

BARBOUR THREADS LIMITED

Report and Financial Statements

31 December 2001

Deloitte & Touche
Lomond House
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Glasgow
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REPORT AND FINANCIAL STATEMENTS 2001

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DIRECTORS' REPORT

The directors present their annual report and audited accounts for the year ended 31 December 2001.

PRINCIPAL ACTIVITIES

The principal activities of the company have been the manufacture and sale of linen and synthetic threads and braids.

REVIEW OF BUSINESS

The assets, liabilities and trade of the company were transferred to Coats (UK) Limited on 1 January 2001. Coats (UK) Limited is a wholly owned subsidiary of Coats Plc, the ultimate parent company of Barbour Threads Limited.

The loss for the year after taxation amounted to £453,000 (2000: £373,010). The directors do not recommend the payment of a dividend (2000: £nil).

DIRECTORS

The directors during the year were:

A W Foran
J A McVicker
G D Woods (resigned 1 April 2001)
C Healy
J Stephens (resigned 18 June 2001)
M Perks
J D Lea
G J C Aldridge (appointed 31 August 2001)
S W Davies (appointed 18 June 2001)

Mr J D Lea is also a director of the ultimate parent company, Coats Plc, in whose accounts his interests are disclosed. Mssr Healy, Davies and Perks and Ms Aldridge were directors of the company's immediate parent, Barbour Campbell Textiles Limited and their interests in the share capital of Coats Plc are disclosed in that company's accounts. No directors held any beneficial interests in the company during the year (2000 - nil).

Options held in the ultimate parent company, Coats Plc, have been disclosed in the consolidated financial statements of Coats Plc.

RE-ELECTION

The director retiring by rotation is Mr J D Lea who, being eligible, offers himself for re-election. Mr G D Davies, and Ms Aldridge having been appointed as directors of the company since the last Annual General Meeting, retire in accordance with the company's Articles of Association and, being eligible, offer themselves for re-election.

DIRECTORS' REPORT (CONTINUED)**DIRECTORS' RESPONSIBILITIES**

United Kingdom company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of the company's affairs and of the result of the company for that period. In preparing those accounts, the directors are required to:

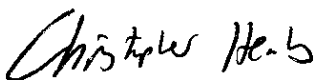
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS

Deloitte & Touche have expressed their willingness to continue in office as auditors and a resolution proposing their appointment will be put to the Annual General Meeting.

By order of the Board



C Healy

Director

22/7/ 2002

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BARBOUR THREADS LIMITED

We have audited the financial statements of Barbour Threads Limited for the year ended 31 December 2001, which comprise the profit and loss account, the balance sheet, the note of historical cost profits and losses, the reconciliation of movement in shareholders' funds and the related notes 1 to 20. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities set out on page 2, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

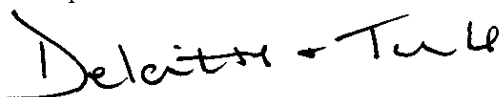
Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 December 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Chartered Accountants and Registered Auditors

27 September 2002

PROFIT AND LOSS ACCOUNT
Year ended 31 December 2001

	Note	2001 £'000	2000 £'000
TURNOVER: discontinued operations	1	-	14,500
Cost of sales		-	(12,337)
GROSS PROFIT		-	2,163
Distribution costs		-	(1,557)
Administrative expenses		-	(1,052)
OPERATING LOSS : discontinued operations		-	(446)
Profit on disposal of fixed assets		-	37
Exceptional loss on disposal of trade and assets	7	(453)	-
LOSS ON ORDINARY ACTIVITIES BEFORE INTEREST		(453)	(409)
Interest receivable	5	-	25
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	2	(453)	(384)
Tax credit on loss on ordinary activities	6	-	11
LOSS FOR THE YEAR		(453)	(373)

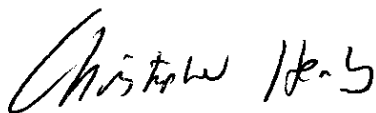
The company has no recognised gains or losses in the years ended 31 December 2001 and 31 December 2000 other than the loss for the year and accordingly no Statement of Total Gains and Losses has been included.

BALANCE SHEET
31 December 2001

	Notes	2001 £'000	2000 £'000
FIXED ASSETS			
Tangible assets	8	-	7,010
CURRENT ASSETS			
Stocks	9	-	4,945
Debtors falling due within one year	10	-	3,783
Debtors falling due after more than one year	10	12,815	-
Cash at bank and in hand		-	1,510
		12,815	10,238
CREDITORS: amounts falling due within one year	11	-	2,606
NET CURRENT ASSETS		12,815	7,632
TOTAL ASSETS LESS CURRENT LIABILITIES		12,815	14,642
CREDITORS: amounts falling due after more than one year	12	(9,397)	(10,771)
		3,418	3,871
EQUITY SHAREHOLDERS' FUNDS			
Called up share capital	15	8,105	8,105
Revaluation reserve	16	-	1,370
Profit and loss account	16	(4,687)	(5,604)
TOTAL EQUITY SHAREHOLDERS' FUNDS		3,418	3,871

Approved by the Board of Directors on 22 / 7 / 2002.

On behalf of the Board



C Healy

Director

Barbour Threads Limited

NOTE OF HISTORICAL COST PROFITS AND LOSSES
Year ended 31 December 2001

	2001 £'000	2000 £'000
Loss on ordinary activities before taxation	(453)	(384)
Realisation of property valuation gains of prior years	1,370	-
Difference between historical cost depreciation and actual depreciation charge calculated on the revalued amount	-	6
Historical cost profit/(loss) on ordinary activities before tax	<u>917</u>	<u>(378)</u>
Historical cost retained profit/(loss) after taxation	<u>917</u>	<u>(367)</u>

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS
Year ended 31 December 2001

	2001 £'000	2000 £'000
Loss for the financial year	(453)	(373)
Net reduction in shareholders' funds	(453)	(373)
Opening shareholders' funds	3,871	4,244
Closing shareholders' funds	<u>3,418</u>	<u>3,871</u>

NOTES TO THE ACCOUNTS

Year ended 31 December 2001

1. ACCOUNTING POLICIES

Basis of accounting

The accounts have been prepared under the historical cost convention as modified to include the revaluation of certain tangible fixed assets and in accordance with applicable accounting and financial reporting standards.

Turnover

Turnover represents the invoice value of goods supplied exclusive of VAT.

Depreciation

Tangible fixed assets are shown at cost or valuation.

Depreciation is provided on all tangible fixed assets, other than land, at rates calculated to write off the cost or valuation, in equal annual instalments using half year convention in the first and final years over their expected useful lives. The depreciation rates are as follows:

Freehold land	Nil
Freehold buildings	2% - 10%
Motor vehicles	20%
Electronic office equipment	20% - 25%
All other plant and equipment	5% - 25%

Government grants

Government grants on capital expenditure are treated as deferred income and released to the profit and loss account over the life of the asset to which they relate.

Leased assets

Rentals under operating leases are charged against income as incurred.

Stocks

Stocks and work-in-progress are stated at the lower of cost, including a proportion of production overheads and net realisable value.

Deferred taxation

Deferred taxation is provided on all timing differences only to the extent to which it is considered likely to fall due for payment in the foreseeable future. No provision is made for any potential liability which might arise on disposal of properties at their revalued amount.

Foreign currencies

Foreign currency assets and liabilities are expressed in sterling at exchange rates ruling at the year end. Transactions in the normal course of business are expressed at the rates ruling at the dates of transactions and any exchange gains or losses arising are dealt with in the profit and loss account.

Pension costs

The company is a member of the Hicking Pentecost Pension Scheme, a defined benefit scheme whose assets are held separately from those of the Coats Group in a trustee administered fund. The most recent actuarial valuation of the Hicking Pentecost Pension Scheme was prepared at 6 April 1997 and full details can be found in the accounts of the ultimate holding company Coats plc.

The expected cost of providing pensions, as calculated periodically by professionally qualified actuaries, is charged to the profit and loss account so as to spread the cost over the service lives of employees in the scheme, in such a way that the pension cost is a substantially level percentage of current and expected future pensionable payroll.

NOTES TO THE ACCOUNTS

Year ended 31 December 2001

2. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2001 £'000	2000 £'000
This is stated after charging/(crediting):		
Depreciation of tangible fixed assets	-	646
Government grant income	-	(99)
Auditors' remuneration	-	11
Profit on disposal of tangible fixed assets	-	(42)
Operating lease rentals	-	110
Exchange losses	-	95
	<u>-</u>	<u>611</u>

3. STAFF COSTS

	2001 £'000	2000 £'000
Wages and salaries	-	4,721
Social security costs	-	408
Other pension costs	-	254
	<u>-</u>	<u>5,383</u>
	No.	No.
Average number of persons employed during the year was:		
Production	-	272
Other	-	45
	<u>-</u>	<u>317</u>

4. DIRECTORS' EMOLUMENTS

	2001 £'000	2000 £'000
Remuneration	-	256
Remuneration of highest paid director	-	124
Accrued pension	-	3
Directors to whom retirement benefits are accruing under a defined benefit scheme	-	3

NOTES TO THE ACCOUNTS
Year ended 31 December 2001

5. INTEREST RECEIVABLE

	2001 £'000	2000 £'000
Bank interest receivable	-	25

6. TAXATION

	2001 £'000	2000 £'000
Deferred tax credit (note 14)	-	(11)

7. EXCEPTIONAL LOSS ON DISPOSAL OF TRADE AND ASSETS

On 1 January 2001, the company disposed of all of its trade, assets and liabilities to Coats (UK) Limited, a fellow subsidiary undertaking of Coats Plc. The consideration paid was by way of the intercompany loan balance between the two companies.

8. TANGIBLE FIXED ASSETS

	Land and buildings £'000	Plant and equipment £'000	Total £'000
Cost or valuation			
At 1 January 2001	5,216	11,553	16,769
Intra group disposals	(5,216)	(11,553)	(16,769)
At 31 December 2001	-	-	-
Depreciation			
At 1 January 2001	345	9,414	9,759
Intra group disposals	(345)	(9,414)	(9,759)
At 31 December 2001	-	-	-
Net book value			
At 31 December 2001	-	-	-
At 31 December 2000	4,871	2,139	7,010

	2001 £'000	2000 £'000
The historical cost of assets included at a valuation is as follows:		
Cost	-	211
Accumulated depreciation	-	(155)
	-	56

NOTES TO THE ACCOUNTS
Year ended 31 December 2001

9. STOCKS

	2001 £'000	2000 £'000
Raw materials and consumables	-	660
Work-in-progress	-	1,890
Finished goods	-	2,395
	<u>-</u>	<u>4,945</u>

10. DEBTORS

	2001 £'000	2000 £'000
Amounts falling due within one year		
Trade debtors	-	1,410
Due from group undertakings	-	1,685
Other debtors	-	8
Prepayments and accrued income	-	113
Group relief receivable	-	567
	<u>-</u>	<u>3,783</u>
Amounts falling due after more than one year		
Due from group undertakings	12,815	-

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2001 £'000	2000 £'000
Trade creditors	-	1,659
Due to group undertakings	-	676
Taxation and social security	-	57
Accruals and deferred income	-	214
	<u>-</u>	<u>2,606</u>

12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2001 £'000	2000 £'000
Due to group undertakings	9,397	10,098
Deferred grants	-	673
	<u>9,397</u>	<u>10,771</u>

Amounts due from Group undertakings are not subject to any predetermined repayment terms or interest rates.

NOTES TO THE ACCOUNTS
Year ended 31 December 2001

13. DEFERRED GOVERNMENT GRANTS

	2001 £'000
Balance at 1 January 2001	773
Transferred during the period	(773)
Balance at 31 December 2001	-

14. PROVISIONS FOR LIABILITIES AND CHARGES

	2001 £'000	2000 £'000
Deferred tax provision:		
Opening balance	-	11
Credit for the year	-	(11)
Closing balance	-	-

15. CALLED UP SHARE CAPITAL

	2001 £'000	2000 £'000
Authorised, allotted, called up and fully paid 810,500 Ordinary Shares of £10 each	8,105	8,105

16. RESERVES

	Revaluation reserve £'000	Profit and loss account £'000
At 1 January 2001	1,370	(5,604)
Retained loss for the year	-	(453)
Amortisation of revaluation reserve	(1,370)	1,370
At 31 December 2001	-	(4,687)

NOTES TO THE ACCOUNTS

Year ended 31 December 2001

17. COMMITMENTS UNDER OPERATING LEASES

Annual commitments payable under non-cancellable operating leases expiring:

	Land and Buildings		Plant and equipment	
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000
Within one year	-	-	-	-
Between one and five years	-	104	-	50
After five years	-	80	-	-
	<u>-</u>	<u>184</u>	<u>-</u>	<u>50</u>

18. CASH FLOW STATEMENT

Coats Plc has prepared a consolidated cash flow statement which includes the cash flows of the company. The company has therefore taken advantage of the exemption under FRS1 (Revised 1996) Cash Flow Statements not to prepare a cash flow statement.

19. RELATED PARTY DISCLOSURES

The company has taken advantage of the exemption provided by FRS 8 (Related Party Disclosures) in not disclosing transactions with other group companies where there is a common ownership interest in excess of 90% and where such transactions are eliminated on consolidation.

20. ULTIMATE PARENT COMPANY

The company's ultimate parent undertaking is Coats Plc which is the only company preparing consolidated accounts. A copy of the latest Coats Plc accounts can be obtained from its registered office at 1 The Square, Stockley Park, Uxbridge, Middlesex, UB11 1TD.

The company's immediate parent undertaking is Barbour Campbell Textiles Limited.