3 August 2015

Coats Group plc

2015 Half Year results

Coats Group plc ('Coats' or the 'Company'), the world's leading industrial thread and consumer textile crafts business, today announces its unaudited results for the six months ended 30 June 2015.

US$m unless otherwise stated	**2015 half year**			2014 half year[1]		
	Before exceptional items	**Exceptional items[6]**	**Total**	Before exceptional items	Exceptional Items[6]	Total
Revenue	**748.1**	**-**	**748.1**	**774.9**	-	**774.9**
Operating profit	**64.8**	**(12.5)**	**52.3**	**63.0**	(3.9)	**59.1**
Reported earnings per share (cents)			**0.25**			**1.36**
Free cash outflow			**(64.7)**			**(44.2)**

KPIs			
Revenue growth[1,2]	**4%**	Operating profit growth[1,3]	**9%**
Adjusted EPS growth[4]	**20%**	Adjusted free cash flow[5]	**$50m**

Highlights

- Revenue of $748 million, up 4% on a like-for-like[1, 2] basis and down 3% reported; continued double digit sales growth (13%[2]) in Speciality business
- Operating profit up 9% on a like-for-like[1, 3] basis before exceptional items; with 15% growth in Industrial segmental profit
- Adjusted EPS[4] up 20% to 1.82 cents; reported EPS negatively impacted by non-operating items
- Adjusted free cash flow[5] for the last twelve months of $50 million
- Completed sale of EMEA Crafts business in July 2015

Commenting on Coats half year 2015 results Paul Forman, Group Chief Executive, said:

'Coats performed well in the first half of 2015, delivering a 9% increase in operating profit. The Speciality business continued to deliver double digit sales growth, with product innovation playing a key role, and we achieved further market share gains in the core Apparel and Footwear business. Both factors contributed to 15% growth in Industrial profit. Performance in our ongoing Crafts business was impacted by reduced fashion handknitting sales, although there was encouraging growth in some product ranges and notably greater predictability of performance.

'Non-operating items, primarily foreign exchange losses on parent group cash and discontinued losses related to EMEA Crafts, had a negative impact on reported earnings; however on an adjusted basis we continued to deliver good growth. Consistent delivery of good levels of free cash flow provide a solid platform for ongoing investment in organic and inorganic growth opportunities. Supported by our defined growth strategy, key differentiators and strong underlying business performance, Coats is well positioned for 2015 and beyond.'

1 Restated to reflect the change in accounting policies for presentation currency, operating profit and exceptional items and the results of EMEA Crafts business as a discontinued operation. See note 1 to the accounts for further details.
2 On a like-for-like basis restates H1 2014 figures at H1 2015 exchange rates (Group revenue in H1 2014: $722.6 million).
3 On a like-for-like basis before exceptional items (exceptional items set out in note 3 of the accounts). (H1 2014: $59.7 million).
4 On a reported basis before exceptional items and foreign exchange gains/losses on parent group cash balance. (H1 2014: 1.52c).
5 On a last twelve months basis (see note 11g of the accounts)
6 Exceptional items set out in note 3 of the accounts

Conference call

Coats Management will discuss this report in a webcast / conference call with the investment community at 0900 BST today (3 August 2015). The webcast can be accessed via www.coats.com/investors/hy15. The conference call can be accessed by dialling 020 3059 8125 (UK), 0800 443 000 (New Zealand), 1 800 033 716 (Australia) or + 44 20 3059 8125 (international), and using participant code ‘Coats Group’. The webcast will also be made available in archive on coats.com.

Enquiry details

Investors			
Jaideep Thatai	Head of IR	Coats Group plc	+44 20 8210 5086
Media			
UK	Richard Mountain	FTI Consulting	+44 20 3727 1374
NZ & Australia	Geoff Senescall	Senescall Akers	+64 9 309 5659

About Coats Group plc

Coats is the world's leading industrial thread and consumer textile crafts business. At home in more than 70 countries and employing approximately 20,000 people across six continents, the Company generated revenues of US$1.7bn in 2014. With a rich heritage dating back to the 1750s, 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; applying innovative techniques to develop new Speciality products; and extending the crafts offer into new markets and online. Headquartered in the UK, Coats Group has a premium listing on the London Stock Exchange and is also listed on the New Zealand and Australian exchanges. To find out more about Coats visit www.coats.com.

Operating summary

	H1 2015 reported $m	H1 2014 reported[1] $m	H1 2014 like-for-like[1,2] $m	Reported change %	Like-for-like change %
Revenue					
Industrial	615.0	622.3	580.2	(1)%	6%
Crafts [3]	133.1	152.6	142.4	(13)%	(7)%
Total	**748.1**	**774.9**	**722.6**	(3)%	4%
Operating profit [4]					
Industrial	66.3	60.7	57.5	9%	15%
Crafts [3]	2.8	6.8	6.3	(59)%	(55)%
UK pensions admin charge	(4.3)	(4.5)	(4.1)		
Group	**64.8**	**63.0**	**59.7**	**3%**	**9%**
Operating margin [4]					
Industrial	10.8%	9.8%	9.9%	100bps	90bps
Crafts [3]	2.1%	4.5%	4.4%	(240)bps	(230)bps
Group	8.7%	8.1%	8.3%	60bps	40bps

1 *Restated to reflect the change in accounting policies for presentation currency, operating profit and exceptional items and the results of EMEA Crafts business as a discontinued operation. See note 1 to the accounts for further details.*
2 *H1 2014 like-for-like restates H1 2014 figures at H1 2015 exchange rates*
3 *For ongoing Crafts operations (excludes EMEA Crafts treated as discontinued)*
4 *Pre-exceptional items (see note 3 to the accounts)*

In the following commentary, all comparisons with H1 2014 are on a like-for-like currency basis (restates H1 2014 figures at H1 2015 exchange rates) and all references to operating profit are on a pre-exceptional basis.

Coats' revenues from continuing operations increased 4% to $748.1 million in H1 2015 from $722.6 million. Including EMEA Crafts group revenues were up 2%. Industrial sales in the first half of 2015 were $615.0 million, up 6% year-on-year (H1 2014: $580.2 million), underpinned by market share gains and product and service innovation. Within Apparel and Footwear there was good demand growth in domestic and export markets in Asia and Speciality grew across all regions, particularly in the automotive and wire and cable markets. Crafts' ongoing operations generated sales of $133.1 million, a 7% year-on-year decline (H1 2014: $142.4 million). The business continued to deliver growth in its foundation handknitting product range however, as expected, total sales fell due to a decline in fashion handknitting sales following a peak in demand in 2013 that continued into the first half of 2014.

Operating profit increased 9% year-on-year due to higher Industrial profitability and lower group costs, which more than offset a decline in Crafts trading. Industrial profit grew 15% through increased sales, lower material costs due to the lower oil price, productivity and non-raw material procurement improvements, all of which more than offset other inflationary cost rises and a tougher pricing environment. The $3.5 million decline in Crafts profit was primarily due to lower sales.

As the Company's presentational currency is US Dollars and it generates significant revenues and expenses in a number of other currencies, given its global footprint, a translational currency impact can arise. Currency movements continued to impact the Group's results in H1 2015, with a decline in group sales of 3% and operating profit growth of 3% on a reported (actual currency) basis reflecting the strengthening of the US Dollar against a number of currencies, particularly the Euro.

As previously announced the sale of EMEA Crafts to Aurelius Group business was completed at the end of July.

Financial summary

Adjusted earnings per share (EPS) increased by 20%, on an actual currency basis, to 1.82 cents (H1 2014: 1.52 cents). This was achieved by the higher operating profit, improvements in the underlying tax rate and lower interest charges on borrowings. Reported EPS for continuing operations declined from 1.36 cents to 0.25 cents in H1 2015 due to foreign exchange losses of $12.3 million on the group's cash balance (non-distributed proceeds of the Company's asset realisation programme) (H1 2014: $1.6 million gain) and a higher level of exceptional costs. The Company generated a net loss attributable to equity shareholders for continuing and discontinued operations of $48.1 million (H1 2014: $12.8 million profit), due to a significant loss from discontinued items related to the EMEA Crafts business.

For the last twelve months Coats generated an adjusted free cash inflow of $49.9 million (see note 11g). In H1 2015 Coats generated a free cash outflow of $64.7 million, compared to an outflow of $44.2 million in the first half of 2014. The working capital cycle of Coats' business is such that there is generally an operating cash outflow during the first half of the year.

Return on capital employed[1] for the last twelve months increased to 24% from 19% for the preceding twelve months. The improvement was achieved due to higher profitability, the treatment of EMEA Crafts as a discontinued item and a reduction in net working capital over the twelve month period.

Acquisition of GSD

In early May, Coats acquired GSD Corporate Ltd ('GSD'), a UK based company, for a total consideration of approximately $5.5 million. GSD supplies expert management solutions that analyse time, cost and production capability in the sewn products sector with a focus on maximising productivity and controlling costs. GSD becomes part of Coats Global Services and will enhance its end-to-end Operational Excellence offering, which provides practical, industry-specific technical services, training, technology solutions, quality assurance and compliance. Revenues in 2014 were approximately $2 million.

UK Pensions Regulator investigations

Written representations in response to the Warning Notice ('WN') issued by the UK Pensions Regulator ('tPR') on the Coats UK Pension Plan were submitted at the end of July. Having reviewed the WN with its legal and other advisers, which include leading Pension and Public Law QCs, the Company remains of the view that, under the regulations, it is not proper for tPR to seek to use its statutory powers in relation to the Coats Plan; and Coats intends to litigate this matter as far as necessary, unless it can be resolved satisfactorily via negotiation.

tPR has previously indicated that it believes it would be appropriate for the Determinations Panel of tPR to hear the cases for the Brunel and Staveley pension schemes at the same time as the Coats Plan, which means that any hearing is unlikely before the second half of 2016 at the earliest.

Lower Passaic River

As previously reported, the US Environmental Protection Agency ('EPA') notified Coats, and many other companies, of potential responsibility for certain environmental costs for the Lower Passaic River, New Jersey, USA. Coats is part of a Cooperating Parties Group which submitted a remedial investigation and feasibility study ('RI/FS') in H1 2015 with an estimated cost of between $518 million and $772 million, on an undiscounted basis. During H1 2015, Coats recorded a charge of $6.0 million, net of insurance covering a proportion of incurred and expected legal and remediation costs. The EPA is expected to issue its final Record of Decision by end of H2 2015. In the event that the EPA selects its own remedy (with an estimated cost of $1.7 billion on a net present value basis), the provision could increase materially and depending on timing of the decision, may need to be reflected in Coats' 2015 full year results.

Outlook

The Company's good operating performance in the first half of 2015, based on market share gains, product and service innovation and a reduction in operating costs, provides a solid platform for the remainder of the year. As such, Management expects to deliver a year-on-year improvement in Group pre-exceptional operating profit (2014: $123 million). Adjusted EPS growth is expected to follow the same trend; however, non-operating charges will materially impact full year reported EPS.

1 Return on capital employed defined as pre-exceptional operating profit for the last twelve months divided by capital employed at period end. The operating profit figure for the preceding twelve months includes the trading results of the EMEA Crafts business and assumes the same level of group costs in H2 2013 as were incurred in H1 2014.

Operating Review

In the following commentary, all comparisons with H1 2014 are on a like-for-like currency basis (restates H1 2014 figures at H1 2015 exchange rates) and all references to segment profit are to pre-exceptional segment profit.

Industrial

	H1 2015 reported $m	H1 2014 reported[1] $m	H1 2014 like-for-like[1,2] $m	Reported change %	Like-for-like change %
Revenue					
By region					
Asia and Australasia	356.9	334.5	330.4	7%	8%
Americas	136.7	140.1	126.7	(2)%	8%
EMEA	121.4	147.7	123.1	(18)%	(1)%
Total	**615.0**	**622.3**	**580.2**	**(1)%**	**6%**
By category					
Apparel and Footwear [3]	498.7	511.3	477.4	(2)%	4%
Speciality	116.3	111.0	102.8	5%	13%
Total	**615.0**	**622.3**	**580.2**	**(1)%**	**6%**
Segment profit [4]	66.3	60.7	57.5	9%	15%
Segment margin [4]	10.8%	9.8%	9.9%	100bps	90bps

1 Restated to reflect the change in accounting policies for presentation currency, operating profit and exceptional items. See note 1 to the accounts for further details.
2 H1 2014 like-for-like restates H1 2014 figures at H1 2015 exchange rates
3 Includes accessories, zips and trims and global services
4 Pre-exceptional items (see note 3 to the accounts)

Industrial revenue rose 6% year-on-year from $580.2 million in H1 2014 to $615.0 million in H1 2015, underpinned by market share gains and product and service innovation.

Revenue in Asia and Australasia increased by 8% year-on-year, with good levels of growth across most countries. This was driven by both domestic and export demand in Apparel and Footwear, as well as Speciality growth in automotive and tyre cord markets. The Americas region generated an 8% increase in revenue, primarily due to strong Speciality sales in North America particularly within the engineered performance fabrics (including aramids used in protective clothing) and wire and cable markets, while Latin America delivered good growth within Apparel and Footwear. Sales were down 1% in EMEA, primarily as a result of weaker demand in zips due to changes in high end footwear fashion, especially in Italy, as well as softness in apparel thread demand in some markets. The region delivered growth in Speciality, with increased demand in automotive, bedding and wire and cable markets.

Revenues in the Apparel and Footwear category (which includes accessories, zips and trims and global services) grew 4% year-on-year as Coats gained market share with global brands within relatively flat market conditions overall. As expected in a general deflationary environment, it was more challenging to deliver pricing improvements during the first half of 2015. The Speciality business continued to deliver double digit growth, up 13% year-on-year. This reflects increasing market share gains through geographic expansion of existing products eg automotive and tyre cord in Asia, and new product innovation, eg strong uptake in product demand within the engineered performance fabrics and wire and cable markets.

Industrial segment profit increased by 15% to $66.3 million (H1 2014: $57.5 million). This was achieved through higher sales, mainly driven by volume growth, productivity and non-raw material procurement improvements, all of which more than offset inflation in wages and energy costs. The lower oil price led to a reduction in material costs however it also led to a tougher pricing environment. Operating margins increased 90bps to 10.8% (H1 2014: 9.9%).

Crafts

	H1 2015 reported $m	H1 2014 reported[1] $m	H1 2014 like-for-like[1,2] $m	Reported change %	Like-for-like change %
Revenue					
Handknittings	68.9	78.8	76.1	(13)%	(9)%
Needlecrafts [3]	64.2	73.8	66.3	(13)%	(3)%
Total	**133.1**	**152.6**	**142.4**	**(13)%**	**(7)%**
Segment profit [4]	2.8	6.8	6.3	(59)%	(55)%
Segment margin [4]	2.1%	4.5%	4.4%	(240)bps	(230)bps

1 Restated to reflect the change in accounting policies for presentation currency, operating profit and exceptional items and the results of EMEA Crafts business as a discontinued operation. See note 1 to the accounts for further details.
2 H1 2014 like-for-like restates H1 2014 figures at H1 2015 exchange rates
3 Includes other textile craft products such as consumer sewings and lifestyle fabrics
4 Pre- exceptional items (see note 3 to the accounts)

Crafts revenues for ongoing operations declined 7% year-on-year from $142.4 million in H1 2014 to $133.1 million in H1 2015. The North American business continued to deliver growth in its foundation handknitting product range (5%) however, as expected, this was more than offset by a decline in fashion handknitting sales following a peak in demand in 2013 that continued into the first half of 2014. The decline in Needlecrafts sales reflected the long term decline in the North American needlecrafts market. The smaller Latin American business delivered relatively stable year-on-year performance. Overall, Handknitting sales declined by 9% and Needlecrafts sales declined by 3%. With EMEA Crafts not included in the results of the ongoing Crafts business (see below) there has been a greater predictability in trading performance.

The Crafts segment made a profit for the period of $2.8 million (H1 2014: $6.3 million). The 55% decrease was mainly due to the reduced trading activity and a change in mix with lower sales in higher margin fashion handknitting products. This resulted in a segment margin of 2.1% in H1 2015 (H1 2014: 4.4%).

Sale of EMEA Crafts
As previously reported, Coats completed the sale of its EMEA Crafts business in July 2015. The business generated a loss of $6.2 million in the first half of 2015, which is recognised within discontinued items.

Financial review

Exceptional items

Net exceptional costs before taxation totalled $12.5 million in the first half of 2015 (H1 2014: $3.9 million). This included $6.5 million for US environmental costs, including an increased provision for remedial work on the Lower Passaic River, New Jersey, USA (see below for further details). There was also a charge of $2.7 million related to the consolidation of Coats' Mexican operations from three sites to two, which will increase utilisation and efficiency while reducing operational costs. This process is expected to complete by the end of 2015 with the property disposal, which is expected to lead to a positive overall impact on profitability for the full year.

As previously disclosed in February 2015, with the announced sale of EMEA Crafts Coats commenced a review of elements of its cost base, including costs previously allocated to that business. During the first half of 2015 the review identified savings within specific support services, resulting in $2.6 million of restructuring costs with the benefits to be realised from H2 2015 onwards. With the sale of EMEA Crafts now complete the review is expected to identify further areas of savings which would lead to material additional restructuring costs being incurred in the second half of 2015.

Non-operating results

Finance costs were $30.9 million in the first half of 2015, up from $16.5 million in H1 2014. The increase was mainly driven by foreign exchange losses of $12.3 million (H1 2014: $1.6 million gain) on the parent group cash balance (non-distributed proceeds of the Company's asset realisation programme) in relation to movements between the British Pound, New Zealand Dollar and Australian Dollar at the end of H1 2015. The Company has taken action to reduce this currency exposure going forward by denominating the cash held in Pound Sterling and US Dollars. In addition IAS19 pensions interest charges increased from $5.7 million to $8.6 million as a function of the higher pensions accounting deficit at the end of 2014. These items more than offset an increase in investment income from $5.7 million in H1 2014 to $7.9 million in H1 2015, related to compensation ($3.6 million) received in respect of a compulsory state financing arrangement in Latin America in the 1980s and 1990s, and a reduction in interest on borrowings from $11.4 million to $9.5 million in H1 2015. The decrease was a result of lower year-on-year net debt and a reduction in interest rates on the Company's borrowing facility.

The taxation charge for H1 2015 was $20.2 million (H1 2014: $24.3 million) resulting in a reported tax rate of 66% (H1 2014: 49%). Excluding exceptional items, the impact of IAS19 finance charges and foreign exchange gains/losses on the parent group cash balance, the underlying effective rate on pre-tax profits reduced 600 basis points (bps) to 36% (H1 2014: 42%). This was driven by a reduction in unrelieved losses and a change in profit mix for the period. Profit attributable to minority interests remained relatively stable at $6.6 million (H1 2014: $6.4 million).

Net profit from continuing operations attributable to equity shareholders was $3.6 million (H1 2014: $19.1 million). Excluding exceptional items this was $13.2 million (H1 2014: $23.0 million).

Adjusted EPS, which excludes exceptional items and foreign exchange gains/losses on the parent group cash balance, increased 20%, on an actual currency basis, to 1.82 cents (H1 2014: 1.52 cents). Reported EPS from continuing operations of 0.25 cents (H1 2014: 1.36 cents) was driven by the higher level of exceptional costs and the foreign exchange loss.

Discontinued items

There was a loss from discontinued operations of $51.7 million in H1 2015 related to the EMEA Crafts business. $6.2 million was related to the trading loss generated during the first half of 2015 (H1 2014: $5.9 million) and the remaining $45.5 million represents the loss on reclassification of the business as held for sale. With the completion of the sale of EMEA Crafts in July 2015, the trading result for July as well as other items, such as historical foreign exchange translation gains (position as at 30 June 2015 was $7.3 million) and losses previously recognised in equity, will be included as discontinued items in the 2015 full year results.

Investment

Investment continued to be made to support the growth of the business, further improve operational performance and ensure compliance with environmental and other standards. In the first half of 2015 capital expenditure amounted to $18.1 million (H1 2014: $14.7 million) and was 0.8 times depreciation (including computer software amortisation). The increase was due to further investment in IT and digital services and spend on environmental projects. It is expected that capital expenditure will remain at or below 1.0 times depreciation in the medium term.

Cash flow
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 $64.7 million in H1 2015. The cash outflow was higher year-on-year (H1 2014: $44.2 million outflow) due to a larger working capital outflow, an increase in exceptional items and the acquisition of GSD.

EBITDA (defined as pre-exceptional operating profit before depreciation and amortisation) was $86.7 million (H1 2014: $85.3 million on a reported basis). Net working capital as a percentage of the last twelve months sales fell year-on-year to 15% (H1 2014: 18%). However due to the aforementioned working capital cycle of Coats' business there was a net cash outflow related to working capital of $61.7 million (H1 2014: $43.8 million). Interest paid decreased to $8.8 million (H1 2014: $12.3 million) as a result of lower year-on-year net debt and a reduction in interest rates achieved on borrowings. Tax paid reduced year-on-year from $31.2 million to $24.8 million in the first half of 2015 due to the continued reduction in the underlying effective tax rate of the Group and the timing of certain payments in H1 2014. Pension payments remained relatively stable at $19.1 million in the first half of 2015 compared to $18.7 million in H1 2014. The cash outflow related to EMEA Crafts was $10.5 million (H1 2014: $9.9 million).

A key metric for the Company is adjusted free cash flow for the last twelve months and in the period to 30 June 2015, Coats generated $49.9 million. This figure includes $13 million of group costs, such as outgoings related to the transition of Guinness Peat Group to Coats Group and 'plc' related costs. The figure excludes exceptional items such as tPR investigations and acquisitions.

Balance sheet
The Group had a net cash position of $234.3 million at 30 June 2015 ($320.9 million at 31 December 2014), which included a parent group cash balance of $552.4 million (£351.7 million). Parent group cash at 31 December 2014 was $583.5 million (£375.0 million), with the decrease primarily driven by foreign exchange losses.

The Coats operating business had a net debt position of $318.1 million at the end of H1 2015, see note 11f, an increase of $55.5 million due to the aforementioned cash outflow (31 December 2014: $262.6 million). An important metric for the operating business is the leverage ratio of net debt (excluding parent group cash) to EBITDA. Net debt at 30 June 2015 was 1.9 times EBITDA of the preceding twelve months (2.1 times at 30 June 2014).

Pensions and other post-employment benefits
The net obligation for the Group's retirement and other post-employment defined benefit liabilities, on an IAS19 financial reporting basis, was $526 million as at 30 June 2015, down from $584 million at the end of 2014. The deficits in the Group's UK schemes, namely the Coats Plan, Brunel and Staveley schemes, decreased to $468 million (£298 million) from the position at 31 December 2014 ($508 million, £326 million). This was primarily due to a decrease in liabilities largely driven by a 30bps increase in the discount rate, which more than offset a 20bps increase in the inflation rate.

IAS19 deficit	**30 Jun 2015**	**31 Dec 2014**	**30 Jun 2015**	**31 Dec 2014**
	US$m	US$m	£m	£m
Coats Plan	296	334	189	214
Brunel	81	84	52	54
Staveley	91	90	57	58
UK defined benefit schemes	**468**	**508**	**298**	**326**
Other Coats net employee benefit obligations	58	76		
Total	**526**	**584**		

Other

UK Pensions Regulator’s investigations

Coats Pension Plan
As previously announced, Coats Group received a Warning Notice (‘WN’) from the UK Pensions Regulator (‘tPR’) in relation to the Coats UK Pension Plan in December 2014. Written representations in response to the Coats WN were submitted at the end of July, within the required timeframe.

Having reviewed the WN with its legal and other advisers which include leading Pension and Public Law QCs, the Company remains of the view that, under the regulations, it is not proper for tPR to seek to use its statutory powers in relation to the Coats Plan. The Board will continue to robustly oppose tPR's view on insufficiency of resources and intends to litigate this matter as far as necessary, unless it can be resolved satisfactorily via negotiation.

Brunel and Staveley schemes
As previously reported, in December 2013 Coats Group received WNs from tPR in respect of Brunel and Staveley. The Company submitted written representations on the WNs at the end of September 2014 within the deadlines set by tPR, but has yet to receive responses from tPR.

Timing and settlement discussions
In the Coats WN, tPR has indicated that it believes that it would be appropriate for the Determinations Panel (‘DP’) to hear the Brunel and Staveley cases at the same time as the Coats case rather than considering the three schemes individually. Therefore, the timetable is likely to be driven by the status of the Coats Plan proceedings and, as a result, any hearing before the DP for all three schemes is unlikely before the second half of 2016 at the earliest.

The Board will continue to explore options to try to resolve these matters, balancing the interests of all the Company’s stakeholders.

Triennial funding valuations
The current level of deficit reduction payments for the Coats Plan of £14 million per annum that commenced in November 2013 for a period of approximately 14 years will be subject to review as part of the current triennial valuation, which has a valuation date of 1 April 2015. The Company anticipates that the Coats Plan Trustee will initiate discussions later in the calendar year.

The triennial valuation processes for both the Brunel and Staveley schemes remain ongoing and the Company remains engaged in discussions with the Trustees of both schemes with a view to reaching agreement on the valuations in due course.

Lower Passaic River
As previously reported, the US Environmental Protection Agency (‘EPA’) notified Coats and Clark Inc, a subsidiary of Coats, and many other companies, of potential responsibility for certain environmental costs for the Lower Passaic River (LPR), New Jersey, USA. In April 2014, the EPA released a Focused Feasibility Study (‘FFS’) for the lower 8 miles of the LPR with an estimated cost of its preferred remedy of approximately $1.7 billion, on a net present value basis. Coats submitted a petition in Q1 2015 to the EPA asserting that it is a de minimis party and is seeking resolution on that basis.

A Cooperating Parties Group (‘CPG’), of which Coats is among approximately 70 members, submitted a remedial investigation and feasibility study (‘RI/FS’) in H1 2015 with an estimated cost of between $518 million and $772 million, on an undiscounted basis. Consequently Coats has recorded a $6.0 million charge, net of insurance, that will cover a proportion of incurred and expected legal and remediation costs, based on the mid-point of the RI/FS range. The EPA is expected to issue its final Record of Decision (‘ROD’) by end of H2 2015. If the EPA issues its ROD in H2 2015 and adopts the FFS as its selected remedy, the provision could increase materially and will be reflected in Coats’ 2015 full year results. See note 10 for further details.

INDEPENDENT REVIEW REPORT TO COATS GROUP PLC

We have been engaged by Coats 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 2015 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 consolidated cash flow statement and related notes 1 to 20. 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, the annual financial statements of the Coats Group plc 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 2015 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
3 August 2015

Condensed consolidated financial statements

Condensed consolidated income statement
For the half year ended 30 June 2015

		Half year 2015			Half year 2014 *			Full year 2014 *
	Note	**Before exceptional items unaudited US$m**	**Exceptional items unaudited US$m**	**Total unaudited US$m**	Before exceptional items unaudited US$m	Exceptional items unaudited US$m	Total unaudited US$m	Total audited US$m
Continuing operations								
Revenue		**748.1**	**-**	**748.1**	774.9	-	774.9	1,561.4
Cost of sales		**(468.4)**	**(9.2)**	**(477.6)**	(488.0)	-	(488.0)	(993.4)
Gross profit		**279.7**	**(9.2)**	**270.5**	286.9	-	286.9	568.0
Distribution costs		**(103.5)**	**-**	**(103.5)**	(110.3)	-	(110.3)	(221.4)
Administrative expenses		**(111.9)**	**(3.3)**	**(115.2)**	(114.2)	(4.7)	(118.9)	(247.3)
Other operating income		**0.5**	**-**	**0.5**	0.6	0.8	1.4	4.1
Operating profit		**64.8**	**(12.5)**	**52.3**	63.0	(3.9)	59.1	103.4
Share of profits of joint ventures		**1.1**	**-**	**1.1**	1.5	-	1.5	1.5
Investment income	**4**	**7.9**	**-**	**7.9**	5.7	-	5.7	11.5
Finance costs	**5**	**(30.9)**	**-**	**(30.9)**	(16.5)	-	(16.5)	(19.5)
Profit before taxation	**3**	**42.9**	**(12.5)**	**30.4**	53.7	(3.9)	49.8	96.9
Taxation	**6**	**(23.1)**	**2.9**	**(20.2)**	(24.3)	-	(24.3)	(45.1)
Profit from continuing operations		**19.8**	**(9.6)**	**10.2**	29.4	(3.9)	25.5	51.8
Loss from discontinued operations	**13**	**(6.2)**	**(45.5)**	**(51.7)**	(5.9)	(0.4)	(6.3)	(27.2)
(Loss)/profit for the period		**13.6**	**(55.1)**	**(41.5)**	23.5	(4.3)	19.2	24.6
Attributable to:								
EQUITY SHAREHOLDERS OF THE COMPANY		**7.0**	**(55.1)**	**(48.1)**	17.1	(4.3)	12.8	15.0
Non-controlling interests		**6.6**	**-**	**6.6**	6.4	-	6.4	9.6
		13.6	**(55.1)**	**(41.5)**	23.5	(4.3)	19.2	24.6
Earnings per ordinary share from continuing operations: Basic and diluted (cents)	**7**			**0.25**			1.36	2.99
(Loss)/earnings per ordinary share from continuing and discontinued operations: Basic and diluted (cents)	**7**			**(3.42)**			0.91	1.06
Adjusted earnings per share (cents)	**7**			**1.82**			1.52	3.08

* Restated to reflect the change in accounting policies for presentation currency, operating profit and exceptional items and the results of EMEA Crafts business as a discontinued operation (see note 1).

Condensed consolidated statement of comprehensive income
For the half year ended 30 June 2015

	Half year 2015 unaudited US$m	Half year 2014 * unaudited US$m	Full year 2014 * audited US$m
(Loss)/profit for the period	**(41.5)**	19.2	24.6
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gains/(losses) in respect of retirement benefit schemes	**48.9**	(76.9)	(330.9)
Tax relating to items that will not be reclassified	**-**	-	(1.7)
	48.9	(76.9)	(332.6)
Items that may be reclassified subsequently to profit or loss:			
Losses on cash flow hedges arising during the period	**(0.8)**	(1.3)	(1.5)
Transferred to profit or loss on cash flow hedges	**1.6**	1.9	3.7
Exchange differences on translation of foreign operations	**(29.8)**	13.3	(44.7)
Exchange gain transferred to profit or loss on sale of investment	**(0.5)**	-	-
Transferred to profit or loss on sale of fixed asset investment	**-**	0.2	0.2
	(29.5)	14.1	(42.3)
Other comprehensive income and expense for the period	**19.4**	(62.8)	(374.9)
Net comprehensive income and expense for the period	**(22.1)**	(43.6)	(350.3)
Attributable to:			
EQUITY HOLDERS OF THE PARENT	**(28.4)**	(50.0)	(359.7)
Non-controlling interests	**6.3**	6.4	9.4
	(22.1)	(43.6)	(350.3)

* Restated to reflect the change in presentation currency (see note 1).

Condensed consolidated statement of financial position
At 30 June 2015

	Note	**30 June 2015 unaudited US$m**	30 June 2014 * unaudited US$m	31 December 2014 * audited US$m
Non-current assets				
Intangible assets		**260.4**	254.5	256.7
Property, plant and equipment		**280.0**	330.8	298.2
Investments in joint ventures		**12.9**	14.9	13.7
Available-for-sale investments		**1.4**	3.5	3.0
Deferred tax assets		**14.0**	15.2	15.3
Pension surpluses		**49.2**	43.0	51.0
Trade and other receivables		**17.2**	19.3	16.0
		635.1	681.2	653.9
Current assets				
Inventories		**230.3**	296.7	257.8
Trade and other receivables		**316.0**	362.2	304.1
Available-for-sale investments		**0.2**	0.6	0.4
Pension surpluses		**5.6**	4.7	5.6
Cash and cash equivalents	**11(f)**	**679.8**	758.5	739.0
Assets of disposal group and non-current assets classified as held for sale	**13**	**59.1**	2.0	1.5
		1,291.0	1,424.7	1,308.4
Total assets		**1,926.1**	2,105.9	1,962.3
Current liabilities				
Trade and other payables		**(322.6)**	(363.1)	(374.0)
Current income tax liabilities		**(11.9)**	(14.8)	(10.8)
Bank overdrafts and other borrowings		**(8.8)**	(80.7)	(113.5)
Retirement benefit obligations:				
- Funded schemes		**(27.8)**	(27.7)	(29.8)
- Unfunded schemes		**(7.1)**	(7.8)	(7.7)
Provisions		**(33.3)**	(34.3)	(40.8)
Liabilities of disposal group classified as held for sale	**13**	**(77.2)**	-	-
		(488.7)	(528.4)	(576.6)
Net current assets		**802.3**	896.3	731.8
Non-current liabilities				
Trade and other payables		**(11.9)**	(17.0)	(13.6)
Deferred tax liabilities		**(38.9)**	(39.0)	(39.2)
Borrowings		**(439.5)**	(398.0)	(304.6)
Retirement benefit obligations:				
- Funded schemes		**(444.9)**	(278.2)	(485.9)
- Unfunded schemes		**(100.8)**	(112.3)	(119.3)
Provisions		**(30.5)**	(25.1)	(22.5)
		(1,066.5)	(869.6)	(985.1)
Total liabilities		**(1,555.2)**	(1,398.0)	(1,561.7)
Net assets		**370.9**	707.9	400.6
Equity				
Share capital	**8**	**127.0**	127.0	127.0
Share premium account		**11.6**	11.6	11.6
Own shares	**8**	**(1.9)**	-	-
Translation reserve		**(94.6)**	(6.8)	(64.6)
Capital reduction reserve		**85.2**	85.2	85.2
Other reserves		**250.0**	247.6	249.2
Retained (loss)/earnings		**(28.5)**	220.1	(32.1)
EQUITY SHAREHOLDERS' FUNDS		**348.8**	684.7	376.3
Non-controlling interests		**22.1**	23.2	24.3
Total equity		**370.9**	707.9	400.6

* Restated to reflect the change in presentation currency (see note 1).

Condensed consolidated statement of changes in equity
For the half year ended 30 June 2015

	Share capital US$m	Share premium account US$m	Own shares US$m	Translation reserve US$m	Capital reduction reserve US$m	Other reserves US$m	Retained (loss)/ earnings US$m	Total US$m	Non-controlling interests US$m
Balance as at 1 January 2014 *	127.0	11.4	-	(20.1)	85.2	246.8	284.2	734.5	21.6
Net comprehensive income and expense for the period	-	-	-	13.3	-	0.8	(64.1)	(50.0)	6.4
Dividends	-	-	-	-	-	-	-	-	(4.8)
Share issues	-	0.2	-	-	-	-	-	0.2	-
Balance as at 30 June 2014	127.0	11.6	-	(6.8)	85.2	247.6	220.1	684.7	23.2
Balance as at 1 January 2014 *	127.0	11.4	-	(20.1)	85.2	246.8	284.2	734.5	21.6
Net comprehensive income and expense for the year	-	-	-	(44.5)	-	2.4	(317.6)	(359.7)	9.4
Dividends	-	-	-	-	-	-	-	-	(6.7)
Share issues	-	0.2	-	-	-	-	-	0.2	-
Share based payments	-	-	-	-	-	-	1.3	1.3	-
Balance as at 31 December 2014	**127.0**	**11.6**	**-**	**(64.6)**	**85.2**	**249.2**	**(32.1)**	**376.3**	**24.3**
Net comprehensive income and expense for the period	**-**	**-**	**-**	**(30.0)**	**-**	**0.8**	**0.8**	**(28.4)**	**6.3**
Dividends	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(8.5)**
Purchase of own shares	**-**	**-**	**(1.9)**	**-**	**-**	**-**	**-**	**(1.9)**	**-**
Share based payments	**-**	**-**	**-**	**-**	**-**	**-**	**2.8**	**2.8**	**-**
Balance as at 30 June 2015	**127.0**	**11.6**	**(1.9)**	**(94.6)**	**85.2**	**250.0**	**(28.5)**	**348.8**	**22.1**

* Restated to reflect the change in presentation currency (see note 1).

Condensed consolidated cash flow statement
For the half year ended 30 June 2015

	Note	Half year 2015 unaudited US$m	Half year 2014 * unaudited US$m	Full year 2014 * audited US$m
Cash (outflow)/inflow from operating activities				
Net cash (outflow)/inflow from operations	**11 (a)**	**(6.2)**	12.3	158.4
Interest paid	**11 (b)**	**(8.8)**	(12.3)	(21.8)
Taxation paid	**11 (c)**	**(24.8)**	(31.2)	(55.7)
Net cash (absorbed in)/generated by operating activities		**(39.8)**	(31.2)	80.9
Cash (outflow)/inflow from investing activities				
Investment income	**11 (d)**	**8.5**	5.0	9.8
Net capital expenditure and financial investment	**11 (e)**	**(17.5)**	(13.4)	(37.7)
Acquisition of business	**12**	**(5.5)**	-	-
Net cash absorbed in investing activities		**(14.5)**	(8.4)	(27.9)
Cash inflow/(outflow) from financing activities				
Proceeds on issue of shares		**-**	0.2	0.2
Purchase of own shares		**(1.9)**	-	-
Dividends paid to non-controlling interests		**(8.5)**	(4.8)	(6.7)
Net increase/(decrease) in debt and finance leasing		**55.3**	29.6	(44.0)
Net cash generated by/(absorbed in) financing activities		**44.9**	25.0	(50.5)
Net (decrease)/increase in cash and cash equivalents		**(9.4)**	(14.6)	2.5
Net cash and cash equivalents at beginning of the period		**710.4**	740.7	740.7
Foreign exchange (losses)/gains on cash and cash equivalents		**(22.0)**	21.7	(32.8)
Net cash and cash equivalents at end of the period	**11 (f)**	**679.0**	747.8	710.4
Reconciliation of net cash flow to movement in net cash				
Net (decrease)/increase in cash and cash equivalents		**(9.4)**	(14.6)	2.5
Net (increase)/decrease in debt and lease financing		**(55.3)**	(29.6)	44.0
Change in net debt resulting from cash flows (Free cash flow)		**(64.7)**	(44.2)	46.5
Other non-cash movements		**(2.2)**	(1.1)	(2.3)
Foreign exchange (losses)/gains		**(19.7)**	20.5	(27.9)
(Decrease)/increase in net cash		**(86.6)**	(24.8)	16.3
Net cash at start of period		**320.9**	304.6	304.6
Net cash at end of period	**11 (f)**	**234.3**	279.8	320.9

* Restated to reflect the change in presentation currency and operating profit accounting policy (see note 1).

Notes to the condensed consolidated financial statements
For the half year ended 30 June 2015

1. Basis of preparation and changes to the Group's accounting policies

Basis of preparation

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 condensed consolidated financial statements for the six months ended 30 June 2015 have been reviewed but have not been audited. The condensed consolidated financial statements for the equivalent period in 2014 were also reviewed but not audited.

The information for the year ended 31 December 2014 does not constitute statutory accounts (as defined in section 434 of the Companies Act 2006). The financial information for the year ended 31 December 2014 is derived from the statutory accounts for that year, which have been filed with the Registrar of Companies. The audit report on those accounts was not qualified, did not draw attention to any matters by way of emphasis and did not contain statements under Sections 498(2) or 498(3) of the Companies Act 2006.

New standards, interpretation and amendments adopted by the Group

Except as set out below 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.

Changes in the Group's accounting policies

Following the change in the name of the Company to Coats Group plc a number of the Group's accounting policies have been changed to reflect those of a global manufacturing business:

- presentation currency changed from Great Britain pounds sterling ('Sterling') to United States Dollars ('USD');
- operating profit accounting policy changed to exclude interest income and foreign exchange gains and losses on cash and cash equivalents used in investing activities;
- exceptional items accounting policy adopted; and
- operating segments changed to Industrial and Crafts.

In addition to the above changes, the EMEA Crafts business has been classified as held for sale at 30 June 2015 and its results presented as a discontinued operation. Accordingly, prior period amounts in the condensed consolidated income statement have been reclassified to discontinued operations.

Presentation currency

The financial statements of Coats Group plc have previously been presented in Sterling. Following the change in the name of the Company to Coats Group plc the currency in which the Group presents its financial results has been changed from Sterling to USD. This reflects the change in focus of the Group to a global manufacturing business. Accordingly, the Board determined that, with effect from 1 January 2015, Coats Group plc will present its results in USD. The Board believes that this change will help to provide a clearer understanding of the Group's financial performance by more closely reflecting the profile of its operations.

1. Basis of preparation and changes to the Group's accounting policies (continued)

In order to satisfy the requirements of IAS 21 with respect to a change in presentation currency, the financial information previously reported has been restated from Sterling into USD using the procedures outlined below:

- assets and liabilities were translated into USD at the relevant closing rates of exchange;
- income and expenses were translated into USD at the average exchange rate for the relevant period;
- differences arising from the retranslation of the opening net assets and the income and expenses for the period have been taken to the translation reserve; and
- the cumulative foreign currency translation reserve was set to nil at 1 January 2004, the date of transition to IFRS. All subsequent movements comprising differences on the retranslation of the opening net assets of non-USD subsidiaries have been taken to the translation reserve. Share capital, share premium and other reserves were translated at the historic rates prevailing at the dates of transactions.

The change in presentation currency represents a change in accounting policy which is accounted for retrospectively. Comparative periods have been restated from Sterling into USD using the following exchange rates:

	June 2014	December 2014
Average	0.60	0.61
Period end	0.58	0.64

Operating profit

The Group has adopted a new policy for operating profit following the change in focus of the Group to a global manufacturing business. The new policy is as follows:

Operating profit is stated before the share of results of joint ventures, investment and interest income, finance costs and foreign exchange gains and losses from cash and cash equivalents used in investing activities.

The new policy has been applied retrospectively with restatement of comparative numbers in the condensed consolidated income statement. The impact of the change in the policy is as follows:

- Interest and other income - Parent Group (30 June 2014: $4.5 million, 31 December 2014: $9.2 million) is now classified below operating profit as part of investment income;

- Foreign exchange gains and losses on cash and cash equivalents used in investing activities (30 June 2014: $1.6 million gain, 31 December 2014: $18.9 million gain) are now reported as part of finance costs rather than administrative expenses; and

- Profit on sale of property (30 June 2014: $0.8 million, 31 December 2014: $3.1 million) is now reported as part of other operating income rather than administrative expenses.

1. Basis of preparation and changes to the Group's accounting policies (continued)

The financial impact on prior periods is as follows:

	Half year 2014 unaudited US$m	Full year 2014 audited US$m
Condensed consolidated income statement:		
Interest and other income – Parent Group	(4.5)	(9.2)
Administrative expenses	(2.4)	(22.0)
Other operating income	0.8	3.1
Operating profit	(6.1)	(28.1)
Investment income	4.5	9.2
Finance costs	1.6	18.9
Condensed consolidated cash flow statement:		
Net cash (absorbed in)/generated by operating activities	(3.5)	(8.6)
Net cash absorbed in investing activities	3.5	8.6

There was no impact on profit before taxation from continuing operations or equity shareholders' funds.

Exceptional items

The consolidated income statement format has been changed to include results both before and after exceptional items. The Group's accounting policy for exceptional items is as follows:

The Group has adopted an income statement format which seeks to highlight significant non-recurring items within the Group results for the year. Such items may include significant restructuring associated with a business or property disposal, litigation costs and settlements, profit or loss on disposal of property, plant and equipment, acquisition related costs, gains or losses arising from de-risking of defined benefit pension obligations, regulatory investigation costs, adjustments to deferred and contingent consideration and impairment of assets.

Judgement is used by the Group in assessing the particular items, which by virtue of their scale and nature, should be presented in the income statement and disclosed in the related notes as exceptional items. In determining whether an event or transaction is exceptional, quantitative as well as qualitative factors such as frequency or predictability of occurrence are considered. This is consistent with the way financial performance is measured by management and reported to the Board.

The new policy has been applied retrospectively with restatement of comparative numbers in the condensed consolidated income statement. The exceptional items for prior periods are set out in note 3.

Operating segments

Following the change in focus of the Coats Group plc Board to that of leading a global manufacturing business the format of the segmental reporting has changed to reflect the information viewed by the Board to allocate resources. As such the Group's reportable segments under IFRS 8 are now Industrial and Crafts. The results of the operating segments are set out in note 2; the change has been applied retrospectively with comparative information restated on a consistent basis.

1. Basis of preparation and changes to the Group's accounting policies (continued)

Discontinued operations and disposal group held for sale

Following the announcement in February 2015 of the agreement to sell the EMEA Crafts business to the Aurelius Group the results of the business, including prior period amounts, have been classified as discontinued operations in the condensed consolidated income statement. The assets and liabilities of EMEA Crafts are classified as a disposal group held for sale at 30 June 2015. Note 13 provides further details on the results of EMEA Crafts and the assets and liabilities held for sale.

Going concern

At 30 June 2015 the Group had cash totalling $680 million (30 June 2014: $759 million; 31 December 2014: $739 million). The 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 note 11(f).

Giving due consideration to the nature of the Group's business and taking account of the following matters: the financing facilities available to the Group; the Group's foreign currency exposures; the potential requirement to provide financial support to the Group's UK pension schemes; 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.

Principal exchange rates

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

		June 2015	June 2014	December 2014
Average	Sterling	**0.66**	0.60	0.61
	Euro	**0.90**	0.73	0.75
	Brazilian Real	**2.97**	2.29	2.35
	Indian Rupee	**62.80**	60.77	61.01
Period end	Sterling	**0.64**	0.58	0.64
	Euro	**0.90**	0.73	0.83
	Brazilian Real	**3.10**	2.21	2.66
	Indian Rupee	**63.59**	60.18	63.03

2. Operating segments

The Group has two reportable segments: Industrial and Crafts. Both segments includes businesses with similar operating and market characteristics. These segments are consistent with the internal reporting as reviewed by the Coats Group plc Board (the 'Chief Operating Decision Maker').

The reportable segments have changed in the period and therefore comparative results have been restated on the same basis. The previous operating segments of Coats Group plc were thread manufacturing and investment activities.

Notes to the condensed consolidated financial statements
For the half year ended 30 June 2015

2. Operating segments

Segment revenue and results

Six months ended 30 June 2015:

	Industrial US$m	Crafts US$m	Total US$m
Revenue	**615.0**	**133.1**	**748.1**
Segment profit	**66.3**	**2.8**	**69.1**
UK pension scheme administrative expenses			**(4.3)**
Pre-exceptional operating profit			**64.8**
Exceptional items			**(12.5)**
Operating profit			**52.3**
Share of profit of joint ventures			**1.1**
Investment income			**7.9**
Finance costs			**(30.9)**
Profit before taxation from continuing operations			**30.4**

Six months ended 30 June 2014:

	Industrial US$m	Crafts US$m	Total US$m
Revenue	622.3	152.6	774.9
Segment profit	60.7	6.8	67.5
UK pension scheme administrative expenses			(4.5)
Pre-exceptional operating profit			63.0
Exceptional items			(3.9)
Operating profit			59.1
Share of profit of joint ventures			1.5
Investment income			5.7
Finance costs			(16.5)
Profit before taxation from continuing operations			49.8

2. Operating segments (continued)

Year ended 31 December 2014:

	Industrial US$m	Crafts US$m	Total US$m
Revenue	1,243.1	318.3	1,561.4
Segment profit	117.9	13.8	131.7
UK pension scheme administrative expenses			(8.3)
Pre-exceptional operating profit			123.4
Exceptional items			(20.0)
Operating profit			103.4
Share of profit of joint ventures			1.5
Investment income			11.5
Finance costs			(19.5)
Profit before taxation from continuing operations			96.9

3. Profit before taxation is stated after charging/(crediting):

	Half year 2015 unaudited US$m	Half year 2014 unaudited US$m	Full year 2014 audited US$m
Exceptional items:			
Cost of sales:			
US environmental costs (note 10)	**6.5**	-	-
Reorganisation costs	**2.7**	-	-
	9.2	-	-
Administrative expenses:			
Capital incentive plan charge	**0.7**	3.1	4.2
UK Pensions Regulator ('tPR') investigation costs	**-**	1.6	18.9
Reorganisation costs	**2.6**	-	-
	3.3	4.7	23.1
Other operating income:			
Profit on the sale of property	**-**	(0.8)	(3.1)
	-	(0.8)	(3.1)
Total	**12.5**	3.9	20.0

Reorganisation costs for the six months ended 30 June 2015 of $2.7 million included in cost of sales relates to the consolidation of Coats' Mexican operations from three sites to two.

With the announced sale of EMEA Crafts, the Group commenced a review of elements of its cost base, including costs previously allocated to that business. The review identified savings within specific continuing support services resulting in reorganisation costs of $2.6 million for the six months ended 30 June 2015 which are included in administrative expenses.

4. Investment income

	Half year 2015 unaudited	Half year 2014 * unaudited	Full year 2014 * audited
	US$m	US$m	US$m
Interest receivable on Parent Group cash **	**3.0**	4.5	9.2
Other interest receivable and similar income	**4.5**	0.9	1.6
Income from other investments	**0.4**	0.3	0.7
	7.9	5.7	11.5

* Restated to reflect the change in the operating profit accounting policy (see note 1).

** Cash relating to the realisation of investments previously held by Coats Group plc.

5. Finance costs

	Half year 2015 unaudited	Half year 2014 * unaudited	Full year 2014 * audited
	US$m	US$m	US$m
Interest on bank and other borrowings	**9.5**	11.4	20.2
Net interest on pension scheme assets and liabilities	**8.6**	5.7	11.3
Other	**12.8**	(0.6)	(12.0)
	30.9	16.5	19.5

Other includes foreign exchange losses arising on cash relating to the realisation of investments previously held by Coats Group plc of $12.3 million (31 December 2014: $18.9 million gains; 30 June 2014: $1.6 million gains).

* Restated to reflect the change in the operating profit accounting policy (see note 1).

6. Taxation

The taxation charges for the six months ended 30 June 2015 and 30 June 2014 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 2015 the tax credit in respect of exceptional items was $2.9 million (2014: $nil). For the year ended 31 December 2014 the tax charge in respect of exceptional items was $0.1 million.

7. Earnings per share

The calculation of basic earnings per Ordinary Share from continuing operations is based on the profit from continuing operations attributable to equity shareholders of the parent and the weighted average number of Ordinary Shares in issue during the six months ended 30 June 2015 excluding shares held by the Employee Benefit Trust of 1,406,285,528 (six months ended 30 June 2014: 1,407,247,385; year ended 31 December 2014: 1,407,431,333).

The calculation of basic (loss)/earnings per Ordinary Share from continuing and discontinued operations is based on the (loss)/profit attributable to equity shareholders of the parent. The weighted average number of Ordinary Shares used for the calculation of basic (loss)/earnings per Ordinary Share from continuing and discontinued operations is the same as that used for basic earnings per Ordinary Share from continuing operations.

7. Earnings per share (continued)

The calculation of adjusted earnings per Ordinary Share is based on the profit from continuing operations attributable to equity shareholders before exceptional items and foreign exchange gains and losses arising on cash relating to the realisation of investments previously held by Coats Group plc as set out below:

	Half year 2015 unaudited US$m	Half year 2014 unaudited US$m	Full year 2014 audited US$m
Profit from continuing operations	**10.2**	25.5	51.8
Non-controlling interests	**(6.6)**	(6.4)	(9.6)
Profit from continuing operations attributable to equity shareholders	**3.6**	19.1	42.2
Exceptional items (note 3)	**12.5**	3.9	20.0
Foreign exchange losses/(gains) on Parent group cash *	**12.3**	(1.6)	(18.9)
Tax (credit)/charge in respect of exceptional items	**(2.9)**	-	0.1
	25.5	21.4	43.4

* Cash relating to the realisation of investments previously held by Coats Group plc.

The weighted average number of Ordinary Shares used for the calculation of adjusted earnings per Ordinary Share is the same as that used for basic earnings per Ordinary Share from continuing operations.

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 based awards granted to employees.

8. Issued share capital

There were no changes in issued share capital during the six months ended 30 June 2015.

	Number of Shares	**US$m**
At 1 January 2015 and at 30 June 2015	**1,407,612,282**	**127.0**

The own shares reserve of $1.9 million at 30 June 2015 (31 December 2014: $nil; 30 June 2014: $nil) represents the cost of shares in Coats Group plc purchased in the market and held by an Employee Benefit Trust to satisfy awards under the Group's share based incentive plans. The number of shares held by the Employee Benefit Trust at 30 June 2015 was 4,671,378 (31 December 2014: nil; 30 June 2014: nil).

9. Dividends

No dividend was paid during the period or approved in respect of the period (31 December 2014: $nil; 30 June 2014: $nil).

10. Contingent liabilities

As noted in previous reports, the US Environmental Protection Agency (‘EPA’) has notified Coats & Clark, Inc. (‘CC’) that CC is a ‘potentially responsible party’ (‘PRP’) under the US Superfund law for investigation and remediation costs at the 17-mile Lower Passaic River Study Area (‘LPR’) in New Jersey in respect of operations of an alleged predecessor’s former facilities in that area prior to 1950. Approximately 60 PRPs are currently members of a cooperating parties group (‘CPG’) of companies, formed to fund and conduct a remedial investigation and feasibility study of the area. CC joined the CPG in 2011.

10. Contingent liabilities (continued)

CC believes that there are many parties that will participate in the LPR's remediation that are not currently funding the study of the river, including those that are the most responsible for its contamination.

In April 2014, the EPA released a Focused Feasibility Study and Proposed Plan ('FFS') for the lower 8 miles of the LPR. The FFS analyses a series of remedial alternatives. The EPA has estimated the cost of its preferred remedy under the FFS at approximately $1.7 billion on a net present value basis. The CPG submitted extensive comments opposing the FFS during the comment period. The EPA is required to review and respond to all substantive comments submitted by both the CPG and other parties. The EPA is expected to issue a Record of Decision selecting a remedy for the lower 8 miles of the LPR pursuant to the FFS late in H2 2015.

In March 2015, CC and other companies submitted a petition to EPA, asserting that they are de minimis parties and seeking a meeting to commence settlement discussions. In response, EPA stated that it views the issuance of a Record of Decision for the FFS as the appropriate time for de minimis discussions.

In February and April 2015, respectively, the CPG delivered a draft remedial investigation and a draft feasibility study to the EPA relating to the entire 17 miles of the LPR. The draft feasibility study sets out various alternatives for remediating the LPR with a targeted remedy which would involve removal, treatment and disposal of contaminated sediments from specific locations within the entire 17 miles of the river. The estimated cost for the targeted remedy ranges from approximately $518 million to $772 million on an undiscounted basis.

The EPA will consider and respond to the comments received on its FFS prior to issuing a Record of Decision for the lower 8 miles of the river. Once the EPA has issued a Record of Decision, EPA is expected to begin negotiations with PRPs to implement the selected remedy. In addition to addressing CC's de minimis petition, these negotiations are likely to involve parties that are not currently in the CPG, including those most responsible for the contamination, as well as other PRPs who have previously been identified by EPA and others. While the ultimate costs of the remedial design and the final remedy are expected to be shared among hundreds of parties, the allocation of such costs among these parties is not yet known.

As noted in previous reports, Coats had identified a number of insurance policies that could cover some of the legal and other costs previously incurred and to be incurred in respect of this matter. During the period, CC negotiated a settlement agreement with one insurer under which a proportion of previously incurred and to be incurred legal defence and remediation costs will be reimbursed up to a capped amount.

Based on the mid-point of the range of the current estimates of costs for targeted remediation under the remedial investigation and feasibility study proposed by the CPG, and CC's estimate of its share of those costs, a provision of $2.2 million has been recorded at 30 June 2015. A separate provision of $6.8 million has been recorded for associated legal and professional costs in defence of CC's position. Both of these amounts are net of insurance reimbursements and are stated on a net present value basis. Given the scale and nature of this matter, these items, along with insurance coverage for previously incurred and to be incurred legal defence and remediation costs, have been disclosed as exceptional in the Income Statement. As noted, the process concerning the LPR continues to evolve and these estimates are subject to change based upon the scope of the remedy selected by EPA, the share of remedial costs to be paid by the major polluters on the river, and the share of remaining remedial costs apportioned among CC and other companies.

Coats believes that CC's predecessors did not generate any of the contaminants which are driving the current and anticipated remedial actions in the LPR, that it has valid legal defences which are based on its own analysis of the relevant facts, that it is a de minimis party, and that additional parties not currently in the CPG will be responsible for a significant share of the ultimate costs of remediation. However, in the event EPA issues its Record of Decision in H2 and adopts the FFS as its selected remedy, CC could record additional provisions and such provisions could increase materially.

Notes to the condensed consolidated financial statements
For the half year ended 30 June 2015

11. Notes to the condensed consolidated cash flow statement

a) Reconciliation of operating profit to net cash (outflow)/inflow from operations

	Half year 2015 unaudited US$m	Half year 2014 unaudited US$m	Full year 2014 audited US$m
Operating profit	**52.3**	59.1	103.4
Depreciation	**18.0**	20.2	40.7
Amortisation of intangible assets	**3.9**	2.1	5.9
Reorganisation costs (see note 3)	**5.3**	-	-
Exceptional profit on sale of property (see note 3)	**-**	(0.8)	(3.1)
Other operating exceptional items (see note 3)	**7.2**	4.7	23.1
Pre-exceptional operating profit before depreciation and amortisation (EBITDA)	**86.7**	85.3	170.0
(Increase)/decrease in inventories	**(11.9)**	(9.2)	6.0
(Increase)/decrease in debtors	**(41.0)**	(21.4)	11.3
(Decrease)/increase in creditors	**(8.8)**	(13.2)	10.2
Provision movements	**(19.7)**	(24.8)	(40.5)
Currency and other non-cash movements	**(1.2)**	4.2	5.6
Discontinued operations	**(10.3)**	(8.6)	(4.2)
Net cash (outflow)/inflow from operations	**(6.2)**	12.3	158.4

b) Interest paid

	Half year 2015 unaudited US$m	Half year 2014 unaudited US$m	Full year 2014 audited US$m
Interest paid	**(8.8)**	(12.2)	(21.6)
Discontinued operations	**-**	(0.1)	(0.2)
	(8.8)	(12.3)	(21.8)

c) Taxation paid

	Half year 2015 unaudited US$m	Half year 2014 unaudited US$m	Full year 2014 audited US$m
Overseas tax paid	**(25.0)**	(31.0)	(55.1)
Discontinued operations	**0.2**	(0.2)	(0.6)
	(24.8)	(31.2)	(55.7)

11. Notes to the condensed consolidated cash flow statement (continued)

d) Investment income

	Half year 2015 unaudited US$m	Half year 2014 unaudited US$m	Full year 2014 audited US$m
Interest and other income	**6.7**	4.7	8.2
Dividends received from joint ventures	**1.8**	0.3	1.5
Discontinued operations	**-**	-	0.1
	8.5	5.0	9.8

e) Capital expenditure and financial investment

	Half year 2015 unaudited US$m	Half year 2014 unaudited US$m	Full year 2014 audited US$m
Acquisition of property, plant and equipment and intangible assets	**(18.1)**	(14.7)	(46.0)
Disposal of available-for-sale investments	**0.3**	-	0.4
Disposal of property, plant and equipment	**0.7**	2.3	5.2
Discontinued operations	**(0.4)**	(1.0)	2.7
	(17.5)	(13.4)	(37.7)

f) Summary of net cash

	30 June 2015 unaudited US$m	30 June 2014 unaudited US$m	31 December 2014 audited US$m
Parent group cash and cash equivalents *	**552.4**	643.4	583.5
Other group cash and cash equivalents	**127.4**	115.1	155.5
Total cash and cash equivalents	**679.8**	758.5	739.0
Bank overdrafts	**(3.6)**	(10.7)	(28.6)
Net cash and cash equivalents	**676.2**	747.8	710.4
Other borrowings	**(444.7)**	(468.0)	(389.5)
Total net cash (excluding net cash and cash equivalents held for sale)	**231.5**	279.8	320.9
Net cash and cash equivalents held for sale (note 13)	**2.8**	-	-
Total net cash	**234.3**	279.8	320.9

Total net cash and cash equivalents including net cash and cash equivalents held for sale was $679.0 million at 30 June 2015 (31 December 2014: $747.8 million; 30 June 2014: $710.4 million)

* Cash relating to the realisation of investments previously held by Coats Group plc.

11. Notes to the condensed consolidated cash flow statement (continued)

g) Adjusted free cash flow

Adjusted free cash flow is a non-Generally Accepted Accounting Practice ("non-GAAP") financial measure used by the Group to assess underlying performance. A reconciliation of the change in net cash resulting from cash flows (free cash flow), the most comparable GAAP measure, to adjusted free cash flow is set out below:

	Half year 2015 unaudited US$m	Half year 2014 unaudited US$m	Full year 2014 audited US$m
Change in net cash resulting from cash flows (free cash flow)	**(64.7)**	(44.2)	46.5
Acquisition of business (note 12)	**5.5**	-	-
Net cash flows from discontinued operations (note 13)	**10.5**	9.9	2.2
Net cash outflow in respect of reorganisation costs	**3.0**	2.1	2.4
Net cash inflow from property disposals	**-**	(1.7)	(4.0)
UK Pensions Regulator ('tPR') investigation costs	**6.3**	6.8	12.2
Net cash flows in respect of other exceptional items	**2.9**	-	-
Tax outflow in respect of adjusted cash flow items	**-**	2.7	2.7
Adjusted free cash flow	**(36.5)**	(24.4)	62.0

12. Acquisition of GSD Holdings Ltd

In May 2015 the Group acquired 100% of the voting equity of GSD Holdings Ltd ('GSD'), a company based in the United Kingdom that specialises in management solutions that analyse time, cost and production capability in the sewn products sector with the focus on maximising productivity and controlling costs. The Group has acquired GSD in order to expand the offerings of Coats Global Services, helping customers realise productivity and supply chain improvements, develop technical skills and enhance corporate responsibility. The acquisition has been accounted for using the acquisition method. The condensed consolidated financial statements include the results of GSD for the period from the acquisition date.

The consideration transferred net of cash and cash equivalents acquired was $5.5 million.

12. Acquisition of GSD Holdings Ltd (continued)

The fair values of the identifiable assets and liabilities of GSD as at the date of acquisition were as follows:

	Provisional fair value recognised on acquisition US$m
Assets	
Intangible assets	2.5
Trade receivables	0.2
Cash and cash equivalents	1.7
	4.4
Liabilities	
Trade and other payables	(0.6)
Total identifiable net assets acquired at fair value	3.8
Goodwill recognised on acquisition (provisional)	3.4
Purchase consideration transferred	7.2

In the provisional accounting, adjustments are made to the book values of the net assets of the companies acquired to reflect their provisional fair values to the Group. Previously unrecognised assets and liabilities at acquisition are included and accounting policies are aligned with those of the Group where appropriate. Due to their contractual dates, the fair value of receivables acquired (shown above) approximate to the gross contractual amounts receivable. The amount of gross contractual receivables not expected to be recovered is immaterial. There are no material contingent liabilities recognised in accordance with paragraph 23 of IFRS 3 (revised).

The excess of the fair value of the consideration paid over the fair value of the assets acquired is represented by customer related intangibles of $1.0 million, brands and trade names of $1.1 million and technology related intangibles of $0.4 million; with residual goodwill arising of $3.4 million. The goodwill represents:

- the technical expertise of the acquired workforce;
- the opportunity to leverage this expertise across the Coats Global Services business; and
- the ability to exploit the Group's existing customer base.

None of the goodwill arising on the acquisition is expected to be deductible for tax purposes.

From the date of acquisition, GSD has contributed $0.5 million of revenues and $0.2 million to the profit before tax from the continuing operations of the Group. If the acquisition had taken place at the beginning of the year, revenue from continuing operations would have been $1.3 million and the profit from continuing operations for the period would have been $0.5 million.

Transaction costs of $0.2 million have been expensed and are included in administrative expenses in the condensed consolidated income statement and are part of operating cash flows in the condensed consolidated cash flow statement.

13. Sale of EMEA Crafts

As previously announced, in February 2015, Coats agreed to sell its EMEA Crafts business to the Aurelius Group for a consideration of $10 million receivable in cash on completion and adjusted for the net cash in the EMEA Crafts business at the date of disposal.

On 28 July 2015, Coats announced that the finalisation of the sale had been a complex, multi-jurisdictional, transaction and that completion had taken place against a backdrop of increasingly poor market conditions which had affected the trading performance of EMEA Crafts. Accordingly, Coats agreed to a nominal final consideration payable to Coats and adjusted for the net cash in the EMEA Crafts business at the date of disposal, broadly in line with the original terms of the sale.

The assets and liabilities at 30 June 2015 of the EMEA Crafts business have been reclassified as a disposal group held for sale and the results have been reclassified as discontinued operations in the income statement, including prior period amounts. The sale was completed on 31 July 2015, the date which control passed to the acquirer.

a) Discontinued operations

The results of the discontinued operations are presented below. All amounts relate to EMEA Crafts other than where stated.

	Half year 2015 unaudited US$m	Half year 2014 unaudited US$m	Full year 2014 audited US$m
Revenue	**42.1**	62.2	124.5
Cost of sales	**(20.2)**	(30.8)	(74.8)
Gross profit	**21.9**	31.4	49.7
Distribution costs	**(22.3)**	(31.6)	(62.4)
Administrative expenses	**(5.7)**	(5.6)	(13.4)
Operating loss	**(6.1)**	(5.8)	(26.1)
Investment income	**-**	0.1	0.1
Finance costs	**(0.1)**	(0.2)	(0.5)
Loss before taxation	**(6.2)**	(5.9)	(26.5)
Tax on loss	**-**	-	(0.3)
Loss for the period	**(6.2)**	(5.9)	(26.8)
Loss arising on measurement to fair value less cost to sell	**(46.0)**	-	-
Loss relating to sale of legacy investments	**-**	(0.4)	(0.4)
Exchange gain transferred to profit or loss on sale of legacy investment	**0.5**	-	-
Total loss from discontinued operations	**(51.7)**	(6.3)	(27.2)

The EMEA Crafts results for the year to 31 December 2014 includes exceptional impairment of property, plant and equipment and intangible assets of $18.8 million (30 June 2014: $nil) of which $11.8 million is included in cost of sales, $5.3 million is included in distribution costs and $1.7 million is included in administrative expenses.

13. Sale of EMEA Crafts (continued)

The loss per ordinary share from discontinued operations is as follows:

	Half year 2015 unaudited Cents	Half year 2014 unaudited Cents	Full year 2014 audited Cents
Loss per ordinary share from discontinued operations:			
Basic and diluted	**(3.68)**	(0.45)	(1.93)

The cumulative foreign exchange losses relating to the EMEA Crafts business recognised in other comprehensive income at 30 June 2015 are $7.3 million which will be recycled upon disposal and charged to the income statement in the second half of 2015.

The table below sets out the cash flows from discontinued operations:

	Half year 2015 unaudited US$m	Half year 2014 unaudited US$m	Full year 2014 audited US$m
Net cash outflow from operating activities	**(10.1)**	(8.9)	(5.0)
Net cash (outflow)/inflow from investing activities	**(0.4)**	(1.0)	2.8
Net cash flows from discontinued operations	**(10.5)**	(9.9)	(2.2)

b) Assets held for sale

The assets and liabilities of EMEA Crafts have been classified as a disposal group held for sale. The assets and liabilities classified as held for sale consist of the following:

	30 June 2015 unaudited US$m	30 June 2014 unaudited US$m	31 December 2014 audited US$m
Assets of the disposal group classified as held for sale	**58.5**	-	-
Non-current assets classified as held for sale	**0.6**	2.0	1.5
Total assets of the disposal group and non-current assets classified as held for sale	**59.1**	2.0	1.5
Liabilities of the disposal group classified as held for sale	**(77.2)**	-	-
Total net assets classified as held for sale	**(18.1)**	2.0	1.5

All assets and liabilities of the disposal group classified as held for sale relate to EMEA Crafts. The non-current assets held for sale include property, plant and equipment of $0.6 million (30 June 2014: $1.1 million, 31 December 2014: $0.8 million) and available for sale investments $nil (30 June 2014: $0.9 million, 31 December 2014: $0.7 million) that do not relate to EMEA Crafts.

13. Sale of EMEA Crafts (continued)

The major classes of assets and liabilities held for sale relating to EMEA Crafts at 30 June 2015 are as follows:

	30 June 2015
	US$m
Property, plant and equipment	0.3
Available-for-sale investments	1.5
Deferred tax assets	1.3
Inventories	26.7
Trade and other receivables	22.6
Cash and cash equivalents	6.1
Total assets of the disposal group classified as held for sale	**58.5**
Trade and other payables	(15.7)
Current tax liabilities	(0.1)
Bank overdrafts and other borrowings	(3.3)
Provisions	(3.5)
Retirement benefit obligations	(8.6)
Adjustment to fair value less cost to sell	(46.0)
Total liabilities of the disposal group classified as held for sale	**(77.2)**

As at the date of reclassification to held for sale, the fair value less cost to sell was less than the carrying amount of the disposal group. Therefore, an additional liability has been recognised on the date of reclassification to held for sale to reflect the expected net proceeds receivable, less cost to sell.

14. Fair value of assets and liabilities

As at 30 June 2015 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.

The following tables provide an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not observable market data (unobservable inputs).

Notes to the condensed consolidated financial statements
For the half year ended 30 June 2015

14. Fair value of assets and liabilities

Financial assets measured at fair value

30 June 2015	Total US$m	Level 1 US$m	Level 2 US$m	Level 3 US$m
Financial assets measured at fair value through the income statement:				
Trading derivatives	**4.5**	-	4.5	-
Financial assets measured at fair value through the statement of comprehensive income:				
Equity investments	**1.7**	-	-	1.7
Bonds	**1.4**	1.4	-	-
Derivatives designated as effective hedging instruments	**0.3**	-	0.3	-
Total	**7.9**	1.4	4.8	1.7

30 June 2014	Total US$m	Level 1 US$m	Level 2 US$m	Level 3 US$m
Financial assets measured at fair value through the income statement:				
Trading derivatives	**5.0**	-	5.0	-
Financial assets measured at fair value through the statement of comprehensive income:				
Equity investments	**2.4**	0.1	-	2.3
Bonds	**1.7**	1.7	-	-
Derivatives designated as effective hedging instruments	**0.4**	-	0.4	-
Total	**9.5**	1.8	5.4	2.3

31 December 2014	Total US$m	Level 1 US$m	Level 2 US$m	Level 3 US$m
Financial assets measured at fair value through the income statement:				
Trading derivatives	**4.0**	-	4.0	-
Financial assets measured at fair value through the statement of comprehensive income:				
Equity investments	**1.9**	-	-	1.9
Bonds	**1.5**	1.5	-	-
Derivatives designated as effective hedging instruments	**0.6**	-	0.6	-
Total	**8.0**	1.5	4.6	1.9

14. Fair value of assets and liabilities

Financial liabilities measured at fair value

30 June 2015	Total US$m	Level 1 US$m	Level 2 US$m	Level 3 US$m
Financial liabilities measured at fair value through the income statement:				
Trading derivatives	**(2.7)**	-	(2.7)	-
Financial liabilities measured at fair value through the statement of comprehensive income:				
Derivatives designated as effective hedging instruments	**(0.8)**	-	(0.8)	-
Total	**(3.5)**	-	(3.5)	-

30 June 2014	Total US$m	Level 1 US$m	Level 2 US$m	Level 3 US$m
Financial liabilities measured at fair value through the income statement:				
Trading derivatives	**(2.9)**	(0.8)	(2.1)	-
Financial liabilities measured at fair value through the statement of comprehensive income:				
Derivatives designated as effective hedging instruments	**(3.4)**	-	(3.4)	-
Total	**(6.3)**	(0.8)	(5.5)	-

31 December 2014	Total US$m	Level 1 US$m	Level 2 US$m	Level 3 US$m
Financial liabilities measured at fair value through the income statement:				
Trading derivatives	**(7.1)**	(0.7)	(6.4)	-
Financial liabilities measured at fair value through the statement of comprehensive income				
Derivatives designated as effective hedging instruments	**(2.0)**	-	(2.0)	-
Total	**(9.1)**	(0.7)	(8.4)	-

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.

15. Principal risks and uncertainties

There have been no changes to the principal risks and uncertainties compared to those outlined on pages 6 to 7 and 18 to 20 of the 2014 Annual Report, comprising:

- risks associated with employee defined benefit obligations – accounting impact and regular funding;
- employee defined benefit obligations – regulatory investigation;
- treasury risks - concentration risk and exposure to movements in foreign exchange and interest rates;
- human resource risk- recruiting, maintaining and motivating high-quality staff;
- operational risks - information technology, supplier dependency, internal supply chain, customer dependency, environmental, labour relations, health and safety and product liability; and
- non-compliance with laws and regulations.

16. Seasonality

The Group's revenues and profits have not historically been subject to significant seasonal trends. The working capital cycle of Coats' business means that cash inflow trends have historically been weighted towards the second half of the financial year.

17. Related party transactions

There have been no related party transactions or changes in related party transactions described in the 2014 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.

18. Directors

The following persons were, except where noted, directors of Coats Group plc during the whole of the period and up to the date of this report:

M Clasper CBE	
M N Allen	
R Anderson	
N Bull	(Appointed 10 April 2015)
P Forman	(Appointed 2 March 2015)
D Gosnell	(Appointed 2 March 2015)
R Howes	(Appointed 2 March 2015)
Sir Ron Brierley	(Resigned 20 April 2015)
R J Campbell	(Resigned 2 March 2015)
S L Malcolm	(Resigned 2 March 2015)
B A Nixon	
A Rosling CBE	(Appointed 2 March 2015)
R Sharma	(Appointed 2 March 2015)
W R Szlezak	(Resigned 2 March 2015)

19. Post balance sheet event

On 28 July 2015 Coats announced the finalisation of the sale of the EMEA Crafts business (see note 13).

20. Publication

This statement will be available at the registered office of the Company, 1 The Square, Stockley Park, Uxbridge, Middlesex, UB11 1TD. A copy will also be displayed on the Company's website on www.coats.com.

DIRECTORS' RESPONSIBILITY STATEMENT

In accordance with a resolution of the directors of Coats 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 2015 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 Coats Group plc are listed in Note 18 to the Condensed Consolidated Financial Statements.

On behalf of the Board
M Clasper
Chairman
3 August 2015

United Kingdom

1 The Square, Stockley Park, Uxbridge, UB11 1TD   Tel: 020 210 5000

New Zealand

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

Australia

c/o Computershare Investor Services Pty Limited
GPO Box 3329, Melbourne VIC 3001   Tel: 03 9415 4083   Fax: 03 9473 2500

Registered in England No. 103548