

Registered No: 166534

Coats Statutory Company No: 40

PATONS & BALDWINS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2004

COUNTRY OF REGISTRATION: ENGLAND

REGISTERED OFFICE: 1 THE SQUARE
STOCKLEY PARK
UXBRIDGE
MIDDLESEX
UB11 1TD

DIRECTORS: R. BEVAN
G.J.C. ALDRIDGE
G.MEREDITH

AUDITORS: DELOITTE & TOUCHE LLP
MANCHESTER

SECRETARY: G.J.C. ALDRIDGE



PATONS & BALDWINS LIMITED**DIRECTORS' REPORT**

The Directors present their report and accounts for the year ended 31 December 2004.

RESULTS

The company has not traded during the year and has made neither a profit nor loss in the year or the preceding year and accordingly no profit and loss account has been prepared. There were no other recognised gains and losses or movement in shareholders' funds in either year.

DIRECTORS

The following persons served as Directors of the Company during the year:-

C.W. Healy	(resigned 30 July 2004)
G.J.C. Aldridge	
G.Meredith	
R. Bevan	(appointed 30 July 2004)

**DIRECTORS'
INTERESTS**

As at 31 December 2003, or date of appointment if later, and 31 December 2004, the Directors did not have any beneficial interest in the shares of this or any other group company.

PATONS & BALDWIN LIMITED**DIRECTORS' REPORT (Continued)****AUDITORS**

Elective resolutions to dispense with holding annual general meetings, the laying of accounts before the company in general meeting and the appointment of auditors annually are currently in force. The auditors, Deloitte & Touche LLP, will therefore be deemed to have been reappointed at the end of the period of 28 days beginning with the day on which copies of this report and accounts are sent to members unless a resolution is passed under section 393 of the Companies Act 1985 to the effect that their appointment be brought to an end.

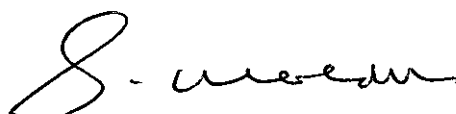
**DIRECTORS'
RESPONSIBILITIES**

United Kingdom company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company as at the end of the financial period and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time, the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal controls, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board



Director

9 August 2005

PATONS & BALDWINS LIMITED**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PATONS & BALDWINS LIMITED**

We have audited the financial statements of Patons & Baldwins Limited for the year ended 31 December 2004 which comprise the balance sheet and the related notes 1 to 6 together with the statement of accounting policies. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' 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 and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if the information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

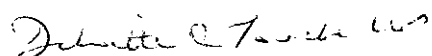
Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

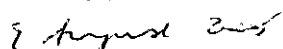
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2004 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Manchester



PATONS & BALDWINS LIMITED**BALANCE SHEET****At 31 December 2004**

	Notes	2004 £'000	2003 £'000
CURRENT ASSETS			
Debtors	2	8,879	8,879
NET ASSETS		<u>8,879</u>	<u>8,879</u>
CAPITAL AND RESERVES			
EQUITY SHARE CAPITAL	3	10,768	10,768
SHARE PREMIUM ACCOUNT	4	2,601	2,601
OTHER CAPITAL RESERVE	4	191	191
PROFIT AND LOSS ACCOUNT	4	(4,681)	(4,681)
EQUITY SHAREHOLDERS' FUNDS		<u>8,879</u>	<u>8,879</u>

Approved by the Board of Directors on 9 August 2005 and signed on their behalf.

Director



The notes on pages 6 to 8 form part of these accounts.

PATONS & BALDWINS LIMITED
NOTES TO THE ACCOUNTS
AT 31 DECEMBER 2004

STATEMENT OF ACCOUNTING POLICIES

BASIS OF ACCOUNTING The financial statements are prepared on the basis of historical cost and in accordance with applicable United Kingdom accounting standards.

TAXATION Coats Holdings Ltd has assumed the responsibility for discharging any liability for United Kingdom corporation tax, current or deferred, for account periods during which the Company remains a member of the Coats Group. The Directors have received assurances that:

- 1) there is no intention to revoke the undertaking to discharge the taxation liabilities of the Company for those periods, and
- 2) full provision for deferred taxation has been made by Coats Holdings Ltd in respect of the Company.

PATONS AND BALDWIN LIMITED

NOTES TO THE ACCOUNTS
AT 31 DECEMBER 20041. DIRECTORS'
EMOLUMENTS AND
EMPLOYEES

None of the directors received any emoluments for their services to the company (2003 - same). There are no other employees.

2. DEBTORS

Due in more than one year:	2004	2003
	£'000	£'000
Amounts owed by parent and fellow subsidiary undertakings	<u>8,879</u>	<u>8,879</u>

3. CALLED UP
SHARE CAPITAL

	AUTHORISED		ALLOTTED, ISSUED AND FULLY PAID	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
<u>Equity share capital</u>				
Ordinary shares of £1 each	<u>12,000</u>	<u>12,000</u>	<u>10,768</u>	<u>10,768</u>

4. RESERVES

	Share Premium £'000	Other Capital Reserves £'000	Profit and Loss Account £'000
At 31 December 2004 and 31 December 2003	<u>2,601</u>	<u>191</u>	<u>(4,681)</u>

PATONS AND BALDWIN LIMITED**NOTES TO THE ACCOUNTS (Continued)**
AT 31 DECEMBER 2004**5. ULTIMATE PARENT
COMPANY**

From 1 January 2004 to 31 March 2004, the ultimate parent company and controlling party was Coats Group Limited, a company incorporated in the British Virgin Islands.

At 1 April 2004, Guinness Peat Group plc, a company incorporated in England and Wales, became the ultimate parent company and controlling party. The consolidated accounts for this company can be obtained from its registered office at First Floor, Times Place, 45 Pall Mall, London SW1Y 5GP.

The smallest group of which this Company is a member and for which consolidated accounts are prepared is Coats Holdings Ltd, a company incorporated in England and Wales. Copies of its accounts are available from the Company's registered office at 1 The Square, Stockley Park, Uxbridge, Middlesex UB11 1TD.

**6. RELATED PARTY
TRANSACTIONS**

The company is a subsidiary undertaking of Guinness Peat Group plc, 90% or more of its voting rights are controlled within the Group, and the Group's consolidated financial statements are publicly available. In accordance with FRS 8, therefore, disclosure is not required of transactions with entities that are part of the Group or investees of the Group qualifying as related parties.