

Registered No: 166534

Coats Statutory Company No: 40

**PATONS & BALDWIN LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2003**

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 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 2003.

**RESULTS**

The company did not trade during the year and did not incur any liabilities. The directors do not recommend the payment of a dividend (2002 - £nil).

**DIRECTORS**

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

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

**DIRECTORS'  
INTERESTS**

C W Healy held 4,000 shares in Coats Ltd at 31 December 2002. These were sold during the year.

Any share options held by the directors were either exercised or cancelled following the acquisition of the Group by Coats Holdings plc (formerly Avenue Acquisition plc). Options with an exercise price exceeding 58.5p lapsed, while options with an exercise price below 58.5p were either exercised or cancelled for cash.

The directors have no beneficial interest in the shares of this or any other group company at the year end.

**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 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.

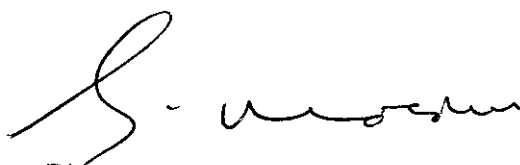
**DIRECTORS'  
RESPONSIBILITIES**

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

28 June 2004

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

We have audited the financial statements of Patons & Baldwin Limited for the year ended 31 December 2003 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses and the related notes 1 to 9 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.

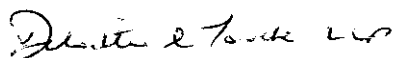
**Basis of audit opinion**

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 2003 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

28 June 2004

**PATONS & BALDWINS LIMITED****PROFIT AND LOSS ACCOUNT****For the year ended 31 December 2003**

	Notes	2003 £'000	2002 £'000
Gain on dissolution of subsidiaries		-	43
		<u>          </u>	<u>          </u>
<b>Profit for the financial year before and after taxation transferred to reserves</b>		-	43
		<u>          </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.

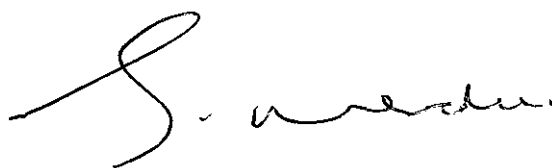
The notes on pages 7 to 10 form part of these accounts.

**PATONS & BALDWINS LIMITED****BALANCE SHEET**  
**At 31 December 2003**

	Notes	2003 £'000	2002 £'000
<b>CURRENT ASSETS</b>			
Debtors	2	<u>8,879</u>	<u>9,695</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>8,879</b>	<b>9,695</b>
CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	3	<u>-</u>	<u>(816)</u>
<b>NET ASSETS</b>		<u><b>8,879</b></u>	<u><b>8,879</b></u>
<b>CAPITAL AND RESERVES</b>			
EQUITY SHARE CAPITAL	4	<b>10,768</b>	10,768
SHARE PREMIUM ACCOUNT	5	<b>2,601</b>	2,601
OTHER CAPITAL RESERVE	6	<b>191</b>	191
PROFIT AND LOSS ACCOUNT	7	<u><b>(4,681)</b></u>	<u>(4,681)</u>
<b>EQUITY SHAREHOLDERS' FUNDS</b>		<u><b>8,879</b></u>	<u><b>8,879</b></u>

Approved by the Board of Directors on 28 June 2004 and signed on their behalf.

Director



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

**PATONS & BALDWIN LIMITED**  
**NOTES TO THE ACCOUNTS**  
**AT 31 DECEMBER 2003**

**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 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 Ltd in respect of the Company.

**PATONS AND BALDWIN LIMITED****NOTES TO THE ACCOUNTS  
AT 31 DECEMBER 2003****1. DIRECTORS'  
EMOLUMENTS AND  
EMPLOYEES**

None of the directors received any emoluments for their services to the company (2002 - same). There are no other employees.

**2. DEBTORS**

	<b>31 Dec 2003 £'000</b>	<b>31 Dec 2002 £'000</b>
Due in more than one year:		
Amounts owed by parent and fellow subsidiary undertakings	<b>8,879</b>	<b>9,695</b>
	<b>31 Dec 2003 £'000</b>	<b>31 Dec 2002 £'000</b>

**3. CREDITORS**

(Amounts falling  
due after more  
than one year)

Amounts owed to parent and fellow subsidiary undertakings	<b>-</b>	<b>816</b>
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The amounts owed to group companies do not bear interest and have no specified dates of repayment.



**PATONS AND BALDWIN LIMITED****NOTES TO THE ACCOUNTS (Continued)**  
**AT 31 DECEMBER 2003****4. CALLED UP****SHARE CAPITAL**

	AUTHORISED		ALLOTTED, ISSUED AND FULLY PAID	
	31 Dec 2003 £'000	31 Dec 2002 £'000	31 Dec 2003 £'000	31 Dec 2002 £'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>

**5. SHARE PREMIUM  
ACCOUNT**

	<b>£'000</b>
At 31 December 2003 and 31 December 2002	<u><u>2,601</u></u>

**6. OTHER CAPITAL  
RESERVE**

At 31 December 2003 and 31 December 2002	<u><u>191</u></u>
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**7. PROFIT AND LOSS  
ACCOUNT**

	<b>£'000</b>
At 31 December 2003 and 31 December 2002	<u><u>(4,681)</u></u>

**PATONS AND BALDWIN LIMITED****NOTES TO THE ACCOUNTS (Continued)**  
**AT 31 DECEMBER 2003****8. ULTIMATE PARENT**

**COMPANY** As at 7 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.

Coats plc changed its name to Coats Ltd on 4 November 2003.

The largest group for which consolidated accounts are prepared is Coats Holdings plc, a company incorporated in England and Wales. Copies of these statements will be available from the company's registered office at First Floor, Times Place, 45 Pall Mall, London SW1Y 5GP.

The smallest group for which consolidated accounts are prepared is Coats Ltd, 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.

As of 1 April 2004 Guinness Peat Group plc, a company incorporated in England and Wales, is considered by the directors to be the controlling party and the ultimate parent company.

**9. RELATED PARTY  
TRANSACTIONS**

The company is a subsidiary undertaking of Coats Ltd, 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.