Guinness Peat Group plc

The following unaudited consolidated results of Coats Group Limited ("the Company") for the six months ended 30 June 2007 are released by Guinness Peat Group plc ("GPG") for information only.

Richard Russell

Company Secretary

Guinness Peat Group plc

29 August 2007

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Coats Group Limited: unaudited results* for the six months ended 30 June 2007

Financial summary

	2007 Half year Unaudited US$m	2006 Half year Unaudited US$m
Revenue	**820.7**	806.7
Operating profit before reorganisation, impairment and other exceptional items (see note 2)	**68.4**	61.0
Operating profit	**53.8**	47.3
Profit before taxation	**45.3**	36.7
Net profit attributable to equity shareholders	**24.7**	23.1
Net debt	**404.3**	406.2
Net gearing	**81%**	90%

*see note 1

- Pre-exceptional operating profit up 12%
- Industrial thread pre-exceptional operating profit up 23%
- Asia and Rest of World like for like industrial sales growth of 6%
- Recovery in North American crafts profits

CHAIRMAN'S STATEMENT

Results

Coats made good progress in the first half of 2007 with 12% growth in pre-exceptional operating profit despite difficult conditions in the European crafts market.

Pre-exceptional operating profit (before reorganisation, impairment and other exceptional items) was $68.4 million compared to $61.0 million in H1 2006. Profit from the industrial thread business increased by $11.9 million to $63.4 million (+23%), driven in large part by improved performance in Europe and USA. However crafts profit decreased by $4.5 million to $5.0 million principally as a result of weak demand for handknittings and other crafts products in Europe. The European crafts business is in the midst of a major restructuring program and incurred a loss which more than offset the recovery of crafts profitability in North America. Further details of industrial and crafts performance by region are included in the Operating Review.

Net exceptional charges of $14.6 million (see note 2) were slightly higher than the previous half year total of $13.7 million as a result of lower exceptional gains from sale of property. However reorganisation cost of $16.3 million was $7.0 million below previous half year, in line with the reduction in the industrial thread restructuring requirement as explained in last year's annual report.

Net finance costs of $11.3 million were $3.7 million below previous half year due to a higher net return on net pension assets. After providing for tax and minority interests, net profit attributable to equity shareholders increased by 7% to $24.7 million.

EBITDA (defined as pre-exceptional operating profit plus depreciation and amortisation) of $101.3 million was 9% ahead of the previous half year's total of $92.7 million. Net operating cash flow before reorganisation costs was $34.2 million compared to $4.7 million in 2006 as a result of a lower seasonal increase in working capital. However the increase in net debt resulting from cash flows at $53.9 million was higher than in the previous first half ($39.0 million) due to lower property disposals in H1 2007 compared to the exceptionally high receipts in H1 2006.

Investment, reorganisation and disposals

Investment in new plant and systems amounted to $39.3 million (H1 2006 - $32.8 million). Investment in plant and equipment largely consisted of additional capacity to meet growth in Asia and productivity improvements in Europe. Significant investment continues to be made in upgrading IT systems, including the installation of SAP in all Coats units throughout the world.

In cash terms, reorganisation spend of $18.1 million was $10.5 million below the previous first half. As advised in the 2006 annual report, a higher proportion of reorganisation is being directed towards cost reduction and product range rationalisation in the European crafts business.

Net cash outflow on acquisitions / disposals of businesses amounted to $6.9 million (H1 2006 net inflow $2.0 million) and included acquisition of Free Spirit, a North American crafts patchwork & quilting fabric business, as well as minority interests in Coats Sri Lanka.

European Commission Investigation

There have been no significant developments in the European Commission investigation since the year end. During the second half, the outcome of the Commission's investigation into European fasteners – the last outstanding part of the general investigation into thread and haberdashery markets which began in 2001 – should be announced. In addition, the Court of First Instance is also expected to rule on Coats' appeal against the fine levied in 2004 in respect of needles. As stated in previous reports, it is believed that any anticipated eventual payment of fines is adequately covered by existing provisions.

Prospects

The progress achieved by the industrial business is encouraging and with major restructuring projects largely complete Coats is able to use its more competitive cost base to focus on growth of sales and market share. The global market for industrial thread remains highly competitive and challenging but continues to grow, with declining demand in Europe and the Americas more than offset by growth in Asia. Coats industrial global footprint is now well balanced and should enable the business to take full advantage of the changes in local demand caused by shifting trade flows.

The first half recovery in North American crafts profitability on the back of a more stable handknittings market is expected to continue in the second half. In addition, the acquisition of Free Spirit and the subsequent launch of a wider range of patchwork & quilting fabrics open up new growth opportunities for Coats in a popular and long-established North American crafts activity.

In Europe crafts, a major restructuring program is well underway with the objective of transforming the previous structure of country-based organisations – each with its own product range - into a more cost-effective pan-European business with a single, harmonised product offer. In the process, key products are being redesigned and new supply chains established so that the new pan-European product ranges will be more attractive and offer better value than could have been created by individual countries acting alone. Although the full project is estimated to take another two years to complete, benefits should begin to flow through from 2008 onwards. In terms of prospects for the second half of 2007, the downturn in handknittings is expected to bottom out with European buying patterns lagging North America. Along with a lower cost base and improved supply chains, this should result in an improved performance compared to the first half.

Notwithstanding the uncertainty over the short term development of crafts demand in Europe, it is expected that the overall progress shown by the Group in the first half will continue in the second half. Over the longer term, the Board remains confident that Coats' position in both the industrial thread and crafts markets will deliver further growth opportunities.

Gary Weiss

Chairman

29 August 2007

OPERATING REVIEW

Industrial Trading Performance

INDUSTRIAL	2006 reported $m	*2006 like-for-like $m	2007 reported $m	Like-for-like increase / (decrease) %	Actual increase / decrease %
Sales					
Asia and Rest of World	229.3	233.8	248.6	+6%	+8%
Europe	135.0	145.0	140.9	-3%	+4%
Americas	158.1	162.4	155.2	-4%	-2%
Total sales	**522.4**	**541.2**	**544.7**	**+1%**	**+4%**
Pre-exceptional operating profit**	**51.5**	**53.2**	**63.4**	**+19%**	**+23%**

**2006 like-for-like restates 2006 figures at 2007 exchange rates.*

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

The Asian industrial business delivered another good performance, particularly once the strong comparatives achieved in the previous half year are taken into account. Sales and profits are broadly based across the region.

European sales continued to be affected by customer migration in Western Europe but this was partially offset by growth in Eastern Europe. However there was a major recovery in operating profit as a result of previous reorganisation and investment.

North and South America continued to be affected by increased penetration of apparel imports from Asia. However there was further recovery in operating profit as a result of earlier reorganisation and investment.

Crafts Trading Performance

	2006 reported $m	*2006 like-for-like $m	2007 reported $m	Like-for-like increase / decrease %	Actual increase / decrease %
Sales					
Asia and Rest of World	27.9	29.2	28.9	-1%	+4%
Europe	128.0	144.4	115.0	-20%	-10%
Americas	128.4	133.2	132.1	-1%	+3%
Total sales	**284.3**	**306.8**	**276.0**	**-10%**	**-3%**
Pre-exceptional operating profit**	**9.5**	**9.2**	**5.0**	**-46%**	**-47%**

**2006 like-for-like restates 2006 figures at 2007 exchange rates and includes an adjustment to reflect the impact of acquisitions and disposals.*

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

Crafts sales in Europe were principally affected by reduced demand for handknittings, although all crafts categories were down in an exceptionally weak retail environment for crafts products. With a relatively high fixed cost base, the reduction in sales pushed the business into loss. The major restructuring is in its second year and aims to lower the cost base, improve productivity and deliver a harmonised pan-European product offer by 2008/9.

Crafts results in the Americas benefited from a more stable handknittings market in North America and the absence of mark-downs and other one-off charges which affected H1 2006. In total, sales of handknittings were slightly down on previous half year as recovery in North America was offset by decline in South America. The acquisition of Free Spirit was successfully completed and contributed to sales growth in patchwork & quilting fabrics.

Consolidated income statement (unaudited)

For the six months ended 30 June 2007	Notes	**2007 Half year Unaudited US$m**	2006 Half year Unaudited US$m	2006 Full year Unaudited US$m
Continuing operations				
Revenue		**820.7**	806.7	1,615.1
Cost of sales		**(530.6)**	(535.2)	(1,084.8)
Gross profit		**290.1**	271.5	530.3
Distribution costs		**(148.9)**	(152.3)	(299.9)
Administrative expenses		**(90.7)**	(92.2)	(176.4)
Other operating income		**3.3**	20.3	25.9
Operating profit	2	**53.8**	47.3	79.9
Share of profits of joint ventures		**0.9**	1.2	2.1
Investment income		**1.9**	3.2	4.4
Finance costs	3	**(11.3)**	(15.0)	(29.3)
Profit before taxation		**45.3**	36.7	57.1
Taxation	4	**(16.1)**	(15.5)	(26.3)
Profit from continuing operations		**29.2**	21.2	30.8
Discontinued operations				
(Loss)/profit from discontinued operations		**(0.4)**	3.5	3.2
Profit for the period		**28.8**	24.7	34.0
Attributable to:				
EQUITY SHAREHOLDERS OF THE COMPANY		**24.7**	23.1	29.9
Minority interests		**4.1**	1.6	4.1
		28.8	24.7	34.0

Consolidated balance sheet (unaudited)

At 30 June 2007	Notes	**2007 30 June Unaudited US$m**	2006 30 June Unaudited US$m	2006 31 December Unaudited US$m
Non-current assets				
Intangible assets		**263.7**	257.6	260.9
Property, plant and equipment		**515.4**	479.9	510.8
Investments in joint ventures		**15.1**	16.6	16.2
Available-for-sale investments		**5.0**	4.2	4.9
Deferred tax assets		**10.2**	6.9	9.5
Pension surpluses		**72.8**	64.9	61.3
Trade and other receivables		**25.9**	24.9	27.6
		908.1	855.0	891.2
Current assets				
Inventories		**332.7**	317.2	307.6
Trade and other receivables		**354.8**	342.1	308.5
Available-for-sale investments		**0.2**	5.9	0.2
Cash and cash equivalents	7	**44.3**	41.1	76.4
		732.0	706.3	692.7
Non-current assets classified as held for sale		**3.2**	10.4	4.8
Total assets		**1,643.3**	1,571.7	1,588.7
Current liabilities				
Trade and other creditors		**(322.5)**	(284.3)	(328.3)
Current income tax liabilities		**(11.3)**	(7.8)	(10.6)
Bank overdrafts and other borrowings		**(142.8)**	(105.7)	(127.9)
Provisions		**(172.7)**	(159.3)	(167.1)
		(649.3)	(557.1)	(633.9)
Net current assets		**82.7**	149.2	58.8
Non-current liabilities				
Trade and other creditors		**(18.1)**	(29.0)	(25.9)
Deferred tax liabilities		**(11.0)**	(12.0)	(10.7)
Borrowings		**(305.8)**	(341.6)	(294.2)
Retirement benefit obligations:				
Funded schemes		**(1.0)**	(2.2)	(1.0)
Unfunded schemes		**(110.3)**	(120.5)	(112.4)
Provisions		**(48.1)**	(56.4)	(56.6)
		(494.3)	(561.7)	(500.8)
Total liabilities		**(1,143.6)**	(1,118.8)	(1,134.7)
Net assets		**499.7**	452.9	454.0
Equity				
Share capital		**4.2**	4.2	4.2
Share premium account		**412.1**	412.1	412.1
Hedging and translation reserve		**37.0**	8.9	17.0
Retained profit		**25.9**	4.4	1.2
EQUITY SHAREHOLDERS' FUNDS	5	**479.2**	429.6	434.5
Minority interests	5	**20.5**	23.3	19.5
Total equity	5	**499.7**	452.9	454.0

Consolidated cash flow statement (unaudited)

For the six months ended 30 June 2007	Notes	**2007 Half year Unaudited US$m**	2006 Half year Unaudited US$m	2006 Full year Unaudited US$m
Cash inflow/(outflow) from operating activities				
Net cash inflow/(outflow) generated by operations	6	**16.1**	(23.9)	117.8
Interest paid		**(19.4)**	(17.4)	(37.0)
Taxation paid		**(15.0)**	(14.8)	(35.8)
Net cash (absorbed)/generated from operating activities		**(18.3)**	(56.1)	45.0
Cash inflow/(outflow) from investing activities				
Dividends received from associates and joint ventures		**2.0**	1.0	2.3
Acquisition of property, plant and equipment and intangible assets		**(39.3)**	(32.8)	(78.3)
Disposal of property, plant and equipment and intangible assets		**9.5**	46.2	60.2
Acquisition of financial investments		**(0.1)**	(3.0)	(0.9)
Disposal of financial investments		**-**	4.8	8.6
Acquisition and disposal of businesses		**(6.9)**	2.0	(7.5)
Net cash (absorbed)/generated in investing activities		**(34.8)**	18.2	(15.6)
Cash inflow/(outflow) from financing activities				
Dividends paid to minority interests		**(0.8)**	(1.1)	(4.4)
Increase/(decrease) in debt and lease financing		**20.7**	2.4	(33.3)
Net cash generated/(absorbed) in financing activities		**19.9**	1.3	(37.7)
Net decrease in cash and cash equivalents		**(33.2)**	(36.6)	(8.3)
Net cash and cash equivalents at beginning of the period		**50.1**	57.1	57.1
Foreign exchange gains on cash and cash equivalents		**1.1**	0.1	1.3
Net cash and cash equivalents at end of the period	7	**18.0**	20.6	50.1
Reconciliation of net cash flow to movement in net debt				
Net decrease in cash and cash equivalents		**(33.2)**	(36.6)	(8.3)
Cash (inflow)/outflow from change in debt and lease financing		**(20.7)**	(2.4)	33.3
Change in net debt resulting from cash flows		**(53.9)**	(39.0)	25.0
New finance leases		**-**	-	(0.3)
Other		**(2.7)**	(2.0)	(3.9)
Foreign exchange		**(2.0)**	(1.9)	(3.2)
(Increase)/decrease in net debt		**(58.6)**	(42.9)	17.6
Net debt at start of period		**(345.7)**	(363.3)	(363.3)
Net debt at end of period	7	**(404.3)**	(406.2)	(345.7)

Consolidated statement of recognised income and expense (unaudited)

For the six months ended 30 June 2007	Notes	**2007 Half year Unaudited US$m**	2006 Half year Unaudited US$m	2006 Full year Unaudited US$m
Gain on cash flow hedges		**1.3**	5.5	2.2
Exchange differences on translation of foreign operations		**20.5**	3.8	17.0
Actuarial losses in respect of retirement benefit schemes		-	-	(9.4)
Tax on items taken directly to equity		-	-	(0.6)
Net income recognised directly in equity		**21.8**	9.3	9.2
Profit for the period		**28.8**	24.7	34.0
Transferred to profit or loss on cash flow hedges		**(1.7)**	(1.3)	(2.8)
Other transfers		-	0.5	-
Total recognised income and expense for the period	5	**48.9**	33.2	40.4
Attributable to:				
EQUITY SHAREHOLDERS OF THE COMPANY		**44.7**	31.7	36.6
Minority interests		**4.2**	1.5	3.8
		48.9	33.2	40.4

Notes

1 Basis of preparation

Coats Group Limited is incorporated in the British Virgin Islands. It does not prepare consolidated statutory accounts and therefore the financial information contained in this announcement does not constitute full financial statements and has not been, and will not be, audited.

The financial information for the six months ended 30 June 2007 has been prepared in accordance with the recognition and measurement requirements of International Financial Reporting Standards ("IFRS") endorsed by the European Union, and the accounting policies adopted have been consistently applied to the financial information presented for the six months ended 30 June 2006 and the full year ended 31 December 2006.

Coats Group Limited follows the accounting policies of its ultimate parent company, Guinness Peat Group plc.

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

		June 2007	June 2006	December 2006
Average	Sterling	**0.51**	0.56	0.54
	Euro	**0.75**	0.81	0.79
Period end	Sterling	**0.50**	0.54	0.51
	Euro	**0.74**	0.78	0.76

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

	2007 Half year Unaudited US$m	2006 Half year Unaudited US$m	2006 Full year Unaudited US$m
Exceptional items:			
Reorganisation costs and impairment of property, plant and equipment	**16.3**	23.3	51.6
Profit on the sale of property	**(3.3)**	(19.5)	(21.3)
Foreign exchange losses	**1.6**	9.9	12.2
Total	**14.6**	13.7	42.5

3 Finance costs

	2007 Half year Unaudited US$m	2006 Half year Unaudited US$m	2006 Full year Unaudited US$m
Interest on bank and other borrowings	**20.9**	19.9	39.7
Net return on pension scheme assets and liabilities	**(11.4)**	(7.2)	(15.7)
Other	**1.8**	2.3	5.3
Total	**11.3**	15.0	29.3

4 Taxation

The taxation charges for the six months ended 30 June 2007 and 30 June 2006 are based on the estimated effective tax rate for the full year, including the effect of prior period tax adjustments.

5 Reconciliation of closing equity

	Equity shareholders' funds Unaudited US$m	**Minority interests Unaudited US$m**	**Total equity Unaudited US$m**
At 1 January 2007	**434.5**	**19.5**	**454.0**
Total recognised income and expense for the period	**44.7**	**4.2**	**48.9**
Dividends paid	**-**	**(0.8)**	**(0.8)**
Changes in holdings in subsidiary undertakings	**-**	**(2.4)**	**(2.4)**
At 30 June 2007	**479.2**	**20.5**	**499.7**

6 Reconciliation of operating profit to net cash inflow/(outflow) generated by operations

	2007 Half year Unaudited US$m	2006 Half year Unaudited US$m	2006 Full year Unaudited US$m
Operating profit	**53.8**	47.3	79.9
Depreciation	**29.1**	28.2	55.8
Amortisation of intangible assets (computer software)	**3.8**	3.5	7.3
Reorganisation costs (see note 2)	**16.3**	23.3	51.6
Other exceptional items (see note 2)	**(1.7)**	(9.6)	(9.1)
Increase in inventories	**(16.5)**	(23.0)	(6.1)
(Increase)/decrease in debtors	**(33.0)**	(35.6)	9.8
Decrease in creditors	**(6.8)**	(23.6)	(9.5)
Provision movements	**(12.0)**	(6.0)	(14.7)
Other non-cash movements	**1.2**	0.2	7.3
Net cash inflow from normal operating activities	**34.2**	4.7	172.3
Net cash outflow in respect of reorganisation costs	**(18.1)**	(28.6)	(54.5)
Net cash inflow/(outflow) generated by operations	**16.1**	(23.9)	117.8

7 Net debt

	2007 Half year Unaudited US$m	2006 Half year Unaudited US$m	2006 Full year Unaudited US$m
Cash and cash equivalents	**44.3**	41.1	76.4
Bank overdrafts	**(26.3)**	(20.5)	(26.3)
Net cash and cash equivalents	**18.0**	20.6	50.1
Other borrowings	**(422.3)**	(426.8)	(395.8)
Total	**(404.3)**	(406.2)	(345.7)

8 Balance sheet consolidated by Guinness Peat Group plc (unaudited)

The balance sheet consolidated by Guinness Peat Group plc (GPG) as at 30 June 2007 differs from that disclosed as follows:

	Coats Group Limited Unaudited US$m	**Coats Group Limited US$:GBP at 0.4984 Unaudited £m**	**GPG fair value adjustments Unaudited £m**	**Included in GPG's consolidated balance sheet Unaudited £m**
Intangible assets	263.7	131	14	145
Other non-current assets	644.4	321	-	321
Current assets	732.0	364	-	364
Non-current assets classified as held for sale	3.2	2	-	2
Total assets	1,643.3	818	14	832
Current liabilities	(649.3)	(324)	-	(324)
Non-current liabilities	(494.3)	(246)	-	(246)
Minority interests	(20.5)	(10)	-	(10)
Equity shareholders' funds	479.2	238	14	252