

Registered No: 2591134

COATS FINANCE CO. LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

TUESDAY



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COATS FINANCE CO. LIMITED

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 December 2009

PRINCIPAL ACTIVITIES

The principal activity of the Company during the year continued to be that of a financial trading company

BUSINESS REVIEW

Results for the year are shown in the profit and loss account on page 5 The balance sheet of the Company is shown on page 6.

During the year the authorised and issued share capital of the Company was reduced from 70,500,000 to 17,000,000 by the cancellation of 53,500,000 Ordinary shares of £1 each.

No interim dividend was declared or paid on the ordinary shares during the year (2008 \$Nil) and the directors do not recommend the payment of a final dividend on the ordinary shares (2008 \$Nil).

No changes in the business are expected in the foreseeable future

PRINCIPAL RISKS AND UNCERTAINTIES

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Coats plc group and are not managed separately Accordingly, the principal risks and uncertainties of Coats plc, which include those of the Company, are discussed in Coats plc's annual report which does not form part of this report.

DIRECTORS

The following persons served as directors of the Company throughout the year

R Bevan

M J Smithyman

Coats Patons Limited

(Resigned 31 December 2009)

(Appointed 31 December 2009)

SECRETARY

At the date of this report, the company secretary is Coats Patons Limited

FINANCIAL RISK MANAGEMENT

The Coats plc group's treasury policy, which is determined by the Board of Directors of Coats plc, governs the management of financial risks within the Coats plc group In accordance with this policy, the financial risk exposures are actively monitored and the use of financial instruments, such as derivatives, is permitted However, under the treasury policy speculative transactions are not permitted.

COATS FINANCE CO. LIMITED

DIRECTORS' REPORT (Continued)

LIQUIDITY RISK

The Company is part of the Coats plc group of companies which actively maintains a mixture of long-term and short-term debt finance that is designed to ensure that the group has sufficient available funds for its operations.

INTEREST RATE RISK

The Company has both interest bearing assets and interest bearing liabilities. Interest bearing assets and liabilities include cash, bank overdraft and loan balances and certain balances due to and from group undertakings, which primarily earn and bear interest at floating rates. The Company did not use interest rate derivatives during the year. However, the Coats plc group of companies may from time to time use interest rate derivatives to manage the group's exposure to interest rate fluctuations.

CURRENCY RISK

The Company's activities expose it to foreign exchange risk in respect of non-USD denominated bank and inter-company balances. Wherever possible the foreign exchange risk is minimised including through the use of foreign exchange forward contracts.

AUDITORS

Elective resolutions to dispense with holding annual general meetings, the laying of accounts before the Company in a general meeting and the appointment of auditors annually are currently in force. The auditors, Deloitte 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 to the effect that their appointment is brought to an end.

DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to.

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

COATS FINANCE CO. LIMITED

DIRECTORS' REPORT (Continued)

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

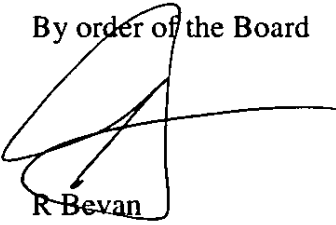
DISCLOSURE OF INFORMATION TO AUDITORS

Each of the persons who is a director at the date of approval of this Report confirms that

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- the director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This information is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006

By order of the Board



R Bevan
Director

23 April 2010

Registered office

1 The Square
Stockley Park
Uxbridge
Middlesex
UB11 1TD

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF COATS FINANCE CO. LIMITED

We have audited the financial statements of Coats Finance Co Limited for the year ended 31 December 2009 which comprise the profit and loss account, the balance sheet, the reconciliation of movements in shareholders' funds and the related notes 1 to 12. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

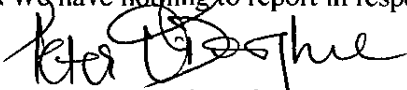
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of the above matters.



Peter O'Donoghue (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom

23 April 2010

COATS FINANCE CO. LIMITED

PROFIT AND LOSS ACCOUNT
Year ended 31 December 2009

	Notes	2009 \$'000	2008 \$'000
Other operating (expense)/income		<u>(84)</u>	<u>423</u>
OPERATING (LOSS)/PROFIT		(84)	423
Interest receivable and similar income	3	10,676	26,361
Interest payable and similar charges	4	<u>(4,600)</u>	<u>(16,443)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		5,992	10,341
Tax on profit on ordinary activities	5	<u>(46)</u>	<u>(95)</u>
PROFIT FOR THE FINANCIAL YEAR	10	<u>5,946</u>	<u>10,246</u>

All results derive solely from continuing operations


There are no recognised gains and losses other than those shown above and consequently no statement of recognised gains and losses has been presented

The notes on page 8 to 12 form part of these accounts

COATS FINANCE CO. LIMITED**BALANCE SHEET at 31 December 2009**

	Notes	2009 \$'000	2008 \$'000
CURRENT ASSETS			
Debtors – Amounts falling due within one year	6	131,442	49,496
– Amounts falling due after more than one year	6	643,814	607,306
Cash at bank and in hand		<u>70,355</u>	<u>21,980</u>
		845,611	678,782
CURRENT LIABILITIES			
Creditors – Amounts falling due within one year	7	<u>(304,528)</u>	<u>(124,930)</u>
NET CURRENT ASSETS AND TOTAL ASSETS LESS CURRENT LIABILITIES			
		541,083	553,852
Creditors – Amounts falling due after more than one year	8	<u>(389,750)</u>	<u>(408,465)</u>
NET ASSETS		<u>151,333</u>	<u>145,387</u>
CAPITAL AND RESERVES			
Share capital	9	30,430	126,195
Profit and loss account	10	<u>120,903</u>	<u>19,192</u>
TOTAL SHAREHOLDERS' FUNDS		<u>151,333</u>	<u>145,387</u>

The financial statements of Coats Finance Co Limited, registered number 2591134, were approved by the Board of Directors and authorised for issue on 23 April 2010.



R Bevan
Director

The notes on pages 8 to 12 form part of these accounts

COATS FINANCE CO. LIMITED

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

Year ended 31 December 2009

	2009 \$'000	2008 \$'000
Profit for the financial year	5,946	10,246
Opening shareholders' funds	<u>145,387</u>	<u>135,141</u>
Closing shareholders' funds	<u>151,333</u>	<u>145,387</u>

The notes on pages 8 to 12 form part of these accounts

COATS FINANCE CO. LIMITED
YEAR ENDED 31 DECEMBER 2009

NOTES TO THE ACCOUNTS

1. STATEMENT OF ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The accounts are prepared on the basis of historical cost and in accordance with applicable United Kingdom accounting standards. The principal accounting policies which have been applied consistently in the current and prior year are set out below.

GOING CONCERN BASIS

The Directors have made enquiries into the adequacy of both the Company and the Coats plc Group's financial resources, through a review of the current financial projections and the financing facilities available. The Company's and the Coats plc Group's forecasts and projections take account of reasonably possible changes in trading performance. Giving due consideration to the financial resources available to the Company and the Coats plc Group, the Directors believe it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

TAXATION

Current tax is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is recognised on a full provision basis on timing differences that result in an obligation at the balance sheet date to pay more tax or a right to pay less tax at a future date, at rates expected to apply when they crystallise based on current tax rates and law, and is not discounted.

CASH FLOW STATEMENT AND RELATED PARTY TRANSACTIONS

The company is a wholly owned subsidiary of Guinness Peat Group plc and is included in the consolidated financial statements of Guinness Peat Group plc which are publicly available. Consequently the company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (Revised 1996). The company is also exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions with entities which are wholly owned by the Guinness Peat Group.

COATS FINANCE CO. LIMITED
YEAR ENDED 31 DECEMBER 2009

NOTES TO THE ACCOUNTS (Continued)

1. STATEMENT OF ACCOUNTING POLICIES (Continued)

FOREIGN CURRENCIES

The Directors consider US dollars (\$) to be the Company's functional currency. Accordingly, these financial statements are presented in US dollars. At 31 December 2009, the closing exchange rate to sterling was \$1/£0.62 (2008 \$1/£0.68) and the average exchange rate to sterling for the year ended 31 December 2009 was \$1/£0.64 (2008 \$1/£0.54).

Transactions denominated in foreign currencies are translated into US dollars at the rates of exchange ruling at the date of the transaction. Assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rate of exchange ruling at the balance sheet date or related forward contract rates. Exchange gains or losses are included in the profit and loss account.

2. DIRECTORS, EMPLOYEES AND AUDITORS' REMUNERATION

No director received any remuneration for their services to the company (2008 \$Nil). There were no other employees (2008 Nil).

Auditors' remuneration for the audit of the Company's annual accounts of \$14,000 (2008 \$15,000) was borne by a fellow group company.

3. INTEREST RECEIVABLE AND SIMILAR INCOME

	2009	2008
	\$'000	\$'000
Group undertakings	9,632	23,071
Bank interest	858	23
Foreign currency gains	186	3,267
	<u>10,676</u>	<u>26,361</u>

4. INTEREST PAYABLE AND SIMILAR CHARGES

	2009	2008
	\$'000	\$'000
Group undertakings	4,088	15,869
Bank and loan interest	512	574
	<u>4,600</u>	<u>16,443</u>

COATS FINANCE CO. LIMITED
YEAR ENDED 31 DECEMBER 2009

NOTES TO THE ACCOUNTS (Continued)

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2009	2008
	\$'000	\$'000
UK Corporation tax at 28% (2008: 28.5%)	46	95
Double tax relief	(46)	(95)
	-	-
Overseas taxation	46	95
	46	95

The standard rate of current tax for the year, based on UK standard rate of corporation tax, is 28% (2008: 28.5%). The current tax charge for the year is lower than 28% for the reasons set out in the following reconciliation.

	2009	2008
	\$'000	\$'000
Profit on ordinary activities before tax	5,992	10,341
Tax on profit on ordinary activities at standard rate	1,678	2,947
Adjusted for:		
Double tax relief	(46)	(95)
Group relief received from group companies for nil consideration	(1,632)	(2,852)
Withholding tax	46	95
	46	95

No overseas taxation has been provided on overseas income other than withholding taxes shown above suffered on remittance of interest.

6. DEBTORS

	2009	2008
	\$'000	\$'000
Amounts falling due within one year:		
Other debtors	60,282	300
Amounts owed by group undertakings	71,160	49,196
	131,442	49,496
Amounts falling due after more than one year:		
Amounts owed by group undertakings	643,814	607,306

COATS FINANCE CO. LIMITED
YEAR ENDED 31 DECEMBER 2009

NOTES TO THE ACCOUNTS (Continued)

7. CREDITORS (Amounts falling due within one year)

	2009	2008
	\$'000	\$'000
Bank loans and overdrafts	69,765	3,012
Amounts owed to group undertakings	234,763	119,817
Other creditors	<u>-</u>	<u>2,101</u>
	<u>304,528</u>	<u>124,930</u>

8. CREDITORS (Amounts falling due after more than one year)

	2009	2008
	\$'000	\$'000
Amounts owed to group undertakings	<u>389,750</u>	<u>408,465</u>

The amounts owing to group undertakings have no specified dates of repayment but are only repayable on receipt of twelve months' notice.

9. SHARE CAPITAL

	2009	2008	2009	2008
	Number	Number	\$'000	\$'000
Authorised				
Ordinary shares of £1 each	<u>17,000,000</u>	<u>70,500,000</u>	<u>30,430</u>	<u>126,195</u>
Issued				
Ordinary shares of £1 each	<u>17,000,000</u>	<u>70,500,000</u>	<u>30,430</u>	<u>126,195</u>

During the year the share capital of the Company was reduced from £70,500,000 to £17,000,000 by the cancellation of 53,500,000 Ordinary shares of £1 each.

10. PROFIT AND LOSS ACCOUNT

	\$'000
At 1 January 2009	19,192
Retained profit for the year	5,946
Reduction of share capital	<u>95,765</u>
At 31 December 2009	<u>120,903</u>

COATS FINANCE CO. LIMITED
YEAR ENDED 31 DECEMBER 2009

NOTES TO THE ACCOUNTS (Continued)

11. COMMITMENTS AND CONTINGENT LIABILITIES

The Company uses foreign exchange forward contracts to manage its exposure to foreign currency movements. At 31 December 2009 the fair value of foreign exchange forward contracts with third parties comprised assets of \$1,400,000 (2008: \$601,000) and liabilities of \$2,850,000 (2008: \$5,018,000)

At 31 December 2009, \$585.0 million (2008: \$625.0 million) of banking facilities of the Company's immediate parent company, Coats plc, were subject to guarantees issued by certain of its principal subsidiaries, including Coats Finance Co. Limited. At 31 December 2009, \$419.3 million (2008: \$463.5 million) of these banking facilities had been drawn down

12. ULTIMATE PARENT COMPANY

The Company's ultimate parent company and controlling party is Guinness Peat Group plc, a company incorporated in Great Britain and registered in England and Wales. The consolidated accounts of Guinness Peat Group plc can be obtained from its registered office at First Floor, Times Place, 45 Pall Mall, London SW1Y 5GP

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