

Registered No: 166534

Coats Statutory Company No: 143

PATONS & BALDWIN'S LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2001

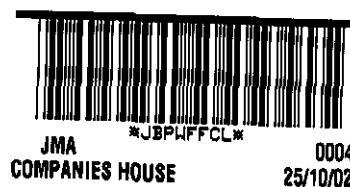
COUNTRY OF REGISTRATION: ENGLAND

REGISTERED OFFICE: 1 THE SQUARE
STOCKLEY PARK
UXBRIDGE
MIDDLESEX
UB11 1TD

DIRECTORS: C.W. HEALY
C.J. MERCER
G.J.C. ALDRIDGE
S.W. DAVIES

AUDITORS: DELOITTE & TOUCHE
MANCHESTER

SECRETARY: G.J.C. ALDRIDGE



PATONS & BALDWINS LIMITED

DIRECTORS' REPORT

The Directors present their report and accounts for the year ended 31 December 2001.

RESULTS

The company is an investment holding company. Neither profit or loss was made during the year. The directors do not recommend the payment of a dividend (2000 - 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	
J. Stephens	(resigned 18 June 2001)
G.J.C. Aldridge	(appointed 31 August 2001)
S.W. Davies	(appointed 18 June 2001)

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:-

	31.12.01	31.12.00 or Date appointed
G.J.C. Aldridge	-	-
C.W. Healy	4,000	4,000
S.W. Davies	-	49
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	1992 to 1994	195.80p to 251.50p	2002 to 2004	22,739
1994 Executive Share Option Scheme	1994 to 2001	42.00p to 214.50p	2002 to 2011	850,340

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 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



G J C Aldridge
Secretary

15/10 2002

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 2001 which comprise the profit and loss account, statement of 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.

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 2001 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Deloitte & Touche

Chartered Accountants and Registered Auditors

Manchester

24/10/02

PATONS & BALDWINS LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2001

	<u>Notes</u>	31 Dec 2001 £'000	31 Dec 2000 £'000
Gain on dissolution of subsidiaries		<u>-</u>	<u>1</u>
Profit for the financial year before and after taxation transferred to reserves		<u>-</u>	<u>1</u>

The above results relate to a discontinued operation.

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 2001

	<u>Notes</u>	31 Dec 2001 £'000	31 Dec 2000 £'000
FIXED ASSETS			
Investments	2	<u>2</u>	<u>2</u>
CURRENT ASSETS			
Debtors	3	<u>9,713</u>	<u>9,713</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		9,715	9,715
CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	4	<u>(879)</u>	<u>(879)</u>
NET ASSETS		<u>8,836</u>	<u>8,836</u>
CAPITAL AND RESERVES			
EQUITY SHARE CAPITAL	5	10,768	10,768
SHARE PREMIUM ACCOUNT	6	2,601	2,601
OTHER CAPITAL RESERVE	7	191	191
PROFIT AND LOSS ACCOUNT	8	<u>(4,724)</u>	<u>(4,724)</u>
EQUITY SHAREHOLDERS' FUNDS		<u>8,836</u>	<u>8,836</u>

Approved by the Board of Directors on ~~11 October 2002~~ 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 2001

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 20011. DIRECTORS'
EMOLUMENTS AND
EMPLOYEES

None of the directors received any emoluments for their services to the company (2000 - £Nil). There are no other employees).

2. INVESTMENTS

	Total £'000
COST	
At 31 December 2000 and 31 December 2001	<u>100</u>
PROVISIONS	
At 31 December 2000 and 31 December 2001	<u>98</u>
NET BOOK VALUE	
At 31 December 2000	<u>2</u>
At 31 December 2001	<u>2</u>

Principal subsidiary undertakings were:

	Country of Registration	Class of Share	Proportion held
Coats Crafts UK Ltd	England	Ordinary	100%
L. Copley-Smith & Sons Ltd	England	Ordinary	100%
Coats Handknitting Ltd	England	Ordinary	100%
			31 Dec 2001 £'000
			31 Dec 2000 £'000

3. DEBTORS

Due in more than one year:

Amounts owed by parent and fellow subsidiary undertakings	<u>9,713</u>	<u>9,713</u>
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PATONS AND BALDWINS LIMITED

NOTES TO THE ACCOUNTS (Continued)
AT 31 DECEMBER 2001

		31 Dec 2001 £'000	31 Dec 2000 £'000
4. CREDITORS (Amounts falling due after more than one year)			
	Amounts owed to parent and fellow subsidiary undertakings	814	814
	Amounts owed to subsidiary undertakings	<u>65</u>	<u>65</u>
		<u>879</u>	<u>879</u>

The amounts owed to group companies
do not bear interest and have no
specified dates of repayment.

5. CALLED UP
SHARE CAPITAL

	AUTHORISED		ALLOTTED, ISSUED AND FULLY PAID	
	31 Dec 2001 £'000	31 Dec 2000 £'000	31 Dec 2001 £'000	31 Dec 2000 £'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>
				£'000

6. SHARE PREMIUM
ACCOUNT

At 31 December 2001 and 31 December 2000 2,601

7. OTHER CAPITAL
RESERVE

At 31 December 2001 and 31 December 2000 191

PATONS AND BALDWIN LIMITED

NOTES TO THE ACCOUNTS (Continued)
AT 31 DECEMBER 2001

8. PROFIT AND LOSS ACCOUNT	£'000
At 31 December 2000 and 31 December 2001	<u>(4,724)</u>

9. ULTIMATE PARENT
COMPANY

The company's ultimate parent company is Coats plc, a company incorporated in England and Wales. 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.

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.