Coats Ltd Annual Report 2003

Annual Report 2003

Global leader in thread

Financial summary

		2003	2002 (Restated)
Turnover	– Thread	**£912m**	£923m
	– Total	**£1,004m**	£1,156m
Operating profit before reorganisation costs, impairment of fixed assets, and exceptional items (note 2)			
	– Thread	**£63m**	£82m
	– Total	**£58m**	£65m
Operating profit		**£29m**	£46m
Pre-tax profit before reorganisation costs, impairment of fixed assets, and exceptional items		**£43m**	£53m
Pre-tax (loss)/profit		**£(9)m**	£36m
Net cash inflow from normal operating activities (note 31)		**£75m**	£116m
Net cash inflow from operating activities		**£50m**	£97m
Capital expenditure		**£58m**	£57m
Net debt		**£132m**	£104m
Net debt less current asset investments		**£108m**	£80m
Net gearing		**28%**	21%

Note
2002 comparatives have been restated following the adoption of SSAP 24 – Accounting for pension costs. The full impact is disclosed in the Statement of accounting policies and Note 29 to the accounts.

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In 2003 our Thread business made good progress with its plans to address the migration of the industrial thread customer base to lower cost markets. The net like-for-like growth achieved in industrial thread sales demonstrates that our strategy of strengthening relationships with global retailers whilst investing in new capacity in growth markets is delivering results. The full benefit to earnings will only be realised once the corresponding downsizing of Western facilities has been completed, and although significant headway was made in 2003 it will take another two years to conclude the major projects.

Our consumer thread business – Crafts, representing 35% of Thread sales – delivered a relatively steady performance with like-for-like sales and margins just slightly below last year due to retailer de-stocking in North America.

Results

Operating profit before reorganisation costs, impairment and exceptional items at £57.7 million (2002 – £65.0 million) (see Note 2b) was below original expectations, mainly due to a weak second half in North America thread and the effects of foreign exchange translation owing to a weaker US dollar. Nevertheless operating losses in non-thread businesses were substantially reduced following the sale of the Fashion Retail division, and the remaining non-thread business – Bedwear – has been restructured as a design, sales and marketing operation accounting for approximately 7% of ongoing Group sales. Non recurring Corporate items made a reduced contribution in 2003.

Acquisition and management changes

2003 was a year of substantial change in both the corporate and operating structure of the Group. Following the unconditional recommended cash offer on 7 April, the acquisition of the ordinary shares of the Company by Coats Holdings plc (formerly Avenue Acquisition plc) was completed on 20 June. We subsequently received permission to re-register the Group as a private company, Coats Ltd, whilst maintaining the listing of our preference shares.

Following the acquisition, Sir Harry Djanogly, Sir Victor Blank, and Keith Merrifield resigned from the Board and Gary Weiss, Anthony Gibbs, Donald La Vigne and Rex Wood-Ward joined as non-executive directors. Having decided to retire as Chief Executive, I accepted the Board's offer to become non-executive Chairman. In October Mike Smithyman joined the Group as Chief Executive. At the end of the year, Bryan Anderson, formerly Chief Operating Officer, decided to pursue a career outside the Group.

Refinancing

Change of control has required the Group to renegotiate its banking facilities. Negotiations are nearing completion and an announcement will be made shortly.

Prospects

The current year has started on a positive note with sales ahead of the previous year. Margins are expected to benefit from earlier reorganisation projects and this should be reflected in progress at the operating profit level despite a similar level of reorganisation costs as in 2003.

Martin Flower
Chairman

Thread trading

Operating profit before reorganisation, impairment and exceptional costs: £62.9 million (2002 – £82.3 million) (see Note 2a). Earnings before reorganisation and exceptional costs, interest, tax, depreciation and amortisation (EBITDA): £98.3 million (2002 – £116.6 million).

Reported results in sterling were significantly affected by the impact of a weaker US dollar exchange rate on translation of local currency results. On a like-for-like basis, excluding the impact of exchange translation, acquisitions and disposals, sales increased by 1%. This reflected lower sales in North America and generally weaker growth in other regions during H2 following 2% growth in H1 and an exceptionally strong H2 2002. Operating profit before reorganisation, impairment and exceptional costs (OP) on a like-for-like basis fell by 20% for the full year, principally as a result of lower operating margins in North and South America but also due to a number of beneficial corporate items in 2002 not recurring.

In the following comments on Thread regional performance, all comparisons with 2002 are on a like-for-like basis i.e. excluding the impact of exchange translation, acquisitions and disposals.

Thread like-for-like sales and operating profit

	2002 restated £m	Exchange retranslation £m	Acquisitions/ disposals £m	2002 adjusted £m	2003 reported £m	Increase/ (decrease) %
External sales						
UK and Europe	321.6	18.9		340.5	349.3	2.6
North America	291.0	(23.2)		267.8	244.8	(8.6)
South America	87.6	(7.5)	4.7	84.8	86.0	1.4
Asia	222.4	(12.9)		209.5	232.1	10.8
Total	**922.6**	**(24.7)**	**4.7**	**902.6**	**912.2**	**1.1**
Operating profit*						
UK and Europe	14.8	(0.2)		14.6	13.7	(6.2)
North America	14.0	(1.1)		12.9	2.8	(78.3)
South America	11.5	(1.0)	1.1	11.6	7.8	(32.8)
Asia	35.6	(2.6)		33.0	37.5	13.6
Corporate	6.4			6.4	1.1	(82.8)
Total	**82.3**	**(4.9)**	**1.1**	**78.5**	**62.9**	**(19.9)**

*Pre reorganisation, impairment and exceptional costs.

UK and Europe

Sales +3%; OP -6%

Crafts sales grew strongly in both Western and Eastern Europe with particular success in Germany as a result of gains in market share from new product launches in handknittings. The market for industrial thread in Western Europe continued to decline as a result of customer migration to Eastern Europe and Asia. Our industrial sales were broadly flat with growth in zips and Eastern Europe apparel thread offsetting further decline in Western Europe apparel thread. Operating margins were affected by start-up costs of the new bulk production unit in Romania and losses in the industrial thread business in Western Europe. Our strategy of switching production capacity to Eastern Europe and Asia is designed to address these losses, but 2003 results were affected by the time lag in realising overhead savings in Western Europe in line with the migration in industrial sales.

North America

Sales -9%; OP -78%

Crafts sales were down on the previous year as a result of de-stocking by certain major customers. Point of sales data indicates that underlying sales to final consumers continued to grow, albeit at a slower rate than previous years. Industrial sales in the US continued to decline as a result of migration of apparel production to Asia. Operating margins in both Crafts and Industrial were affected by lower sales volumes. There was substantial activity in the supply chain with the opening of a green field site at Orizaba in Mexico and closure of production at three sites in the USA. However operating profit was impacted by start-up costs in Mexico and production inefficiencies during the downsizing of US production.

South America

Sales +1%; OP -33%

Underlying demand for both crafts and industrial products was weak as consumer spending remained depressed throughout the region. The weak trading climate also led to reduced operating margins as price increases lagged inflation in operating costs.

Asia

Sales +11%; OP +14%

Industrial thread sales continued to grow strongly, more than offsetting the decline in North America and reflecting the benefit of our relationships with global retailers and brand owners. Operating margins improved slightly to just over 16% despite investment in new production capacity and sales and administration infrastructure to support future growth.

Corporate

The positive contribution to OP reduced from £6.4 million to £1.1 million principally as a result of a reduction in the release of negative goodwill and an increase in corporate provisions.

Thread reorganisation, impairment and exceptional costs

We made good progress during the year in continuing to downsize Western Thread capacity, whilst expanding in low cost locations, and reorganisation costs (including impairment of fixed assets) of £19.1 million (2002 – £15.2 million) were incurred. These costs are part of our reorganisation programme, which continues to deliver benefits in line with expectations.

Thread exceptional operating costs of £7.4 million (2002 – £nil) were incurred by the Company in the year, representing the costs associated with the offer for the Company by Coats Holdings plc.

Non-Thread

The refocusing of the Group on Thread is now virtually complete and sales and operating losses (before reorganisation, impairment and exceptional costs) from our other businesses, namely India Textiles, Bedwear and Fashion Retail, fell to £91.7 million (2002 – £233.0 million) and £5.2 million (2002 – £17.3 million) respectively.

Bedwear is now the only continuing non-thread business and following the sale of its manufacturing business in September has been reconfigured as a design, sales and marketing operation. In 2003 it made an operating loss (before reorganisation, impairment and exceptional costs) of £2.6 million (2002 – £1.1 million) partially as a result of the inevitable disruption associated with the exit from manufacturing. Increased flexibility in terms of product sourcing is expected to lead to a significant improvement in future performance.

Reorganisation, impairment and exceptional costs in the non-thread businesses amounted to £2.7 million (2002 – £3.9 million) and in 2003 related almost entirely to Bedwear.

Operating profit

Statutory operating profit at £28.5 million (2002 – £45.9 million) benefited from reduced losses in discontinued businesses but this was more than offset by the reduction in like-for-like Thread profits, higher reorganisation and exceptional costs, and the impact of exchange translation.

Disposals

The Group generated a net loss on the sale or termination of operations of £43.6 million (2002 – £6.2 million), largely in respect of the following disposals.

The UK Fashion Retail business was sold, as disclosed in our 2002 accounts, on 23 January 2003 and our US Fashion Retail business was closed during the year, resulting in a combined loss of £41.0 million. The operating results for these businesses have been included within discontinued operations. The results for the US business were shown as part of continuing operations in the 2002 accounts and therefore the 2002 figures presented in these accounts have been restated.

On 3 September 2003, the sale of Bedwear's manufacturing business to an investment consortium was completed resulting in a loss of £4.5 million. In addition, we completed our exit from the India Textiles business during the second half of 2003.

The sale of the Fashion Retail business was structured such that we retained the principal assets. During 2003 we generated approximately £23 million cash in respect of the sale of these assets, with additional proceeds expected in 2004. In total, profits on sales of property and other assets made surplus by the reorganisation and disposal programmes totalled £21.0 million (2002 – £8.7 million).

Interest and tax

Net interest costs increased to £15.3 million (2002 – £13.0 million) reflecting an increase in net debt. Interest includes a non cash element of £4.0 million (2002 – £3.7 million) largely arising from the unwinding of the discount on future pension liabilities.

After gains and losses arising from the disposal of fixed assets and businesses, a loss before tax of £9.1 million (2002 – £36.3 million profit) was generated. However, on the IIMR basis (before goodwill, amounts written off investments and FRS3 exceptional items) profit before tax was £14.8 million (2002 – £32.2 million).

The tax charge was reduced to £3.8 million (2002 – £5.1 million). This charge is primarily made up of tax on profits of overseas subsidiaries net of a deferred tax credit of £6.6 million.

The basic loss per share was 2.9p (2002 – 3.6p basic earnings), but headline earnings per share were 0.5p (2002 – 2.7p).

Accounting standards

The Group's accounting policies fully reflect all applicable standards issued by the Accounting Standards Board.

The Group was acquired by Coats Holdings plc (formerly Avenue Acquisition plc) on 7 April 2003. Coats Holdings plc's policy is to account for pensions in accordance with SSAP 24 – Accounting for Pension Costs. The Group's accounting policies have been brought in line with Coats Holdings plc and consequently SSAP 24 has been adopted in these accounts. Since 2001, FRS17 – Retirement Benefits had been fully adopted in preparing the Group's accounts, and therefore the 2002 results have been restated to a SSAP 24 basis. The full effect of adopting SSAP 24 is set out in Note 29.

Pension arrangements

The Company operates a defined benefit plan in the UK and there are similar arrangements in North America. An actuarial review of the UK and USA schemes under SSAP 24 was conducted as at 7 April 2003 and indicates that these schemes are in surplus. Employer contributions continue to be suspended based on actuarial advice. The pension prepayments included in debtors in respect of these schemes total £38.3 million (2002 – £40.1 million).

There are various pension and leaving indemnity arrangements in other countries, primarily in Europe, where the Group operates, which in general are not funded. At 31 December 2003, the discounted liabilities arising amounted to £66.7 million (2002 – £68.2 million) gross of deferred tax and are included in provisions for liabilities and charges.

Balance sheet and cash flow

The 2002 cash flow statement analysis has been restated to reflect the adoption of SSAP 24. 2002 included a £3.9 million refund from a discontinued pension scheme. This has now been recognised in the profit and loss account as part of the loss on sale or termination of operations and as part of the proceeds from the sale of subsidiary undertakings in the cash flow statement.

Net cash inflow from operating activities was £50.3 million (2002 – £96.8 million), reflecting a £10.3 million increase (2002 – £18.8 million reduction) in working capital as well as lower earnings. Stock increased marginally over 2002 levels, resulting in a £2.4 million cash outflow in 2003, whereas 2002 had benefited from a significant reduction in stock (£22.4 million) compared to 2001. In addition, creditors were £13.7 million lower at the 2003 year end (2002 – £5.8 million increase).

£15.3 million (2002 – £5.7 million) tax was paid, with 2002 having benefited from significant refunds of tax in both the UK and US.

The Group continues to make significant investments in its Thread business and capital expenditure was £57.9 million (2002 – £56.9 million). After adjusting for opening and closing year-end creditors, actual cash outflow was £66.0 million (2002 – £48.6 million).

The key projects were the expansion of capacity in low cost countries including Romania, Mexico and China. £9.4 million (2002 – £11.6 million) was spent on acquisitions, primarily the purchase in February 2003 of Vicunha, a Brazilian Thread business, and the purchase in November 2003 of the outstanding minority in our Indian Thread subsidiary Madura Coats.

The disposal of businesses and surplus assets generated £34.6 million (2002 – £22.1 million).

Net debt increased from £104.4 million at the start of the year to £131.5 million. Shareholders' funds fell from £463.2 million to £429.3 million, largely reflecting the £20.2 million (2002 – £3.1 million) retained loss for the year and a £14.0 million (2002 – £24.7 million) exchange loss charged to the statement of total recognised gains and losses. Gearing was 28.4% (2002 – 20.8%).

Treasury

The Group's policy is to minimise exposure to changing interest rates by ensuring an appropriate balance of fixed and floating rates. The exposure is managed through the use of interest rate swaps and forward rate agreements, the nominal principal of which does not exceed the underlying net debt.

The majority of the Group's profits, cash flows and assets relate to its overseas Thread operations and are denominated in a range of currencies. The principal exchange rates used in preparing the financial statements were as follows:

		2003	2002
Average	US$	**1.64**	1.50
	Euro	**1.45**	1.59
Year end	US$	**1.79**	1.61
	Euro	**1.42**	1.53

Borrowings are largely drawn in US dollars as a hedge against the impact of changes in the sterling/US dollar exchange rate on the translation of US dollar denominated assets. The Group's translation exposure in the profit and loss account is not hedged. Had 2002 overseas turnover and operating profit been translated at 2003 average rates, reported 2002 Group sales and operating profit would have been lower by £26.3 million and £4.7 million respectively.

The Group's committed banking facilities are provided mainly by a revolving credit facility agreement for £149.0 million. This agreement included a standard change of control clause which was triggered by the acquisition of the Group by Coats Holdings plc in April 2003. A temporary extension of the facility until 31 March 2004 has been agreed by our banks in order for a refinancing exercise to be completed.

During the year, the Group's convertible bonds of £60.4 million came due for redemption and were redeemed at their principal value on 9 August 2003. This funding was replaced by a new £60.0 million bridge facility, on the same terms as the temporary extension to the revolving credit facility.

At the year end the Group had total committed facilities of £212.0 million, of which £209.0 million was committed until 31 March 2004. At 31 December 2003 £146.4 million of debt was drawn against these facilities.

Going concern basis

Following the acquisition of the Group, negotiations have taken place with lenders with regard to refinancing the current facilities of Coats Ltd, in conjunction with Coats Holdings plc's refinancing of its acquisition finance.

The Directors believe that these negotiations will be successful and that the bank facilities will be refinanced.

After making enquiries and based on the above, the Directors have formed a judgement that at the time of approving the financial statements, there is a reasonable expectation that the Group has sufficient resources to continue in operational existence for the foreseeable future and therefore consider it appropriate for the financial statements to be prepared on a going concern basis. The financial statements do not include any adjustments that might result if the refinancing is not completed.

Directors and advisers

Executive Directors

Michael Smithyman (Aged 58) Group Chief Executive. Joined the Group in October 2003 and previously held the position of Chief Executive Officer of WACO International and prior to that MD of BTR Dunlop (South Africa).

Jonathan Lea (Aged 45) Group Finance Director. Joined the Group in 1979 and has held financial management positions in South America, Germany, Hong Kong and India. Appointed finance director of the Thread business in 1998 and Group Finance Director of Coats Ltd in April 2001. He is a Fellow of the Chartered Institute of Management Accountants.

Non Executive Directors

Martin Flower (Aged 57) Chairman. Joined the Group in 1968 after graduating from Oxford University and held various overseas appointments in Venezuela, Peru, Indonesia, Hong Kong and Brazil. Appointed Chief Executive of the Thread business in 1988, to the Board of Coats Ltd in 1990, Group Chief Executive in March 2001 and Chairman in October 2003. He is a Non-Executive Director of Severn Trent Plc. He is a member of the Audit Committee and Remuneration Committee.

Blake Nixon (Aged 43) Appointed a Director in January 2001. He has a wide experience of corporate finance in both the UK and Australia. He is UK Executive Director of Guinness Peat Group plc and Chairman of Staveley Industries plc. He is Chairman of the Audit Committee and a member of the Remuneration Committee.

Gary Weiss (Aged 50) Appointed a Director in April 2003. He has considerable experience in the international business sector. He is an Executive Director of Guinness Peat Group plc and a non executive director of a number of other companies. He is Chairman of the Remuneration Committee.

Rex Wood-Ward (Aged 55) Appointed a Director in April 2003. He has over 30 years of corporate experience. He is the Chairman and CEO of Emess plc, and holds five directorships, four of which are with companies listed on the Australian Stock Exchange. He is a member of the Audit Committee and the Remuneration Committee.

Don La Vigne (Aged 38) Appointed a Director in April 2003. He has considerable experience in investment management. Currently he is head of Private Equity for J. Rothschild Capital Management Ltd, an investment management company, and a subsidiary of RIT Capital Partners Plc. He is a member of the Audit Committee and the Remuneration Committee.

Anthony Gibbs (Aged 56) Appointed a Director in April 2003. He has diverse experience in mergers, acquisitions, divestments and restructuring. Currently he is Chairman of Turners & Growers Ltd, ENZA Ltd and Staveley Inc. He is a member of the Remuneration Committee.

Company Secretary: Christopher Healy
Auditors: Deloitte & Touche LLP

The Directors present their report and the financial statements for the year ended 31 December 2003.

Principal activities The principal activities of the Group during the year were the manufacture, processing and distribution of sewing thread for industrial and domestic use.

Change in Company status On 3 November 2003 Coats plc re-registered as a private company and its name changed to Coats Ltd.

Share capital Details of the authorised and issued ordinary share capital during the year are shown in Note 22 to the accounts.

Major shareholdings Following the acquisition of the ordinary shares of the Company by Coats Holdings plc (formerly Avenue Acquisition plc), the Company is a wholly owned subsidiary of Coats Holdings plc.

Acquisitions and disposals Details of acquisitions and disposals during the year are set out in the Operating and financial review on pages 2 to 5.

Review of the business A review of the business during the year and of prospective future developments is contained within the Chairman's statement and the Operating and financial review set out on pages 1 to 5 which constitute an integral part of this Report.

Property The majority of the Group's freehold and long leasehold properties were professionally valued by Healey & Baker at 30 June 1992. Group occupied properties were generally valued on the basis of open market value for existing use, although certain limited parts were valued on the basis of depreciated replacement costs. Those properties held surplus to requirements were valued on the basis of open market value. Since the completion of Healey & Baker's 1992 valuation a number of properties have been sold and, in the Directors' view, the surplus over book value based on the 1992 valuation has now been reduced to around £28 million.

Results and dividends The results of the Group for the year appear in detail on page 10. The preference dividends, amounting to £715,863 (2002 – £715,863) were paid on their due date. No ordinary dividends were declared during the year (2002 – 4.0p per share).

Directors Martin Flower, Jonathan Lea and Blake Nixon served as Directors throughout the year. Sir Victor Blank retired from the Board on 15 April 2003 and Keith Merrifield retired from the Board on 7 May 2003. Sir Harry Djanogly retired from the Board on 27 June 2003 and Bryan Anderson retired from the Board on 31 December 2003. Gary Weiss, Rex Wood-Ward, Don La Vigne and Anthony Gibbs were appointed as Directors on 15 April 2003. Michael Smithyman was appointed as a Director on 20 October 2003 and, as he was appointed since the previous Annual General Meeting of the Company, offers himself for re-election.

Directors' interests None of the Directors who held office at 31 December 2003 had any interests in the shares of the Company or of any of its subsidiaries. Directors' interests in the shares of the ultimate parent company, Coats Group Limited, are declared in the statutory accounts of Coats Holdings plc.

Employment practices The Group is committed to ensuring that employment practices and policies continue to match best practice in every market where we operate. Effective employee communications play a key role in ensuring that changes within the Group are understood and wherever possible anticipated and management gatherings were held during the year to review the behavioural changes required to deliver the Group's strategy.

The Group remains committed to meaningful employee consultation. A plenary meeting of Coats European Works Council (EWC) took place in April 2003 and the EWC Select Committee, created in 2002, was consulted in relation to key projects affecting employment in more than one European country.

The Group continuously develops its employment practices and policies and uses the best practice that exists in its units to the benefit of its wider operations.

Health and safety The Group is committed to effective Health and Safety risk management. A comprehensive Health and Safety management system was developed in 2003, which will be rolled-out worldwide in 2004. Line management across Coats businesses is fully accountable for the consistent implementation of Coats Health and Safety standards and policies.

Ethical employment Coats operates worldwide in full recognition of key ILO conventions. Coats Worldwide Employment Standards Statement contains the ethical principles which are observed across its global operations. The statement refers to employee rights to a safe and healthy work environment, the right to collective representation and the Group's commitment to ensuring that no persons below the legal age of employment are employed.

It is the Group's policy to offer equal opportunities to disabled persons applying for vacancies and provide them with the same opportunities for employment, training, career development and promotion as are available to all employees, within the limitation of their aptitude and abilities. Employment within the Group is offered on the basis of the person's ability to work and not on the basis of their race, individual characteristics, creed or political opinion. The Group seeks to ensure that its suppliers also act in full conformity with this policy.

Supplier credit It is the Group's policy that its subsidiaries follow the CBI Code of Practice regarding the prompt payment of suppliers. A copy of the Code may be obtained from the CBI. In particular, for all trade creditors it is the Group's policy to:

- agree the terms of payment at the start of business with a supplier;
- ensure suppliers are aware of the terms of payment; and
- pay in accordance with its contractual and other legal obligations.

As the parent company does not trade, the number of days' credit in 2003 was nil (2002 – nil).

Research and development Investment in R&D this year focused primarily on further development of the Group's proprietary colour management systems. These are ahead of any commercial equivalents and support the high performance level we have in the Group's dyehouses. To respond to the increasing complexity of the Group's internal supply chain the business is migrating these colour systems from standalone systems for each dyehouse to networked enterprise-wide systems that provide for fluid communications along the length of the supply chain. We continue to use external research institutions to support this work.

UK pension fund The Coats Pension Plan is a contributory scheme open to UK employees of the Group and provides benefits additional to those from the State Basic Pension Scheme, whilst enabling members to be contracted out of the State Earnings Related Pension Scheme. In addition to the normal retirement pension there are generous benefits payable if members die in service or retire early because of ill health. Members may also receive an early retirement pension on favourable terms from age 50 onwards.

Insurance for officers of the Group The Group maintains insurance for officers of the Company and its subsidiaries indemnifying them against certain liabilities incurred by them while acting as officers of the Company and its subsidiaries.

Charitable donations Payments of £38,500 (2002 – £13,000 – UK only) were made to charities during the year to UK and overseas recipients.

Auditors On 1 August 2003, Deloitte & Touche transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnership Act 2000. The Company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of Section 26(5) of the Companies Act 1989. A resolution to re-appoint Deloitte & Touche LLP as the Group's auditors and to authorise the Directors to fix their remuneration will be proposed at the Annual General Meeting.

Annual General Meeting Attached to this report on page 48 is the Notice of Annual General Meeting which sets out the resolutions for the business of the Annual General Meeting.

Statement of 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 Group as at the end of the financial year and of the profit or loss for that period. It is also the Directors' responsibility to maintain adequate accounting records, safeguard the assets of the Group 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 judgment and estimates, have been used in the preparation of the financial statements and that applicable accounting standards have been followed.

By Order of the Board
Christopher Healy
Company Secretary
1 March 2004

We have audited the financial statements of Coats Ltd for the year ended 31 December 2003 which comprise the profit and loss account, the balance sheets, the cash flow statement, the reconciliation of net cash flow to movement in net debt, the analysis of free cash flow, the statement of total recognised gains and losses, the reconciliation of movements in shareholders' funds, the statement of accounting policies and the related notes 1 to 32. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the members of Coats Ltd, 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 members of Coats Ltd 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 members of Coats Ltd, 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.

They are also responsible for the preparation of the other information contained in the Annual Report.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements, auditing standards, and the Listing Rules of the Financial Services Authority.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been 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 information specified by law regarding Directors' remuneration and transactions with the Company and other members of the Group is not disclosed.

We read the Directors' report and the other information contained in the Annual Report for the above year as described in the contents section 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 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 circumstances of the Company and the Group, 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.

Going concern

In forming our opinion, we have considered the adequacy of the disclosures made in the statement of accounting policies – going concern – concerning the uncertainty in relation to the financing of the Group. In view of the significance of this uncertainty, we consider that it should be drawn to your attention, but our opinion is not qualified in this respect.

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2003 and of the loss of the Group for the year then ended and have been prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Manchester
1 March 2004

Consolidated profit and loss account

For the year ended 31 December 2003	Notes	2003 Total £m	2002 (Restated) Total £m
Turnover	1&2		
Continuing operations		**990.4**	1,020.9
Discontinued operations		**13.5**	134.7
		1,003.9	1,155.6
Cost of sales	1&3	**(668.4)**	(741.6)
Gross profit		**335.5**	414.0
Distribution costs	1	**(208.7)**	(266.4)
Administrative expenses	1&3	**(99.2)**	(105.2)
Other operating income	1&3	**0.9**	3.5
Operating profit	1,2&3	**28.5**	45.9
Continuing operations		**31.0**	64.1
Discontinued operations		**(2.5)**	(18.2)
Share of operating profits of associated companies		**0.9**	0.9
Profit on sale of fixed assets of continuing operations		**6.2**	3.4
Profit on sale of fixed assets of discontinued operations		**14.8**	5.3
Losses on sale or termination of continuing operations	1	**(2.3)**	(7.0)
(Losses)/gains on sale or termination of discontinued operations	1	**(41.3)**	0.8
Profit on ordinary activities before interest		**6.8**	49.3
Amounts written off investments		**(0.6)**	–
Interest receivable and similar income	6	**5.0**	9.7
Interest payable and similar charges	7	**(20.3)**	(22.7)
Net interest payable		**(15.3)**	(13.0)
(Loss)/profit on ordinary activities before taxation		**(9.1)**	36.3
Tax on (loss)/profit on ordinary activities	8	**(3.8)**	(5.1)
(Loss)/profit on ordinary activities after taxation		**(12.9)**	31.2
Equity minority interests		**(6.6)**	(5.2)
(Loss)/profit for the financial year	9	**(19.5)**	26.0
Preference dividends on non-equity shares		**(0.7)**	(0.7)
(Loss)/profit attributable to ordinary shareholders		**(20.2)**	25.3
Ordinary dividends on equity shares	10	**–**	(28.4)
Transferred from reserves	24	**(20.2)**	(3.1)
Basic (loss)/earnings per Ordinary share of 20p	11	**(2.9)p**	3.6p
Headline earnings per Ordinary share of 20p	11	**0.5p**	2.7p

Movements in reserves appear on page 36.

The notes on pages 18 to 46 form part of these accounts.

At 31 December 2003	Notes	Group 2003 £m	Group 2002 (Restated) £m	Company 2003 £m	Company 2002 £m
Fixed assets					
Goodwill	21	**48.9**	48.3	**–**	–
Negative goodwill	21	**(11.4)**	(11.2)	**–**	–
		37.5	37.1	**–**	–
Tangible assets	12	**347.6**	379.8	**–**	–
Investments	13	**4.2**	5.5	**1,120.2**	1,161.7
		389.3	422.4	**1,120.2**	1,161.7
Current assets					
Stocks	14	**228.0**	255.6	**–**	–
Debtors due within one year	15	**206.6**	243.7	**2.0**	3.5
Debtors due in more than one year	15	**49.0**	48.2	**–**	–
Investments	16	**23.9**	24.3	**–**	–
Cash at bank and in hand	19	**62.4**	62.2	**8.6**	3.1
		569.9	634.0	**10.6**	6.6
Creditors – amounts falling due within one year					
Bank overdrafts	19	**(18.2)**	(26.8)	**–**	(26.5)
Other creditors	17	**(364.4)**	(335.3)	**(156.9)**	(97.3)
Convertible debt	17	**–**	(60.4)	**–**	(60.4)
		(382.6)	(422.5)	**(156.9)**	(184.2)
Net current assets/(liabilities)		**187.3**	211.5	**(146.3)**	(177.6)
Total assets less current liabilities		**576.6**	633.9	**973.9**	984.1
Creditors – amounts falling due after more than one year	18	**(3.1)**	(8.1)	**(443.0)**	(423.4)
Provisions for liabilities and charges	20	**(110.4)**	(124.7)	**(0.3)**	(1.2)
Net assets		**463.1**	501.1	**530.6**	559.5
Capital and reserves					
Equity share capital	22	**141.7**	141.6	**141.7**	141.6
Non-equity share capital	22	**14.6**	14.6	**14.6**	14.6
Called up share capital		**156.3**	156.2	**156.3**	156.2
Share premium account	23	**207.4**	207.2	**207.4**	207.2
Other reserves	23	**34.1**	34.1	**35.6**	35.6
Profit and loss account	24	**31.5**	65.7	**131.3**	160.5
Shareholders' funds		**429.3**	463.2	**530.6**	559.5
Equity minority interests	25	**33.8**	37.9	**–**	–
Total capital employed		**463.1**	501.1	**530.6**	559.5

Approved by the Board on 1 March 2004
Mr Martin Flower, Director
Mr Jonathan Lea, Director

The notes on pages 18 to 46 form part of these accounts.

Cash flow statement

For the year ended 31 December 2003	Notes	2003 £m	2002 (Restated) £m
Net cash inflow from operating activities	31	**50.3**	96.8
Returns on investments and servicing of finance			
Interest received		**3.2**	7.2
Interest paid		**(13.0)**	(13.9)
Cost of financing convertible debt		**(2.3)**	(3.8)
Interest element of finance lease rental payments		**(0.1)**	(0.3)
Income from investments		**0.3**	0.1
Preference dividends paid		**(0.7)**	(0.7)
Dividends paid to minority shareholders		**(3.1)**	(5.9)
Net cash outflow for returns on investments and servicing of finance		**(15.7)**	(17.3)
Taxation		**(15.3)**	(5.7)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		**(66.0)**	(48.6)
Sale of tangible fixed assets		**38.3**	16.7
Sale of fixed asset investments		**0.3**	0.5
Net cash outflow for capital expenditure and financial investment		**(27.4)**	(31.4)
Acquisitions and disposals			
Purchase of subsidiary undertakings	31	**(9.4)**	(11.6)
Net cash acquired with subsidiaries		**–**	0.4
Sale of subsidiary undertakings	31	**(4.0)**	4.9
Net cash outflow for acquisitions and disposals		**(13.4)**	(6.3)
Equity dividends paid		**(28.3)**	(21.2)
Management of liquid resources			
(Increase)/decrease in short term deposits		**(3.3)**	12.0
Sale of current asset investments		**1.2**	0.6
Net cash (outflow)/inflow from management of liquid resources		**(2.1)**	12.6
Financing			
Issue of ordinary share capital		**0.3**	1.0
Issue of shares to minorities		**0.2**	0.6
Increase/(decrease) in borrowings	31	**43.3**	(44.4)
Net cash inflow/(outflow) from financing		**43.8**	(42.8)
Decrease in cash	31	**(8.1)**	(15.3)

Reconciliation of net cash flow to movement in net debt			
Decrease in cash		**(8.1)**	(15.3)
Cash (inflow)/outflow from change in debt and lease financing		**(43.3)**	44.4
Cash outflow/(inflow) from change in short term deposits		**3.3**	(12.0)
Change in net debt resulting from cash flows		**(48.1)**	17.1
New finance leases		**(0.2)**	(0.2)
Other		**(0.1)**	(0.2)
Exchange		**21.3**	7.0
(Increase)/decrease in net debt		**(27.1)**	23.7
Net debt at 1 January		**(104.4)**	(128.1)
Net debt at 31 December	31	**(131.5)**	(104.4)

Analysis of free cash flow

For the year ended 31 December 2003	2003 £m	2002 (Restated) £m
Net cash inflow from operating activities	**50.3**	96.8
Returns on investments and servicing of finance	**(15.7)**	(17.3)
Tax paid	**(15.3)**	(5.7)
Capital expenditure and financial investment	**(27.4)**	(31.4)
Free cash flow	**(8.1)**	42.4

Statement of total recognised gains and losses

For the year ended 31 December 2003	Notes	2003 £m	2002 (Restated) £m
(Loss)/profit for the financial year		**(19.5)**	26.0
Currency translation differences on foreign currency net investments	24	**(14.0)**	(24.7)
Total recognised gains and losses relating to the year		**(33.5)**	1.3
Prior year adjustment – Pensions	29	**(0.5)**	
Total gains and losses recognised since the last Annual Report		**(34.0)**	

Reconciliation of movements in shareholders' funds

For the year ended 31 December 2003	2003 £m	2002 (Restated) £m
(Loss)/profit for the financial year	**(19.5)**	26.0
Dividends	**(0.7)**	(29.1)
	(20.2)	(3.1)
Other recognised gains and losses relating to the year	**(14.0)**	(24.7)
New share capital subscribed	**0.3**	1.0
Net reduction of shareholders' funds	**(33.9)**	(26.8)
Opening shareholders' funds (see note)	**463.2**	490.0
Closing shareholders' funds	**429.3**	463.2
Equity shareholders' funds	**414.7**	448.6
Non-equity shareholders' funds	**14.6**	14.6
	429.3	463.2

Note

Opening shareholders' funds as previously reported	**463.7**	515.4
Prior year adjustment – Pensions	**(0.5)**	(25.4)
Opening shareholders' funds as restated	**463.2**	490.0

Basis of accounting

The financial statements have been prepared on the basis of historical cost and in accordance with applicable United Kingdom accounting standards.

The Group's accounting policies are unchanged from the year ended 31 December 2002, except that, following the Group's acquisition by Coats Holdings plc (formerly Avenue Acquisition plc), pensions and other post-retirement benefits are now accounted for in accordance with SSAP 24 – Accounting for Pension Costs, as this is the parent company's policy, instead of under FRS17 – Retirement Benefits.

Comparative figures have been restated to reflect this change of accounting policy, as a result of which at 31 December 2002 the Group's debtors and provisions for liabilities and charges were increased by £40.1 million and £70.4 million respectively and pension assets and pension liabilities were reduced by £31.1 million and £60.9 million respectively. The pension reserve and profit and loss account have been restated accordingly, and shareholders' funds overall have fallen by £0.5 million.

For the year ended 31 December 2002, the result of the restatement is that operating profit has increased by £5.7 million, the loss on sale or termination of operations has fallen by £3.9 million, other interest payable has increased by £3.6 million, other finance income has fallen by £14.3 million, and the tax charge has fallen by £4.0 million, so that the retained profit has reduced by £4.3 million. Amounts charged to the statement of total recognised gains and losses have reduced by £29.2 million, of which £28.5 million related to actuarial losses and £0.7 million to foreign exchange differences.

For the year ended 31 December 2003, the Group's loss after taxation is £5.8 million lower than it would have been if FRS17 had been applied.

The detailed accounting policy in respect of pensions and other post-retirement benefits is set out below.

Consolidation and results

For all subsidiary undertakings the accounts include the results for those companies controlled throughout the year or to the date of disposal or from the date of acquisition as appropriate.

Where local fiscal and company legislation prevents foreign subsidiaries and associated companies from complying with the Group's accounting policies, adjustments are made on consolidation to present the Group accounts on a consistent basis.

Acquisitions and disposals

In accordance with FRS6 and 7, on the acquisition of a business, including an interest in an associated company, fair values are attributed to the Group's share of the identifiable assets and liabilities of the business existing at the date of acquisition and reflecting the conditions at that date.

Where the cost of acquisition exceeds the values attributable to such net assets, the difference is treated as purchased goodwill and, prior to 1 January 1998, was written off direct to reserves in the year of acquisition.

Following the issue of FRS10 – Goodwill and Intangible Assets, purchased goodwill arising after 1 January 1998 is capitalised and amortised to the profit and loss account over its estimated useful life which will not exceed 20 years.

Negative goodwill is capitalised in accordance with FRS10 and is amortised over the expected useful economic lives of the non-monetary assets acquired. As a matter of accounting policy, goodwill written off directly to reserves prior to 1 January 1998 in respect of businesses still retained remains written off against reserves.

In accordance with FRS11 – Impairment of Fixed Assets and Goodwill, any impairment of capitalised goodwill will be written off to the profit and loss account in the period in which the impairment is recognised.

If a business is subsequently sold or closed, any goodwill arising on acquisition that was written off directly to reserves or that has not been amortised through the profit and loss account is taken into account in determining the profit or loss on sale or closure.

A business is classified as a discontinued operation if it is clearly distinguishable, has a material effect on the nature and focus of the Group's activities, represents a material reduction in the Group's operating facilities and either its sale is completed or, if a termination, its former activities have ceased permanently prior to the approval of these financial statements.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the year end or related forward contract rates. Trading results are translated at the average rates of exchange for the year after eliminating the effects of hyper-inflation in certain countries by using an appropriate stable currency as the functional currency for operations in these countries.

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. Unrealised exchange differences arising on the translation of overseas net assets and matched long term foreign currency borrowings or forward exchange contracts are taken direct to reserves.

Turnover

All turnover and profit figures relate to external transactions and turnover represents the value of goods and services supplied net of returns.

Exceptional items

Exceptional items are those that need to be disclosed by virtue of their size or incidence. Such items are included within operating profit unless they represent profits or losses on the sale or termination of an operation, costs of a fundamental reorganisation or restructuring having a material effect on the nature and focus of the Group, or profits and losses on the disposal of fixed assets. In these cases, separate disclosure is provided on the face of the profit and loss account after operating profit.

Grants

Revenue based grants are credited against related expenditure.

Operating lease rentals

Rentals on operating leases are charged to the profit and loss account in the year to which they relate.

Research and development expenditure

Expenditure is charged to the profit and loss account in the year it is incurred.

Pensions and other post retirement benefits

It is the policy of the Group to comply with legal requirements and established practice in the various countries in which there are employees or former employees.

The Group operates various defined benefit and contribution pension schemes throughout the world. Contributions to the defined contribution schemes are charged to the profit and loss account as incurred.

The defined benefits schemes provide benefits based on the final pensionable salary. The assets of most of the defined benefit schemes, particularly those in the UK and North America, are held separately from those of the Group. In certain countries in Europe, pension liabilities are unfunded and are carried on those companies' balance sheets.

In accordance with SSAP 24 – Accounting for Pension Costs, pension costs incurred in the Group's UK and North American defined benefit plans are charged to the profit and loss account over the anticipated working lives of the pension plan members currently in service.

In other overseas countries, pension and other retirement benefits are provided for in a number of ways. The Directors are satisfied that, in relation to legal requirements and established accounting practice, other overseas pension obligations are, in aggregate, adequately provided for and that, in relation to material overseas pension plans, the accounting treatment complies with the requirements of SSAP 24.

Full provision has been made for the current actuarial liability for US post-retirement benefits.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation and, where appropriate, provision for impairment. Depreciation is provided to write off the cost of the assets by equal instalments over their expected useful lives.

The rates used are:

Freehold and long leasehold land	Nil
Freehold and long leasehold buildings	2%
Short leasehold property	Over period of lease

Motor vehicles	20%
Electronic office equipment	25%
All other plant and machinery	5 to 25%

Assets held under finance leases are included in tangible fixed assets at a value equal to the original cost incurred by the lessor less depreciation, and obligations to the lessor are shown as part of creditors. The interest element is charged to profit and loss account under the reducing balance method.

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 adjustment is made.

Listed current asset investments are stated at the lower of cost or market value, and other current asset investments are stated at the lower of cost and estimated net realisable value.

Associated companies

Investments, excluding those classified as subsidiaries, are regarded as associated companies where the Group has a long term interest in more than 20% of the equity and exercises a significant influence over their affairs on a continuing basis. These are stated in the Consolidated Balance Sheet at the Group's share of net assets after adjustment for goodwill or discount on acquisition.

In accordance with FRS9 – Associates and Joint Ventures, the Group's share of associated companies' operating profits or losses, net interest and exceptional items are shown separately in the financial statements.

Stocks

Stocks are valued on bases consistent with those used in previous years at the lower of cost and net realisable value. Cost is the invoiced value of materials plus, in the case of work in progress and finished goods, labour and factory overheads based on a normal level of production.

Provisions

In accordance with FRS12, provisions are only made for losses arising as a result of restructuring when the Group is constructively obligated to implement the restructuring.

Deferred taxation

Deferred tax 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. Timing differences arise from the inclusion of items of income or expenditure in taxation computations in periods different from those in which they are included in the financial statements.

Deferred tax is not recognised on timing differences arising on property revaluation surpluses where there is no commitment to sell the asset nor on gains on asset sales that are rolled over into replacement assets for tax purposes. In addition, no provision is made for taxation that would arise on the remittance of retained profits by overseas subsidiaries and associated companies subsequent to the balance sheet date as there is no present intention to remit these retained profits.

Deferred tax assets are recognised only to the extent that it is considered more likely than not there will be suitable future taxable profits to permit tax relief of the underlying timing differences. Unrelieved advance corporation tax is carried forward only when it can be set against provisions for taxation or to the extent it is recoverable against tax liabilities in respect of the following period.

Capital instruments

Capital instruments are accounted for in accordance with the principles of FRS4 and are classified as equity share capital, non-equity share capital, minority interest or debt as appropriate. Convertible debt is separately disclosed and is regarded as debt unless conversion actually occurs. Provision is made for any accrued premium payable on redemption of redeemable debt or non-equity interests.

Capital instruments are initially carried at the amount of the net proceeds. The finance costs and issue expenses are allocated to the profit and loss account over the life of the debt at a constant rate on the carrying amount.

Reporting the substance of transactions

In accordance with FRS5, transactions entered into by the Group are recorded in the financial statements taking into account their full commercial substance.

Liquid resources

The Group defines liquid resources as short term deposits and current asset investments maturing or capable of being realised within one year.

Going concern

Following the acquisition of the shares of the Company by Coats Holdings plc (formerly Avenue Acquisition plc) on 7 April 2003, negotiations have taken place with lenders with regard to refinancing the current facilities of Coats Ltd, in conjunction with Coats Holdings plc's acquisition finance.

The Directors believe that these negotiations will be successful and that the bank facilities will be refinanced.

After making enquiries and based on the above, the Directors have formed a judgement that at the time of approving the financial statements, there is a reasonable expectation that the Group has sufficient resources to continue in operational existence for the foreseeable future and therefore consider it appropriate for the financial statements to be prepared on a going concern basis.

The financial statements do not include any adjustments that might result if the refinancing is not completed.

1 Continuing and discontinued operations and acquisitions

	2003			2002 (Restated)		
	Continuing £m	Discontinued £m	Total £m	Continuing £m	Discontinued £m	Total £m
Turnover	**990.4**	**13.5**	**1,003.9**	1,020.9	134.7	1,155.6
Cost of sales	**662.1**	**6.3**	**668.4**	673.5	68.1	741.6
Net operating expenses						
Distribution costs	**201.4**	**7.3**	**208.7**	197.6	68.8	266.4
Administrative expenses	**96.8**	**2.4**	**99.2**	86.8	18.4	105.2
Other operating income (note 3)	**(0.9)**	**–**	**(0.9)**	(1.1)	(2.4)	(3.5)
Total	**297.3**	**9.7**	**307.0**	283.3	84.8	368.1
Operating profit	**31.0**	**(2.5)**	**28.5**	64.1	(18.2)	45.9
Profit on sale of fixed assets	**6.2**	**14.8**	**21.0**	3.4	5.3	8.7
Sale or termination of operations						
Losses	**(4.5)**	**(42.8)**	**(47.3)**	(7.0)	(3.1)	(10.1)
Gains	**2.2**	**1.5**	**3.7**	–	3.9	3.9
	(2.3)	**(41.3)**	**(43.6)**	(7.0)	0.8	(6.2)

During the year ended 31 December 2003, a loss of £42.8 million arose on the sale or termination of discontinued operations, largely in respect of the sale of the UK Fashion Retail businesses and the closure of the US Fashion Retail business. In accordance with FRS3, the results of these businesses have been shown as discontinued. This treatment was followed in 2002 for the results of the UK Fashion Retail businesses, which were sold on 23 January 2003. However, in accordance with FRS3, the results of the US Fashion Retail business were previously shown as part of continuing operations, and therefore prior year figures have now been restated accordingly.

The £4.5 million loss on disposal of continuing activities arose on the sale of the UK manufacturing operation of the Bedwear business to an investment consortium.

During the year ended 31 December 2002, the Group continued to withdraw from its Indian Textile business and completed the sale of its Jaeger Knitwear business, resulting in a loss of £10.1 million.

Gains on sale or termination of operations of £3.7 million (2002 – £3.9 million) principally represent adjustments in respect of prior year disposals.

All acquisitions during the year have been accounted for using the acquisition method.

None of these acquisitions were material for the purposes of The Companies Act 1985, FRS3 or FRS6.

2 (a) Analysis of turnover, operating profit and net assets by product

	Turnover 2003 £m	Turnover 2002 (Restated) £m	Operating profit 2003 £m	Operating profit 2002 (Restated) £m	Net assets 2003 £m	Net assets 2002 (Restated) £m
Thread						
UK and Europe	**349.3**	321.6	**13.7**	14.8	**138.0**	123.6
North America	**244.8**	291.0	**2.8**	14.0	**158.6**	165.6
South America	**86.0**	87.6	**7.8**	11.5	**66.6**	64.1
Asia	**232.1**	222.4	**37.5**	35.6	**143.9**	146.9
Corporate (including net goodwill amortisation of £nil (2002 – £2.1 million))	**–**	–	**1.1**	6.4	**33.1**	2.5
Total Thread	**912.2**	922.6	**62.9**	82.3	**540.2**	502.7
Reorganisation costs and impairment of fixed assets			**(19.1)**	(15.2)		
Exceptional items			**(7.4)**	–		
Thread operating profit			**36.4**	67.1		
Other businesses						
India Textiles	**8.2**	22.6	**(0.1)**	(0.2)	**5.2**	5.8
Bedwear	**70.0**	75.7	**(2.6)**	(1.1)	**19.4**	22.8
Fashion Retail	**13.5**	134.7	**(2.5)**	(16.0)	**1.7**	44.4
Total other businesses	**91.7**	233.0	**(5.2)**	(17.3)	**26.3**	73.0
Reorganisation costs and impairment of fixed assets			**(1.6)**	(3.8)		
Exceptional items			**(1.1)**	(0.1)		
Other businesses operating loss			**(7.9)**	(21.2)		
Total Group	**1,003.9**	1,155.6	**28.5**	45.9	**566.5**	575.7
Associated companies			**0.9**	0.9		
Profit on sale of fixed assets			**21.0**	8.7		
Loss on sale or termination of operations			**(43.6)**	(6.2)		
Profit before interest			**6.8**	49.3		
Amounts written off investments			**(0.6)**	–		
Net interest payable			**(15.3)**	(13.0)		
(Loss)/profit before tax			**(9.1)**	36.3		
Tax on (loss)/profit			**(3.8)**	(5.1)		
(Loss)/profit after tax			**(12.9)**	31.2		
Headline basis (note 11)						
Profit before tax			**14.8**	32.2		
Profit after tax			**10.7**	26.7		

The analysis of turnover, operating profit before reorganisation costs and impairment of fixed assets and exceptional items, and net assets was:

	Turnover 2003 £m	Turnover 2002 (Restated) £m	Operating profit 2003 £m	Operating profit 2002 (Restated) £m	Net assets 2003 £m	Net assets 2002 (Restated) £m
Continuing						
Total Thread	**912.2**	922.6	**62.9**	82.3	**540.2**	502.7
India Textiles	**8.2**	22.6	**(0.1)**	(0.2)	**5.2**	5.8
Bedwear	**70.0**	75.7	**(2.6)**	(1.1)	**19.4**	22.8
	990.4	1,020.9	**60.2**	81.0	**564.8**	531.3
Discontinued						
Fashion Retail	**13.5**	134.7	**(2.5)**	(16.0)	**1.7**	44.4
	1,003.9	1,155.6	**57.7**	65.0	**566.5**	575.7

2 (a) Analysis of turnover, operating profit and net assets by product (continued)

Turnover, operating profit and operating profit margins for the Thread business before reorganisation costs and impairment of fixed assets and exceptional items were:

	Turnover		Operating profit		Operating margin	
	2003 £m	2002 £m	2003 £m	2002 (Restated) £m	2003 %	2002 (Restated) %
Thread						
UK and Europe	**349.3**	321.6	**13.7**	14.8	**3.9**	4.6
North America	**244.8**	291.0	**2.8**	14.0	**1.1**	4.8
South America	**86.0**	87.6	**7.8**	11.5	**9.1**	13.1
Asia	**232.1**	222.4	**37.5**	35.6	**16.2**	16.0
Corporate	**–**	–	**1.1**	6.4	**–**	–
Total Thread	**912.2**	922.6	**62.9**	82.3	**6.9**	8.9

(b) Geographical analysis of turnover, operating profit and net assets by location

	Turnover		Operating profit		Net assets	
	2003 £m	2002 (Restated) £m	2003 £m	2003 (Restated) £m	2003 £m	2002 (Restated) £m
United Kingdom	**112.8**	121.8	**(4.2)**	(1.9)	**90.9**	63.4
Rest of Europe	**291.4**	260.8	**15.1**	17.7	**103.4**	86.7
North America	**244.8**	291.0	**3.1**	13.9	**156.0**	166.0
South America	**86.0**	87.6	**7.5**	11.5	**66.3**	64.1
Asia, Australasia and Africa	**255.4**	259.7	**38.7**	39.8	**148.2**	151.1
Total continuing operations	**990.4**	1,020.9	**60.2**	81.0	**564.8**	531.3
Discontinued operations	**13.5**	134.7	**(2.5)**	(16.0)	**1.7**	44.4
	1,003.9	1,155.6	**57.7**	65.0	**566.5**	575.7
Reorganisation costs and impairment of fixed assets			**(20.7)**	(19.0)		
Exceptional items			**(8.5)**	(0.1)		
Operating profit			**28.5**	45.9		
Associated companies			**0.9**	0.9		
FRS3 exceptional items			**(22.6)**	2.5		
Profit before interest			**6.8**	49.3		
Net debt					**(131.5)**	(104.4)
Other fixed and current asset investments					**28.1**	29.8
Net assets per consolidated balance sheet					**463.1**	501.1
The geographical analysis of discontinued operations by location was:						
United Kingdom	**9.7**	121.0	**(1.0)**	(12.7)	**–**	43.8
Rest of Europe	**0.5**	0.9	**(0.6)**	(0.5)	**(0.1)**	(0.8)
North America	**3.3**	12.8	**(0.9)**	(2.8)	**1.8**	1.4
	13.5	134.7	**(2.5)**	(16.0)	**1.7**	44.4

Note

The geographical analysis of turnover by destination has not been presented as it does not differ materially from the analysis by location.

3 Operating profit

	2003 £m	2002 (Restated) £m
Operating profit is stated after charging:		
Depreciation – Owned assets	**36.1**	41.7
– Leased assets	**0.2**	0.3
Amortisation of goodwill	**0.7**	(1.6)
Reorganisation costs	**16.3**	17.1
Impairment of fixed assets	**4.4**	1.9
Exceptional items	**8.5**	0.1
Hire of plant and machinery	**5.5**	6.4
Other operating lease rentals	**11.9**	21.5
Research and development expenditure	**1.5**	2.1
Auditors' remuneration – Audit fees	**1.7**	1.7
– Non audit related fees – UK	**0.1**	–
– Overseas	**0.7**	0.3
and after crediting other operating income:		
Rental income net of expenses	**0.6**	1.1
Royalties and licensing income	**0.3**	0.9
Credit card income	**–**	1.5
	0.9	3.5
Product category analysis of reorganisation costs and impairment of fixed assets		
Thread		
UK and Europe	**4.6**	8.9
North America	**13.2**	3.8
South America	**0.7**	1.1
Asia	**0.1**	1.4
Corporate	**0.5**	–
Total Thread	**19.1**	15.2
India Textiles	**0.1**	0.3
Bedwear	**1.5**	1.3
Continuing operations	**20.7**	16.8
Discontinued operations		
Fashion Retail	**–**	2.2
Total	**20.7**	19.0
Product category analysis of exceptional items		
Thread – Corporate	**7.4**	–
Bedwear	**1.1**	–
Continuing operations	**8.5**	–
Discontinued operations		
Fashion Retail	**–**	0.1
Total	**8.5**	0.1

Thread exceptional items represent the costs incurred by the Company in respect of the offer for the Company by Coats Holdings plc (formerly Avenue Acquisition plc).

4 Directors' emoluments

	2003 £m	2002 £m
Aggregate emoluments	**1.6**	1.5
Compensation for loss of office	**0.3**	–
Aggregate gains on share options (see note)	**0.3**	–
Aggregate awards under long term incentive schemes	**1.1**	–
	3.3	1.5
Emoluments (including gains on share options and awards under long term incentive schemes) in respect of highest paid director	**1.2**	0.6
Accrued pension entitlement in respect of highest paid director	**0.3**	0.3

	Number	Number
Number of directors to whom retirement benefits are accruing in respect of defined benefit schemes	**3**	3

Note

Share options held by three 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.

5 Employees

	2003 Number	2002 Number
The average numbers employed by the Group during the year were:		
Direct	**18,396**	19,250
Indirect	**5,476**	5,373
Staff	**8,362**	10,880
	32,234	35,503
Comprising:		
UK	**2,443**	5,484
Overseas	**29,791**	30,019
	32,234	35,503
The total numbers employed at the end of the year were:		
UK	**2,056**	4,879
Overseas	**29,079**	29,453
	31,135	34,332

	£m	(Restated) £m
The costs incurred in respect of these employees were:		
Wages and salaries	**242.8**	287.6
Social security costs	**32.5**	31.7
Other pension costs: included in operating profit (note 29)	**3.7**	5.9
	279.0	325.2

6 Interest receivable and similar income

	2003 £m	2002 £m
Interest receivable	**3.2**	7.7
Income from other fixed and current asset investments	**1.8**	2.5
Gross interest receivable and similar income	**5.0**	10.2
Less: credit card interest transferred to other operating income	**–**	(0.5)
	5.0	9.7

7 Interest payable and similar charges

	2003 £m	2002 (Restated) £m
Loans	**6.5**	6.2
Bank overdrafts and other borrowings	**6.6**	7.7
Discounting interest re onerous leasehold provisions	**0.1**	0.1
Discounting interest re pension provisions	**3.9**	3.6
Finance leases	**0.1**	0.3
	17.2	17.9
Cost of financing convertible debt (note 17)	**2.4**	3.9
Share of net interest payable of associated companies	**0.7**	0.9
Total interest payable and similar charges	**20.3**	22.7

8 Tax on (loss)/profit on ordinary activities

		2003 £m		2002 (Restated) £m
UK taxation based on (loss)/profit for the year:				
Corporation tax at 30%		**4.2**		6.1
Double taxation relief		**(4.2)**		(6.1)
Deferred taxation		**–**		(0.1)
Prior year adjustments – Corporation tax	**(1.1)**		(2.0)	
Deferred taxation	**–**		0.3	
		(1.1)		(1.7)
Total UK taxation		**(1.1)**		(1.8)
Overseas taxation:				
Current taxation		**11.0**		12.4
Deferred taxation		**(1.7)**		(3.9)
		9.3		8.5
Prior year adjustments – Current taxation	**0.5**		(1.3)	
Deferred taxation	**(4.9)**		(0.3)	
		(4.4)		(1.6)
Total overseas taxation		**4.9**		6.9
Associated companies taxation		**–**		–
		3.8		5.1

The tax charge for the year ended 31 December 2002 has been restated to reflect the adoption of SSAP 24 – Accounting for Pension Costs, resulting in a £4.0 million reduction in deferred taxation, of which £1.7 million relates to the UK and £2.3 million to overseas operations.

8 Tax on (loss)/profit on ordinary activities (continued)

The standard rate of current tax for the year, based on the UK standard rate of corporation tax, is 30% (2002 – 30%). The current tax charge for the year is higher than 30% for the reasons set out in the following reconciliation:

	2003 £m	2002 (Restated) £m
(Loss)/profit on ordinary activities before tax	**(9.1)**	36.3
Tax on (loss)/profit on ordinary activities at standard rate	**(2.7)**	10.9
Adjusted for the effects of:		
Expenses not deductible for tax purposes (including goodwill amortisation)	**7.1**	3.1
Income not liable to taxation	**(2.7)**	(4.2)
Losses not recognised	**10.3**	9.4
Utilisation of brought forward losses not previously recognised	**(3.5)**	(5.2)
Capital allowances for the year in excess of depreciation	**(4.0)**	(2.1)
Other short term timing differences	**1.1**	1.3
Profits on sale of fixed assets covered by reliefs	**(5.6)**	(2.4)
Losses on sales or termination of operations not eligible for relief	**12.3**	2.7
Intra-Group dividends not covered by double tax relief	**2.3**	1.2
Lower rates of tax on overseas earnings	**(4.5)**	(2.8)
Withholding tax on remittances	**2.3**	2.5
Corporation taxes not on profits	**2.2**	1.7
Local tax incentives	**(1.3)**	(1.8)
Other	**(2.3)**	(1.9)
Current tax charge for the year	**11.0**	12.4

9 Loss for the year

	2003 £m	2002 £m
The Company's loss for the financial year was	**(28.5)**	(114.1)

Under the provisions of Section 230 Companies Act 1985, a profit and loss account for the Company is not presented.

10 Ordinary dividends

	2003	2002	2003 £m	2002 £m
Ordinary shares (equity shares)				
Interim	**–**	1.50p	**–**	10.6
Special second interim	**–**	2.50p	**–**	17.8
	–	4.00p	**–**	28.4

No dividends were declared during the year. The 2002 special second interim dividend (in lieu of a final dividend) was declared in connection with the recommended offer for the shares of the Company by Coats Holdings plc (formerly Avenue Acquisition plc), and became payable when the offer was declared wholly unconditional.

11 (Loss)/earnings per share

	2003	2002 (Restated)	2003 £m	2002 (Restated) £m
(Loss)/earnings per share are based on (loss)/profit available for Ordinary shareholders of:			**(20.2)**	25.3
and on an average number of shares of:	**708.3m**	706.4m		
resulting in basic and diluted (loss)/earnings per share of:	**(2.9)p**	3.6p		
Less: amortisation of goodwill	**0.1p**	(0.2)p	**0.7**	(1.6)
amounts written off investments	**0.1p**	–	**0.6**	–
profit on sale of fixed assets	**(3.0)p**	(1.2)p	**(21.0)**	(8.7)
losses on sale or termination of operations	**6.2p**	0.9p	**43.6**	6.2
taxation relating to these items	**–**	(0.1)p	**(0.3)**	(0.4)
minority interests relating to these items	**–**	(0.3)p	**0.2**	(2.0)
Headline earnings per share	**0.5p**	2.7p	**3.6**	18.8

Headline earnings per share have been calculated in accordance with Statement of Investment Practice Number 1 issued by The Institute of Investment Management and Research and are provided in order to assist users of accounts to identify earnings derived from trading activities. Headline earnings represent the (loss)/profit attributable to Ordinary shareholders adjusted for amortisation of goodwill, amounts written off investments, profit on sale of fixed assets, losses on sale or termination of operations and the associated impact on taxation and minority interests.

12 Tangible assets

	Land and buildings £m	Plant, machinery and vehicles £m	Total £m
Group			
Cost			
At beginning of year	**199.3**	**630.6**	**829.9**
Exchange difference	**(8.4)**	**(32.0)**	**(40.4)**
Subsidiaries acquired	**0.2**	**1.3**	**1.5**
Subsidiaries disposed	**(13.0)**	**(52.3)**	**(65.3)**
Additions	**9.1**	**48.8**	**57.9**
Disposals	**(9.9)**	**(24.0)**	**(33.9)**
At 31 December 2003	**177.3**	**572.4**	**749.7**
Depreciation			
At beginning of year	**71.6**	**378.5**	**450.1**
Exchange difference	**(3.1)**	**(15.8)**	**(18.9)**
Subsidiaries disposed	**(11.2)**	**(41.3)**	**(52.5)**
Charge for the year	**3.9**	**32.4**	**36.3**
Impairment of fixed assets	**1.7**	**2.7**	**4.4**
Disposals	**(0.6)**	**(16.7)**	**(17.3)**
At 31 December 2003	**62.3**	**339.8**	**402.1**
Net book value			
At 31 December 2003	**115.0**	**232.6**	**347.6**
At beginning of year	127.7	252.1	379.8

Land and buildings	2003 £m	2002 £m
Cost		
Freehold	**164.0**	163.4
Long leasehold	**1.4**	14.1
Short leasehold	**11.9**	21.8
	177.3	199.3
Accumulated depreciation		
Freehold	**57.4**	56.4
Long leasehold	**0.1**	4.2
Short leasehold	**4.8**	11.0
	62.3	71.6

The cost of long leasehold land and buildings includes capitalised interest of £nil (2002 – £1.4 million).

Plant, machinery and vehicles

The net book value of capitalised finance leases included in plant, machinery and vehicles is £0.8 million (2002 – £0.8 million).

13 Investments

	Associated companies £m	Other £m	Total £m
Group			
Cost			
At beginning of year	**0.7**	**8.0**	**8.7**
Exchange	**–**	**(0.2)**	**(0.2)**
Disposals	**–**	**(1.1)**	**(1.1)**
At 31 December 2003	**0.7**	**6.7**	**7.4**
Provisions			
At beginning of year	**–**	**(4.8)**	**(4.8)**
Provided during the year	**–**	**(0.7)**	**(0.7)**
Disposals	**–**	**0.8**	**0.8**
At 31 December 2003	**–**	**(4.7)**	**(4.7)**
Share of profits/(losses) retained			
At beginning of year	**1.6**		**1.6**
Share of losses for the year	**(0.1)**		**(0.1)**
At 31 December 2003	**1.5**		**1.5**
Net book value			
At 31 December 2003	**2.2**	**2.0**	**4.2**
At beginning of year	2.3	3.2	5.5
Including investments listed on a recognised Stock Exchange			
At 31 December 2003	**–**	**1.9**	**1.9**
At beginning of year	–	2.3	2.3

	Subsidiaries		Other fixed asset investments	
	Shares £m	Loans £m	£m	Total £m
Company				
Cost				
At beginning of year	**801.2**	**498.3**	**6.2**	**1,305.7**
Disposals	**–**	**–**	**(1.5)**	**(1.5)**
Repaid	**–**	**(80.0)**	**–**	**(80.0)**
At 31 December 2003	**801.2**	**418.3**	**4.7**	**1,224.2**
Provisions				
At beginning of year	**(44.0)**	**(94.7)**	**(5.3)**	**(144.0)**
Provided in the year	**–**	**(46.2)**	**(0.7)**	**(46.9)**
Released in the year	**17.6**	**–**	**–**	**17.6**
Disposals	**–**	**–**	**1.3**	**1.3**
Utilised in the year	**–**	**68.0**	**–**	**68.0**
At 31 December 2003	**(26.4)**	**(72.9)**	**(4.7)**	**(104.0)**
Net book value				
At 31 December 2003	**774.8**	**345.4**	**–**	**1,120.2**
At beginning of year	757.2	403.6	0.9	1,161.7

Principal subsidiary undertakings are listed on page 47.

14 Stocks

	Group 2003 £m	Group 2002 £m	Company 2003 £m	Company 2002 £m
Raw materials and consumables	**42.9**	52.8	**–**	–
Work in progress	**72.0**	66.1	**–**	–
Finished goods and goods for resale	**113.1**	136.7	**–**	–
	228.0	255.6	**–**	–

15 Debtors

	Group 2003 £m	Group 2002 (Restated) £m	Company 2003 £m	Company 2002 £m
Debtors due within one year:				
Trade debtors	**161.3**	189.4	**–**	–
Amounts owed by parent company	**1.7**	–	**1.7**	–
Amounts owed by subsidiaries	**–**	–	**0.3**	3.4
Amounts owed by associated companies	**0.2**	0.4	**–**	–
Corporation and overseas tax recoverable	**8.6**	9.2	**–**	–
Other debtors	**24.9**	31.1	**–**	0.1
Prepayments and accrued income	**9.3**	11.7	**–**	–
Pension fund prepayments	**0.6**	1.9	**–**	–
	206.6	243.7	**2.0**	3.5
Debtors due in more than one year:				
Trade debtors	**0.4**	0.6	**–**	–
Amounts owed by associated companies	**0.7**	0.8	**–**	–
Other debtors	**10.0**	8.4	**–**	–
Prepayments and accrued income	**0.2**	0.2	**–**	–
Pension fund prepayments	**37.7**	38.2	**–**	–
	49.0	48.2	**–**	–

16 Current asset investments

	Group 2003 £m	Group 2002 £m	Company 2003 £m	Company 2002 £m
Listed investments	**22.8**	23.7	**–**	–
Unlisted investments	**1.1**	0.6	**–**	–
	23.9	24.3	**–**	–
Market value of listed investments	**22.8**	24.2	**–**	–

17 Other creditors (amounts falling due within one year)

	Group		Company	
	2003 £m	2002 £m	2003 £m	2002 £m
Trade creditors	**95.8**	118.4	**0.1**	–
Loans (note 19)	**174.2**	74.1	**144.9**	55.4
Amounts owed to subsidiaries	**–**	–	**0.4**	–
Amounts owed to associated companies	**0.3**	0.7	**–**	–
Bills of exchange	**5.4**	5.6	**–**	–
Corporation tax and overseas taxation	**22.9**	23.2	**10.0**	10.0
Other taxation and social security	**10.0**	15.7	**–**	–
Payments in advance	**0.1**	0.6	**–**	–
Other creditors	**29.6**	30.0	**0.4**	0.4
Accruals and deferred income	**21.3**	33.5	**0.7**	2.9
Proposed dividends	**–**	28.3	**–**	28.3
Finance lease obligations (note 18)	**0.6**	0.6	**0.4**	0.3
Leaving indemnities (note 20)	**4.2**	4.6	**–**	–
	364.4	335.3	**156.9**	97.3
Convertible debt				
£60.458 million 6.25% senior convertible bonds due 2003 (see note)	**–**	60.4	**–**	60.4

Note

On 9 August 1993, the Company issued £75.625 million 6.25% senior convertible bonds.

As a result of redemptions and conversions since the issue, the value of bonds in issue at 31 December 2002 was £60.458 million.

These bonds were convertible into ordinary shares of the Company at a price of 270p per share at any time up to 2 August 2003. The conversion price was adjusted in accordance with the Trust Deed with effect from 17 May 1994 as a result of the dilution effect of the enhanced share dividend. The Company had the power to redeem the bonds in whole or in part at any time after 31 August 1998.

The bonds not converted were redeemed at their principal value on 9 August 2003.

In accordance with FRS4, the expenses of the issue were deducted from the gross proceeds of the issue and, together with the finance costs, were allocated to the profit and loss account over the life of the debt at a constant rate on the carrying amount.

18 Other creditors (amounts falling due after more than one year)

	Group		Company	
	2003 £m	2002 £m	2003 £m	2002 £m
Trade creditors	**–**	0.1	**–**	–
Loans (note 19)	**0.6**	3.0	**–**	–
Amounts owed to subsidiaries	**–**	–	**443.0**	423.0
Other creditors	**1.4**	1.3	**–**	–
Accruals and deferred income	**0.8**	2.0	**–**	–
Finance lease obligations	**0.3**	1.7	**–**	0.4
	3.1	8.1	**443.0**	423.4

The amounts owed to subsidiaries have no specified dates of repayment but are repayable only on receipt of 12 months' notice and do not bear interest.

Finance lease obligations are repayable as follows:				
Within one year	**0.6**	0.6	**0.4**	0.3
Between one and two years	**0.2**	0.7	**–**	0.4
Between two and five years inclusive	**0.1**	0.5	**–**	–
Over five years	**–**	0.5	**–**	–
	0.9	2.3	**0.4**	0.7

19 Borrowings and financial instruments

(a) Borrowings

	Group		Company	
	2003 £m	2002 £m	2003 £m	2002 £m
Bank loans	**172.7**	73.4	**143.1**	52.3
Other loans	**2.1**	3.7	**1.8**	3.1
	174.8	77.1	**144.9**	55.4
Repayable within one year	**(174.2)**	(74.1)	**(144.9)**	(55.4)
Amounts falling due after more than one year	**0.6**	3.0	**–**	–
Repayable as follows:				
Between one and two years – Other loans	**0.2**	2.3	**–**	–
Between two and five years – Other loans	**0.4**	0.7	**–**	–
	0.6	3.0	**–**	–

The rates of interest paid on the above loans conform to the terms ruling in each country and the repayment dates extend to 2007.

	Group		Company	
	2003 £m	2002 £m	2003 £m	2002 £m
Net debt				
Loans	**174.8**	77.1	**144.9**	55.4
Bank overdrafts	**18.2**	26.8	**–**	26.5
Lease finance	**0.9**	2.3	**0.4**	0.7
	193.9	106.2	**145.3**	82.6
Convertible debt	**–**	60.4	**–**	60.4
Total borrowings	**193.9**	166.6	**145.3**	143.0
Cash and short term deposits	**(62.4)**	(62.2)	**(8.6)**	(3.1)
Net debt	**131.5**	104.4	**136.7**	139.9

	Group	
	2003 £m	2002 £m
Maturity of debt		
Total borrowings are repayable as follows:		
Within one year	**193.0**	161.9
Between one and two years	**0.4**	3.0
Between two and five years	**0.5**	1.2
After five years	**–**	0.5
	193.9	166.6
Total secured indebtedness	**8.4**	9.5
Total indebtedness guaranteed by Coats Ltd	**20.4**	30.5

19 Borrowings and financial instruments (continued)

(b) Financial instruments

Group

The Group's policies as regards derivatives and other financial information are set out in the Operating and financial review on pages 2 to 5 and the Statement of accounting policies on pages 14 to 17. The Group does not trade in financial instruments.

Short term debtors and creditors have been omitted from all disclosures other than the currency exposures disclosure.

Details of non-equity shares issued by the Group are given in note 22.

Maturity profile of financial liabilities

The maturity profile of the Group's total borrowings is stated in note 19(a). Total borrowings include the Group's finance lease obligations and, for 2002, convertible debt; the payment profile of these liabilities is analysed in note 17 and 18.

The 4.9% Cumulative preference shares issued by the Company are not redeemable (see note 22).

Undrawn committed borrowing facilities

At 31 December 2003, all undrawn committed borrowing facilities expire within one year (see the Operating and financial review for further details). As at 31 December 2002, the Group had undrawn committed borrowing facilities which expired in more than one year of £117.8 million.

Currency analysis of net assets

The analysis of net assets by currency is as follows:

	2003 £m	2002 (Restated) £m
Currency analysis of net assets		
Sterling	**90.9**	138.2
US Dollar	**180.4**	152.3
Euro	**42.9**	38.3
Indian Rupee	**32.8**	31.1
Other	**219.5**	215.8
	566.5	575.7

Interest rate and currency profile

The interest rate and currency profile of the Group's financial liabilities and assets by principal currency is stated after taking into account the various interest rate and currency swaps entered into by the Group.

In this analysis, fixed rate financial liabilities and assets are defined as those where the interest rate is fixed for a period of more than one year from the balance sheet date.

Financial liabilities

31 December 2003	Fixed rate £m	Floating rate £m	Non-interest bearing £m	Total £m
Sterling	**–**	**0.2**	**–**	**0.2**
US Dollar and related	**55.9**	**85.1**	**–**	**141.0**
Euro	**0.2**	**6.6**	**0.1**	**6.9**
Other	**0.3**	**45.5**	**–**	**45.8**
Gross financial liabilities	**56.4**	**137.4**	**0.1**	**193.9**

	Fixed rate		Non-interest bearing
31 December 2003	Weighted average interest rate %	Weighted average period for which the rate is fixed Years	Weighted average period until maturity Years
Sterling	**–**	**–**	**–**
US Dollar and related	**4.4**	**6.0**	**–**
Euro	**4.0**	**2.6**	**1.8**
Other	**10.5**	**2.8**	**–**

Interest on floating rate liabilities is based on the relevant inter bank offered rate.

19 Borrowings and financial instruments (continued)

(b) Financial instruments (continued)

31 December 2002	Fixed rate £m	Floating rate £m	Non-interest bearing £m	Total £m
Sterling cross currency swaps	–	(144.8)	–	(144.8)
Sterling	2.0	60.7	–	62.7
US Dollar and related	36.7	142.4	0.4	179.5
Euro	5.8	9.0	0.2	15.0
Other	0.4	53.7	0.1	54.2
Gross financial liabilities	44.9	121.0	0.7	166.6

		Fixed rate	Non-interest bearing
31 December 2002	Weighted average interest rate %	Weighted average period for which the rate is fixed Years	Weighted average period until maturity Years
Sterling	7.8	3.2	–
US Dollar and related	4.4	2.5	–
Euro	5.0	1.9	2.3
Other	12.0	3.8	–

Interest on floating rate liabilities is based on the relevant inter bank offered rate.

The financial liabilities other than borrowings in creditors falling due after more than one year and other provisions are not material.

Financial assets

31 December 2003	Fixed rate £m	Floating rate £m	Non-interest bearing £m	Total £m
Sterling	**–**	**3.5**	**0.8**	**4.3**
US Dollar and related	**–**	**6.7**	**10.0**	**16.7**
Euro	**–**	**7.8**	**3.0**	**10.8**
Other	**–**	**19.9**	**10.7**	**30.6**
Gross financial assets	**–**	**37.9**	**24.5**	**62.4**

31 December 2002	Fixed rate £m	Floating rate £m	Non-interest bearing £m	Total £m
Sterling cross currency swaps	–	(25.7)	–	(25.7)
Sterling	–	4.5	–	4.5
US Dollar and related	–	16.6	3.7	20.3
Euro	–	34.2	1.3	35.5
Other	–	21.2	6.4	27.6
Gross financial assets	–	50.8	11.4	62.2

Interest on floating rate bank deposits is based on the relevant national inter bank rates and is fixed in advance for periods of up to one year.

All of the non-interest bearing financial assets mature within one week of the balance sheet date.

In addition to the financial assets included in the tables above, which represent cash at bank and in hand, £21.7 million (2002 – £nil) of the current asset investments at 31 December 2003 represents financial assets. £18.2 million of this is hedged and therefore represents a sterling financial asset, with the balance being in Other currencies.

19 Borrowings and financial instruments (continued)

(b) Financial instruments (continued)

Fair values of financial assets and liabilities

Set out below is a comparison by category of book value and estimated fair value of the Group's financial assets and liabilities:

	2003 Book value £m	2003 Estimated fair value £m	2002 Book value £m	2002 Estimated fair value £m
Primary financial instruments held or issued to finance the Group's operations:				
Cash and short term deposits	**(62.4)**	**(62.4)**	(62.2)	(62.2)
Loans	**174.8**	**174.8**	77.1	77.1
Lease finance	**0.9**	**0.9**	2.3	2.4
Convertible debt	**–**	**–**	60.4	60.3
Bank overdrafts	**18.2**	**18.2**	26.8	26.8
	193.9	**193.9**	166.6	166.6
Derivative financial instruments held to manage the Group's interest rate and currency profile:				
Forward foreign exchange contracts	**(1.7)**	**(1.7)**	(3.3)	(3.3)
Interest rate swaps	**–**	**1.9**	–	3.6
	(1.7)	**0.2**	(3.3)	0.3
Coats Ltd (formerly Coats plc) 4.9% Cumulative Preference Shares	**14.6**	**9.9**	14.6	9.9
Current asset investments which represent financial assets	**(21.7)**	**(21.7)**	–	–

Market values have been used to determine the estimated fair values of forward exchange contracts, all swaps and listed instruments held or issued. The estimated fair value of all other items has been calculated by discounting expected cash flows at the interest rates prevailing at the year end.

Hedging

The aggregate unrecognised loss at 31 December 2003, being the difference between book value and estimated fair value of the above derivative financial instruments, is £1.9 million (2002 – £3.6 million). Of this, approximately £0.8 million (2002 – approximately £1.1 million) loss will be recognised in the profit and loss account for the year ending 31 December 2004.

Currency exposures

The main functional currencies of the Group are sterling, US dollar and the euro. The following analysis of net monetary assets and liabilities shows the Group's currency exposures after the effects of forward contracts and other financial derivatives used to manage the currency exposure. The amounts shown represent the transactional exposures that give rise to the net currency gains and losses recognised in the profit and loss account. Such exposures comprise the monetary assets and monetary liabilities of the Group which are not denominated in the functional currency of the operating unit involved, other than certain non-sterling borrowings treated as hedges of net investments in overseas operations.

31 December 2003	Sterling £m	US Dollar £m	Euro £m	Other £m	Total £m
Sterling	**–**	**1.8**	**0.4**	**0.1**	**2.3**
US Dollar	**0.1**	**–**	**(0.1)**	**–**	**–**
Euro	**(0.1)**	**(0.1)**	**–**	**–**	**(0.2)**
Other	**–**	**12.5**	**4.5**	**–**	**17.0**
	–	**14.2**	**4.8**	**0.1**	**19.1**

31 December 2002	Sterling £m	US Dollar £m	Euro £m	Other £m	Total £m
Sterling	–	(4.8)	(0.6)	–	(5.4)
US Dollar	0.4	–	(0.8)	1.3	0.9
Euro	–	(0.6)	–	–	(0.6)
Other	0.1	12.8	4.9	(0.1)	17.7
	0.5	7.4	3.5	1.2	12.6

( ) represents uncovered monetary liabilities.

20 Provisions for liabilities and charges

	Deferred taxation (Restated) £m	Closures and reorganisation £m	Pensions (Restated) £m	Leaving indemnities £m	Total (Restated) £m
Group					
At beginning of year as originally reported	**22.6**	**28.5**	**–**	**3.2**	**54.3**
Prior period adjustment (pensions – note 29)	**2.2**	**–**	**68.2**	**–**	**70.4**
At beginning of year as restated	**24.8**	**28.5**	**68.2**	**3.2**	**124.7**
Exchange difference	**(1.0)**	**(0.5)**	**3.6**	**(0.7)**	**1.4**
Provided/(released) – deferred tax	**(6.6)**	**–**	**–**	**–**	**(6.6)**
– reorganisations	**–**	**17.5**	**–**	**–**	**17.5**
– sale or termination of operations	**–**	**43.6**	**–**	**–**	**43.6**
– discounting interest	**–**	**0.1**	**3.9**	**–**	**4.0**
– other	**–**	**1.1**	**0.6**	**2.1**	**3.8**
Transfer to current tax	**(5.6)**	**–**	**–**	**–**	**(5.6)**
Transfer to pension liabilities	**–**	**(0.1)**	**–**	**–**	**(0.1)**
Utilised	**–**	**(62.2)**	**(9.6)**	**(0.5)**	**(72.3)**
At 31 December 2003	**11.6**	**28.0**	**66.7**	**4.1**	**110.4**

	Total £m
Company	
At beginning of year	**1.2**
Provided – sale or termination of operations	**2.6**
Utilised	**(3.5)**
At 31 December 2003	**0.3**

Analysis of Group deferred tax liability	2003 £m	2002 (Restated) £m
Capital allowances in excess of depreciation	**24.0**	26.8
Pension provisions	**1.7**	2.2
Other timing differences	**(4.9)**	2.5
Losses carried forward	**(9.2)**	(6.7)
	11.6	24.8

The Group has unrecognised deferred tax assets relating to unutilised tax losses of £140.0 million (2002 – £137.7 million) and unrecovered advance corporation tax of £60.6 million (2002 – £69.1 million). These have not been recognised since it is more likely than not that there will be no suitable future taxable profits against which they may be offset.

Other provisions

Provisions for closures and reorganisation will usually be utilised within one year.

In many countries, including India and much of South America, there are legal requirements to make payments to employees on the termination of their employment by retirement, redundancy, or otherwise.

These payments are commonly based on the number of years service with the company that each employee has. The Group's policy is to accrue for this liability on a service basis and to charge amounts actually paid out against the provisions. The resultant provisions are included above under the heading "leaving indemnities".

The maturity profile of provisions for pensions and leaving indemnities is as follows:

	Pensions		Leaving indemnities	
	2003 £m	2002 (Restated) £m	2003 £m	2002 £m
Payable in less than one year	**6.7**	8.5	**–**	–
Payable between one and two years	**7.1**	6.4	**0.4**	0.3
Payable between two and five years	**15.6**	17.3	**0.7**	0.4
Payable in more than five years	**37.3**	36.0	**3.0**	2.5
	66.7	68.2	**4.1**	3.2

21 Goodwill

The net tangible assets acquired during the year were:

	Book value and fair value to the Group £m
Fixed assets	**1.5**
Current assets	**1.8**
Minority interest	**5.4**
	8.7
Fair value of cash consideration	**10.7**
Goodwill arising during the year	**2.0**
Positive	**4.7**
Negative	**(2.7)**
	2.0

No fair value adjustments were required in respect of acquisitions made during the year – primarily the purchase in February 2003 of Vicunha, a Brazilian Thread business, and the purchase in November 2003 of the outstanding minority interest in the Group's Indian Thread subsidiary.

The goodwill capitalised in the balance sheet is as follows:

Positive goodwill	Cost £m	Amortisation and impairment £m	Net £m
At beginning of year	**58.6**	**10.3**	**48.3**
Exchange	**(1.1)**	**(0.2)**	**(0.9)**
Acquisitions	**4.7**	**–**	**4.7**
Amortised in the year	**–**	**3.2**	**(3.2)**
Carried forward at 31 December 2003	**62.2**	**13.3**	**48.9**

Negative goodwill	Cost £m	Amortisation and impairment £m	Net £m
At beginning of year	**17.8**	**6.6**	**11.2**
Acquisitions	**2.7**	**–**	**2.7**
Amortised in the year	**–**	**2.5**	**(2.5)**
Carried forward at 31 December 2003	**20.5**	**9.1**	**11.4**

Of the negative goodwill arising during the year, £1.1 million (2002 – £3.7 million) has been identified as relating to working capital and released during the year. The balance has been capitalised in accordance with FRS10 and is being amortised over the expected useful economic life of the non-monetary assets acquired, which is considered by the Directors to be ten years.

As at 31 December 2003, the cumulative amount of goodwill on acquisitions made prior to 1 January 1998 charged to reserves is £192 million (2002 – £192 million).

22 Called up share capital

	Number of shares	2003 £m	Number of shares	2002 £m
Authorised:				
Ordinary shares of 20p each	**876,952,750**	**175.4**	876,952,750	175.4
4.9% Cumulative Preference shares of £1 each	**14,609,450**	**14.6**	14,609,450	14.6
		190.0		190.0
Allotted and fully paid:				
Ordinary shares of 20p each – equity shares	**708,574,026**	**141.7**	707,973,426	141.6
4.9% Cumulative Preference shares of £1 each – non equity shares	**14,609,449**	**14.6**	14,609,449	14.6
		156.3		156.2

The 4.9% Cumulative Preference Shares of £1 each confer on the holders thereof the right to receive a cumulative preferential dividend at the rate of 4.9% on the capital for the time being paid up thereon and the right on a winding up or repayment of capital to a return of the capital paid thereon (together with a premium calculated at the rate of £0.125 for every £1 of such capital) and a sum equal to any arrears or deficiency of the fixed dividend thereon calculated down to the date of the return of capital subject to such taxes as shall be in force at that date and to be payable whether such dividend has been declared or earned or not in priority to any payment to the holders of the Ordinary Shares, but the Preference Shares shall not entitle the holders to any further or other participation in the profits or assets of the Company.

The Preference Shares shall not entitle the holders thereof to attend or vote at any general meeting unless either:

(i) at the date of the meeting, the fixed dividend on the Preference Shares is six months in arrears, and so that for this purpose such dividend shall be deemed to be payable half-yearly on the 31 March and the 30 September in every year; or

(ii) the business of the meeting includes the consideration of a resolution for winding up or reducing the capital of the Company or directly and adversely affecting any of the special rights or privileges for the time being attached to the Preference Shares.

The Preference Shares shall nevertheless entitle the holders thereof to receive notice of every general meeting. At a general meeting at which the holders of Preference Shares are entitled to attend and vote the Preference Shares shall, in voting upon a poll, entitle a holder thereof or the proxy to the vote only for every Preference Share held.

At 31 December 2002 options granted for ordinary shares which had not been exercised were as follows:

	Options granted	Price per share	Period of option	Number of shares
1984 Executive Share Option Scheme	1993 to 1994	223.41p to 256.08p	2003 to 2004	135,320
Overseas Executive Share Option Scheme	1993 to 1994	223.41p to 256.08p	2003 to 2004	389,774
1994 Executive Share Option Scheme	1994 to 2001	33.75p to 214.50p	2003 to 2011	13,475,677
Sharesave Scheme	1995 to 1997	110.00p to 156.00p	2003	557,269
2002 Executive Share Option Plan	2002	52.50p to 54.75p	2003 to 2012	6,750,000
				21,308,040

During the year ended 31 December 2003, the ordinary share capital of the Company was acquired by Coats Holdings plc (formerly Avenue Acquisition plc) at a price of 56p per share plus a special dividend of 2.5p per share. As a consequence of the acquisition, options with an exercise price exceeding 58.5p per share lapsed, while options with an exercise price below 58.5p per share were either exercised, or else cancelled for cash consideration equal to the difference between the exercise price and 58.5p. In respect of those exercised, the Company issued 600,600 ordinary shares with a nominal value of £120,120, for proceeds of £0.3 million.

23 Other reserves

	Share premium account £m	Other capital reserve £m	Pension reserve (Restated) £m	Total (Restated) £m
Group				
At beginning of year as originally reported	**207.2**	**34.1**	**(29.8)**	**211.5**
Prior period adjustment (pensions – note 29)	**–**	**–**	**29.8**	**29.8**
At beginning of year as restated	**207.2**	**34.1**	**–**	**241.3**
Shares issued during the year	**0.2**	**–**	**–**	**0.2**
At 31 December 2003	**207.4**	**34.1**	**–**	**241.5**
Company				
At beginning of year	**207.2**	**35.6**	**–**	**242.8**
Shares issued during the year	**0.2**	**–**	**–**	**0.2**
At 31 December 2003	**207.4**	**35.6**	**–**	**243.0**

24 Profit and loss account

		Group (Restated) £m	Company £m
At beginning of year as originally reported		**96.0**	**160.5**
Prior period adjustment (pensions – note 29)		**(30.3)**	**–**
At beginning of year as restated		**65.7**	**160.5**
Foreign currency translation (losses)/gains			
– overseas net assets	**(21.8)**		
– related hedging	**7.8**		
		(14.0)	**–**
Retained loss for the year		**(20.2)**	**(29.2)**
At 31 December 2003		**31.5**	**131.3**
Retained in Group companies (including a deficit of £7.6 million overseas)		**30.0**	
Retained in associated companies		**1.5**	
		31.5	

25 Equity minority interests

	Group 2003 £m	Group 2002 £m
Equity minority interests	**33.8**	37.9

26 Future capital expenditure

	Group 2003 £m	Group 2002 £m	Company 2003 £m	Company 2002 £m
Contracted but not provided for	**9.7**	6.8	**–**	–
Authorised but not contracted for	**16.4**	45.5	**–**	–
	26.1	52.3	**–**	–

27 Contingent liabilities

	Group 2003 £m	Group 2002 £m	Company 2003 £m	Company 2002 (Restated) £m
Loan, overdraft and finance lease guarantees in respect of certain subsidiaries (note 19)	**–**	–	**20.4**	30.5
Others including performance guarantees and documentary credits on overseas contracts	**14.2**	22.0	**7.5**	4.0

28 Operating lease rentals

	Group		Company	
	2003 £m	2002 £m	2003 £m	2002 £m
The committed amounts payable during 2004 are:				
Leases of land and buildings expiring:				
Within one year	**1.6**	1.3	**–**	–
Within two to five years inclusive	**5.7**	5.1	**–**	–
Over five years	**5.9**	12.2	**–**	–
	13.2	18.6	**–**	–
Other operating leases expiring:				
Within one year	**1.0**	0.8	**–**	–
Within two to five years inclusive	**3.0**	3.0	**–**	–
	4.0	3.8	**–**	–

29 Pensions

(a) Retirement benefit schemes

The Group operates a number of defined benefit and defined contribution plans around the world to provide pension and other post-retirement benefits. The principal defined benefit arrangements are those in the UK and in North America and the assets of these plans are held under self-administered trust funds and hence are separated from the Group's assets.

The Group operates defined benefit schemes in other countries, mainly in Europe. In the majority of cases, as is normal local practice, these schemes are unfunded and provisions are carried in the balance sheets of the companies concerned.

Pension costs in respect of these plans are assessed in accordance with the advice of independent, professionally qualified actuaries.

(b) Accounting and disclosures

Following the Group's acquisition by Coats Holdings plc (formerly Avenue Acquisition plc), pensions and other post-retirement benefits are now accounted for in accordance with SSAP 24 – Accounting for Pension Costs, as this is the parent company's policy, instead of under FRS17 – Retirement Benefits. Comparative figures for 2002 have been restated in accordance with SSAP 24 and details of the pension costs calculated on this basis and the effects of the restatement are set out in this note.

The Group has adopted the transitional disclosure requirements of FRS17 – Retirement Benefits. It differs from SSAP 24 principally with regard to the choice of assumptions and in that differences between the market value of the assets and liabilities of the retirement benefit schemes are recognised immediately in the balance sheet whereas they are recognised on a smoothed basis through the profit and loss account under SSAP 24. The Group is not required to account for retirement benefits under FRS17, but is required to present certain transitional disclosures which are set out in section (d) below.

(c) SSAP 24 disclosures

Pension costs for the year were:

	2003 £m	2003 £m	2002 (Restated) £m	2002 (Restated) £m
Included in operating profit:				
Defined contribution schemes		**2.9**		3.2
Defined benefit schemes – United Kingdom (i)	**0.4**		1.8	
North America (ii)	**(0.2)**		–	
Other schemes	**0.6**		0.9	
		0.8		2.7
		3.7		5.9

29 Pensions (continued)

(i) United Kingdom

Pension costs for the year were:

	2003 £m	2002 (Restated) £m
Regular pension cost	**4.2**	5.6
Spreading of surplus	**(2.2)**	(2.2)
Interest	**(1.6)**	(1.6)
Net charge	**0.4**	1.8

The last full actuarial valuation of the UK scheme was carried out as at 1 April 2000. The full triennial valuation of the scheme as at 1 April 2003 is in the process of being completed. The pension cost for the year ended 31 December 2003 and the pension asset at 31 December 2003 are based on an actuarial review as at 7 April 2003, the date on which the Group was acquired by Coats Holdings plc (formerly Avenue Acquisition plc). The estimated market value of assets in the scheme at that date was £1,284 million and the funding level was 104%. The projected unit method was used and the principal assumptions were:

Investment return pre-retirement	7.6% per annum	Increase in earnings	3.5% per annum
Investment return post-retirement	5.4% per annum	Inflation rate and increase in pensions	2.5% per annum

(ii) North America

The Group operates defined benefit schemes in the USA and Canada.

Pension costs for the year were:

	2003 £m	2002 (Restated) £m
Regular cost	**1.8**	2.0
Spreading of surplus	**(1.2)**	(0.8)
Interest	**(0.8)**	(1.2)
Net credit	**(0.2)**	–

An actuarial valuation of the main USA plan was carried out as at 31 December 2002. The pension cost for the year ended 31 December 2003 and the pension asset at 31 December 2003 are based on an actuarial review as at 7 April 2003, the date on which the Group was acquired by Coats Holdings plc (formerly Avenue Acquisition plc). The estimated market value of assets in the scheme at that date was £140 million and the funding level was 121%.

(d) FRS17 retirement benefits

The information provided below for defined benefit plans has been prepared by independent qualified actuaries based on the most recent actuarial valuations of the schemes concerned, updated to take account of the valuations of assets and liabilities as at 31 December 2003.

Principal assumptions at 31 December 2003	UK %	North America %	Other %
Rate of increase in salaries	**4.00**	**5.00**	**3.20**
Rate of increase in pensions in payment	**2.50**	**nil**	**1.30**
Discount rate	**5.40**	**6.25**	**5.60**
Inflation assumption	**2.50**	**2.50**	**2.00**

Principal assumptions at 31 December 2002	UK %	North America %	Other %
Rate of increase in salaries	3.80	5.00	3.00
Rate of increase in pensions in payment	2.30	nil	2.00
Discount rate	5.60	6.75	5.50
Inflation assumption	2.30	2.50	2.00

Principal assumptions at 31 December 2001	UK %	North America %	Other %
Rate of increase in salaries	4.00	6.00	3.00
Rate of increase in pensions in payment	2.50	nil	2.00
Discount rate	6.00	7.25	6.00
Inflation assumption	2.50	3.00	1.50

29 Pensions (continued)

(d) FRS17 retirement benefits (continued)

Valuation of pension scheme assets and liabilities at 31 December 2003	UK £m	North America £m	Other £m	Group £m
Equities	**426.6**	**87.4**	**3.0**	**517.0**
Corporate bonds and gilts	**930.7**	**47.1**	**4.9**	**982.7**
Other	**–**	**1.8**	**0.8**	**2.6**
Total market value of assets	**1,357.3**	**136.3**	**8.7**	**1,502.3**
Actuarial value of scheme liabilities	**(1,334.6)**	**(100.7)**	**(75.8)**	**(1,511.1)**
Gross surplus/(deficit)	**22.7**	**35.6**	**(67.1)**	**(8.8)**
Adjustment due to surplus cap	**(4.0)**	**(19.5)**	**(0.3)**	**(23.8)**
Recoverable surplus/(deficit) in the scheme	**18.7**	**16.1**	**(67.4)**	**(32.6)**
Related deferred tax (liability)/asset	**(5.6)**	**(5.7)**	**4.7**	**(6.6)**
Net pension asset/(liability)	**13.1**	**10.4**	**(62.7)**	**(39.2)**

Long term rate of return expected at 31 December 2003	UK %	North America %	Other %
Equities	**6.30**	**8.25**	**8.20**
Corporate bonds and gilts	**5.40**	**5.50**	**7.70**
Other	**n/a**	**3.50**	**4.00**

Valuation of pension scheme assets and liabilities at 31 December 2002	UK £m	North America £m	Other £m	Group £m
Equities	406.2	83.1	2.2	491.5
Corporate bonds and gilts	883.4	54.0	4.1	941.5
Other	–	4.8	0.6	5.4
Total market value of assets	1,289.6	141.9	6.9	1,438.4
Actuarial value of scheme liabilities	(1,273.1)	(110.2)	(72.5)	(1,455.8)
Gross surplus/(deficit)	16.5	31.7	(65.6)	(17.4)
Adjustment due to surplus cap	–	(0.5)	–	(0.5)
Recoverable surplus/(deficit) in the scheme	16.5	31.2	(65.6)	(17.9)
Related deferred tax (liability)/asset	(5.0)	(11.6)	4.7	(11.9)
Net pension asset/(liability)	11.5	19.6	(60.9)	(29.8)

Long term rate of return expected at 31 December 2002	UK %	North America %	Other %
Equities	6.00	8.00	7.90
Corporate bonds and gilts	5.00	5.50	7.20
Other	n/a	3.50	4.10

Valuation of pension scheme assets at 31 December 2001	UK £m	North America £m	Other £m	Group £m
Equities	719.3	114.4	2.4	836.1
Corporate bonds and gilts	719.2	60.5	2.3	782.0
Other	–	6.4	0.7	7.1
Total market value of assets	1,438.5	181.3	5.4	1,625.2
Actuarial value of scheme liabilities	(1,219.5)	(117.7)	(60.6)	(1,397.8)
Gross surplus/(deficit)	219.0	63.6	(55.2)	227.4
Adjustment due to surplus cap	(184.1)	(21.5)	–	(205.6)
Recoverable surplus/(deficit) in the scheme	34.9	42.1	(55.2)	21.8
Related deferred tax (liability)/asset	(10.5)	(15.8)	5.4	(20.9)
Net pension asset/(liability)	24.4	26.3	(49.8)	0.9

Long term rate of return expected at 31 December 2001	UK %	North America %	Other %
Equities	6.50	9.25	9.10
Corporate bonds and gilts	5.40	6.50	8.10
Other	n/a	5.75	3.70

29 Pensions (continued)

(d) FRS17 retirement benefits (continued)

The movements in net defined benefit assets during the year ended 31 December 2003 were:

	Gross surplus			Recoverable surplus		
	UK £m	North America £m	Group £m	UK £m	North America £m	Group £m
Assets of the schemes at the beginning of the year	**16.5**	**31.7**	**48.2**	**16.5**	**31.2**	**47.7**
Movement in year:						
Current service cost	**(4.8)**	**(2.0)**	**(6.8)**	**(4.8)**	**(2.0)**	**(6.8)**
Past service cost	**(0.3)**	**–**	**(0.3)**	**(0.3)**	**–**	**(0.3)**
Contributions	**0.1**	**–**	**0.1**	**0.1**	**–**	**0.1**
Other finance (expense)/income	**(2.3)**	**2.0**	**(0.3)**	**(2.3)**	**2.0**	**(0.3)**
Actuarial gain/(loss)	**13.5**	**5.8**	**19.3**	**9.5**	**(13.2)**	**(3.7)**
Exchange difference	**–**	**(1.9)**	**(1.9)**	**–**	**(1.9)**	**(1.9)**
Assets of the schemes at the end of the year	**22.7**	**35.6**	**58.3**	**18.7**	**16.1**	**34.8**

The movements in net defined benefit assets during the year ended 31 December 2002 were:

	Gross surplus			Recoverable surplus		
	UK £m	North America £m	Group £m	UK £m	North America £m	Group £m
Assets of the schemes at the beginning of the year	219.0	63.6	282.6	34.9	42.1	77.0
Movement in year:						
Current service cost	(6.4)	(2.0)	(8.4)	(6.4)	(2.0)	(8.4)
Cost of benefit improvements	–	(3.1)	(3.1)	–	–	–
Other finance income	12.0	2.1	14.1	12.0	2.1	14.1
Actuarial loss	(208.1)	(26.6)	(234.7)	(24.0)	(9.4)	(33.4)
Transfer to pension liabilities	–	1.9	1.9	–	1.9	1.9
Exchange difference	–	(4.2)	(4.2)	–	(3.5)	(3.5)
Assets of the schemes at the end of the year	16.5	31.7	48.2	16.5	31.2	47.7

The movements in net defined benefit liabilities during the year were:

	2003 £m	2002 £m
Liabilities of the schemes at the beginning of the year	**(65.6)**	(55.2)
Movement in year:		
Current service cost	**(1.5)**	(4.0)
Past service credit	**0.1**	0.1
Settlements and curtailments	**0.2**	0.7
Contributions	**10.4**	14.6
Other finance expense	**(3.6)**	(3.7)
Actuarial loss	**(4.0)**	(7.4)
Companies acquired	**–**	(1.4)
Transfer from creditors	**–**	(4.2)
Transfer from reorganisation provisions	**–**	(1.2)
Transfer to pension assets	**–**	(1.9)
Exchange difference	**(3.4)**	(2.0)
Liabilities of the schemes at the end of the year	**(67.4)**	(65.6)

29 Pensions (continued)

(d) FRS17 retirement benefits (continued)

The experience gains and losses for the year ended 31 December 2003 were:

	UK £m	North America £m	Other £m
Difference between the expected and actual return on pension scheme assets	**72.4**	**16.2**	**1.4**
Percentage of scheme assets	**5%**	**12%**	**20%**
Experience gains and losses on scheme liabilities	**37.6**	**(3.8)**	**(3.2)**
Percentage of scheme liabilities	**3%**	**(4)%**	**(5)%**
Total actuarial gain or loss	**9.5**	**(13.2)**	**(4.0)**
Percentage of scheme liabilities	**1%**	**(13)%**	**(6)%**

The experience gains and losses for the year ended 31 December 2002 were:

	UK £m	North America £m	Other £m
Difference between the expected and actual return on pension scheme assets	(160.1)	(22.1)	(1.0)
Percentage of scheme assets	(12)%	(16)%	(14)%
Experience gains and losses on scheme liabilities	(10.0)	2.2	(3.5)
Percentage of scheme liabilities	(1)%	2%	(5)%
Total actuarial gain or loss	(24.0)	(9.4)	(7.4)
Percentage of scheme liabilities	(2)%	(9)%	(10)%

Amounts that would be charged to operating profit under FRS17

For the year ended 31 December 2003	UK £m	North America £m	Other £m	Group £m
Current service cost	**4.8**	**2.0**	**1.5**	**8.3**
Past service cost/(credit)	**0.3**	**–**	**(0.1)**	**0.2**
Settlements and curtailments	**–**	**–**	**(0.2)**	**(0.2)**
Total operating charge	**5.1**	**2.0**	**1.2**	**8.3**

For the year ended 31 December 2002	UK £m	North America £m	Other £m	Group £m
Current service cost	6.4	2.0	4.0	12.4
Past service cost/(credit)	–	3.1	(0.1)	3.0
Covered by unrecognised surplus	–	(3.1)	–	(3.1)
Settlements and curtailments	–	–	(0.7)	(0.7)
Total operating charge	6.4	2.0	3.2	11.6

Amounts that would be (charged)/credited to other finance income under FRS17

For the year ended 31 December 2003	UK £m	North America £m	Other £m	Group £m
Expected return on pension scheme assets	**67.1**	**8.9**	**0.5**	**76.5**
Interest on pension scheme liabilities	**(69.4)**	**(6.9)**	**(4.1)**	**(80.4)**
Net (cost)/return	**(2.3)**	**2.0**	**(3.6)**	**(3.9)**

For the year ended 31 December 2002	UK £m	North America £m	Other £m	Group £m
Expected return on pension scheme assets	83.0	10.1	0.5	93.6
Interest on pension scheme liabilities	(71.0)	(8.0)	(4.2)	(83.2)
Net return/(cost)	12.0	2.1	(3.7)	10.4

29 Pensions (continued)

(d) FRS17 retirement benefits (continued)

Amounts that would be recognised in the statement of total recognised gains and losses under FRS17

For the year ended 31 December 2003	UK £m	North America £m	Other £m	Group £m
Difference between the actual return less expected return on pension scheme assets	**72.4**	**16.2**	**1.4**	**90.0**
Experience gains and losses arising	**37.6**	**(3.8)**	**(3.2)**	**30.6**
Changes in assumptions	**(96.5)**	**(4.8)**	**(1.9)**	**(103.2)**
Adjustment due to surplus cap	**(4.0)**	**(20.8)**	**(0.3)**	**(25.1)**
Total actuarial gain/(loss)	**9.5**	**(13.2)**	**(4.0)**	**(7.7)**
Related deferred tax movement	**(2.9)**	**4.9**	**1.3**	**3.3**
Actuarial gain/(loss) to recognise in the statement of total recognised gains and losses	**6.6**	**(8.3)**	**(2.7)**	**(4.4)**

For the year ended 31 December 2002	UK £m	North America £m	Other £m	Group £m
Difference between the actual return less expected return on pension scheme assets	(160.1)	(22.1)	(1.0)	(183.2)
Experience gains and losses arising	(10.0)	2.2	(3.5)	(11.3)
Changes in assumptions	(38.0)	(6.7)	(3.4)	(48.1)
Adjustment due to surplus cap	184.1	17.2	0.5	201.8
Total actuarial loss	(24.0)	(9.4)	(7.4)	(40.8)
Related deferred tax movement	7.2	3.6	1.5	12.3
Actuarial loss to recognise in the statement of total recognised gains and losses	(16.8)	(5.8)	(5.9)	(28.5)

Financial impact of FRS17

If retirement benefits had been accounted for under FRS17 in these financial statements, the Group's net assets would have been as follows:

	2003 £m	2002 £m
As reported under current accounting policies	**463.1**	501.1
Adjust for amounts stated under current accounting policies:		
Pension fund prepayments (note 15)	**(38.3)**	(40.1)
Pension provision (note 20)	**66.7**	68.2
Related deferred tax liability	**1.7**	2.2
	493.2	531.4
Adjust for amounts calculated in accordance with FRS17:		
Recoverable surplus less deficits in the schemes	**(32.6)**	(17.9)
Related deferred tax	**(6.6)**	(11.9)
As stated in accordance with FRS17	**454.0**	501.6

The £9.1 million reduction (2002 – £0.5 million increase) in the Group's net assets would have been reflected in the Group's reserves. The Group's profit and loss account would have been in surplus to £61.6 million (2002 – £96.0 million), instead of £31.5 million (2002 – £65.7 million), and there would have been a deficit on a pension reserve of £39.2 million (2002 – £29.8 million).

29 Pensions (continued)

(e) Restatement of comparative figures and prior period adjustment

Since 2001, FRS17 – Retirement Benefits had been fully adopted in preparing the Group's accounts and, as a result of the adoption of SSAP 24, comparative figures for 2002 and 2001 have been restated as follows:

	2002 as reported £m	Effect of SSAP 24 £m	2002 as restated £m	2001 as reported £m	Effect of SSAP 24 £m	2001 as restated £m
Consolidated balance sheet						
Pension fund prepayments						
Due in less than one year (note 15)	–	1.9	1.9	–	2.5	2.5
Due in more than one year (note 15)	–	38.2	38.2	–	41.2	41.2
Provision for pension costs (note 20)	–	(68.2)	(68.2)	–	(67.3)	(67.3)
Provision for closures and reorganisations	(28.5)	–	(28.5)	(35.6)	1.1	(34.5)
Deferred tax provision (note 20)	(22.6)	(2.2)	(24.8)	(28.1)	(2.0)	(30.1)
Pension assets	31.1	(31.1)	–	50.7	(50.7)	–
Pension liabilities	(60.9)	60.9	–	(49.8)	49.8	–
Prior period adjustment		(0.5)			(25.4)	
Pension reserve (note 23)	(29.8)	29.8	–	0.9	(0.9)	–
Profit and loss account (note 24)	96.0	(30.3)	65.7	118.0	(24.5)	93.5
Prior period adjustment		(0.5)			(25.4)	
Consolidated profit and loss account						
UK and Europe	12.8	2.0	14.8	18.1	2.1	20.2
North America	12.0	2.0	14.0	11.7	2.0	13.7
South America	11.5	–	11.5	12.6	–	12.6
Asia	35.7	(0.1)	35.6	29.5	–	29.5
Corporate	5.3	1.1	6.4	0.8	1.6	2.4
Total Thread	77.3	5.0	82.3	72.7	5.7	78.4
India Textiles	(0.2)	–	(0.2)	(2.3)	–	(2.3)
Bedwear	(1.5)	0.4	(1.1)	0.7	0.9	1.6
Total continuing operations	75.6	5.4	81.0	71.1	6.6	77.7
Discontinued operations	(16.3)	0.3	(16.0)	(2.7)	0.6	(2.1)
Operating profit before reorganisation costs, impairment of fixed assets and exceptional items	59.3	5.7	65.0	68.4	7.2	75.6
Reorganisation costs, impairment of fixed assets and exceptional items	(19.1)	–	(19.1)	(32.5)	–	(32.5)
Operating profit	40.2	5.7	45.9	35.9	7.2	43.1
Loss on sale or termination of operations	(10.1)	3.9	(6.2)	(26.8)	–	(26.8)
Net interest payable	(9.4)	(3.6)	(13.0)	(10.5)	(4.0)	(14.5)
Other finance income	14.3	(14.3)	–	10.2	(10.2)	–
Other income and expenses	9.6	–	9.6	14.2	–	14.2
Profit before taxation	44.6	(8.3)	36.3	23.0	(7.0)	16.0
Taxation	(9.1)	4.0	(5.1)	(11.0)	1.4	(9.6)
Equity minority interests	(5.2)	–	(5.2)	(1.1)	–	(1.1)
Profit for the financial year	30.3	(4.3)	26.0	10.9	(5.6)	5.3
Turnover	1,155.6	–	1,155.6	1,247.0	–	1,247.0
Operating costs excluding reorganisation, impairment of fixed assets and exceptional items	(1,096.3)	5.7	(1,090.6)	(1,178.6)	7.2	(1,171.4)
Reorganisation costs, impairment of fixed assets and exceptional items	(19.1)	–	(19.1)	(32.5)	–	(32.5)
Operating profit	40.2	5.7	45.9	35.9	7.2	43.1
Total assets	1,016.3	40.1	1,056.4	1,116.4	43.7	1,160.1
Net assets	501.6	(0.5)	501.1	580.7	(25.4)	555.3

29 Pensions (continued)

(f) Effect on results for the current year

The effect of the adoption of SSAP 24 on the results for the current year was as follows:

Consolidated profit and loss account	SSAP 24 basis £m	FRS17 basis £m	Effect of SSAP 24 £m
Operating profit	28.5	21.0	7.5
Net interest payable	(15.9)	(12.0)	(3.9)
Other finance expenses	–	(3.9)	3.9
Other income and expenses	(21.7)	(21.7)	–
Loss before taxation	(9.1)	(16.6)	7.5
Taxation	(3.8)	(2.1)	(1.7)
Equity minority interests	(6.6)	(6.6)	–
Loss for the financial year	(19.5)	(25.3)	5.8

30 Related party transactions

There are no individual transactions with related parties which are material to the Group. Set out in the table is an aggregation of related party transactions defined by type and relationship.

	Associated companies 2003 £m	Associated companies 2002 £m
Group		
Sales to	**0.4**	1.0
Purchases from	**3.0**	3.3
Other income	**1.2**	1.4
Debtors	**0.9**	1.2
Creditors	**0.3**	0.7

Company

The Company has taken advantage of the exemption allowed by FRS8, Related Party Transactions, whereby the Company is exempted from disclosure of related party transactions when any such relevant items are included within the Group's disclosure.

Directors

Details of Directors' emoluments and interests in shares of Group companies are included in Note 4 and the Directors' report on pages 7 and 8 respectively.

In 1992, the Company, through a subsidiary, acquired a joint interest in a property with Martin Flower on his taking permanent residence in England. The subsidiary's investment was £180,000. Under the Agreement Martin Flower had the option to purchase the Group's interest at market value. The Group's investment was reduced to £75,000 in January 1994 following partial exercise of Martin Flower's option. In 1999, the Company, through a subsidiary, acquired a joint interest in properties with both Jonathan Lea and Bryan Anderson. The subsidiary's investment in both cases was £75,000 and Jonathan Lea and Bryan Anderson had an option to purchase the Group's interest at market value. During the year ended 31 December 2003, all three options were exercised.

31 Notes to the cash flow statement

(a) Reconciliation of operating profit to net cash inflow from operating activities

	2003 £m	2002 (Restated) £m
Operating profit	**28.5**	45.9
Depreciation	**36.3**	42.0
Amortisation of goodwill	**0.7**	(1.6)
Reorganisation costs	**16.3**	17.1
Impairment of fixed assets	**4.4**	1.9
Exceptional items	**8.5**	0.1
(Increase)/decrease in stocks	**(2.4)**	22.4
Decrease/(increase) in debtors	**5.8**	(9.4)
(Decrease)/increase in creditors	**(13.7)**	5.8
Non-cash movement in pension fund prepayment	**0.2**	1.8
Other provision movements	**(9.7)**	(11.5)
Other non-cash movements	**(0.1)**	1.1
Net cash inflow from normal operating activities	**74.8**	115.6
Continuing operations	**76.8**	125.4
Discontinued operations	**(2.0)**	(9.8)
	74.8	115.6
Net cash outflow in respect of reorganisation costs and exceptional items:		
Utilisation of provisions – closures and reorganisation	**(16.0)**	(19.2)
– operating exceptional items	**(8.5)**	–
– non-cash asset write downs	**–**	0.4
	(24.5)	(18.8)
Net cash inflow from operating activities	**50.3**	96.8

(b) Analysis of financing cash flows

	2003 £m	2002 (Restated) £m
Issue of ordinary share capital	**0.3**	1.0
Issue of shares to minorities	**0.2**	0.6
	0.5	1.6
Increase/(decrease) in borrowings – new short term loans	**139.6**	19.5
– repayment of amounts borrowed	**(94.8)**	(61.9)
– capital element of finance lease rental payments	**(1.5)**	(2.0)
	43.3	(44.4)
Net cash inflow/(outflow) from financing	**43.8**	(42.8)

(c) Analysis of net debt

	At 1 January 2003	Cash flow	Acquisitions/ disposals (excl. cash/ overdrafts)	Other non-cash changes	Exchange	At 31 December 2003
Cash at bank and in hand	**49.4**					**46.6**
Bank overdrafts	**(26.8)**					**(18.2)**
Net cash	**22.6**	**(8.1)**			**13.9**	**28.4**
Short term deposits	**12.8**	**3.3**			**(0.3)**	**15.8**
Loans	**(77.1)**	**(105.3)**			**7.6**	**(174.8)**
Convertible debt	**(60.4)**	**60.5**		**(0.1)**		**–**
Lease finance	**(2.3)**	**1.5**		**(0.2)**	**0.1**	**(0.9)**
		(43.3)				
Total	**(104.4)**	**(48.1)**	**–**	**(0.3)**	**21.3**	**(131.5)**

31 Notes to the cash flow statement (continued)

(d) Purchase of subsidiary undertakings

	2003 £m	2002 (Restated) £m
Tangible fixed assets	**1.5**	0.2
Stocks	**1.2**	0.9
Debtors	**0.6**	1.0
Current asset investment	**–**	0.4
Cash at bank and in hand	**–**	0.4
Creditors	**–**	(1.3)
Pension liabilities	**–**	(1.4)
Minority shareholders interests	**5.4**	22.3
	8.7	22.5
Goodwill	**2.0**	(10.9)
Total	**10.7**	11.6
Satisfied by:		
Cash	**9.4**	11.6
Deferred consideration	**1.3**	–
Transfer from deferred consideration	**–**	(0.1)
Transfer from fixed asset investments	**–**	0.1
	10.7	11.6

(e) Sale of subsidiary undertakings

	2003 £m	2002 (Restated) £m
Tangible fixed assets	**12.8**	3.4
Stock	**22.1**	3.4
Debtors	**18.8**	1.2
Creditors	**(16.4)**	(1.3)
Provisions	**1.4**	(1.7)
	38.7	5.0
Loss on disposal	**(43.6)**	(6.2)
	(4.9)	(1.2)
Satisfied by:		
Cash	**(4.0)**	4.9
Transfer from deferred consideration	**(0.9)**	(6.1)
	(4.9)	(1.2)

(f) Cash flow relating to exceptional items

	2003 £m	2002 (Restated) £m
Profit on sale of fixed assets	**21.0**	8.7
Book value of fixed assets sold	**11.2**	4.6
Proceeds of sale of fixed assets	**32.2**	13.3
(Payments)/proceeds of sale or termination of operations (note e)	**(4.0)**	4.9

32 Immediate and ultimate parent company

From 7 April 2003, the immediate parent company is Coats Holdings plc (formerly Avenue Acquisition plc). The ultimate parent company, and controlling party, is Coats Group Limited, a company incorporated in the British Virgin Islands.

Coats Holdings plc prepares consolidated financial statements, which can be obtained from the Company Secretary at First Floor, Times Place, 45 Pall Mall, London SW1Y 5GP.

		Country of incorporation or registration and principal country of operation
Holding, Finance and Property companies		
*Coats Finance Company Limited		England
Coats Holdings Investments Limited		England
*Coats Property Management Limited		England
Tootal Thread Limited		England
*Coats (VH) Limited		England
Coats Deutschland GmbH		Germany
*Coats Patons Limited		Scotland
J. & P. Coats Limited		Scotland
*Coats Invers SLU		Spain
Coats North America Consolidated Inc.		US
Thread		
Coats (UK) Limited		England
Coats Bangladesh Ltd	80%	Bangladesh
Coats Cadena SA		Argentina
Coats Australian Pty Ltd		Australia
Coats Corrente Ltda		Brazil
Coats Canada Inc		Canada
Coats Cadena SA	60%	Chile
Guangzhou Coats Limited	90%	China
Guangying Spinning Company Limited	50%	China
Jinying Spinning Company Limited	50%	China
Coats Cadena SA	90%	Colombia

		Country of incorporation or registration and principal country of operation
Thread continued		
Coats France SAS		France
Coats GmbH		Germany
China Thread Development Company Limited		Hong Kong
Coats Hong Kong Limited		Hong Kong
Coats Hungary Limited		Hungary
PT Coats Rejo Indonesia		Indonesia
Madura Coats Limited		India
Coats Cucirini SpA	72.8%	Italy
Coats Thread (Malaysia) Sdn Bhd	51%	Malaysia
Grupo Coats Timon, S.A. De C.V.		Mexico
Cia de Linha Coats & Clark Lda		Portugal
SC Coats Romania Impex SRL		Romania
Coats South Africa (Pty) Ltd		South Africa
Coats Fabra SA	98.9%	Spain
Coats Thread Lanka (Private) Ltd	86.8%	Sri Lanka
Coats (Turkiye) Iplik Sanayii AS	76.8%	Turkey
Coats American Inc.		US
Coats & Clark Inc.		US
Coats Phong Phu Co Ltd	75%	Vietnam
Bedwear		
Dorma Group Limited		England

All the above companies carry on businesses, the consolidated results of which, in the opinion of the Directors, principally affect the amount of the profit or the amount of the assets of the Group. All companies are wholly owned unless otherwise stated; percentage holdings shown represent the ultimate interest of Coats Ltd.

Companies marked with an asterisk are direct subsidiaries of Coats Ltd.

To the holders of Ordinary Shares

Notice is hereby given that the ninety fourth Annual General Meeting of Coats Ltd will be held at First Floor, Times Place, 45 Pall Mall, London, SW1Y 5GP on 19 May 2004 at 11am for the following purposes:

Ordinary business

1. to receive the accounts for the year ended 31 December 2003 and the report of the Directors and auditors thereon
2. to re-elect Martin Flower as a Director
3. to re-elect Gary Weiss as a Director
4. to re-elect Michael Smithyman as a Director
5. to re-appoint Deloitte & Touche LLP as auditors of the Company and to authorise the Directors to fix their remuneration

Notes

1. Only ordinary shareholders are entitled to attend and vote at the Annual General Meeting and such members will receive a form of proxy with this notice.
2. A member entitled to attend and vote may appoint one or more proxies to attend and on a poll to vote instead of him or her. A proxy need not also be a member. A proxy or representative attending on behalf of a corporation is entitled to vote on a show of hands but a member (other than a corporation) present by proxy shall not be entitled to vote on a show of hands.
3. To be valid, the proxy forms must arrive at the office of the Registrars not less than 48 hours before the time the meeting is to be held. The appointment of a proxy does not prevent a member who so wishes from attending the meeting and voting in person.
4. The Register of Directors' share interests will be available for inspection at the Registered Office during normal business hours from the date of this Notice until the date of the meeting and at the place of meeting from its commencement until its conclusion.

By Order of the Board
Christopher Healy
Company Secretary

1 March 2004

Registered Office
1 The Square
Stockley Park
Uxbridge
Middlesex UB11 1TD
Registered in England No: 104998

Shareholder information

Annual General Meeting
The date, time and venue of the Annual General Meeting is included on page 48.

Company information

Registered Office:	1 The Square, Stockley Park, Uxbridge, Middlesex UB11 1TD Tel: +44 (0)20 8210 5000
Registered in:	England No.104998
Registrars:	Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU Tel: 0870 162 3100 (UK only) +44 20 8639 2157 (outside UK)

Unsolicited mail
The Company is obliged to make its share register available to members of the public and organisations on payment of a prescribed fee. This may result in shareholders receiving unsolicited mail. If you wish to limit the receipt of unsolicited mail you should write to:

The Mailing Preference Service
FREEPOST 22
London
W1E 7EZ

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