

Coats Patons Limited

Report & Accounts

For the year ended 31 December 2004

Directors, Officers and Professional Advisors

Directors

G J C Aldridge
R Bevan
M J Smithyman

Secretary

G J C Aldridge

Registered Office

Pacific House
70 Wellington Street
Glasgow
G2 6UB

Auditors

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors

Registered number


35975



Directors' report

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

Principal activities

Coats Patons Limited is a holding company. The principal activities of its subsidiaries at the year end are the manufacturing, processing and distribution of thread for industrial and domestic use.

Results and dividends.

The Company did not trade during the year and consequently made neither a profit nor a loss. A profit and loss account has therefore not been prepared. No interim dividends were declared or paid during the year (prior year: \$Nil). The Directors do not recommend the payment of a final dividend (prior year: \$Nil).

Directors and their interests

No contract or arrangement has been entered into at any time during the year or subsisted at the year end in which a Director had a material interest which was significant in relation to the Group's business.

The following persons served as directors of the Company during the period:

C W Healy (resigned 30 July 2004)
J D Lea (resigned 30 June 2004)
G J C Aldridge (appointed 5 July 2004)
G Meredith (resigned 16 February 2004)
M J Smithyman (appointed 5 July 2004)
R Bevan (appointed 5 July 2004)

None of the directors have any beneficial interests in the shares of this or any other group company apart from M J Smithyman whose interests in the shares of the ultimate parent company, Guinness Peat Group plc, and its subsidiaries, are declared in the statutory accounts of that company.

Insurance for officers of the company

The Company maintains insurance for officers of the Company indemnifying them against certain liabilities incurred by them while acting as officers of the Company.

Directors' responsibilities for the financial statements

The Directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and the profit or loss for that period. It is also the Directors' responsibility to maintain adequate accounting records, safeguard the assets of the Company and take reasonable steps in preventing and detecting fraud and other irregularities.

The Directors confirm that suitable accounting policies, consistently applied and supported by reasonable and prudent judgement and estimates, have been used in the preparation of the financial statements and that applicable accounting standards have been followed.

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 and 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 is brought to an end.

By order of the Board


Director
26 Apr 2005

Independent Auditors' report to the members of Coats Patons Limited

We have audited the financial statements of Coats Patons Limited for the year ended 31 December 2004 which comprise the balance sheet, the statement of total recognised gains and losses, the reconciliation of movements in shareholders' funds and the related notes 1 to 9. 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 have been properly prepared in accordance with the Companies Act 1985. We also report to you 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 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.

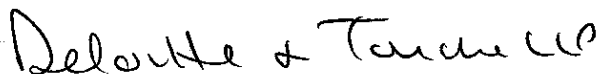
Basis of audit opinion

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 judgements 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 the 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 have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Manchester

27 April 2005

Balance sheet as at 31 December 2004

	Notes	2004 \$m	2003 \$m
Fixed assets			
Investments	4	490.7	490.7
Total assets less current liabilities		<u>490.7</u>	<u>490.7</u>
Creditors - amounts falling due after one year	5	(172.3)	(160.6)
Net assets		<u>318.4</u>	<u>330.1</u>
Capital and reserves			
Equity share capital	6	255.8	255.8
Share premium account		21.9	21.9
Profit and loss account	7	40.7	52.4
Equity shareholders' funds		<u>318.4</u>	<u>330.1</u>

Approved by the Board on 26/04/2005

Director



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

Statement of total recognised gains and losses
for the year to 31 December 2004

	2004 \$m	2003 \$m
Result for the financial year	-	-
Foreign currency differences	(11.7)	-
	<u>(11.7)</u>	<u>33.2</u>

Reconciliation of movement in shareholders' funds
for the year to 31 December 2004

	2004 \$m	2003 \$m
Result for the financial year	-	-
Other recognised gains and losses relating to the year	(11.7)	-
Net (reduction) in /addition to shareholders' funds	<u>(11.7)</u>	<u>-</u>
Opening shareholders' funds	330.1	330.1
Closing shareholders' funds	<u>306.7</u>	<u>330.1</u>

Notes to the accounts

1. Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

Basis of preparation

Since the US dollar and currencies closely linked to it form the main bloc in which the Coats Group's and this company's business is transacted, the company has changed its reporting and functional currency from sterling to dollars with effect from 1 January 2004.

For comparative purposes, the 2003 sterling reported profit and loss account has been retranslated into US dollars at the average rate for 2003 of 1.64 £/US\$. The 2003 sterling reported balance sheet has been translated into US dollars at the closing rate of 1.79 £/US\$.

In 2004, exchange differences arising as a result of the change in functional currency have been taken directly to reserves.

Foreign currencies

Assets and liabilities denominated in foreign currencies are translated into dollars at the rates of exchange ruling at the year end or related forward contract rates.

Profits and losses on exchange arising in the normal course of trading and realised exchange differences arising on the conversion or repayment of foreign currency borrowings are dealt with in the profit and loss account.

Investments

Fixed asset investments are stated at cost unless, in the opinion of the Directors, there has been an impairment, in which case an appropriate provision is made.

Taxation

Coats Holdings Limited 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 Limited in respect of the Company.*

Cash flow statement

A cash flow statement has not been included in these financial statements as the Company is a wholly-owned subsidiary undertaking of a Group that publishes a consolidated cash flow statement.

2. Directors' emoluments

No Directors received remuneration from the Company (2003: \$Nil).

There were no employees during the year (2003: none).

3. Tax on loss on ordinary activities

Any United Kingdom liability which may arise and is not eliminated by the offset of double tax relief, group relief and/or advance corporation tax, for neither of which payment will be made, will be discharged by Coats Holdings Limited. No overseas taxation has been provided other than withholding taxes suffered on remittance of dividends and similar income.

4. Investments

Shares in
subsidiaries
\$m

Cost and Net book value

At 31 December 2003 and 31 December 2004

490.7

The principal subsidiary undertaking of Coats Patons Limited, which is wholly-owned, is :

**Country of incorporation or
registration and principal
country of operation**

Company

Holding companies

J & P Coats Limited

Scotland

The company has not prepared consolidated financial statements as its results are included in the consolidated financial statements of an intermediate parent company, Coats Holdings Ltd, at 31 December 2004.

5. Creditors : amounts falling due after more than one year

\$m \$m

Amounts owed to parent and fellow subsidiary undertakings

172.3 160.6

172.3 160.6

6. Called up share capital

	2004		2003	
	Number	\$m	Number	\$m
Authorised				
Ordinary shares of 25p each	590,000,000	264.0	590,000,000	264.0
Unclassified shares of 25p each	55,361,585	24.7	55,351,858	24.7
	<u>645,361,585</u>	<u>288.7</u>	<u>645,351,858</u>	<u>288.7</u>
Allotted, issued and fully paid				
Ordinary shares of 25p each	<u>571,690,297</u>	<u>255.8</u>	<u>571,690,297</u>	<u>255.8</u>

7. Profit and loss account

	\$m
At 1 January 2004	52.4
Foreign currency differences	(11.7)
At 31 December 2004	<u>40.7</u>

8. Related party transactions

The Company is a subsidiary undertaking within the Guinness Peat 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

9. 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 Limited, a company incorporated 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.