 30 June 2004 is based on the estimated effective tax rate for the full year, including the effect of prior period tax adjustments.

3 Dividend

No interim ordinary dividend has been declared (2003 – nil).

4 Earnings/(loss) per share

	2004 Half year	2003 Half year Restated	2003 Full year	2004 Half year £m	2003 Half year Restated £m	2003 Full year £m
Earnings/(loss) per share are based on profit/(loss) available for Ordinary shareholders of:				7.3	(40.2)	(20.2)
and on an average number of shares of:	708.6m	708.1m	708.3m			
resulting in basic and diluted earnings/(loss) per share of:	1.0p	(5.7)p	(2.9)p			
Less:						
amortisation of goodwill	0.1p	0.1p	0.1p	0.6	0.8	0.7
amounts written off investments	–	–	0.1p	–	–	0.6
profit on sale of fixed assets	(1.3)p	(0.1)p	(3.0)p	(9.5)	(1.1)	(21.0)
(profit)/loss on sale or termination of operations	(0.3)p	5.3p	6.2p	(1.9)	37.8	43.6
taxation/minority interests relating to these items	–	(0.1)p	–	0.1	(0.8)	(0.1)
Headline (loss)/earnings per share	(0.5)p	(0.5)p	0.5p	(3.4)	(3.5)	3.6

Headline (loss)/earnings per share have been calculated in accordance with Statement of Investment Practice Number 1 issued by The Institute of Investment Management and Research and are provided in order to assist users of accounts to identify earnings derived from trading activities.

8 Notes to the interim accounts For the six months ended 30 June 2004

5 Net debt

	2004 Half year £m	2003 Half year £m	2003 Full year £m
Net cash	(21.5)	(31.3)	(28.4)
Short term deposits	(8.0)	(17.9)	(15.8)
Parent undertaking loan	119.5	–	–
Convertible debt	–	60.4	–
Other loans and finance leases	19.0	175.0	175.7
Net debt	109.0	186.2	131.5

6 Reconciliation of movements in shareholders' funds

	2004 Half year £m	2003 Half year Restated £m	2003 Full year £m
Profit/(loss) for the financial period	7.7	(39.8)	(19.5)
Dividends	(0.4)	(0.4)	(0.7)
	7.3	(40.2)	(20.2)
Currency translation differences on foreign currency net investments	(8.0)	2.3	(14.0)
New share capital subscribed	–	0.3	0.3
Net reduction of shareholders' funds	(0.7)	(37.6)	(33.9)
Opening shareholders' funds as restated (see below)	429.3	463.2	463.2
Closing shareholders' funds	428.6	425.6	429.3
Equity shareholders' funds	414.0	411.0	414.7
Non-equity shareholders' funds	14.6	14.6	14.6
	428.6	425.6	429.3
Opening shareholders' funds as previously reported		463.7	463.7
Prior period adjustments – Pensions		(0.5)	(0.5)
Opening shareholders' funds as restated		463.2	463.2

7 Reconciliation of operating profit to net cash inflow/(outflow) from operating activities

	2004 Half year	2003 Half year Restated	2003 Full year
	£m	£m	£m
Operating profit	9.4	9.8	28.5
Depreciation	17.5	18.9	36.3
Amortisation of goodwill	0.6	0.8	0.7
Reorganisation costs and impairment of fixed assets	14.9	9.8	20.7
Exceptional items	0.6	8.0	8.5
Decrease/(increase) in stocks	16.2	(26.7)	(2.4)
(Increase)/decrease in debtors	(1.3)	(15.6)	5.8
Decrease in creditors	(6.2)	(6.2)	(13.7)
Other non-cash movements	(3.2)	(6.0)	(9.6)
Net cash inflow/(outflow) from normal operating activities	48.5	(7.2)	74.8
Net cash outflow in respect of reorganisation/exceptional items	(7.9)	(14.3)	(24.5)
Net cash inflow/(outflow) from operating activities	40.6	(21.5)	50.3

8 Accounting policies

All accounting policies applied are consistent with those used in the audited financial statements for the year ended 31 December 2003.

In the 2003 full year accounts the Group adopted SSAP 24 – Accounting for Pension Costs and the effects of that standard were explained in detail in note 29 to those accounts. The comparative figures for the six months to 30 June 2003 above have also been restated to incorporate SSAP 24, which increased operating profit for the six months to 30 June 2003 by £3.6 million, increased net interest payable by £1.7 million, reduced other finance charges by £1.8 million and increased the tax charge by £0.5 million. Shareholders' funds at 30 June 2003 have increased by £2.7 million.