

Registered No.:

SC 35975

COATS PATONS LIMITED

REPORT AND ACCOUNTS FOR THE YEAR ENDED

31 DECEMBER 2005

COUNTRY OF REGISTRATION:

SCOTLAND

REGISTERED OFFICE:

PACIFIC HOUSE
70 WELLINGTON STREET
GLASGOW
G2 6UB

DIRECTORS:

G J C ALDRIDGE
R BEVAN
M J SMITHYMAN

SECRETARY:

G J C ALDRIDGE
C A GIBSON

AUDITORS:

DELOITTE & TOUCHE LLP
LONDON



DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 December 2005.

PRINCIPAL ACTIVITY

The Company 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.

REVIEW OF THE BUSINESS AND FUTURE PROSPECTS

The Company did not trade during the year and consequently did not incur any liabilities. There were no recognised gains or losses or movements in shareholders' funds. The directors do not anticipate any change in the company's activities in the foreseeable future.

RESULTS

No dividends were declared or paid during the year (2004: \$Nil). The Directors do not recommend the payment of a final dividend (2004: \$Nil).

DIRECTORS AND THEIR INTERESTS

The following persons served as directors of the company throughout the year:

R Bevan
M J Smithyman
G J C Aldridge

None of the directors have any beneficial interest in the shares of this company. Mr Smithyman holds 'B' shares in the immediate parent company, Coats plc and has an interest in the shares of the ultimate parent company, Guinness Peat Group plc, and its subsidiaries, details of which are shown in the accounts of Coats plc. Mr Bevan holds 'A' shares in the immediate parent, Coats plc, which were allotted to him on 22 March 2005, details of which are shown in the accounts of J. & P. Coats Limited, a fellow subsidiary undertaking.

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' REPORT (continued)**DIRECTORS'
RESPONSIBILITIES**

United Kingdom company law requires the directors 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 of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

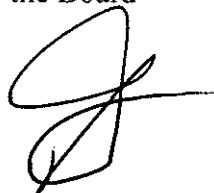
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to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

R. Bevan



28 APRIL 2006

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 2005 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 United Kingdom Accounting Standards (Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with the relevant financial reporting framework and are 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 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 or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 information in the financial statements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF COATS PATONS LIMITED (continued)

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2005 and of its result for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

London

28 APRIL 2006

BALANCE SHEET

At 31 December 2005

	Notes	2005 \$'000	2004 \$'000
FIXED ASSETS			
INVESTMENTS	4	<u>490,711</u>	<u>490,711</u>
CURRENT ASSETS			
CREDITORS – falling due after more than one year	5	<u>(172,264)</u>	<u>(172,264)</u>
NET ASSETS		<u><u>318,447</u></u>	<u><u>318,447</u></u>
CAPITAL AND RESERVES			
EQUITY SHARE CAPITAL	6	255,832	255,832
SHARE PREMIUM ACCOUNT		21,924	21,924
PROFIT AND LOSS ACCOUNT		<u>40,691</u>	<u>40,691</u>
EQUITY SHAREHOLDERS' FUNDS		<u><u>318,447</u></u>	<u><u>318,447</u></u>

Approved by the Board of Directors on *28 APRIL 2006* and signed on their behalf.

Director



R. Bevan

The notes on pages 8 to 11 form part of these accounts

YEAR ENDED 31 DECEMBER 2005

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2005 \$'000	2004 \$'000
Profit for the financial year	-	-
Foreign currency differences	-	(11,664)
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TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR	-	(11,664)
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RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2005 \$'000	2004 \$'000
Profit for the financial year	-	-
Other recognised losses relating to the year	-	(11,664)
	<hr/>	<hr/>
Net movement in shareholders' funds	-	(11,664)
Opening equity shareholders' funds	318,447	330,111
	<hr/>	<hr/>
Closing equity shareholders' funds	318,447	318,447
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**NOTES TO THE ACCOUNTS
YEAR ENDED 31 DECEMBER 2005**

1. STATEMENT OF ACCOUNTING POLICIES

Basis of Accounting	The financial accounts are prepared on the basis of historical cost and in accordance with applicable United Kingdom accounting standards.
Investments	Fixed asset investments are stated at cost unless, in the opinion of the directors, there has been an impairment in value, in which case an appropriate provision is made.
Taxation	<p>Coats Holdings Ltd has assumed the responsibility for discharging any liability for United Kingdom corporation tax, current or deferred, for accounting periods during which the Company remains a member of the Coats Group. The Directors have received assurances that:</p> <ul style="list-style-type: none">(i) there is no intention to revoke the undertaking to discharge the taxation liabilities of the Company for those periods, and(ii) full provision for deferred taxation has been made by Coats Holdings Ltd in respect of the Company.
Cash Flow Statement	The Company is a wholly owned subsidiary undertaking of Guinness Peat Group plc. The company has therefore taken the advantage of the exemption under FRS1 of not producing its own cash flow statement as a consolidated cash flow statement has been included in the consolidated financial statements of Guinness Peat Group plc.
Profit and Loss Account	There have been no items requiring presentation in the company's profit and loss account in the current or prior year, and consequently no profit and loss account has been presented.

NOTES TO THE ACCOUNTS (continued)
YEAR ENDED 31 DECEMBER 2005

**2. DIRECTORS', EMPLOYEES'
AND AUDITORS'
REMUNERATION**

The directors are either directors or executives of an intermediate parent company, Coats Holdings Ltd, or its subsidiaries and receive no remuneration for their services to this Company (2004:\$Nil). There were no employees (2004:\$Nil). Auditors' remuneration was borne by a fellow group company in the current and prior years.

**3. TAX ON PROFITS ON
ORDINARY
ACTIVITIES**

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

4. INVESTMENTS

**Shares in
Subsidiaries
\$'000**

COST AND NET BOOK VALUE

At 31 December 2004 and 31 December 2005

490,711

The principal subsidiary undertaking is:

	Country of Incorporation or Registration	Class of Share	Percentage Held %
J&P Coats Limited	Scotland	Ordinary	100

In the opinion of the directors the aggregate value of the assets of the Company's subsidiaries is not less than the aggregate of the amounts at which those assets are included in the balance sheet.

As the Company is a wholly-owned subsidiary of another company incorporated in Great Britain, consolidated accounts are not presented.

Consequently, these accounts include the information about the Company only.

**NOTES TO THE ACCOUNTS
YEAR ENDED 31 DECEMBER 2005**

		2005 \$'000	2004 \$'000
5. CREDITORS			
Due after one year	Amounts owed to intermediate parent and fellow subsidiary undertakings	<u>172,264</u>	<u>172,264</u>

6. CALLED UP SHARE CAPITAL

	AUTHORISED		CALLED UP, ALLOTTED AND FULLY PAID	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
590,000,000 Ordinary shares of 25p each	264,000	264,000	255,832	255,832
55,361,585 Unclassified shares of 25p each	<u>24,700</u>	<u>24,700</u>	-	-
	<u>288,700</u>	<u>288,700</u>	<u>255,832</u>	<u>255,832</u>

7. ULTIMATE PARENT COMPANY

Guinness Peat Group plc, a company incorporated in England and Wales, is 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 for which consolidated accounts are prepared is Coats plc, 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.

8. 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.

There were no other transactions with related parties during the year other than those disclosed in these accounts.

**NOTES TO THE ACCOUNTS
YEAR ENDED 31 DECEMBER 2005****9. CONTINGENT
LIABILITIES AND
FINANCIAL OBLIGATIONS**

As at 31 December 2005, \$344.2m (2004: \$486.4m) of Coats plc (intermediate parent company) banking facilities are secured on the assets of certain of its subsidiaries including Coats Patons Limited. The security provided comprises both fixed and floating charges.