

**Report and Accounts  
for the year ended  
31 March  
2006**



# Coats Pension Plan

## CONTENTS

Management and Advisers .....	1
Trustee's Report .....	3
Investment Report .....	7
Statement of Trustee's Responsibilities .....	13
Report of the Auditors .....	14
Fund Account .....	16
Net Assets Statement .....	17
Notes to the Accounts .....	18
Statement about contributions.....	26
Summary of contributions payable.....	27
Actuarial Certification .....	28

## Coats Pension Plan

The Plan is registered with the Pension Schemes Registry under reference 100056088.

### **MANAGEMENT AND ADVISERS**

#### **Principal Employer**

Coats Holdings Ltd

#### **Trustee**

Coats Pensions Trustee Limited

#### **Bankers**

Royal Bank of Scotland plc  
Westergate Chambers  
292 Argyle Street  
Glasgow G2 8DD

#### **Actuary**

Mr D F Campbell  
Mercer Human Resource Consulting  
Alhambra House  
45 Waterloo Street  
Glasgow G2 6HS

#### **Auditors**

Ernst & Young LLP  
George House  
50 George Square  
Glasgow G2 1RR

#### **Solicitors**

Maclay Murray & Spens  
151 St Vincent Street  
Glasgow G2 5NJ

Freshfields Bruckhaus Deringer  
65 Fleet Street  
London EC4Y 1HS

#### **Investment Managers**

Aberdeen Asset Management PLC (formerly Deutsche Asset Management Limited)  
One Bow Churchyard  
London EC4M 9HH

Capital International Limited  
40 Grosvenor Place  
London SW1X 7GG

FRM Investment Management Ltd  
PO Box 173  
Suite F1  
Hirzel Court  
St Peters Port  
Guernsey G1Y 1FB

Goldman Sachs Asset Management International  
Christchurch Court  
10-15 Newgate Street  
London EC1A 7HD

Hermes Assured Limited  
Lloyds Chambers  
1 Portsoken Street  
London E1 8HZ

Merrill Lynch Investment Managers  
33 King William Street  
London EC4R 9AS

## Coats Pension Plan

Newton Investment Management Limited  
Mellon Financial Centre  
160 Queen Victoria Street  
London EC4V 4LA

Record Currency Management Ltd  
Morgan House  
Madeira Walk  
Windsor  
Berks SL4 1EP

Standard Life Investments Management Ltd  
1 George Street  
Edinburgh EH2 2LL

### **Global Custodian**

Bank of New York  
One Canada Square  
London E14 5AL

### **Contact details for general and benefit enquiries**

Coats plc (Pensions Office)  
Pacific House  
70 Wellington Street  
Glasgow G2 6UB  
Tel: 0141 207 6800  
Fax: 0141 207 6856  
Email: [pensions.services@coats.com](mailto:pensions.services@coats.com)  
Web site: [www.coatspensions.co.uk](http://www.coatspensions.co.uk)

### **The Pensions Regulator**

The Occupational Pensions Regulatory Authority (OPRA) was replaced in April 2005 by The Pensions Regulator, as part of a number of far reaching changes introduced by the Pensions Act 2004. The objectives of The Pensions Regulator reflect the need for it to focus its activities on the key risks to members' benefits and include protecting the benefits of members of work-based pension schemes, and promoting the good administration of those schemes. The Pensions Regulator may be contacted at Napier House, Trafalgar Place, Brighton, East Sussex, BN1 4DW.

## TRUSTEE'S REPORT

### INTRODUCTION

The Coats Pension Plan is approved by the Inland Revenue under Chapter 1, Part XIV of the Income and Corporation Taxes Act 1988. Members of the Plan are contracted-out of the State Earnings-Related Pension Scheme.

The Plan is open to all permanent employees of Coats Holdings Ltd "the Company" and participating subsidiary companies in the United Kingdom. It provides pension and death benefits calculated on a defined benefit basis.

### MANAGEMENT OF THE PLAN

The power of removing and appointing the Trustee is exercised by Deed and is vested in Coats Holdings Ltd. Changes to the Rules need the agreement of a majority of the Board, as well as the Company.

At 31 March 2006, the Trustee Board was made up of four individuals appointed by the Company, one individual elected by the Pensions Forum (the active members' consultative body), two individuals whose appointments were approved by pensioner members, and an independent professional trustee.

#### Trustee Board Directors

Mr L Todd	(Chairman)	Mr A H Macdiarmid	(pensioner representative)
Mr B Nixon	(Alternate: Mr G Weiss)	Mr D Lawson	(pensioner representative)
Mr D Charreton	(Alternate: Mr M Smithyman)	Mr B Notarianni	(active member representative)
Mr C Healy	(Alternate: Mr R Bevan )	Mr M Anthony of Capital Cranfield Trustees Ltd	(independent professional trustee)

#### Secretary to Trustee Board – Mrs R G Quinn

The Directors have each been given their own copy of a booklet called 'A Guide for Pension Scheme Trustees'. This was issued by the Occupational Pension Regulatory Authority (OPRA) which was the statutory body responsible for the supervision of pension schemes (until it was replaced by the Pensions Regulator (TPR) in April 2005), and is a guide for trustees about their responsibilities. TPR has introduced a number of Codes of Practice for trustees, giving guidance about their duties and responsibilities and these have all been distributed to the Directors.

#### Pensions Forum members at 31 March 2006

The Pensions Forum was established as the principal mechanism for two-way communication between active members of the Coats Pension Plan and its Trustee Board. Its purposes are educational, representative and electoral.

Due to the changes within Coats, it has been necessary to review the sites remaining in existence in the UK, and to define which sites are deemed significant for the purpose of representing the active membership. Details of the significant sites and their representatives were published in the Pensions News released in autumn 2005.

Coats Pension Plan

**MEMBERSHIP STATISTICS**

for the period 1 April 2005 to 31 March 2006

<b>Contributing members at 1 April 2005</b>			<b>900</b>
New entrants		21	
Rejoiners		1	
New Entrants (previously Not On System)		32	
Members withdrawing			
Receiving a refund of contributions	67		
Deferred pension	343		
Transfers to other schemes	1		
Members retiring			
Immediate pension	129		
Fully commuted pension	20		
	<u>-560</u>	<u>54</u>	
			<u>-506</u>
<b>Contributing members at 31 March 2006</b>			<b>394</b>
<b>Pensioners at 1 April 2005</b>			<b>19,298</b>
New pensioners			
Retiring from contributing membership		129	
Deferred pensions coming into payment		472	
Spouse/dependant pensions		278	
Child Allowances ceased	9		
Deaths in retirement	760		
Fully commuted pensions	26		
	<u>-795</u>	<u>879</u>	
			<u>84</u>
<b>Pensioners at 31 March 2006</b>			<b>19,382</b>
<b>Deferred pensioners at 1 April 2005</b>			<b>15,195</b>
Transferring from contributing membership		343	
Members withdrawing			
Transferring to other schemes	47		
Deferment ceasing (rejoiners)	1		
Deaths	111		
Members retiring			
Receiving a pension	472		
Fully commuted pension	903		
	<u>-1,534</u>	<u>343</u>	
			<u>-1,191</u>
<b>Deferred pensioners at 31 March 2006</b>			<b>14,004</b>
<b>Total Membership at 31 March 2006</b>			<b>33,780</b>

Points to note:

- Contributing members have reduced following the closure of factories at Hilden and Peterlee.
- 32 members' records were added as a result of tracing benefits held with insurance companies.
- Deferred members have reduced over the year as a number of members with trivial benefits decided to take a cash alternative ahead of 6 April 2006, known as "A-Day", the date legislative changes aimed at simplifying tax took effect.

## Coats Pension Plan

### **ACTUARIAL VALUATION**

An actuarial valuation of the Plan took place as at 1 April 2003. The next full valuation is due as at 1 April 2006.

### **TRUST DEED AND RULES**

There were amendments during the Plan year relating to legislative changes which took effect from A-Day, details of which were published with Pensions News 16.

### **PENSION INCREASES**

On 1st January 2006, a pension increase of 2.9% was awarded. No discretionary increase was awarded. Details of increases since the establishment of the Plan are available from the Pensions Office.

The above percentage increase applied to:

- ◆ pensions in excess of any Guaranteed Minimum Pension
- ◆ spouses' pensions which had not yet come into payment
- ◆ the deferred pensions in excess of any Guaranteed Minimum Pension (GMP).

### **TRANSFER VALUES**

Transfer values paid during the year in respect of transfers to other schemes have been calculated and verified in accordance with the Pension Schemes Act 1993.

### **ADDITIONAL VOLUNTARY CONTRIBUTIONS (“AVCs”)**

The Trustee investigated the process for securing AVC pensions at retirement following the introduction of the Finance Act 2004. The Trustee has decided that AVC funds over £6,667 will not be used to secure pensions within the Plan. Members with AVCs over this figure will be asked if they wish to have their full AVC fund transferred out of the Plan via the open market option in order to purchase a pension or alternatively use part of their AVC fund to provide 25% tax-free cash, with the balance being used to secure a pension on the open market. An external provider, Hargreaves Lansdown, was appointed to provide this service.

The Trustee has also changed the factors that are used to convert AVC funds under £6,667 to pensions within the Plan.

### **ADMINISTRATION AGREEMENT**

The Trustee Board has an Administration Agreement with Coats plc (Pensions Office). The purpose of the Agreement is to define the roles and specific services provided by the Pensions Office and to set the minimum standards for these services within statutory requirements where appropriate. Details of the Service Standards of the Pensions Office are on the Plan website. On average, during the period to November 2005 the Pensions Office met these standards in 95% of cases. Following the introduction of the trivial commutations project and the preparation and training relating to A-Day changes, the standards were suspended. Once the A-Day changes are established fully and implemented after a period of parallel running it is anticipated that service levels will return to the normal standards.

### **SPECIAL PROJECTS**

#### **Trivial Commutations**

As there was a one-off opportunity to allow members with trivial pensions, i.e. below £260 per year, to commute these for a lump sum ahead of the legislation changes at 6 April 2006, a project was implemented which has resulted in a reduction of 716 members.

## Coats Pension Plan

### **MYNERS**

In response to the Myners' Report, published in 2001, the Government issued a consultation document outlining the actions it intended to take to promote long term investment and to protect investors. The Government has announced its intention to introduce new laws to:

1. ensure each Trustee takes investment decisions with the skill and care of someone familiar with the issues
2. require pension funds to keep scheme assets independent from the sponsoring employer
3. incorporate into UK law an "activist" duty on those responsible for the investment of pension scheme assets.

Schemes have been encouraged to adopt the Myners principles and reviews have been taking place since March 2003 to check progress. The Trustee has considered in detail whether each of the principles is appropriate and to what extent the Coats Pension Plan currently complies with those principles. A business plan has been produced and the Statement of Investment Principles has also been reviewed regularly and amended as appropriate. This is available to all members on request.

### **REVIEW OF THE FINANCIAL DEVELOPMENT OF THE PLAN**

The financial statements have been prepared and audited in accordance with the regulations made under Section 41 (1) and (6) of the Pensions Act 1995.

As at 31 March 2006 the accumulated fund, taking assets at market value, amounted to £1,503,201,000. The audited accounts and investment review included in this report outline the Plan's transactions and summarise the investment performance over the year. The Actuary's Certification confirms that the Plan's assets cover the statutory liabilities and that in the normal course of events the resources of the Plan are expected to meet the liabilities of the Plan in full as they fall due. The Trustee has a Statement of Investment Principles, a copy of which is available on request from the Pensions Office in Glasgow (see page 2 for contact details).

### **MANAGEMENT OF THE INVESTMENTS**

The Trustee implemented further changes to its investment strategy during the Plan year. Further details are in the Investment Report below. In summary, the investment of the Plan's assets has been delegated by the Trustee to:

- ◆ Aberdeen Asset Management PLC (AAM)
- ◆ Capital International Limited (Capital)
- ◆ FRM Investment Management Ltd (FRM)
- ◆ Goldman Sachs Asset Management International (GSAM)
- ◆ Hermes Assured Limited (Hermes)
- ◆ Merrill Lynch Investment Managers Limited (MLIM)
- ◆ Newton Investment Management Limited (Newton)
- ◆ Record Currency Management Ltd (RCM)
- ◆ Standard Life Investments Management Ltd (Standard Life)

There are also a number of insured arrangements which relate to the rationalisation of old schemes. A project is taking place to evaluate the policies and once this is completed, decisions will be taken on whether to surrender the policies or continue to hold them under the Plan.

The assets of the Plan are held separately by the Bank of New York (BONY) who are the appointed global custodians.

Details of the investment policy and performance are covered in the Investment Report.

## Coats Pension Plan

### INVESTMENT REPORT

#### 1. General

All investments have been managed during the year under review by a number of investment managers to whom the Trustee has delegated responsibility for day-to-day investment decisions, subject to complying with investment strategies specified by the Trustee.

#### 2. Investment Principles

The Trustee has produced a Statement of Investment Principles (SIP) in accordance with Section 35 of the Pensions Act 1995. Following changes to pension scheme investment regulations the Trustee has produced a revised SIP. A copy of the SIP is available on request from the Pensions Office.

#### 3. Investment Objectives

The Trustee's overall investment policy is guided by the following objectives/guidelines:

- To obtain a return on the Plan's assets which matches or exceeds the Actuary's assumptions.
- To avoid undue volatility in the pension cost in view of both the significance of pension costs to the Company and the maturity of the fund.
- To invest a meaningful proportion of the Plan in assets that provide protection against prolonged recessionary conditions.
- To avoid any strategy that carries with it the risk of a significant cash injection.

The emphasis of these objectives is to produce a high degree of security for the payment of benefits to Plan members.

#### 4. Investment Strategy

The Trustee's current investment strategy is set out in the table below:

<b>Allocation</b>	<b>%</b>	<b>Ranges %</b>
Core Bonds	60	58-62
Gilts and Sterling Credit	60	
Enhanced Yield	12	10-14
High Lease Value Property	3	
Hedge Funds	3	
Opportunistic Bonds	3	
Currency	3	
Equities (UK and overseas)	28	26-30
<b>Total</b>	<b>100</b>	<b>100</b>

The Trustee invests the main assets of the Fund with specialist investment managers. Investment is via a mixture of pooled funds and direct holdings and a mixture of active and passive management. The Trustee is satisfied that the spread of assets by type and the spread of individual securities within each type provide adequate diversification of investments.

## Coats Pension Plan

### 5. Investment Structure

There were no changes to the Plan's investment structure over the year.

The current target split of assets between investment managers is as follows:

	%
Newton	15.0
Capital	7.0
Hermes	6.0
Total Equities	28.0
Aberdeen Bonds	30.0
MLIM	30.0
Total Core Bonds	60.0
Standard Life	3.0
GSAM Bonds	3.0
FRM	3.0
GSAM Currency	2.0
RCM	1.0
Total Enhanced Yield	12.0
<b>Total</b>	<b>100.0</b>

Note: the split between the investment managers is a target only. At any given point in time, market fluctuations can result in a variation in the proportions held by each manager. The Plan has in place a rebalancing policy to ensure that the asset allocation does not depart too far from the target allocation.

### 6. Market Background

#### Economic Background

The Bank of England's UK Monetary Policy Committee ("MPC") reduced interest rates by 0.25% to its current level of 4.5% in August 2005. The rates had previously been unchanged for a year.

The Consumer Price Index annual inflation rate stood at 1.8% in March 2006, marginally below the Bank of England's target. Throughout the year to 31 March 2006 inflation remained within the Government's  $\pm 1.0\%$  range around the 2.0% target, having reached a peak of 2.5% in September 2005.

The Federal Reserve raised US interest rates from 2.75% to 4.75% over the year. The increase in March 2006 was the fifteenth 0.25% rise in succession, with rates now at their highest level since April 2001. Alan Greenspan stepped down as Chairman of the Federal Reserve in February, with Princeton economist Ben Bernanke approved as the new Head of the US Federal Reserve.

The European Central Bank ("ECB") raised interest rates by a quarter of a percentage point to 2.5% in March 2006 due to concerns about inflationary pressures. The rise was the second in four months, after the ECB had held rates steady at 2.0% for more than two years.

In March 2006, the Bank of Japan signalled an end to its longstanding monetary policy of holding interest rates at near zero percent, due to its increasing confidence about the strength of the economy. However, the Bank of Japan indicated that rates are likely to remain close to zero for some time yet.

#### Equities

All equity markets posted strong returns over the year to 31 March 2006. In the UK, the FTSE All Share Index returned 28.0% over the year. Mid cap stocks outperformed the wider market over the twelve month period.

## Coats Pension Plan

The FTSE W USA Index returned 23.1% in Sterling terms, but only 13.0% in local currency terms due to the appreciation of the US Dollar relative to Sterling over the year. The FTSE W Europe ex UK Index returned 36.0% to the Sterling investor and 34.7% in local currency terms.

The Japanese equity market generated the highest returns in both Sterling and local currency terms over the year. The FTSE W Japan Index returned 48.2% and 50.1% to Sterling and local investors respectively.

The Asia Pacific ex Japan region also performed strongly over the year. The FTSE W Asia Pacific ex Japan Index returned 37.6% and 29.3% in Sterling and local currency terms respectively.

### Bonds

Over the twelve month period to 31 March 2006, bond markets produced positive returns, albeit these returns lagged equities over the period. The FTSE A Over 15 Year Gilts Index rose by 10.7%, outperforming both the FTSE A Over 5 Year index-linked Gilts Index and Merrill Lynch Sterling Non Gilts Index which returned 9.0% and 7.8% respectively. Overseas bond returns were modest over the year returning 3.7% to Sterling investors but only 1.1% in local currency terms.

## 7. Socially Responsible Investment and Corporate Governance

The Trustee has instructed the Plan's investment managers to consider social, environmental and ethical matters to the extent that they are relevant in assessing the future prospects of a specific investment.

The Trustee allows managers to exercise discretion to vote as they think fit, but in doing so to reflect the best interests of the Plan.

The Trustee requires managers to report on their voting on shares held in respect of the Plan where they have not voted in accordance with the Combined Code (or equivalent in respect of non-UK holdings).

## 8. Custodial Arrangements

The Plan's appointed global custodian is Bank of New York. The custodian is responsible for safe keeping of share certificates and other documents relating to ownership of listed investments.

Investments are held in the name of the custodian in line with common practice for pension scheme investments. The Trustee is responsible for ensuring that the Plan's assets continue to be securely held. The custodial arrangements are reviewed from time to time and the Plan's Auditor is authorised to make whatever investigations it deems necessary as part of the annual audit procedure.

## 9. Performance Objective

### Hermes

Hermes investment brief is as follows:

	B'mark %	Benchmark Index
UK Equities	100.0	FTSE All Share Index
Total	100.0	

The performance objective is to match the benchmark return.

## Coats Pension Plan

### Newton

Newton's investment brief is as follows:

	B'mark %	Guideline Ranges %	Benchmark Index
UK Equities	63.0		FTSE All Share Index (5% Capped)
Overseas Equities	37.0		Composite
US	7.5	85-100	FTSE W North America
Europe (ex UK)	16.5	(combined	FTSE AW Developed Europe (ex UK)
Japan	5.0	equity)	FTSE W Japan
Pacific (ex Japan)	4.0		FTSE – AW Developed Asia Pacific (ex Japan)
Emerging Mkts	4.0		FTSE AW All Emerging
Total Equities	100.0		
Cash	0.0	0-15	-
Total	100.0		

The performance objective is to outperform the benchmark by +1.5% p.a. gross of fees over rolling 3 year periods.

### Capital

Capital's investment brief is as follows:

	B'mark %	Benchmark Index
Global Equities	100.0	FTSE – All World Developed Index
Total	100.0	-

The performance objective is to outperform the benchmark by +2.0% p.a. gross of fees over rolling 3 year periods.

### Aberdeen (formerly Deutsche)

Aberdeen's investment brief is as follows:

	B'Mark %	Guideline Ranges %	Benchmark Index
UK Gilts	25.0	0-50	FTSE Over 15 Year Gilts
UK Corporates	25.0	0-50	Merrill Lynch EuroSterling
UK Index-Linked	50.0	25-75	FTSE Over 5 Year Index-Linked Gilts
Overseas Bonds	-	0-25	
Non-Sterling Foreign Currency	-	0-10	
Cash	-	0-15	
Total	100.0		

The performance objective is to outperform the benchmark by +0.75% p.a. gross of fees over rolling 3 year periods.

## Coats Pension Plan

### Merrill Lynch

Merrill Lynch's investment brief is as follows:

	B'mark %	Benchmark Index
Corporate bonds	75.0	Merrill Lynch Eurosterling All Stocks Index
UK Gilts	25.0	FTSE Over 15 Year Gilts
Total	100.0	

The performance objective is to outperform the benchmark by +0.75% p.a. gross of fees over rolling 3 year periods.

### Standard Life

Standard Life's investment brief is as follows:

	B'mark %	Benchmark Index
Property	100.0	FTSE Over 15 Year Gilts plus 1.25% p.a.
Total	100.0	

The performance objective is to outperform the benchmark by +0.5% p.a. gross of fees over rolling 3 year periods.

### FRM

FRM's investment brief is as follows:

	B'mark %	Benchmark Index
Hedge Fund	100.0	N/A
Total	100.0	

The performance objective is to outperform LIBOR by 4% p.a. net of fees over rolling 3 year periods.

### GSAM Bonds

The investment brief for GSAM's Bond mandate is as follows:

	B'mark %	Benchmark Index
Global Bonds	100.0	Lehman Global Aggregate Sterling (ex US MBS)
Total	100.0	

The performance objective is to outperform the benchmark by +1.25% p.a. net of fees over rolling 3 year periods.

## Coats Pension Plan

### GSAM Currency

The investment brief for GSAM's Currency mandate is as follows:

	B'mark %	Benchmark Index
Active Currency Overlay	-	Nil
Gilt Overlay	100.0	Merrill Lynch UK Gilts 7 to 10 Year

The performance objective is to deliver gross excess return of 0.33% p.a. gross of fees, on the value of the Plan assets over rolling 3 year periods. The performance of the Gilt overlay is to match the benchmark index.

### RCM

RCM's investment brief is as follows:

	B'mark %	Benchmark Index
Currency Hedge	-	50% passive hedge of the hedgeable currencies in the FTSE AW Equity index. The hedgeable amount of these currencies will be the strategic allocation implied by the actual value of the overseas equity portfolios.
Active Currency Overlay	-	Nil
Gilt Overlay	100.0	Merrill Lynch UK Gilts 7 to 10 Year

The performance objective of the active overlay mandate is to outperform the benchmark by +2.5% p.a. gross, on the value of the overseas equity portfolios. The performance objective of the currency hedge mandate is minus 0.02% pa gross relative to the benchmark, on the value of the Plan's overseas equity portfolios. The performance objective of the Gilt Overlay is to match the benchmark index.

## 10. Performance of the Fund

Over the year to 31 March 2006, the fund achieved a total return of 14.4% compared to a benchmark return of 14.3% as estimated by the Plan's investment consultant.

Over the year Capital, Standard Life, GSAM Bonds and FRM outperformed their respective index benchmarks which made a positive contribution to the fund's performance. The currency managers, GSAM and RCM, further added value over the period. Offsetting this outperformance was the underperformance of Newton and the Plan's bond managers, MLIM and Aberdeen.

Over the longer term since the introduction of bonds into the Plan's strategic benchmark (from 1<sup>st</sup> April 2000) the fund has achieved a return of 3.6% pa, compared with a benchmark return of 3.4% pa.

Each fund manager's performance is reviewed regularly by the Trustee. The Plan's assets continue to be managed in accordance with the strategy laid out in the Statement of Investment Principles and any necessary rebalancing of investments is undertaken.

## **STATEMENT OF TRUSTEE'S RESPONSIBILITIES**

The Plan's Trustee is responsible for obtaining audited financial statements which comply with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and for making available certain other information about the Plan in the form of an Annual Report.

The financial statements are the responsibility of the Trustee. Pension scheme regulations require the Trustee to make available to Plan members, beneficiaries and certain other parties, audited financial statements for each Plan year which:

- show a true and fair view of the financial transactions of the Plan during the Plan year and of the amount and disposition at the end of that year of the assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Plan year, and
- contain the information specified in the Schedule to The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including a statement whether the financial statements have been prepared in accordance with the Statement of Recommended Practice 'Financial Reports of Pension Schemes'.

The Trustee has agreed suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis.

The Trustee is responsible under pensions legislation for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions showing the rates of contributions payable by or on behalf of the employer and the active members of the Plan and the dates on or before which such contributions are to be paid.

The Trustee is also responsible for keeping records in respect of contributions received in respect of any active member of the Plan and for procuring that contributions are made to the Plan in accordance with the schedule of contributions.

The Trustee has general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the Plan and to prevent and detect fraud and other irregularities.

On behalf of the Trustee

**Laurie Todd**  
**Chairman**

## **INDEPENDENT AUDITORS' REPORT TO THE TRUSTEE OF THE COATS PENSION PLAN**

We have audited the Plan's financial statements for the year ended 31 March 2006 which comprise the fund account, the net assets statement and the related notes 1 to 13. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the Trustee, as a body, in accordance with regulation 3 (c) of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995. Our audit work has been undertaken so that we might state to the Trustee those matters we are required to state 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 Trustee as a body, for our audit work, for this report, or the opinions we have formed.

### **Respective responsibilities of Trustee and Auditor**

As described in the Statement of Trustee's Responsibilities, the Plan's Trustee is responsible for obtaining audited financial statements which comply with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and for making available certain other information about the Plan in the form of an Annual Report.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements show a true and fair view and contain the information specified by the relevant legislation. We also report to you if, in our opinion, the Trustee's Report is not consistent with the financial statements or if we have not received all the information and explanations that we require for our audit.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies within the financial statements. The other information comprises Management and Advisers, Trustee's Report, Investment Report and Actuarial Certification.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 or on behalf of the Trustee in the preparation of the financial statements and of whether the accounting policies are appropriate to the Plan'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.

## Coats Pension Plan

### **Opinion**

In our opinion the financial statements show a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the financial transactions of the Plan during the Plan year ended 31 March 2006, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Plan year, and contain the information specified in Regulation 3 of and the Schedule to The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995.

**Ernst & Young LLP**  
Registered Auditor  
Glasgow  
Date: 21 August 2006

Coats Pension Plan

**FUND ACCOUNT**

for the year ended 31 March 2006

	Note	2006 £'000	2005 £'000
<b>CONTRIBUTIONS AND BENEFITS</b>			
Contributions receivable	3	585	1,203
Transfers in	4	70	383
Other income	5	7	12
		<u>662</u>	<u>1,598</u>
Benefits payable	6	(71,970)	(70,686)
Leavers	7	(5,301)	(6,712)
Administrative expenses	8	(2,575)	(2,088)
		<u>(79,846)</u>	<u>(79,486)</u>
<b>NET WITHDRAWALS FROM DEALINGS WITH MEMBERS</b>		<u><b>(79,184)</b></u>	<u><b>(77,888)</b></u>
<b>RETURNS ON INVESTMENTS</b>			
Investment income	9	43,976	47,389
Change in market value of investments	10	152,708	63,675
Investment management expenses	11	(3,996)	(3,864)
		<u>192,688</u>	<u>107,200</u>
<b>NET RETURNS ON INVESTMENTS</b>		<u><b>192,688</b></u>	<u><b>107,200</b></u>
<b>NET INCREASE IN THE FUND DURING THE YEAR</b>		<b>113,504</b>	<b>29,312</b>
<b>NET ASSETS OF THE PLAN AT 1 APRIL 2005</b>		<b>1,389,697</b>	<b>1,360,385</b>
<b>AT 31 MARCH 2006</b>		<u><b>1,503,201</b></u>	<u><b>1,389,697</b></u>

The notes on pages 18 to 25 form part of these accounts.

Coats Pension Plan

**NET ASSETS STATEMENT**

at 31 MARCH 2006

	Note	2006 £'000	2005 £'000
<b>INVESTMENTS</b>			
Fixed interest securities	10	699,279	648,215
Equities		335,870	290,165
Index Linked		201,884	178,116
Pooled investment vehicles		229,205	199,689
AVC Funds		4,614	4,732
Long term insurance policies		<u>1,631</u>	<u>1,586</u>
		1,472,483	1,322,503
Cash deposits and currency hedging		15,432	55,324
Accrued Investment Income		<u>11,912</u>	<u>11,303</u>
		1,499,827	1,389,130
<b>CURRENT ASSETS LESS LIABILITIES</b>	12	<b><u>3,374</u></b>	<b><u>567</u></b>
<b>NET ASSETS OF THE PLAN AT 31 MARCH 2006</b>		<b><u><u>1,503,201</u></u></b>	<b><u><u>1,389,697</u></u></b>

The notes on pages 18 to 25 form part of these accounts.

These financial statements were approved by the Trustee and signed on its behalf by:

**L Todd**

Director of  
Coats Pensions Trustee Limited

**A H Macdiarmid**

Director of  
Coats Pensions Trustee Limited

Date: 3 August 2006

## **NOTES TO THE ACCOUNTS**

at 31 MARCH 2006

### **1 BASIS OF PREPARATION**

The financial statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 and within the guidelines set out in the Statement of Recommended Practice (SORP), Financial Reports of Pension Schemes including the investments relating to members' additional voluntary contributions (AVCs).

The financial statements summarise the transactions of the Plan and deal with the net assets at the disposition of the Trustee. They do not take account of obligations to pay pensions and benefits that fall due after the end of the Plan year. The actuarial position of the Plan, which does take account of such obligations, is dealt with in the statements by the actuary on pages 28 to 30 of the annual report and these financial statements should be read in conjunction with it.

### **2 ACCOUNTING POLICIES**

#### *Contributions receivable*

Employers' and members' contributions are accounted for on an accruals basis at rates agreed between the Trustee and the Principal Employer based on the recommendations of the Actuary and the Schedule of Contributions. Members' additional voluntary contributions are accounted for on an accruals basis.

#### *Investment income*

Income from fixed interest securities, indexed-linked securities and cash is taken into account on an accruals basis.

Income from equity investments is included in the accounts on the date when the securities are quoted ex-dividend.

Income arising from underlying investments of the pooled investment vehicles that is reinvested within the pooled investment vehicle is reflected in the unit price. Such income is reported within the change in market value.

#### *Annuity Income*

Income from annuity policies is netted off against the resulting pension payments.

#### *Individual transfers*

Individual transfers to and from the Plan during the year are included in the financial statements when the member liability is accepted or discharged.

#### *Bulk transfers*

Bulk transfers to and from the Plan during the year are included in the financial statements on an accruals basis in accordance with the terms of any agreement existing at the year-end.

#### *Benefits payable*

Benefits payable are included in the accounts on an accruals basis when the member notifies the Trustee as to the type or amount of benefit to be taken, or where there is no choice, on the date of retirement or leaving.

**NOTES TO THE ACCOUNTS**  
at 31 MARCH 2006

**2 ACCOUNTING POLICIES (cont'd)**

*Investments*

Quoted investments are valued at the price quoted in recognised stock exchanges as at the year end.

Unquoted investments are stated at the Trustee's estimate of market value.

Pooled investment vehicles are valued at the average of the closing bid and offer prices.

Year end exchange rates are used to translate the value of investments denominated in foreign currencies. Stock index futures contracts are valued at market prices at the year end and, to the extent that the contracts have been entered into for the purpose of adjusting economic exposure, have been reflected in the accounts on the basis of associated economic exposure (i.e. the market value of the exposure is accounted for within the relevant asset balance and the associated cash backing within other investments). The associated economic exposure of a futures contract is the value of an amount of securities that, if held as an alternative to the futures contract, would provide a similar return in the market to that obtained on the futures contract. All gains and losses on contracts are included in the movement in market value of investments.

The value of long term insurance policies has been determined using the premium valuation method (the premium value). This is an estimate of the single premium which would be required to purchase the payments at present secured under the policy. It is not the surrender value.

Fixed interest securities and index linked securities are stated at a value which excludes the value of the interest accruing from the previous interest payment date to the valuation date. Accrued income is accounted for within investment income.

*Foreign currencies*

Transactions denominated in foreign currencies are recorded at the rate ruling at the date of the transaction. Assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the year end.

*Administrative Expenses and Investment Management Expenses*

Administrative expenses and investment management expenses are accounted for on an accruals basis.

<b>3 CONTRIBUTIONS RECEIVABLE</b>	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
Employers		
Special	-	200
Members		
Normal	528	921
AVCs	57	82
	<u>585</u>	<u>1,203</u>

## NOTES TO THE ACCOUNTS

at 31 MARCH 2006

### 3 CONTRIBUTIONS RECEIVABLE Cont'd

During the Plan year 2005, the remaining Dorma companies were sold to Dawson International Plc and the existing members were offered temporary participation for the period from mid February 2005 to March 2005, with the new employer contributing 11% of contributory earnings for that period. The special employer contribution also included £134,500 from Coats plc for a senior executive.

During the Plan year 2006, two Coats Thread sites were closed, reducing the contributions to the Plan.

4 TRANSFERS IN	2006 £'000	2005 £'000
Individual transfers in from other schemes	70	383

5 OTHER INCOME	£'000	£'000
Sundry income	7	12

6 BENEFITS PAYABLE	£'000	£'000
Pensions	(65,511)	(63,497)
Commutations and lump sum benefits	(5,891)	(6,368)
Lump sum death benefits	(568)	(821)
	<u>(71,970)</u>	<u>(70,686)</u>

The figure shown for pensions is arrived at after setting off annuity income of £637,000 (2005: £657,000).

7 PAYMENTS TO AND ON ACCOUNT OF LEAVERS	£'000	£'000
Refunds to members leaving service	(50)	22
Payments for members joining State Scheme	(35)	(48)
Individual transfers to other schemes	(5,216)	(6,686)
	<u>(5,301)</u>	<u>(6,712)</u>

8 ADMINISTRATIVE EXPENSES	£'000	£'000
Administration and processing	(1,796)	(1,414)
Consultancy and Actuarial	(451)	(359)
Audit fee	(41)	(40)
Legal and other professional fees	(287)	(275)
	<u>(2,575)</u>	<u>(2,088)</u>

Administration and processing includes the Pensions Protection Fund Levy of £441,000. (2005: General Levy £22,000)

## NOTES TO THE ACCOUNTS

at 31 MARCH 2006

9 INVESTMENT INCOME	2006	2005
	£'000	£'000
Income from fixed interest securities	30,321	31,817
Dividends from equities	7,976	9,281
Income from index linked	3,060	4,425
Income from pooled investment vehicles	123	279
Interest on cash deposits	2,158	1,273
Other	338	314
	<u>43,976</u>	<u>47,389</u>

In addition to the above income, the Change in Market Value of the Pooled Investment Vehicles includes income arising on those investments (see Note 10).

## 10 INVESTMENTS

The change in market value total comprises all increases and decreases in the market value of investments held at any time during the year together with the income arising from the Pooled Investment Vehicles. All profits and losses realised on sales of investments during the year are included.

The Plan's investments are as follows:

	Value as at 01.04.2005 £'000	Purchases £'000	Sales £'000	Change in Market Value £'000	Value as at 31.03.2006 £'000
Fixed interest	648,215	1,092,566	(1,065,741)	24,239	699,279
Equities	290,165	203,607	(229,499)	71,597	335,870
Index Linked	178,116	22,097	(9,397)	11,068	201,884
Pooled investment vehicles	199,689	6,784	(19,689)	42,421	229,205
AVC Funds	4,732	76	(623)	429	4,614
Long term insurance	1,586	-	(2)	47	1,631
	<u>1,322,503</u>	<u>1,325,130</u>	<u>(1,324,951)</u>	<u>149,801</u>	1,472,483
Cash Deposits:					
Sterling	66,133				47,145
Overseas	2,540				(12,340)
Unrealised (loss) on forward contracts	(129)				(678)
Cash backing open stock index futures	(13,220)				(18,695)
Outstanding dividend entitlements and recoverable withholding tax	11,303				11,912
	<u>1,389,130</u>				<u>1,499,827</u>

**NOTES TO THE ACCOUNTS**  
 at 31 MARCH 2006
**10 INVESTMENTS (continued)**

<b>CHANGE IN MARKET VALUE</b>	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
Increase in Market Value	149,801	57,008
Gain on Currency	5,031	6,417
(Loss)/Gain on Futures	(2,124)	250
	<u>152,708</u>	<u>63,675</u>
<b>FIXED INTEREST SECURITIES</b>		
	<b>£'000</b>	<b>£'000</b>
UK public sector quoted	129,446	104,398
UK quoted	423,911	421,558
Overseas public sector quoted	116,932	104,915
Overseas quoted	28,990	17,344
	<u>699,279</u>	<u>648,215</u>
<b>EQUITIES</b>		
	<b>£'000</b>	<b>£'000</b>
UK quoted	136,931	130,625
UK futures contracts	18,686	13,316
Overseas quoted	180,253	146,224
	<u>335,870</u>	<u>290,165</u>
<b>INDEX LINKED SECURITIES</b>		
	<b>£'000</b>	<b>£'000</b>
UK quoted	<u>201,884</u>	<u>178,116</u>
<b>POOLED INVESTMENT VEHICLES</b>		
	<b>£'000</b>	<b>£'000</b>
Managed funds - property	55,866	46,303
- other	162,435	143,938
Unit trusts - other	10,904	9,448
	<u>229,205</u>	<u>199,689</u>

Pooled investment vehicles are managed by companies registered in the UK.

## NOTES TO THE ACCOUNTS

at 31 MARCH 2006

### 10 INVESTMENTS (continued)

#### AVC FUNDS

The Trustee holds assets invested separately from the main fund in the form of individual building society accounts and insurance policies securing additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions. Members participating in this arrangement each receive an annual statement made up to 31 March confirming the amounts held to their account and the movements in the year. The aggregate amount of AVC investments is as follows –

	2005 £'000	Purchases	Sales	Change in Market Value	2006 £'000
Century Life	4	-	-	-	4
Clerical Medical	4,074	76	(534)	360	3,976
Axa Sun Life	83	-	(3)	(1)	79
London Life	67	-	(59)	6	14
Credit Suisse	65	-	(11)	16	70
Prudential	275	-	(2)	14	287
Norwich Union	164	-	(14)	34	184
<b>Total</b>	<b>4,732</b>	<b>76</b>	<b>(623)</b>	<b>429</b>	<b>4,614</b>

#### LONG TERM INSURANCE POLICIES

Various amounts make up the Long Term Insurance Policies value of £1,631,000 (2005:£1,586,000), the most significant being the Protected Growth plan issued by The Scottish Life Assurance Company. This policy is a deposit administration contract under which contributions paid are invested in a Capital Account to achieve the maximum return compatible with security of capital. The fund value of £1,546,000 (2005:£1,515,000) is calculated on the Premium Value basis and represents the value of the Protected Growth Capital Account.

Other policies held with Scottish Equitable, Scottish Amicable, Royal & Sun Alliance and Prudential have a combined value at 31 March 2006 of £85,000 (2005:£71,000).

In addition to the policies above, the Trustee holds insurance policies with other insurance companies that secure the pensions payable to specified beneficiaries. These policies remain assets of the Trustee, but as is permitted under current regulations and accounting practice, the Trustee has decided that these policies need not be valued in the Net Assets Statement and are, therefore included at nil value.

**NOTES TO THE ACCOUNTS**  
at 31 MARCH 2006

**10 INVESTMENTS (continued)**

<b>CASH DEPOSITS</b>	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
Sterling	47,145	66,133
Foreign currency	<u>(12,340)</u>	<u>2,540</u>
	34,805	68,673
Unrealised loss on forward contracts	(678)	(129)
Cash backing open stock index futures	<u>(18,695)</u>	<u>(13,220)</u>
	<u>15,432</u>	<u>55,324</u>

Cash deposits include outstanding purchases and sales of £17,766,458 (2005:£2,987,542) and £5,663,241 (2005:£21,038,245) respectively.

**11 INVESTMENT MANAGEMENT EXPENSES**

	<b>£'000</b>	<b>£'000</b>
Administration, management and custody*	(3,978)	(3,846)
Performance measurement services	<u>(18)</u>	<u>(18)</u>
	<u>(3,996)</u>	<u>(3,864)</u>

\*Certain management fees are performance related (2006:£608,000, 2005:£991,000)

**12 CURRENT ASSETS LESS LIABILITIES**

	<b>£'000</b>	<b>£'000</b>
Cash Balance	494	1,546
Contributions Due	44	119
VAT Recoverable	213	255
Other Debtors	275	873
Pensions Prepaid	4,859	-
Unpaid Benefits	(896)	(209)
Accrued Expenses	<u>(1,615)</u>	<u>(2,017)</u>
	<u>3,374</u>	<u>567</u>

Employees' Contributions of £44,000 (2005:£119,000) due at the year end were paid over to the Plan by the due date in line with the Schedule of Contributions.

During the year there were no employer related investments.

**NOTES TO THE ACCOUNTS**  
**at 31 MARCH 2006**

**13 RELATED PARTY TRANSACTIONS**

The following related party transactions occurred during the year:

Two Trustee Directors are contributing members of the Plan. The amounts are paid in accordance with the Schedule of Contributions.

Two Trustee Directors are in receipt of pensions from the Plan, which are included within pensions payable. The pensions are calculated in accordance with the Trust Deed and rules of the Plan.

The administration of the Plan is the responsibility of the Pensions Office of Coats plc. The cost of the Pensions Office is included within the administration and processing expenses in Note 8.

Legal and other professional fees in Note 8 include fees for Chairman, Independent Trustee, Pensioner Representative Trustee and an additional Chairman's fee due to the termination agreement (2006:£136,893, 2005:£93,464).

## **STATEMENT ABOUT CONTRIBUTIONS**

### **Independent Auditors' Statement about Contributions, under Regulation 4 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, to the Trustee of the Coats Pension Plan**

We have examined the Summary of Contributions to the Coats Pension Plan in respect of the Plan year ended 31 March 2006 to which this statement is attached.

This statement is made solely to the Trustee, in accordance with regulation 4 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995. Our work has been undertaken so that we might state to the Trustee those matters we are required to state in an auditor's statement and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trustee, for our work, for this statement, or the opinion we have formed.

#### **Respective responsibilities of Trustee and Auditor**

As described in the statement of Trustee's Responsibilities, the Plan's Trustee is responsible for ensuring that there is prepared, maintained and from time to time revised a Schedule of Contributions showing the rates and due dates of certain contributions payable towards the Plan by or on behalf of the employer and the active members of the Plan. The Trustee has a general responsibility for procuring that contributions are made to the Plan in accordance with the Schedule of Contributions.

Our responsibility is to provide a statement about contributions paid under the Schedule of Contributions and to report our opinion to you.

#### **Basis of statement about contributions**

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to give reasonable assurance that contributions payable, as reported in the attached Summary of Contributions, have been paid in accordance with the relevant requirements. For this purpose the work that we carried out included examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Plan and the timing of those payments under the Schedule of Contributions. Our statement about contributions is required to refer to those breaches of the Schedule of Contributions which come to our attention in the course of our work.

#### **Qualified statement about contributions under the Plan**

As explained in the summary of contributions, contributions in respect of three members were not paid at the correct rate and an incorrect basis of pensionable salary was applied in the calculation of contributions payable for two members.

Except for the incorrect rate and pensionable salary being applied as detailed above, in our opinion the contributions payable to the Plan during the year ended 31 March 2006, as reported in the attached summary of contributions, have been paid in accordance with the schedule of contributions certified by the scheme actuary on 28 April 2004.

#### **Ernst & Young LLP**

Registered Auditor  
Glasgow

Date: 21 August 2006

**COATS PENSION PLAN  
SUMMARY OF CONTRIBUTIONS PAYABLE DURING THE YEAR ENDED 31  
MARCH 2006**

During the year ended 31 March 2006 the contributions payable to the Plan under the schedule of contributions were as follows:

	<b>£'000</b>
Employee normal contributions	<u>528</u>
Total contributions under schedule of contributions	528
<b>Other contributions:</b>	
Employee additional voluntary contributions	<u>57</u>
<b>Total contributions per note 3 of the Financial Statements</b>	<b><u>585</u></b>

**L Todd**

Signed on behalf of the Trustee

Date: 3 August 2006

**Qualified Statement of Contributions**

During the year there were several instances of non-compliance with the schedule of contributions as detailed below:-

1. During the year there was an overpayment of contributions against the schedule of contributions of approximately £2,088 relating to two members' contributions to correct underpayments relating to previous years. In one member's case this arose due to the wrong salary having been used in previous years. The other arose as the member had not been set up as a contributing member at the time of joining the Plan in a previous year;
2. There was an instance where contributions were not deducted on a timely basis following the introduction of a new member to the Plan. The member affected joined the Plan in June 2005 and contributions for June and July in respect of this member were not paid over until August 2005. Consequently contributions for the month of June were underpaid and contributions for the month of July were overpaid by approximately £316;
3. The wrong definition of pensionable salary was applied for four months of the year in the calculation of contributions in respect of two members of the pension plan employed at one of the employer's small sites. The effect was that contributions were overpaid by approximately £33. Once the error was identified by the employer this overpayment was rectified.

All of the above instances are considered to be isolated events. However the Trustee is reviewing with the employers the need to tighten payroll procedures to minimise the risk of such administrative oversights occurring in the future.

# Actuarial Certificate Certificate of Schedule of Contributions

---

*Actuarial Certificate given for the purposes of Section 58 of the Pensions Act 1995  
(Certification of Schedule of Contributions)*

Name of Scheme

Coats Pension Plan

*Adequacy of rates of contributions*

1. I hereby certify that, in my opinion, the rates of the contributions payable in accordance with the schedule of contributions dated 27 January 2004 are adequate for the purpose of securing that throughout the period it covers the scheme will meet the minimum funding requirement imposed by section 56(1) of the Pensions Act 1995.
2. In forming this opinion I have complied with the requirements imposed by sections 56(3) and 58 of the Pensions Act 1995, the Occupational Pension Schemes (Minimum Funding Requirement and Actuarial Valuations) Regulations 1996 and the mandatory guidelines on minimum funding requirement (GN27), prepared and published by the Institute of Actuaries and the Faculty of Actuaries, and have made the assumptions prescribed by them.

**Signature:**

D F Campbell

**Name:**

D F Campbell

**Date of signing:**

28 April 2004

**Address:**

Mercer Human Resource Consulting  
Alhambra House  
45 Waterloo Street  
Glasgow G2 6HS

**Qualification**

Fellow of the Faculty of Actuaries

*Note:*

The certification of the adequacy of rates of contributions for the purpose of securing the meeting of the minimum funding requirement is not a certification of their adequacy for the purpose of securing the scheme's liabilities by the purchase of annuities, if the scheme were wound up.



Coats Pension Plan

**Signature**

*D F Campbell*

**Name**

D F Campbell

**Date of signing**

5 March 2004

**Address**

Alhambra House  
45 Waterloo Street  
Glasgow  
G26HS

**Qualification**

Fellow of the Faculty of Actuaries



**Coats plc (Pensions Office), Pacific House, 70 Wellington Street, Glasgow G2 6UB  
Telephone 0141 207 6800 Facsimile 0141 207 6856  
[www.coatspensions.co.uk](http://www.coatspensions.co.uk)**