

Registered No: 332517

Coats Statutory Company No: 453

COATS INDUSTRIAL THREAD LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

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COATS INDUSTRIAL THREAD LIMITED

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 December 2010

PRINCIPAL ACTIVITIES

The principal activity of the company is the holding of investments in group undertakings. Income is principally derived from dividends and royalties.

REVIEW OF THE BUSINESS

Results for the year are shown in the profit and loss account on page 6. The balance sheet of the company is shown on page 7.

The Directors do not foresee a change in the company's activities 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 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 and to the date of this Report except as noted:

R Bevan
P A Forman
D S Gurashani (Resigned 31 March 2010)
R Norman
Coats Patons Limited

SECRETARY

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

COATS INDUSTRIAL THREAD LIMITED

DIRECTORS' REPORT (Continued)

**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.

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 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-US\$ denominated royalties and licensing income 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 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.

COATS INDUSTRIAL THREAD LIMITED

DIRECTORS' REPORT (Continued)

**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). Under company law the Directors must not approve the financial statements unless they are satisfied that they 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 accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed subject to any material departures disclosed and explained in the financial statements, 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 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.

COATS INDUSTRIAL THREAD LIMITED

DIRECTORS' REPORT (Continued)

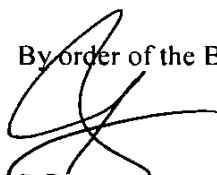
**DISCLOSURE OF
INFORMATION
TO AUDITORS**

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

27 April 2011

Registered office

1 The Square
Stockley Park
Uxbridge
Middlesex
UB11 1TD

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COATS INDUSTRIAL THREAD LIMITED

We have audited the financial statements of Coats Industrial Thread Limited for the year ended 31 December 2010 which comprise the profit and loss account, the balance sheet, the reconciliation of movements in shareholders' funds and the related notes 1 to 16. 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 auditor's 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 auditor

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 and express an opinion on 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 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 2010 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

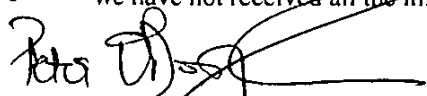
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters:

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.



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

27 April 2011

COATS INDUSTRIAL THREAD LIMITED**PROFIT AND LOSS ACCOUNT****Year ended 31 December 2010**

	Notes	2010 \$'000	2009 \$'000
Administrative expenses		(25,090)	(20,545)
Other operating income		<u>28,829</u>	<u>23,795</u>
OPERATING PROFIT	2	3,739	3,250
Provisions against investments in subsidiary undertakings	8	<u>(104)</u>	<u>-</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST		3,635	3,250
Interest receivable and similar income	4	<u>467</u>	<u>228</u>
Interest payable and similar charges	5	<u>(669)</u>	<u>(398)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		3,433	3,080
Tax on profit on ordinary activities	6	<u>(2,529)</u>	<u>(1,886)</u>
PROFIT FOR THE FINANCIAL YEAR TRANSFERRED TO RESERVES	14	<u>904</u>	<u>1,194</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 is presented

The notes on pages 9 to 16 form part of these financial statements

COATS INDUSTRIAL THREAD LIMITED**BALANCE SHEET****As at 31 December 2010**

	Notes	2010 \$'000	2009 \$'000
FIXED ASSETS			
Intangible assets	7	112,000	128,000
Investments	8	846	950
		<u>112,846</u>	<u>128,950</u>
CURRENT ASSETS			
Debtors amounts falling due within one year	9	3,241	2,730
Debtors amounts falling due after more than one year	9	92,800	90,509
Cash at bank and in hand		289	321
		<u>96,330</u>	<u>93,560</u>
CURRENT LIABILITIES			
Creditors amounts falling due within one year	10	(689)	(356)
NET CURRENT ASSETS			
		<u>95,641</u>	<u>93,204</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		208,487	222,154
Creditors amounts falling due after more than one year	11	(114,607)	(129,178)
NET ASSETS			
		<u>93,880</u>	<u>92,976</u>
CAPITAL AND RESERVES			
Share capital	13	67,689	67,689
Profit and loss account	14	26,191	25,287
TOTAL SHAREHOLDERS' FUNDS			
		<u>93,880</u>	<u>92,976</u>

The financial statements of Coats Industrial Thread Limited, registered number 332517, were approved by the Board of Directors and authorised for issued on 27 April 2011

R Bevan
Director

The notes on pages 9 to 16 form part of these financial statements

COATS INDUSTRIAL THREAD LIMITED**RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**
Year ended 31 December 2010

	2010	2009
	\$'000	\$'000
Profit for the financial year	904	1,194
Opening shareholders' funds	92,976	91,782
Closing shareholders' funds	<u>93,880</u>	<u>92,976</u>

The notes on pages 9 to 16 form part of these financial statements

COATS INDUSTRIAL THREAD LIMITED**NOTES TO THE ACCOUNTS
YEAR ENDED 31 DECEMBER 2010****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
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.
Foreign Currencies	<p>The Directors consider US dollars (\$) to be the company's functional currency. Accordingly, these financial statements are presented in \$. At 31 December 2010, the closing exchange rate to sterling was \$1/£0.64 (2009 \$1/£0.62) and the average exchange rate to sterling for the year ended 31 December 2010 was \$1/£0.65 (2009 \$1/£0.64).</p> <p>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. Exchange gains or losses are included in the profit and loss account.</p>
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.

COATS INDUSTRIAL THREAD LIMITED**NOTES TO THE ACCOUNTS (Continued)
YEAR ENDED 31 DECEMBER 2010****1. STATEMENT OF ACCOUNTING POLICIES (continued)**

Taxation (continued)	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
Royalties and Licensing Income	Royalties and licensing income is credited to profit and loss account in the year to which it relates
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 adjustment has been made
Intangible Assets	Acquired brands are stated at cost less accumulated amortisation. Amortisation is provided to write off the asset by equal instalments over the expected period that benefit is derived from the asset which in the case of acquired brands is assumed to be no more than 10 years. Goodwill acquired is capitalised and amortised to the profit and loss account over its estimated useful life which will not exceed twenty years
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 of the Guinness Peat Group.
Group accounts	Under the provisions of Section 400 of the Companies Act 2006 the company is exempt from the obligation to prepare and deliver group financial statements as it is included in the consolidated financial statements of Guinness Peat Group plc. Accordingly, these financial statements present information about the company as an individual entity and not as a group

COATS INDUSTRIAL THREAD LIMITED**NOTES TO THE ACCOUNTS (Continued)
YEAR ENDED 31 DECEMBER 2010****2. OPERATING PROFIT**

Operating profit is after (crediting)/charging	2010	2009
	\$'000	\$'000
Royalties and licensing income	(28,829)	(23,795)
Amortisation of intangibles	16,000	16,000
	<u>16,000</u>	<u>16,000</u>

Auditors' remuneration for the audit of the Company's annual accounts of \$8,000 (2009 \$8,000) was borne by a fellow group company

3. DIRECTORS AND EMPLOYEES

The directors received no remuneration for their services to the company (2009 \$nil)
There were no other employees (2009 nil) and consequently employee costs for the year were \$nil (2009 \$nil)

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	2010	2009
	\$'000	\$'000
Bank interest	9	1
Interest on amounts due from Group undertakings	458	227
	<u>467</u>	<u>228</u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2010	2009
	\$'000	\$'000
Interest on amounts due to Group undertakings	669	398
	<u>669</u>	<u>398</u>

COATS INDUSTRIAL THREAD LIMITED**NOTES TO THE ACCOUNTS (Continued)
YEAR ENDED 31 DECEMBER 2010****6. TAX ON PROFIT ON ORDINARY ACTIVITIES**

	2010	2009
	\$'000	\$'000
UK taxation based on the profit for the year		
Corporation tax at 28% (2009 28%)	2,529	1,886
Double taxation relief	(2,529)	(1,886)
	<u>-</u>	<u>-</u>
Overseas taxation	2,529	1,886
	<u>2,529</u>	<u>1,886</u>

The standard rate of current tax for the year, based on UK standard rate of corporation tax, is 28% (2009 28%) The current tax charge for the year is higher than 28% for the reasons set out in the following reconciliation

	2010	2009
	\$'000	\$'000
Profit on ordinary activities before tax	3,433	3,080
Tax on profit on ordinary activities at standard rate	961	862
Adjusted for the effects of		
Expenses disallowed for tax purposes	4,509	4,483
Double tax relief	(2,529)	(1,886)
Withholding tax on remittances	2,529	1,886
Group relief received for nil consideration	(2,941)	(3,459)
	<u>2,529</u>	<u>1,886</u>

COATS INDUSTRIAL THREAD LIMITED**NOTES TO THE ACCOUNTS (Continued)
YEAR ENDED 31 DECEMBER 2010****7. INTANGIBLE ASSETS - BRANDS**

	\$'000
COST	
At 1 January 2010 and at 31 December 2010	160,000
AMORTISATION	
At 1 January 2010	32,000
Provided in the year	16,000
At 31 December 2010	48,000
NET BOOK VALUE	
At 31 December 2010	112,000
At 31 December 2009	128,000

8. INVESTMENTS

	Shares in Group Undertakings \$'000
COST	
At 1 January 2010 and at 31 December 2010	10,807
PROVISIONS	
At 1 January 2010	9,857
Provided in the year	104
At 31 December 2010	9,961
NET BOOK VALUE	
At 31 December 2010	846
At 31 December 2009	950

COATS INDUSTRIAL THREAD LIMITED**NOTES TO THE ACCOUNTS (Continued)
YEAR ENDED 31 DECEMBER 2010****9. DEBTORS**

	2010 \$'000	2009 \$'000
Amounts falling due within one year		
Amounts owed by group undertakings	3,241	2,729
Other debtors	-	1
	<u>3,241</u>	<u>2,730</u>
Amounts falling due after more than one year		
Amounts owed by group undertakings	<u>92,800</u>	<u>90,509</u>

10. CREDITORS

	2010 \$'000	2009 \$'000
Amounts falling due within one year		
Amounts owed to group undertakings	396	92
Taxation payable	293	264
	<u>689</u>	<u>356</u>

11. CREDITORS

	2010 \$'000	2009 \$'000
Amounts falling due after more than one year		
Amounts owed to group undertakings	<u>114,607</u>	<u>129,178</u>

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

COATS INDUSTRIAL THREAD LIMITED**NOTES TO THE ACCOUNTS (Continued)
YEAR ENDED 31 DECEMBER 2010****12 DEFERRED TAXATION**

The amount of deferred tax assets unrecognised at 27% (2009 28%) was as follows

	2010	2009
	\$'000	\$'000
Depreciation in advance of capital allowances	1	1
Capital losses	2,148	2,298
	<u>2,149</u>	<u>2,299</u>
Unprovided deferred tax asset	<u>2,149</u>	<u>2,299</u>

The deferred tax asset is unprovided as there is uncertainty regarding the generation of suitable future taxable profits of the company

13. CALLED UP SHARE CAPITAL

	ALLOTTED AND AUTHORISED		FULLY PAID	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
37,814,890 Ordinary shares of £1 each	<u>67,689</u>	<u>67,689</u>	<u>67,689</u>	<u>67,689</u>

14. PROFIT AND LOSS ACCOUNT

	\$'000
At 1 January 2010	25,287
Retained profit for the year	904
	<u>26,191</u>
At 31 December 2010	<u>26,191</u>

COATS INDUSTRIAL THREAD LIMITED

**NOTES TO THE ACCOUNTS (Continued)
YEAR ENDED 31 DECEMBER 2010**

15. CONTINGENT LIABILITIES

At 31 December 2010, \$545.0 million (2009: \$585.0 million) of banking facilities of the Company's intermediate parent company, Coats plc, were subject to guarantees issued by certain of its principal subsidiaries, including Coats Industrial Thread Limited.

As at 31 December 2010, \$435.2 million (2009: \$419.3 million) of these banking facilities had been drawn down.

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