

Registered No: 166534

Coats Statutory Company No: 40

**PATONS & BALDWIN LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2002**

COUNTRY OF REGISTRATION:

ENGLAND

REGISTERED OFFICE:

1 THE SQUARE  
STOCKLEY PARK  
UXBRIDGE  
MIDDLESEX  
UB11 1TD

DIRECTORS:

C.W. HEALY  
G.J.C. ALDRIDGE  
G.MEREDITH

AUDITORS:

DELOITTE & TOUCHE  
MANCHESTER

SECRETARY:

G.J.C. ALDRIDGE



**PATONS & BALDWIN LIMITED****DIRECTORS' REPORT**

The Directors present their report and accounts for the year ended 31 December 2002.

**RESULTS**

The company is an investment holding company. The directors do not recommend the payment of a dividend (2001 - £nil).

**DIRECTORS**

The following persons served as Directors of the Company during the year or were appointed after the year end:-

C.W. Healy	
C.J. Mercer	(resigned 24 December 2002)
G.J.C. Aldridge	
S.W. Davies	(resigned 31 March 2003)
G.Meredith	(appointed 31 March 2003)

**DIRECTORS' INTERESTS**

The Directors have no beneficial interest in the shares of the Company.

Details of the directors' interests in the ordinary shares of Coats plc are shown below:-

	31.12.02	31.12.01 or Date appointed
G.J.C. Aldridge	-	-
C.W. Healy	4,000	4,000
S.W. Davies	-	-
C.J. Mercer	-	-

The following share options in Coats plc have been granted to directors and not exercised:

	Options Granted	Price per Share	Period of Option	Number of Shares
1984 Executive Share Option Scheme	1994	251.50p	2003 to 2004	5,000
1994 Executive Share Option Scheme	1994 to 2001	42.00p to 214.50p	2003 to 2011	805,000
2002 Executive Share Option Scheme	2002	52.50p	2003 to 2012	50,000

**PATONS & BALDWINS 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, 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.

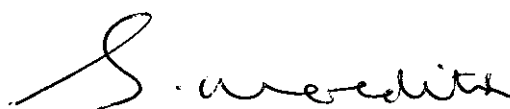
**DIRECTORS'  
RESPONSIBILITIES**

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

30/7/2003

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

We have audited the financial statements of Paton & Baldwins Ltd. for the year ended 31 December 2002 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet, and the related notes 1 to 10. 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 set out on page 3, 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.

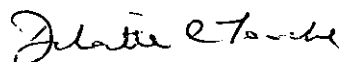
**Basis of audit opinion**

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**

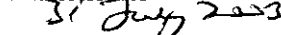
In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte &amp; Touche

Chartered Accountants and Registered Auditors

Manchester



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**PATONS & BALDWINS LIMITED****PROFIT AND LOSS ACCOUNT****For the year ended 31 December 2002**

	<u>Notes</u>	<b>2002</b> <b>£'000</b>	<b>2001</b> <b>£'000</b>
Gain on dissolution of subsidiaries		<u>43</u>	<u>-</u>
<b>Profit for the financial year before and after taxation</b>			
<b>transferred to reserves</b>	8	<u>43</u>	<u>-</u>

The company has no recognised gains or losses other than the result for the financial year and the preceding financial year. Accordingly a statement of total recognised gains and losses has not been prepared. Similarly, other than the result for the two years there are no other movements in shareholders' funds.

The notes on pages 7 to 10 form part of these accounts.

**PATONS & BALDWINS LIMITED****BALANCE SHEET**

At 31 December 2002

	<u>Notes</u>	<b>2002</b> <b>£'000</b>	2001 £'000
<b>FIXED ASSETS</b>			
Investments	2	<u>—</u>	<u>2</u>
<b>CURRENT ASSETS</b>			
Debtors	3	<u>9,695</u>	<u>9,713</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>9,695</b>	9,715
CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	4	<u>(816)</u>	<u>(879)</u>
<b>NET ASSETS</b>		<b><u>8,879</u></b>	<b><u>8,836</u></b>
<b>CAPITAL AND RESERVES</b>			
EQUITY SHARE CAPITAL	5	<b>10,768</b>	10,768
SHARE PREMIUM ACCOUNT	6	<b>2,601</b>	2,601
OTHER CAPITAL RESERVE	7	<b>191</b>	191
PROFIT AND LOSS ACCOUNT	8	<b>(4,681)</b>	<b>(4,724)</b>
<b>EQUITY SHAREHOLDERS' FUNDS</b>		<b><u>8,879</u></b>	<b><u>8,836</u></b>

Approved by the Board of Directors on 30/11/03 and signed on their behalf.



Director

The notes on pages 7 to 10 form part of these accounts.

**PATONS & BALDWINS LIMITED**  
**NOTES TO THE ACCOUNTS**  
**AT 31 DECEMBER 2002**

**STATEMENT OF ACCOUNTING POLICIES**

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

**TAXATION** Coats plc 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 plc in respect of the Company.

**INVESTMENTS IN  
SUBSIDIARY  
UNDERTAKINGS**

Investments in subsidiary undertakings are stated at cost of acquisition together with the amount of any loans advanced to those undertakings.

Where, in the opinion of the directors, there has been an impairment in the value of the investments, appropriate provisions are made and charged to the profit and loss account.

**PATONS AND BALDWINS LIMITED****NOTES TO THE ACCOUNTS  
AT 31 DECEMBER 2002****1. DIRECTORS'  
EMOLUMENTS AND  
EMPLOYEES**

None of the directors received any emoluments for their services to the company (2001 - same). There are no other employees.

**2. INVESTMENTS**

	Cost £'000	Provision £'000	Total £'000
At 31 December 2001	100	(98)	2
Transferred to fellow Subsidiary undertaking	<u>(100)</u>	<u>98</u>	<u>(2)</u>
At 31 December 2002	<u>=</u>	<u>=</u>	<u>=</u>

During the year the company transferred its investment in Coats Crafts UK Ltd, L. Copley Smith & Sons Ltd, Coats Handknitting Ltd, Rowan Yarns Ltd, Knit 'n' Save Ltd and Durham Debt Collections Ltd to a fellow subsidiary at carrying value.

**3. DEBTORS**

	31 Dec 2002 £'000	31 Dec 2001 £'000
Due in more than one year:		
Amounts owed by parent and fellow subsidiary undertakings	<u>9,695</u>	<u>9,713</u>

## PATONS AND BALDWINS LIMITED

NOTES TO THE ACCOUNTS (Continued)  
AT 31 DECEMBER 2002

		31 Dec 2002 £'000	31 Dec 2001 £'000
<b>4. CREDITORS</b>			
(Amounts falling due after more than one year)	Amounts owed to parent and fellow subsidiary undertakings	<u>816</u>	<u>879</u>
	The amounts owed to group companies do not bear interest and have no specified dates of repayment.		
<b>5. CALLED UP SHARE CAPITAL</b>			
	<b>AUTHORISED</b>	<b>ALLOTTED, ISSUED AND FULLY PAID</b>	
	31 Dec 2002 £'000	31 Dec 2001 £'000	31 Dec 2001 £'000
	<u>Equity share capital</u>		
	Ordinary shares of £1 each	<u>12,000</u>	<u>10,768</u>
		<u>12,000</u>	<u>10,768</u>
<b>6. SHARE PREMIUM ACCOUNT</b>	At 31 December 2002 and 31 December 2001		<u>2,601</u>
			£'000
<b>7. OTHER CAPITAL RESERVE</b>	At 31 December 2002 and 31 December 2001		<u>191</u>

**PATONS AND BALDWINS LIMITED****NOTES TO THE ACCOUNTS (Continued)**  
**AT 31 DECEMBER 2002**

<b>8. PROFIT AND LOSS ACCOUNT</b>	<b>£'000</b>
At 31 December 2001	<b>(4,724)</b>
Dissolution of companies	<b>43</b>
At 31 December 2002	<b><u>(4,681)</u></b>

**9. ULTIMATE PARENT COMPANY**

At the year end the company's ultimate parent company was Coats plc, a company incorporated in England and Wales and for which group accounts are prepared. Copies of the Group financial statements are available from the parent company's registered office at 1 The Square, Stockley Park, Uxbridge, Middlesex UB11 1TD.

As at 7th April 2003, Coats Holdings plc (formerly Avenue Acquisition plc) acquired Coats plc, and Coats Group Limited, a company incorporated in the British Virgin Islands, became the ultimate parent company.

**10. RELATED PARTY TRANSACTIONS**

The company is a subsidiary undertaking within the Coats Group, 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.