

Report and Accounts for the year ended 31 March 2011



CONTENTS

Management and Advisers	1
Trustee's Report	3
Investment Report	8
Statement of Trustee's Responsibilities	15
Report of the Auditor	16
Fund Account	17
Net Assets Statement	18
Notes to the Accounts	19
Independent Auditor's Statement about contributions	27
Summary of contributions payable	28
Actuarial Certification	29

MANAGEMENT AND ADVISERS

Principal Employer

Coats Holdings Ltd
1 The Square
Stockley Park
Uxbridge
UB11 1TD

Trustee

Coats Pensions Trustee Limited
Pacific House
70 Wellington Street
Glasgow
G2 6UB

Bankers

Royal Bank of Scotland plc
22 St. Enoch Square
Glasgow G1 4DA

Actuary

Mr K Gourlay (appointed 2nd July 2010)
Mr D F Campbell (ceased 2nd July 2010)
Mercer Human Resource Consulting
Alhambra House
45 Waterloo Street
Glasgow G2 6HS

Auditor

Ernst & Young LLP
G1 Building
5 George Square
Glasgow G2 1DY

Solicitors

Maclay Murray & Spens
1 George Square
Glasgow G2 1AL

Freshfields Bruckhaus Deringer
65 Fleet Street
London EC4Y 1HS

Investment Advisor

Deloitte Total Reward and Benefits Limited
Saltire Court
20 Castle Terrace
Edinburgh EH1 2DB

Investment Managers

BlackRock Investment Management (UK) Limited
Murray House, 1 Royal Mint Court
London EC3N 4HH

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

Legal & General Investment Management
One Coleman Street
London EC2R 5AA

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 Mellon
47th Floor
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
Web site: www.coatspensions.co.uk

The Pensions Regulator

The objectives of the Pensions Regulator are:

- To protect the benefits of members of work-based pension schemes;
- To promote good administration of these schemes; and
- To reduce the risk of situations arising that may lead to claims or compensation from the Pension Protection Fund.

The Pensions Regulator may be contacted at Napier House, Trafalgar Place, Brighton, East Sussex, BN1 4DW or via the website at www.thepensionsregulator.gov.uk.

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

TRUSTEE'S REPORT

INTRODUCTION

HM Revenue & Customs has approved the Plan and members are contracted-out of the additional component of the State Earnings-Related Pension Scheme and the State Second Pension. Under the provisions of Schedule 36 of the Finance Act 2004 the Plan is a Registered Pension Scheme. Accordingly under the provisions of sections 186 and 187 of the Finance Act 2004 its income and investment gains are free from UK taxation.

The Plan is open to all permanent employees of Coats Holdings Ltd and participating subsidiary companies in the United Kingdom. It provides pension and death benefits calculated on a defined benefit basis. With effect from 1 January 2009, the Plan provides future service benefits for employee members on a "Career Average" basis.

MANAGEMENT OF THE PLAN

The power of removing and appointing the Trustee is exercised by Deed and is vested in the Principal Employer. The Trust Deed and Rules may be amended by the Principal Employer subject to the consent of the Trustee Board. Any such alteration is by Deed executed by the Principal Employer and Trustee.

The Trustee Board is composed of three member representative Directors, one Independent Trustee and four Directors appointed by the Principal Employer, including the Chairman. The term of office for the Independent Trustee is three years and the next review will commence in 2013.

Trustee Board Directors

Mr. L Todd	(Chairman)	Mr. A Macdiarmid	(member representative)
Mr. B Nixon	(Company appointee)	Mr. D Lawson	(member representative)
Mr. R Norman	(Company appointee)	Mr. B Notarianni	(member representative)
Mr. C Healy	(Company appointee)	Mr. M Anthony of Capital Cranfield Trustees Ltd	(Independent Trustee)

Secretary to Trustee Board – Mrs. R Quinn

The Trustee Board meets four times per year and all decisions are shown in the minutes of each meeting which are prepared on a timely basis and formally approved.

The Pensions Regulator has introduced a number of Codes of Practice for Trustees, giving guidance about their duties and responsibilities and the level of knowledge required. All of these Codes of Practice have been distributed to all the Directors and relevant training was carried out during the year with a training log maintained by the Secretary, including a Trustee Away Day attended by the full board.

Investment Sub-Committee

The Trustee has in place an Investment Sub-Committee (ISC) whose role is to assist the Trustee in addressing investment issues relating to the Plan. The role of the ISC is primarily advisory in nature; however the ISC has decision-making authority in specific areas delegated to it by the Trustee from time to time. The Terms of Reference were reviewed during the year to enable the Board to deal swiftly with changes in market conditions. The ISC meets as required. Two meetings were held during the year and the members are:

Mr. L Todd (Chair)*	Mr. A H Macdiarmid*
Mr. B Nixon*	Mr. M Anthony*
Mrs. R Quinn (Secretary)	Mr. A Green (Deloitte Total Reward and Benefits Limited)

* indicates voting members

Pensions Forum members at 31 March 2011

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. The purposes of the Pensions Forum are educational and representative and the members during the year were:

Mrs. S Davidson - Company Representative

Miss. J Evans - Stockley Park (resigned 7th Dec 2010)

Ms. J Davis – Paisley

Miss K Wright – Darlington, Bolton, Holmfirth
(resigned 1 June 2010)

Mr. A Winning - Pacific House

Miss. L Parsons - Darlington, Bolton, Holmfirth
(appointed 5th July 2010)

MEMBERSHIP STATISTICS
for the year 1 April 2010 to 31 March 2011

Contributing members at 1 April 2010			183
New entrants		14	
Re-joiners		1	
Members withdrawing			
Leavers with less than 2 years service	1		
Deferred pension	11		
Members retiring			
Immediate pension	6		
	<u>18</u>	<u>15</u>	
Contributing members at 31 March 2011			<u>-3</u>
			<u>180</u>
Pensioners at 1 April 2010			18,304
New pensioners			
Retiring from contributing membership		6	
Deferred pensions coming into payment		325	
Spouse/dependant pensions		260	
Child Allowances ceased	24		
Deaths in retirement	780		
Fully commuted pensions	60		
	<u>864</u>	<u>591</u>	
Pensioners at 31 March 2011			<u>-273</u>
			<u>18,031</u>
Deferred pensioners at 1 April 2010			11,437
Transferring from contributing membership		11	
Adjustments		4	
Members withdrawing			
Transferring to other schemes	53		
Deaths	54		
Members retiring			
Receiving a pension	325		
Fully commuted pension	16		
	<u>448</u>	<u>15</u>	
Deferred pensioners at 31 March 2011			<u>-433</u>
			<u>11,004</u>
Total Membership at 31 March 2011			<u><u>29,215</u></u>

The above totals exclude 58 Corah Money Purchase members whose benefits are bought out at the time of retirement. These funds are insured with Prudential and are settled by the provider once the individual has decided on options.

ACTUARIAL VALUATION

The financial statements set out on pages 17 to 26 do not take into account the liabilities to provide pension benefits which fall due after the year end. The liabilities of the Coats Pension Plan are considered by the Scheme Actuary every three years while carrying out the actuarial valuation. This valuation considers the funding position of the Plan and the level of contributions payable.

The most recent actuarial valuation was carried out as at 1 April 2009. At that date the Plan showed a deficit of £101.3million relative to its technical provisions, equivalent to a funding level of 92%. As a result, the employer agreed to pay deficit-funding contributions of £7million per year until 2020 to eliminate the shortfall and improve the wind-up funding position of the Plan. This is in addition to an agreement to pay normal contributions at a rate of £1.6million per annum.

SCHEME FUNDING VALUATION

Updated calculations by the Actuary showed that at 1 April 2010, the Plan deficit was £179 million, equivalent to a funding level of 89%. This drop is largely due to changes in financial conditions at that date but has been offset to a significant extent by the increase in the asset value over the same period.

TRUST DEED AND RULES

Work continued during the year to produce a new Trust Deed and Rules, to include legislative and Plan changes since the last rewrite on 28 August 2002. This includes the benefit changes to a Career Average Revalued Earnings basis (CARE) for active members as at 1 January 2009 and further changes required to the Executive Section for future joiners of that section effective from 1 April 2010, as a result of age discrimination legislation. A full review of the documents was also undertaken to ensure that they are aligned with the administrative practices of the Plan. The revised documents were completed 12th April 2011.

PENSION INCREASES

On 1st January 2011, a pension increase of 4.8% was awarded due to an increase in RPI during 2010.

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.

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 available on the Plan website.

PENSIONS REGULATOR GUIDANCE ON RECORD-KEEPING

The Regulator published guidance setting out its principles of good record-keeping and what checks and action it expects Trustees and administrators of pensions schemes to take. The Coats Pensions Office carried out a full review of this guidance to determine what action was necessary to meet the required standards. Following input from the Plan Actuary, it was agreed that a data cleanse should be developed for key areas of member information. A project was set up during the year and is ongoing.

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 2011 the accumulated fund, taking assets at market value, amounted to £1,404,867,000. The audited accounts and investment review included in this report outline the Plan's transactions and summarise the investment performance over the year.

MANAGEMENT OF THE INVESTMENTS

There were no changes to the investment strategy during the Plan year. However, the Trustee has agreed to implement changes to the CFM portfolio subsequent to the year end. Further details are in the Investment Report on page 10. The investment of the Plan's assets has over the year been delegated by the Trustee to:

- ◆ BlackRock Investment Management (UK) Limited (BRIM)
- ◆ Legal & General Asset Management (L&G)
- ◆ Newton Investment Management Ltd (Newton)
- ◆ Record Currency Management Limited (RCM)
- ◆ Standard Life Investments Limited (Standard Life)

There are also a number of insured arrangements which relate to the rationalisation of old schemes.

The Bank of New York Mellon (BNYM) is the appointed global custodian for the assets of the Plan with the exception of L & G and Standard Life which are covered by separate custodian arrangements.

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

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 mandates specified by the Trustee.

The Trustee has in place an Investment Sub-Committee (ISC) whose overall role is to assist the Trustee in addressing investment issues relating to the Plan. The role of the ISC is primarily advisory in nature; however the ISC has decision-making authority in specific areas delegated to it by the Trustee.

2 Investment Principles

The Trustee has produced a Statement of Investment Principles in accordance with section 35 of the Pensions Act 1995, as amended by the Pensions Act 2004 and The Occupational Pension Schemes (Investment) Regulations 2005 (the Investment Regulations).

3 Investment Objectives

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

- To meet the Plan's benefit cash flows as they fall due;
- To generate sufficient investment return to meet the cash requirements over the lifetime of the Plan;
- To avoid forced disinvestment of 'non-bond' assets at unattractive prices and, conversely, to avoid paying too high a price for an investment, where possible;
- To recognise the relevance and implications of bond based funding assessments in the event of the Sponsor covenant weakening, or in the event of a change in Employer; and
- To avoid extreme falls in the buyout, PPF, solvency and accounting funding measures, which are bond based, and in particular to recognise that variations in the funding level assessed on this type of measure have an impact on the cost of the Plan (PPF levy) and on the disclosures to members (solvency).

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 Plan's investment policy is centred around establishing a cash flow-matching ('CFM') portfolio and a separate return-seeking asset ('RSA') portfolio, comprising equities and other return enhancing asset strategies. The aim of the investment policy is for the cash-flow matching portfolio, in conjunction with assets drawn from the RSA portfolio, to match a pre-determined number of years' liability cash flows, with additional return being targeted via the return-seeking asset portfolio, so that the Plan has a high probability of being able to move to a fully matched position at some point in the future.

The CFM portfolio is targeted to be low risk relative to meeting the agreed number of years' cash flows and the focus of the Plan's investment risk will be in respect of the return-seeking portfolio. In practice, the cash-flow matching portfolio will be exposed to some credit risk and to some net inflation risk.

4 Investment Strategy (continued)

The Trustee's benchmark allocation is set out in the table below:

Allocation	%
Cashflow Matching Portfolio	62.0
Sterling Credit and Swaps	62.0
Enhanced Yield	5.7
High Lease Value Property	4.5
Cash and short-dated bonds	0.7
Currency Hedging	0.5
Equities (UK and overseas)	32.3
Total	100.0

The target cash flow-matching allocation is that required to enable the Plan to meet a specified number of years' cash flows.

5 Investment Structure

The Trustee invests the main assets of the Fund in a specialist structure. Investment is via a mixture of pooled funds and direct holdings and a mixture of active and passive management. The Fund's allocation to equities comprises both direct and pooled holdings. 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.

The benchmark split of assets between investment managers as at 31 March 2011 was as follows:

	%
BlackRock - CFM Bonds	62.0
<i>Total Cash-flow matching</i>	<i>62.0</i>
Standard Life - Property	4.5
BlackRock – Short-dated bonds	0.7
RCM – Currency Hedging	0.5
<i>Total Enhanced Yield</i>	<i>5.7</i>
Legal & General	14.8
Newton	17.5
<i>Total Equities</i>	<i>32.3</i>
Total	100.0

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 target cash flow matching allocation is that required to enable the Plan to meet a specified number of years' cash flows. As at 31 March 2010, approximately 62% of the Plan's assets were required to match 15 years of cashflows. The allocation to the cashflow matching portfolio has fallen to approximately 58% of the Plan's assets as at 31 March 2011 as a result of changing market conditions and the matching period falling by a further year.

Over the twelve months to 31 March 2011 and subsequent to the year end, a number of changes were made to the Plan's investment structure:

- At the June Board meeting the Trustee agreed to adopt control ranges of $\pm 2.5\%$ around Legal & General's benchmark allocation. This was implemented in August and there have been no breaches of the control ranges to date.

5 Investment Structure (continued)

- Following the finalisation of the Actuary's 2009 valuation, a review of the CFM portfolio was undertaken. Based upon analysis of the Plan's asset value and future liability cashflows in November, the Trustee agreed to adopt a 14 year matching period from April 2011. Since November the Investment Sub Committee has been working closely with BlackRock to agree a revised CFM portfolio. The revised portfolio will consist solely of bonds unlike the existing portfolio which uses a combination of bonds, interest rate swaps and cash to match liability cashflows. This will result in a net disinvestment of cash from the CFM portfolio and additional allocation in return seeking assets.

6 Market Background

During the year, the UK base rate remained at 0.5% but ongoing inflationary pressures have increased the likelihood of the Bank of England increasing rates over the coming months. The US and Japanese central banks maintained their short-term interest rates at 0.25% and 0.1% respectively. The European Central Bank has increased rates from 1% to 1.25% in response to rising inflation.

Global equity markets had a positive year driven by increased confidence in the Global economy and the introduction of a second round of quantitative easing by the US Government. Positive returns were achieved despite sovereign risk issues, unrest in the Middle East and the devastating tsunami in Japan. The UK market also finished the year ahead even after one its largest holdings BP returned c.-27% following the Gulf of Mexico oil disaster.

Nominal gilts delivered positive returns as gilt yields fell over the year. However, it was a year of two halves with gilt yields falling significantly to a low of 3.3% in August 2010 due to concerns around the durability and strength of the recovery in the global economy, before rising again in the second half of the year as investor confidence grew. Real yields on index linked gilts were broadly flat over the year, although the asset class performed positively as a result of falling nominal yields.

The yield on corporate bonds remained broadly unchanged over the year and remains close to the average long term levels from before the onset of the financial crisis. The premium on financial credit remains, with the peripheral European sovereign debt risks a continued threat.

Market Returns

The FTSE All Share returned 8.7% over the 12 months to 31 March 2011. Small-cap and mid-cap stocks were the best performers as the FTSE Small-cap index and the FTSE 250 returned 14.5% and 16.7% respectively.

The FTSE All World ex UK Index also performed positively returning 8.5% over the year to a sterling investor. The table below shows the returns for the year to 31 March 2011 in each of the main overseas regions for both a sterling investor and in local currency terms.

Region	Sterling Investor (%)	Local Investor (%)
USA	9.2	15.4
Europe (ex UK)	8.2	7.2
Japan	-4.0	-10.0
Asia Pacific (Ex Japan)	13.1	13.5
Emerging Markets	11.9	13.1

6. Market Background (continued)

Nominal government bonds had a positive year as yields contracted. The FTSE All Stocks Gilts Index returned 5.2% while the longer dated UK Over 15 Year Gilts Index returned 6.9% over the year to 31 March 2011. Inflation-linked bonds also delivered positive returns with the FTSE All Stocks Index-linked Gilts Index and FTSE UK Over 15 Year Index-linked Gilts Index returning 6.5% and 5.4% respectively.

The iBoxx All Stocks Sterling Non Gilts Index returned 5.2% over the year to 31 March 2011.

Over the twelve months to 31 March 2011 the IPD Property Index returned 10.7%.

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 UK Corporate Governance Code (or equivalent in respect of non-UK holdings).

Both of the Plan's equity managers Newton and Legal & General have signed up to the recently issued UK Stewardship Code. The aim of the UK Stewardship Code is to enhance governance practices in the hope that more efficient engagement between institutional investors and listed companies will help improve long-term returns to shareholders. In accordance with the Code, the managers' policies on voting and engagement are disclosed on their respective websites as are details of their voting records.

8. Custodial Arrangements

The Plan's appointed global custodian is Bank of New York Mellon. The custodian is responsible for safe keeping of share certificates and other documents relating to membership 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 Trustee undertook a review of the services provided by the Bank of New York Mellon last year. As a result of the review, Bank of New York Mellon was retained as the Plan's global custodian. The Plan's Auditor is authorised to make whatever investigations they deem necessary as part of the annual audit procedure.

9. Performance Objective

Legal & General

Legal & General's investment brief is as follows:

	B'mark %	Benchmark Index	Control Ranges %
UK Equities	57.0	FTSE All Share Index	2.5
Overseas Equities	43.0	Composite	
US	17.5	FTSE AW Developed North America	2.5
Europe (ex UK)	14.5	FTSE AW Developed Europe (ex UK)	2.5
Japan	7.0	FTSE AW Japan	2.5
Pacific (ex Japan)	4.0	FTSE AW Developed Asia Pacific (ex Japan)	2.5
Total	100.0		

The performance objective is to match the above indices.

Newton

Newton's investment brief is as follows:

	B'mark %	Benchmark Index	Guideline Ranges %
UK Equities	63.0	FTSE All Share Index (5% Capped)	
Overseas Equities	37.0	Composite	
US	7.5	FTSE W North America	
Europe (ex UK)	16.5	FTSE AW Developed Europe (ex UK)	
Japan	5.0	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		85-100
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.

BlackRock Cashflow Matching Portfolio

BlackRock's investment brief is as follows:

	B'mark %	Benchmark Index
Cashflow Matching	100.0	Return assessed against the return on equivalent gilts + average portfolio credit spread - allowance for defaults/downgrades + adjustment for capital effect of changes in credit spreads
RPI Inflation hedge	-	50% of the Cashflow Matching Portfolio cash flows, from 1 April 2012 to 31 March 2025 inclusive.
Total	100.0	

The performance objective is to match a significant proportion of the estimated liability cashflows emerging over a number of years. The Trustee has agreed to match the next 14 years from 1 April 2011. The Trustee will monitor the Plan's funding position and seek to increase the matching period should market conditions allow.

BlackRock Short-term Bonds/Cash

BlackRock's investment brief is as follows:

	B'mark %	Benchmark Index
Short-term bond portfolio	100.0	7 day LIBID
Total	100.0	

Standard Life

Standard Life's investment brief is as follows:

	B'mark %	Benchmark Index
Property	100.0	IPD Property index
Total	100.0	

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

At the Total Fund level the performance benchmark is the FTSE Over 15 Year Gilts plus 1.25% p.a.

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.
Cash Overlay	100.0	Return on FTSE 100 Future plus 1 month LIBOR less 0.10%

The performance objective of the cash overlay is to match the benchmark index.

10. Performance of the Fund

Over the year to 31st March 2011, the fund achieved a total return of 7.6% compared to a benchmark return of 7.2%, as estimated by the Plan's independent performance measurer, BNY Mellon Asset Servicing.

Outperformance during the year can be attributed to strong performance from the Standard Life long-lease property portfolio relative to its gilt benchmark. In addition, the Newton global equity portfolio outperformed its benchmark by 1.6% over the 12 months to 31 March 2011.

Longer term performance figures for the Plan are shown below.

	3 years		5 years	
	Fund %pa	B'mark %pa	Fund %pa	B'mark %pa
Total Fund	6.7	7.2	4.7	5.0

Note: All returns provided by BNY Mellon Asset Servicing and quoted gross of fees.

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 Investment Implementation Policy Document and any necessary rebalancing of investments is undertaken.

11. New Money

New monies received by the Plan are used to help fund benefit outflow, including pensions in payment.

STATEMENT OF TRUSTEE'S RESPONSIBILITIES

The Plan's Trustee is responsible for obtaining audited financial statements in accordance with applicable law and United Kingdom 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' (revised May 2007).

The Trustee has supervised the preparation of the financial statements and 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 normal contributions payable to the Plan 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 monitoring whether contributions are made to the Plan by the employer in accordance with the schedule of contributions. Where breaches of the schedule occur, the Trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to the Pensions Regulator and the Members.

The Trustee also has a 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, including the maintenance of an appropriate system of internal control.

On behalf of the Trustee:

Laurie Todd
Chairman

Date: 8th August 2011

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE COATS PENSION PLAN

We have audited the financial statements of the Coats Pension Plan for the year ended 31 March 2011 which comprise the fund account, the net assets statement and the related notes 1 to 15. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trustee as a body, for our audit work, for this report, or the opinions we have formed.

Respective responsibilities of trustee and auditor

As explained more fully in the Statement of Trustee's Responsibilities set out on page 15, the Plan's Trustee is responsible for the preparation of financial statements which show a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Plan's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Trustee; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Trustee's and Investment Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the Financial Statements

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the Plan during the year ended 31st March 2011, and of the amount and disposition at that date of its assets and liabilities, other than the liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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
Statutory Auditor
Glasgow
Date: 11th August 2011

FUND ACCOUNT
for the year ended 31 March 2011

	Note	2011 £'000	2010 £'000
CONTRIBUTIONS AND BENEFITS			
Contributions receivable	3	3,251	558
Transfers in		18	20
Other income		3	2
		<u>3,272</u>	<u>580</u>
Benefits payable	4	(77,911)	(79,490)
Payments to and on account of leavers	5	(4,377)	(1,753)
Administrative expenses	6	(3,257)	(3,209)
		<u>(85,545)</u>	<u>(84,452)</u>
NET WITHDRAWALS FROM DEALINGS WITH MEMBERS		<u>(82,273)</u>	<u>(83,872)</u>
RETURNS ON INVESTMENTS			
Investment income	7	47,457	51,635
Change in market value of investments	8	54,632	254,373
Investment management expenses	11	(2,737)	(2,214)
		<u>99,352</u>	<u>303,794</u>
NET RETURNS ON INVESTMENTS		<u>99,352</u>	<u>303,794</u>
NET INCREASE IN THE FUND DURING THE YEAR		17,079	219,922
NET ASSETS OF THE PLAN AT 1 APRIL		1,387,788	1,167,866
AT 31 MARCH		<u>1,404,867</u>	<u>1,387,788</u>

The notes on pages 19 to 26 form part of these financial statements.

NET ASSETS STATEMENT

at 31 March 2011

	Note	2011 £'000	2010 £'000
INVESTMENTS			
Financial assets	9	1,405,418	1,395,457
Financial liabilities	10	<u>(4,028)</u>	<u>(10,524)</u>
Net financial assets		1,401,390	1,384,933
Current assets	12	5,642	4,949
Current liabilities	13	<u>(2,165)</u>	<u>(2,094)</u>
NET ASSETS OF THE PLAN AT 31 MARCH		<u>1,404,867</u>	<u>1,387,788</u>

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 on page 6 of the Trustee's Report and with the statements by the Actuary on pages 29 and 30 of the annual report and these financial statements should be read in conjunction with it.

The financial statements were approved by the Trustee on 8th August 2011.

Signed on behalf of the Trustee:

Laurie Todd
Director of
Coats Pensions Trustee Limited

Alistair Macdiarmid
Director of
Coats Pensions Trustee Limited

Coats Pension Plan

NOTES TO THE ACCOUNTS AT 31 MARCH 2011

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 in accordance with the guidelines set out in the Statement of Recommended Practice ("SORP"), Financial Reports of Pension Schemes (revised May 2007).

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 also accounted for on an accruals basis.

Employer deficit funding contributions are accounted for on the due dates on which they are payable in accordance with the scheme recovery plan and Schedule of Contributions.

Investment income

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

Income from equity investments, including recoverable withholding tax, 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 arising from individual annuity policies held by the Trustee and received by the Plan is included within investment income when receivable.

Individual transfers

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

Benefits payable

Benefits payable are included in the financial statements 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. Pension benefits paid in respect of annuity income that is received are included within benefits payable.

Administrative expenses and investment management expenses

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

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the Plan year-end. Gains and losses on foreign currency investment and cash balances are shown in aggregate within the change in market value of investments to which they relate.

Investment income denominated in foreign currencies is recorded by applying the spot exchange rate ruling at the date on which the income relating to the investment falls due.

Coats Pension Plan

NOTES TO THE ACCOUNTS AT 31 MARCH 2011

2 ACCOUNTING POLICIES (CONTINUED)

Investment assets

Listed equity investments are valued at closing prices on a recognised stock exchange as at the year-end, which are either the last quoted trade price or bid price depending on the market on which they are quoted.

Unlisted investments are stated at the Trustee's estimate of fair value based on advice from the investment manager or other appropriate advisor.

Pooled investment vehicles are valued at the closing bid price or, if single priced, at the closing single price.

Insurance policies are included at premium value, the amount the insurer would charge at the date of valuation to provide the benefits bought to date.

Fixed interest securities are stated at a value, their clean price, 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.

Derivatives

Derivatives are investment assets and investment liabilities that derive their value from the price or rate of some underlying item. Derivatives with an initial purchase price are reported as purchases. Those that do not have an initial purchase price but require a deposit, such as an initial margin placed with the broker, are recorded at nil cost on purchase.

Derivative contracts are included in the net assets statement at fair value. Fair value is the amount at which an asset could be bought or sold in a current transaction between willing parties. Exchange traded derivatives with positive values are included in the net asset statement as assets at bid price, and those with negative values as liabilities at offer price.

Forward foreign exchange contracts

Forward foreign exchange contracts outstanding at the year end are stated at fair value. This is determined as the gain or loss that would arise if each outstanding contract was matched at the year end with an equal and opposite contract.

Changes in the fair value of forward contracts are reported within change in market value.

Swaps

Swaps, both interest rate and inflation rate, are stated at fair value. Interest rate swaps are valued using the Bloomberg pricing model and inflation rate swaps using the BlackRock pricing model which is based on information received from the counterparties. Interest is accrued monthly under the terms relating to each individual contract.

Net receipts or payments on swap contracts are reported within change in market value as the economic purpose of the swap is related to the assets and liabilities of the Plan. Realised gains or losses on closed contracts and unrealised gains or losses on open contracts are included within change in market value.

The notional principal amount is used for calculation of cash flows only.

Futures

Open futures contracts are included in the net assets statement at their fair market value, which is the unrealised profit or loss at the current bid or offer market quoted price of the contract. Amounts due from the broker represent the amounts outstanding in respect of the initial margin (representing collateral on the contracts) and any variation margin that is due from the broker. The amounts included in change in market value are the realised gains or losses on closed futures contracts and the unrealised gains or losses on open futures contracts.

Coats Pension Plan

NOTES TO THE ACCOUNTS AT 31 MARCH 2011

3 CONTRIBUTIONS RECEIVABLE

	2011	2010
	£'000	£'000
Employers'		
Normal	533	0
Deficit funding	2,334	0
Members'		
Normal	347	369
AVCs	37	189
	<u>3,251</u>	<u>558</u>

Deficit funding contributions are paid in accordance with the revised schedule of contributions dated 17th December 2010, which states that deficit funding contributions are payable at a rate of £7million per year. Deficit funding contribution payments will be payable at this rate until December 2020. The revised schedule of contributions also requires the employer to pay normal contributions at a rate of £1.6 million per year.

4 BENEFITS PAYABLE

	£'000	£'000
Pensions	(73,191)	(73,033)
Commutations and lump sum benefits	(4,535)	(6,193)
Lump sum death benefits	(185)	(264)
	<u>(77,911)</u>	<u>(79,490)</u>

5 PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	£'000	£'000
Refunds to members leaving service	(22)	(2)
Payments to members joining State Scheme	4	(1)
Purchase of annuities to match preserved benefits	(123)	(87)
Individual transfers to other schemes	(4,236)	(1,663)
	<u>(4,377)</u>	<u>(1,753)</u>

6 ADMINISTRATIVE EXPENSES

	£'000	£'000
Administration and processing	(2,204)	(2,118)
Actuarial fees	(628)	(744)
Audit fee	(57)	(51)
Legal and other professional fees	(368)	(296)
	<u>(3,257)</u>	<u>(3,209)</u>

Administration and processing includes the Pension Protection Fund Levy of £612,000 (2010: £591,000).

Coats Pension Plan

NOTES TO THE ACCOUNTS AT 31 MARCH 2011

7 INVESTMENT INCOME

	2011 £'000	2010 £'000
Income from fixed interest securities	38,184	43,054
Dividends from equities	7,171	7,022
Income from pooled investment vehicles	290	230
Interest on cash deposits	886	524
Other	416	290
Annuity income	510	515
	<u>47,457</u>	<u>51,635</u>

Other investment income received includes secondary distributions of £152,158 from the Worldcom class action and £223,954 received from the Enron class action. The comparative amount represents proceeds from a Dutch Withholding Tax claim and a secondary distribution from the Enron Class Action.

8 INVESTMENTS RECONCILIATION

	Value at 01.04.2010 £'000	Purchases at cost and derivative payments £'000	Sales proceeds and derivative receipts £'000	Change in Market Value £'000	Value at 31.03.2011 £'000
Fixed interest	704,288	599	(86,855)	(4,367)	613,665
Equities	230,411	62,631	(60,431)	15,468	248,079
Pooled investment vehicles	290,676	1,260	(3,444)	26,692	315,184
AVC funds	3,934	47	(866)	273	3,388
Long term insurance	24	0	(3)	1	22
	<u>1,229,333</u>	<u>64,537</u>	<u>(151,599)</u>	<u>38,067</u>	<u>1,180,338</u>
Net derivative contracts					
Swaps (see Note 9 a)	18,168	3,108	(0)	15,881	37,157
Forward foreign exchange (see Note 9 b)	(2,097)	261,780	(261,237)	(421)	(1,975)
Futures (see Note 9 c)	65	637	(747)	342	297
Total net derivative contracts	<u>16,136</u>	<u>265,525</u>	<u>(261,984)</u>	<u>15,802</u>	<u>35,479</u>
	<u>1,245,469</u>	<u>330,062</u>	<u>(413,583)</u>	<u>53,869</u>	<u>1,215,817</u>
Cash deposits	119,990			763	167,811
Other financial assets (net)	<u>19,474</u>			<u>0</u>	<u>17,762</u>
	<u>1,384,933</u>			<u>54,632</u>	<u>1,401,390</u>

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year, profits and losses on currency exchange and income arising on pooled funds.

Transaction costs amounting to £265,131 (2010: £172,324) are included in the above cost of purchases and sales proceeds. Transaction costs include costs charged directly to the Plan such as fees, commissions, stamp duty and other fees and arise on equity transactions. In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles. This amount is not provided separately to the Plan.

Coats Pension Plan

NOTES TO THE ACCOUNTS AT 31 MARCH 2011

9 INVESTMENTS – FINANCIAL ASSETS

	2011	2010
	£'000	£'000
Fixed interest securities	613,665	704,288
Equities	248,079	230,411
Pooled investment vehicles	315,184	290,676
Derivative contracts	39,507	26,660
Cash deposits	167,811	119,990
Other financial assets	17,762	19,474
AVC investments	3,388	3,934
Long term insurance policies	22	24
	<u>1,405,418</u>	<u>1,395,457</u>

FIXED INTEREST SECURITIES

	£'000	£'000
UK public sector quoted	2,371	2,315
UK quoted	607,843	698,871
Overseas quoted	<u>3,451</u>	<u>3,102</u>
	<u>613,665</u>	<u>704,288</u>

EQUITIES

	£'000	£'000
UK quoted	130,384	118,326
Overseas quoted	<u>117,695</u>	<u>112,085</u>
	<u>248,079</u>	<u>230,411</u>

POOLED INVESTMENT VEHICLES

	£'000	£'000
Managed funds UK - property	65,087	61,644
- other	227,561	210,816
Unit Trust UK - other	<u>22,536</u>	<u>18,216</u>
	<u>315,184</u>	<u>290,676</u>

Pooled investment vehicles are all managed by companies registered in the United Kingdom. Where the investments are held in managed or unitised funds the change in market value also includes expenses both implicit and explicit to the Plan and any reinvested income, where the income is not distributed.

The total of income generated and automatically re-invested in managed funds during the year to 31st March 2011 was £7,068,462 (year to 31st March 2010: £6,573,365). Income from the overseas assets within the L&G pooled fund is not included in this analysis as it cannot be identified separately.

Coats Pension Plan

NOTES TO THE ACCOUNTS AT 31 MARCH 2011

9 INVESTMENTS – FINANCIAL ASSETS (CONTINUED)

DERIVATIVE CONTRACTS

	2011 £'000	2010 £'000
Swaps	39,167	26,368
Forward foreign exchange	43	227
Futures	297	65
	<u>39,507</u>	<u>26,660</u>

The Trustee's aim is to match as far as possible the fixed income portfolio and the Plan's long-term liabilities, in particular in relation to their sensitivities to interest rate and inflation movements. Due to the lack of available long-dated bonds the Trustee entered into interest rate swaps that extend the duration of the fixed income portfolio to better match the long-term liabilities of the Plan.

DERIVATIVE CONTRACTS OUTSTANDING

a) Swaps

Contract	Number of Contracts	Duration	Nature	Notional Principal £	Aggregate Asset £'000	Aggregate Liability £'000
Interest Rate Swap (OTC)	42	3 months - 15+ years	Fixed (between 4% - 6.5%) for floating LIBOR	169,209,776	34,098	(3,594)
Inflation Rate Swap (OTC)	52	1 -15+ years	Fixed (various between 3.2% - 3.4%) for floating UK RPI	380,567,816	5,069	1,584
					<u>39,167</u>	<u>(2,010)</u>
					<u>37,157</u>	

b) Forward Foreign Exchange

Contract	Number of Contracts	Settlement	Currency Bought/Sold	Aggregate Asset £'000	Aggregate Liability £'000
Forward (OTC)	2	< 1 month	South African Rand/Sterling	0	(1)
Forward (OTC)	3	< 3 months	Various	0	(34)
Forward (OTC)	12	> 3 months	Various	43	(575)
Forward (OTC)	7	> 6 months	Various	0	(1,408)
				<u>43</u>	<u>(2,018)</u>
					<u>(1,975)</u>

As at 31st March 2011, the Plan has a number of forward foreign exchange contracts outstanding. The majority of these were held by Record Currency Management and involved hedging Sterling against various currencies including Euro, US Dollars, Swiss Francs, Japanese Yen and Australian Dollars.

c) Futures contracts

Contract	Underlying Investment	Settlement	Notional Principal £	Aggregate Asset £'000	Aggregate Liability £'000
Future	FTSE 100 Index	< 3 month	7,574,175	297	(0)

Coats Pension Plan

NOTES TO THE ACCOUNTS AT 31 MARCH 2011

9 INVESTMENTS – FINANCIAL ASSETS (CONTINUED)

CASH DEPOSITS	2011	2010
	£'000	£'000
Sterling	167,491	120,088
Foreign currency	8,586	4,240
Collateral due to brokers	(8,266)	(4,338)
	<u>167,811</u>	<u>119,990</u>

The cash balance at 31st March 2011 includes £162,395,566 (2010: £112,731,136) of Liquid Assets which are held as unitised assets but are readily convertible to cash at short notice.

When swaps are in profit there is a risk to the Plan that the relevant counterparty may default on the amount due. Collateral from the counterparty is therefore required to provide protection against this possibility and is received in the form of cash. The collateral level is monitored daily and the amount held as at the year-end is stated at fair value.

OTHER FINANCIAL ASSETS

	£'000	£'000
Income due from fixed interest securities	16,335	18,228
Dividends due from equities	944	859
Withholding tax recoverable	378	385
Interest due on cash deposits	105	2
	<u>17,762</u>	<u>19,474</u>

AVC FUNDS

	£'000	£'000
Century Life	4	4
Friends Provident	3,075	3,415
Axa Sun Life	45	53
London Life	7	7
Prudential	56	296
Norwich Union	201	159
Total	<u>3,388</u>	<u>3,934</u>

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.

LONG TERM INSURANCE POLICIES

As well as the value shown, the Trustee holds other insurance policies 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 in view of their small size, need not be valued in the Net Assets Statement.

Coats Pension Plan

NOTES TO THE ACCOUNTS AT 31 MARCH 2011

10	INVESTMENTS – FINANCIAL LIABILITIES DERIVATIVE CONTRACTS	2011 £'000	2010 £'000
	Swaps	(2,010)	(8,200)
	Forward foreign exchange	<u>(2,018)</u>	<u>(2,324)</u>
	TOTAL FINANCIAL LIABILITIES	<u>(4,028)</u>	<u>(10,524)</u>
11	INVESTMENT MANAGEMENT EXPENSES	£'000	£'000
	Administration, management and custody*	(2,722)	(2,199)
	Performance measurement services	<u>(15)</u>	<u>(15)</u>
		<u>(2,737)</u>	<u>(2,214)</u>

*Certain management fees are performance-related. During the year a performance fee of £1,187,748 was payable to Newton for the year to 31.12.2010, (31.12.2009: £815,977).

12	CURRENT ASSETS	£'000	£'000
	Cash balance	4,566	4,690
	Employers' contributions due	717	0
	Members' contributions due	37	47
	VAT recoverable	295	188
	Other debtors	<u>27</u>	<u>24</u>
		<u>5,642</u>	<u>4,949</u>

Contributions due were received after the year end in accordance with the timescales set out in the schedule of contributions.

13	CURRENT LIABILITIES	£'000	£'000
	Unpaid benefits	(158)	(298)
	Accrued expenses	<u>(2,007)</u>	<u>(1,796)</u>
		<u>(2,165)</u>	<u>(2,094)</u>

14 EMPLOYER RELATED INVESTMENTS
There were no employer-related investments at any time during the year within the meaning of section 40(2) of the Pensions Act 1995.

15 RELATED PARTY TRANSACTIONS

The following related party transactions occurred during the year:

Three 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 6.

Legal and other professional fees in Note 6 include fees for the Chairman, Independent Trustee and Pensioner Representative Trustee Directors (2011: £88,294; 2010: £77,145).

Coats Pension Plan

NOTES TO THE ACCOUNTS AT 31 MARCH 2011

INDEPENDENT AUDITOR'S STATEMENT ABOUT CONTRIBUTIONS 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 2011 to which this statement is attached.

This statement is made solely to the Trustee, as a body, 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 as a body, 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, set out on page 16, 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 contributions payable towards the Plan by or on behalf of the employer and the active members of the Plan. The Plan's Trustee is also responsible for keeping records in respect of contributions received in respect of active member of the Plan and for monitoring whether contributions are made to the Plan by the employer 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.

Scope of work on statement about contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the attached summary of contributions have in all material respects been paid at least in accordance with the schedule of contributions. This includes 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.

Statement about contributions

In our opinion, contributions for the Plan year ended 31 March 2011, as reported in the attached summary of contributions have, in all material respects, been paid at least in accordance with the schedules of contributions certified by the Plan actuary on 24 February 2007 and 17th December 2010.

Ernst & Young LLP
Statutory Auditor
Glasgow

Date: 11th August 2011

Coats Pension Plan

SUMMARY OF CONTRIBUTIONS PAYABLE DURING THE YEAR ENDED 31 MARCH 2011

During the year ended 31 March 2011 the contributions payable to the Plan under the schedules of contributions were as follows:

Employer normal contributions	£'000 533
Employer deficit funding contributions	2,334
Employee normal contributions	<u>347</u>
Total contributions under schedule of contributions	3,214
Other contributions:	
Employee additional voluntary contributions	<u>37</u>
Total contributions per note 3 of the Financial Statements	<u>3,251</u>

Signed on behalf of the Trustee: **Laurie Todd**

Date: 8th August 2011

Certificate of technical provisions

Name of Scheme

Coats Pension Plan

Calculation of technical provisions

I certify that, in my opinion, the calculation of the Plan's technical provisions as at 1 April 2009 is made in accordance with regulations under section 222 of the Pensions Act 2004. The calculation uses a method and assumptions determined by the Trustee of the Plan and set out in the Statement of Funding Principles dated 17 December 2010.

Signature

Keith Gourlay

Name

Keith Gourlay

Date of signing

17 December 2010

Name of employer

Mercer Limited

Address

Alhambra House
45 Waterloo Street
Glasgow
G2 6HS

Qualification

Fellow of the Faculty of Actuaries

Certification of schedule of contributions

Name of Scheme

Coats Pension Plan

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 1 April 2009 to be met by the end of the period specified in the recovery plan.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 17 December 2010.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the Plan's liabilities by the purchase of annuities, if the Plan were to be wound-up.

Signature

Keith Gourlay

Scheme Actuary

Keith Gourlay

Date of signing

17 December 2010

Name of Employer

Mercer Limited

Address

Alhambra House
45 Waterloo Street,
Glasgow
G2 6HS

Qualification

Fellow of the Faculty of Actuaries



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