Coats Viyella

Annual Report 2000

Coats Viyella Plc Annual Report and Accounts 2000

Financial highlights

	2000	1999
Turnover		
– continuing operations	**£1,364m**	£1,263m
– total	**£1,596m**	£1,680m
Operating profit before exceptional items		
– continuing operations	**£115m**	£84m
– total	**£106m**	£93m
Operating profit	**£70m**	£16m
Pre-tax (loss)/profit		
Before FRS3 exceptional items	**£50m**	(£23)m
After exceptional items	**(£30)m**	£64m
(Loss)/earnings per share	**(8.9)p**	4.1p
Headline earnings/(loss) per share	**3.8p**	(4.3)p
Dividends per share		
2000 Interim	**1.50p**	1.50p
2000 Final	**1.50p**	1.50p
Net asset value per ordinary share	**88p**	99p
Capital expenditure	**£52m**	£56m
Net debt	**£148m**	£125m
Net debt less current asset investments	**£128m**	£124m
Net gearing	**21%**	16%
Net cash inflow from operating activities	**£73m**	£118m
Net interest cover before FRS3 exceptional items	**3.5**	0.7
Market Capitalisation at 31 December	**£271m**	£292m

Chairman's statement

The year 2000 marked a significant transformation in the Group. Your Board, having carried out a careful strategic review, announced on the 6 September 2000 a major refocusing of the Group which was designed to reverse the decline in earnings and to restore shareholder value. I was determined that the resulting restructuring should be carried out quickly so that resources could be concentrated on those businesses which had long term potential, and which we must support in order that they maintain their global leadership. The future of the Group is now focused around the global thread business.

Coats is the undoubted leader in the thread sector. It has a unique global position, operating in 63 countries and, in January 2001, we further strengthened this network in key territories by the acquisition of the industrial thread business of Dollfus Mieg et Cie. The globalisation of supply chains in many industries means that Coats' extensive network can service customers wherever their products are made, with a consistent high quality service. Prospects for the growth and development of this business look good.

In streamlining the Group your Board took the view that the retail operations, Jaeger and Viyella, would benefit from a period of stability and continuity. During the year 2000 the management of these operations was strengthened and I am pleased to report that, against the background of a challenging retail environment, this business has delivered improved results. It has now built a platform on which we can look forward to further improvement in profits.

I am also pleased to report that progress on the restructuring has been very satisfactory. The sale of the loss making Contract Clothing Division to a management team was completed on 4 December 2000 and since then five other businesses have been sold, raising proceeds of £37 million. A number of other businesses remain for disposal and all are currently in the process of negotiation. Selling assets and businesses in a sector as troubled as the textile sector presented my colleagues with an extraordinary challenge, and I am delighted that, with the minimum of disruption, they have achieved so much in a short timescale. I am particularly grateful to them for having carried out what was inevitably a very painful process with skill and sensitivity.

The refocusing is now nearly completed and as a result there will be a number of Board changes. Kazia Kantor, Group Finance Director, during a demanding 2½ years has driven through the changes that were needed to re-establish our Group with a profitable future. Kazia has shown remarkable determination in achieving all our objectives, but has now chosen to move on. The Board will miss her skill and advice, and we wish her well in the future.

Mike Hartley, the Chief Executive of Viyella, has borne the brunt of much of the day-to-day impact of such a significant restructuring programme. His tireless commitment to implementing the strategy is something for which I am immensely grateful. With the disposal of the bulk of the Viyella Division, Mike has chosen to retire from the Board.

Our previous rather unconventional management structure has worked well for the period of transition but now, with the future strategy clear, it is appropriate to revert to a more conventional management organisation. The Board has appointed Martin Flower as Group Chief Executive Officer. Martin has worked in Coats for over 30 years and during the latter 13 years has been Chief Executive of the Coats Division. Jonathan Lea, who has worked in Coats for over 20 years and latterly has been its Finance Director, will become the Group Finance Director. A new Managing Director for the Coats Division will be announced in due course.

Lord Owen has decided to retire from the Board at the next AGM. He has been a Non Executive Director for seven years and has brought a breadth of international vision and wise counsel that will be hard to replace. I am very grateful to him for his years of service.

During the latter part of 2000 I received approaches from a number of significant shareholders to be represented on the Board. The candidates they were proposing were men of industrial experience and, therefore, I am pleased to welcome to the Board Mr Blake Nixon, Mr Noel Goutard and Mr Eduardo Malone. I am certain that we shall benefit from their presence.

Clearly the uncertainty in economic markets will have some impact on our business, but the steps we have taken to rationalise our cost base and the ability to leverage our strength as a global player will, I am sure, continue to deliver improved performance for shareholders. Therefore, the Board recommends a final dividend of 1.50p (1999 – 1.50p).

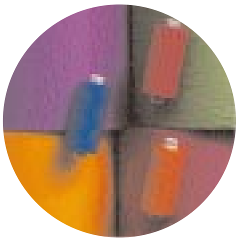
Everyone in the business has worked hard to bring about the transformation of the Group and deliver the improved operating performance. I thank them all for their efforts on behalf of all shareholders.

At the AGM I shall be proposing that the Group's name should be changed to Coats plc. With this change we start a new era of growth and development.

Sir Harry Djanogly CBE

The Group at a glance

Coats Viyella's Divisions, Coats and Fashion Retail, have world renowned brands in their respective segments.



Coats

Coats is a global thread business serving two main markets – thread for industrial use and for needlecrafts. Coats has a 22% global market share and its products are used by millions of customers around the world.

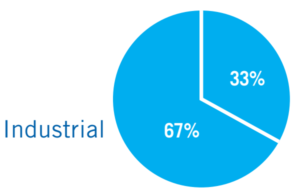
Industrial

- Coats thread is used in a huge variety of products ranging from apparel and footwear to furniture, cars, sporting equipment, body armour and fibre optic cables.
- Coats' unparalleled global reach means customers benefit from its ability to deliver worldwide customer service and a global guarantee of quality and consistency.
- Coats' customers are the suppliers to leading retailers and brand owners, such as Tommy Hilfiger, Marks and Spencer and Adidas.

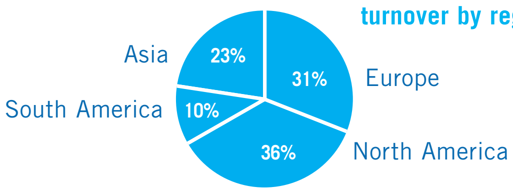
Crafts

- Coats produces a wide range of needlecraft products and household sewing threads for the domestic leisure market.
- Brands, such as Anchor and Red Heart, are available throughout the world.
- Key markets for crafts are USA, Europe and increasingly Asia.

Coats turnover



Coats turnover by region



Fashion Retail

Fashion Retail has two British brands, Jaeger and Viyella. The British designed collections are sold through 450 outlets across 15 countries.

Each brand has a focused brand strategy and target consumer.

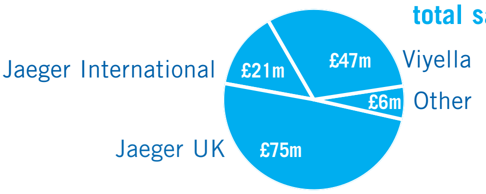
Jaeger

- British designed men's and women's clothing and accessories.
- Vision to be the leading British brand recognised globally for 'Modern Classic' style with international appeal.
- The aim of the brand is to represent innovation, luxury, elegance, style and wit.
- Design led, customer focus.
- The clothes are for confident, stylish, successful men and women who want 'Modern Classic' clothing with a touch of sophistication and glamour.

Viyella

- British designed womenswear and accessories.
- Brand for women who choose smart, classic and versatile styling.
- Delivers a consistently excellent quality product and customer service which is second to none.

Fashion Retail total sales



Operating review

Coats — 2000 showed a significant improvement in performance. Overall sales were £966 million, up 6% on a like for like basis and operating profit increased from £74 million in 1999 to £103 million in 2000. The significant turnaround seen in the first half-year was followed by continued but steadier progress in the second half.

Coats (% of Group sales)

60.5%

	2000 £m	1999 £m
Sales	966	848
Operating profit before reorganisation costs	103	74
Net assets	617	565
Return on year end net assets	17%	13%
Capital spend	36	30
Employees at year end	28,954	29,569

The current softness in the US economy began to be felt in the fourth quarter but performances continued strongly in Asia. The year has also seen real benefits from recent restructuring. Profitability in Europe improved significantly as a result of reorganisation spend in 1999 and 2000. Sales in Europe also showed some modest growth. The integration of the Barbour Specialty Thread business, acquired with Hicking Pentecost PLC in September 1999, has proceeded according to plan. One manufacturing unit in Ireland and another in the USA were closed to achieve cost synergies while sales growth has been particularly strong in China.

Industrial The improved performance reflects Coats' successful strategic response to the accelerating migration of apparel and footwear manufacturing from high cost locations in Europe, North America and Japan to low cost locations in Eastern Europe, Mexico, Central America and Asia.

Coats is unique in that it has the widest global spread and most comprehensive service capability of any company in the apparel supply chain. It is well positioned to capture the migrating business through its global network of operations which has been strengthened during the year by opening new manufacturing facilities in Honduras to service contractors who supply the US market under the Caribbean Basin Initiative and in Dalian, China to service suppliers to leading Japanese retailers.

Coats' customers are the suppliers to global retailers and brand owners such as Tommy Hilfiger, Marks and Spencer, Adidas, Levi Strauss and Reebok whose reputations rely upon the consistent quality of their products around the world. Coats has developed unique innovative services for such customers which it is able to provide throughout the world. The *Coats Global Retailer Services Programme* and The *Coats Global Offer Programme* give an assurance of uniformity in the quality, shade range, appearance and performance of Coats thread anywhere in the world. *Coats Sewing Solutions* helps customers to improve sewing productivity, reduce wastage and enhance the quality of their products. Coats' proprietary colour management system, *Coats Colourtalk*, guarantees customers global colour accuracy and ensures an excellent speed of response. The system includes services from electronic colour visualisation and transmission to computerised dye recipe prediction.

Coats' global presence and size have allowed it to build strategic partnerships with global suppliers: through these collaborative relationships it has been able to optimise its cost base and guarantee the consistent quality of its products worldwide. In addition, Coats is continuing to invest in communications and e-business solutions to further improve its customer and supplier relations. Coats' new website will be launched in the summer in order to improve its customer interface.

Crafts Demand in the USA was buoyant and the North American business continued to perform well. In Europe there was a modest increase in sales, reversing the recent trend. Sales of consumer products in Asia continued their steady growth.

Outlook The slowdown in the USA is anticipated to continue to impact North American industrial sales in the first half of 2001. The migration of apparel manufacturing to Asia, Mexico and Central America will present further opportunities for growth in these markets, while there will be a continuous need to adjust capacity in Europe and North America. Further growth in speciality thread is expected. The industrial thread businesses of Dollfus Mieg et Cie were purchased in January 2001 and these businesses which operate in Europe, North Africa and South America, will further strengthen Coats' network, while enabling Coats to offer the benefits of its global service capability to their strong French customer base.

Fashion Retail Business – After two years of operational change, the Division this year began to see the benefits of past years' hard work. The appointment of a new Chief Executive in Spring brought focus and vigour into both the Jaeger and Viyella brands.

Fashion Retail (% of Group sales)

9.3%

	2000 £m	1999 £m
Sales	149	145
Operating profit before reorganisation costs	5	1
Net assets	52	64
Return on year end net assets	9%	1%
Capital spend	3	3
Employees at year end	3,088	3,449

In Jaeger an improvement in like-for-like sales of 8% was driven by a renewed emphasis on design and product development. This improvement started in the first half of the year and has carried through at increasing rates into the second half of the year. Viyella, however, suffered in the early part of the year from a poorly focused product range. Autumn sales were strong, reflecting improvements in the collection. However, the increase was not sufficient to compensate for the first half performance.

With focus on sound business disciplines, and continuing emphasis on supply chain efficiencies, there has been better stock management. This has resulted in an increase in sales and has benefited margin to the extent of another 3% improvement this year. In addition, the tight working capital management has released cash which is now being reinvested into the business, and particularly into rebuilding the Jaeger brand through brand marketing and redesign of the store portfolio.

This encouraging year has continued the process of building a platform for future growth. The challenge in both brands is to continue the process of reinvigorating both Jaeger and Viyella through the development of brand strategies that are driven by clear insight into each brand's target consumer. Jaeger will develop a core range of "Modern Classics", thus redefining the brand's reputation for quality, luxury and style. The continuing aim is to attract new customers without alienating existing ones.

The outlook for the business is encouraging. The challenge lies in delivering the respective brand strategies to the customers of the respective brands. Efforts will, therefore, be concentrated on putting more investment behind brand marketing and the redesigning of the store portfolio. This will build on the significant progress that has been made to date on enhancement of the management, the product and the retail disciplines. The determination to succeed is undoubted.

Discontinued and Discontinuing Businesses

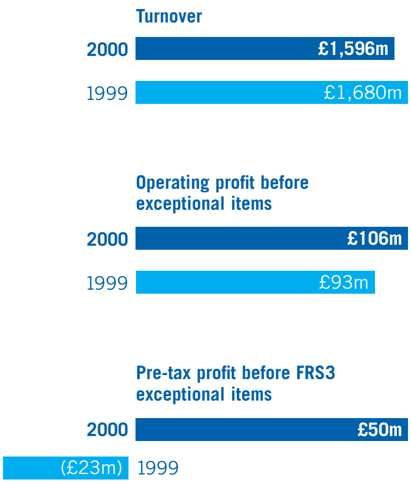
It has been a difficult market for all the Viyella businesses. The Contract Clothing business in particular suffered from the very difficult trading of its customer, Marks and Spencer plc, and the announcement of our intention to withdraw affected the business further until its disposal on 4 December 2000.

The Home Furnishings business was equally affected by tough High Street trading conditions and price discounting. Whilst sales of the Dorma bedwear brand were in line with last year, margins were adversely affected by the discounting undertaken by the host stores. The Contract Bedwear operation had mixed fortunes, with exceptionally good sales to its main client, Marks and Spencer plc, but sales of other own label products, together with margin pressures, more than counteracted the good performance. The towels business, Stott & Smith, lost its main contract to overseas competition in 1999 and, as a result and despite significant reorganisation, suffered a steep decline in profits. A focus on inventory management in the Division reduced inventory levels and released cash which has been partially utilised in continuing the restructuring of the UK manufacturing base.

The sales of the Branded Clothing business were in line with last year and, in particular, an excellent turnaround in profitability was achieved by the branded Western European clothing operations of Berghaus.

Apart from the Contract Clothing business, several other businesses and brands were sold at the end of 2000 and in early 2001. In December £16.5 million was raised from the sale of the Ladybird brand and smaller brands. In early 2001, a further £22.5 million was raised from the sale of Ewart Liddell, Stott & Smith, the Van Heusen shirt brand and several of the commission finishing operations. The programme of refocusing is therefore advanced.

Financial review



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

Two standards became mandatory during 2000, FRS15 (Tangible Fixed Assets) and FRS16 (Current Tax), and have been formally adopted in this Annual Report but neither standard has had a significant effect on the Group accounts.

Review of operating results Group turnover for the year was £1,596.1 million (1999 – £1,679.5 million), down 5% on that reported for the previous year and total operating profit before exceptional items was £106.1 million (£92.7 million), an increase of 14%. Both comparisons are materially impacted by discontinued operations, principally the Precision Engineering Division sold in April 1999 and the garments business of Madura Coats Limited, India, sold in January 2000. In addition, substantially all of the Contract Clothing Division was sold to management at the beginning of December so that these accounts include only 11 months trading for that Division.

Turnover of continuing operations was £1,364.3 million (£1,262.6 million), an increase of 8%, and operating profit of total continuing operations before exceptional items was £114.8 million (£85.0 million), an increase of 35%. Pre-tax loss of £29.9 million (profit £63.6 million) was significantly down, principally as a result of the net loss on the sale or termination of operations of £84.7 million (including £128.2 million in respect of Contract Clothing), compared with a net gain of £83.8 million in 1999 largely the profit from the sale of the Precision Engineering Division (£114.7 million).

Reorganisation costs were £34.8 million (£67.0 million), reflecting the continued pace of restructuring required to meet global sourcing changes. Other exceptional items were £1.5 million.

Other items of (£80.2) million were made up of the loss on sale of the Contract Clothing Division of £128.2 million, £27.6 million profit on the sale of the garments business in India, £16.5 million profit on the sale of certain brands, principally Ladybird, other net losses on disposals of £0.6 million and profits on sale of fixed assets of £4.5 million. The loss on disposal of the Contract Clothing Division included £5.3 million of goodwill previously written off to reserves.

Considerable progress has been made since the year end in completing further disposals of Branded Clothing and Home Furnishings businesses. As none of these disposals was subject to an unconditional contract at 31 December 2000, in accordance with FRS3 and FRS12, we are unable to include the results of these disposals in the 2000 accounts.

In order to enable shareholders to make an assessment of the likely shape of the Group going forward, we have restated the segmental

Interest cover before FRS3 exceptional items

Net cash flow from normal operating activities

Gearing

analysis to show the turnover and operating profits of the businesses currently in the process of disposal separately from those of the ongoing Coats and Fashion Retail businesses.

On a like-for-like basis, excluding currency movements and the effect of acquisitions and disposals, turnover of total continuing businesses was up 3% and operating profit before exceptional items increased by 25%. For the ongoing businesses of Coats and Fashion Retail, the equivalent increases were 5% on turnover and 32% on operating profit before exceptional items.

For the Group, **net interest costs** of £20.1 million were reduced from 1999 (£21.7 million). After stripping out exceptional and one-off items, the net reduction is almost entirely attributable to the net savings arising in respect of the proceeds from disposals.

The **tax effects** of exceptional items and the termination of loss making operations significantly distort the tax rate. Unrelieved tax losses and reorganisation costs in certain territories, particularly the UK, continue to affect the Group's tax position, but their impact has been mitigated through extensive tax planning and as a result the Group's underlying tax rate is now around 30% (45%).

The principal **exchange rates** to sterling used in preparing the financial statements were:

£m		2000	1999
Average	US$	**1.51**	1.62
	Euro	**1.64**	1.52
Year End	US$	**1.49**	1.61
	Euro	**1.59**	1.61

The translation of 1999 overseas turnover and profits at 2000 average rates increased sales by £23 million and operating profit before exceptional items by £4 million.

No employer cash contributions were made to the UK pension plan. During the year an actuarial valuation of the plan was carried out which disclosed a surplus of £222.4 million. The actuaries have recommended that the suspension of employer cash contributions continue until the next valuation. Due to the continuing actuarial surplus of assets in the plan, a net credit of £5.2 million (£4.5 million) is included in the results for the period.

Towards the end of the year the new accounting standard dealing with accounting for FRS17 (Retirement Benefits) was published. This will not become fully effective until the year ending 31 December 2003. This standard will have a material impact on the Group accounts, particularly in the light of the current disposal programme. Until this programme is completed and the implications for the pension plan have been fully reviewed, the Group will continue to follow the existing accounting standard (SSAP 24).

Net **cash inflow** from normal operating activities was £113.2 million (£158.5 million) of which continuing operations accounted for £134.2 million (£143.6 million). There was an increase in net working capital of £41.3 million (reduction £31.6 million) but £22.5 million of the increase related to the discontinued operations. The remainder of the increase related largely to Coats where stocks were increased to support the higher industrial thread sales and the global expansion of the speciality filament thread business. The cash cost of reorganisation was £39.9 million (£40.1 million).

Average **net working capital** during the year was 29.2% of sales (26.2%) and **capital expenditure** in 2000 was:

£m	**2000**	1999
UK	**13.4**	20.0
Overseas	**38.4**	35.6
Total	**51.8**	55.6

With the acceleration of the migration of apparel manufacture from high cost territories and the globalisation of supply chains, the Group spent £51.8 million (of which £9.0 million arose in discontinued operations – 1999 £17.9 million) on upgrading its plant and equipment and expanding its network of service centres.

Reorganisation costs In 2000 reorganisation costs of £34.8 million were incurred or provided, compared with £67.0 million in 1999. Benefits from previous schemes are being achieved and new schemes continue to be accelerated in order to keep pace with the shifts in the marketplace.

Some £16 million of this year's provisions are attributable to Coats, of which some £4 million was incurred in integrating the Barbour Threads businesses, £6 million was incurred in Europe, £5 million in North America and £2.5 million in the UK with a major reorganisation of the European zips business and further reductions in spinning capacity and overheads. Contract Clothing accounted for £12 million prior to the decision to dispose of the business. A full segmental analysis of reorganisation costs is included in note 3 of the Report and Accounts.

Acquisitions and disposals There were no significant acquisitions during the year. Since the year end, however, the Group has agreed to acquire the industrial thread business of Dollfus Mieg et Cie, a French textile group.

As previously reported, the Group sold its Contract Clothing Division to management in December 2000, giving rise to a net loss on disposal of £128.2 million after accounting for £5.3 million of goodwill previously written off on acquisition. While the accounting loss amounted to £128.2 million, the cash cost of the disposal will be around £15 million once all the retained assets are sold.

Gains on other sales and terminations of operations principally relate to the sale of the Indian garments business (£27.6 million) and the sale of certain Viyella brands (£16.5 million).

Review of financial needs and resources Year end net debt at £148.2 million was some £23 million higher than at the end of 1999. Half of the increase related to exchange losses on foreign borrowings and the remainder to the financing of increased levels of working capital. In addition approximately £19 million of the proceeds from the sale of the Indian garments business have been invested in tax efficient instruments which are classified as current asset investments.

These changes together with the reduction in shareholder funds resulting from the loss on disposing of the Contract Clothing Division has increased Group gearing to 21% (16%).

A combination of permanent debt finance, and a prudent combination of committed and uncommitted bank facilities to cover working capital requirements, provide the Group's borrowing facilities. Consequent on the decision to divest the whole of the Viyella businesses, the Group's borrowing facilities were renegotiated to reflect a reduced level of operations. Details of borrowings are provided in note 19 of the Report and Accounts. The Group has facilities at the year end of £415 million (£514 million), of which £220 million (£279 million) were committed. The Group was not in breach of any of its borrowing covenants.

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

The Group's translation exposure in the Profit and Loss account is not hedged. However, the Group's net assets are subject to hedges where it is felt that a currency could have a material impact on Shareholders' funds. At 31 December 2000, after taking into account currency denominated liabilities, approximately 2% of Shareholders' funds is exposed to fluctuations in the Sterling/US dollar exchange rate, and approximately 8% to the Sterling/Euro exchange rate.

Further details are provided in note 19 of the Report and Accounts.

Directors and advisers

Executive Directors

Martin Flower (Aged 54) Chief Executive of the Coats Division. Joined the Group in 1968 after graduating from Oxford University and held various overseas appointments in Venezuela, Peru, Indonesia, Hong Kong and Brazil. Appointed Chief Executive of the Coats Division in 1988 and to the Board of Coats Viyella Plc in 1990. He is a Non Executive Director of Severn Trent Plc.

Mike Hartley (Aged 52) Chief Executive of the Viyella Division. Joined Tootal Group in 1985 and worked in its Clothing business. Joined the Coats Division in 1991 as Strategy Director and held general management appointments overseas in South Africa and the Far East. He was appointed Chief Executive of the Clothing Division in January 1998, Chief Executive of the Viyella Division in June 1998 and to the Board of Coats Viyella Plc in September 1998.

Kazia Kantor (Aged 51) Group Finance Director since October 1998. Qualified at Price Waterhouse and held senior financial positions at Inchcape, Grand Metropolitan and Central Independent Television. She has been a Non Executive Director of Somerfield Plc, British Railways Board and The Manchester Business School.

Non Executive Directors

Sir Harry Djanogly (Aged 62) Appointed a Director in 1985 and Non Executive Chairman in July 1999. He is Non Executive Deputy Chairman of Singer & Friedlander Plc and a Non Executive Director of Carpetright Plc. He is Chairman of the Nomination Committee and a member of the Remuneration and Audit Committees.

Sir Victor Blank (Aged 58) Appointed a Director in 1989 and Senior Independent Non Executive Director in March 1999. Became Non Executive Deputy Chairman in July 1999. He is Chairman of Trinity Mirror PLC, Chairman of The Great Universal Stores PLC, Senior Independent Director of Chubb PLC (formerly Williams PLC) and Chairman of the charity WellBeing. Chairman of the Audit Committee and a member of the Remuneration and Nomination Committees.

Noel Goutard (Aged 69) Appointed a Director in January 2001. He is Honorary Chairman and a Director of Valeo and was Chairman and Chief Executive between 1987 and 2000. He is Chief Executive of NG Investments, a Director of Alcatel and a Partner of LBO France. He is a member of the Audit and Remuneration Committees.

Eduardo Malone (Aged 51) Appointed a Director in January 2001. He is Chairman of Chargeurs and Chairman of the management board of Pathe. He is Vice President of the Textile Manufacturers Institute and a member of the Strategy Board of MEDEF International. He is a Director of Remy Cointreau and a member of the Supervisory Board of Galeries Lafayette. He is a member of the Nomination Committee.

Keith Merrifield (Aged 58) Appointed a Director in September 1996. Director of British Biotech Plc and Boehringer Ingelheim (UK) Ltd. Formerly Director of International Operations for Wellcome PLC. He is Chairman of the Remuneration Committee and a member of the Audit and Nomination Committees.

Blake Nixon (Aged 40) Appointed a Director in January 2001. He has a wide experience of corporate finance in both the UK and Australia. He is UK Executive Director of Guinness Peat Group plc and Chairman of Staveley Industries plc. Other directorships include The Groucho Club London plc. He is a member of the Audit and Nomination Committees.

The Right Hon. the Lord Owen CH (Aged 62) Appointed a Director in 1994. Chairman of Middlesex Holdings Plc. EU negotiator on former Yugoslavia 1992-95. Leader of the SDP 1983-90, Foreign Secretary 1977-79 and MP for Plymouth 1966-92. Director of Abbot Laboratories Inc. He is a member of the Audit, Remuneration and Nomination Committees.

Company Secretary: Christopher Healy

Auditors: Deloitte & Touche

Solicitors: Slaughter & May

Brokers: Cazenove & Co

Directors' report

The Directors present their report and the financial statements for the year ended 31 December 2000.

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

Share capital There was no change in the issued ordinary share capital during the year.

Major shareholdings As at 1 March 2001, the Company was aware of the following persons who were directly or indirectly interested in 3% or more of the Company's issued ordinary share capital:

	Number of Ordinary Shares	Percentage held
RIT Capital Partners Plc*	120,358,136	17.10
Guinness Peat Group Plc	85,731,364	12.18
Chapman International Investments Limited**	42,917,000	6.09
Arlington Capital Investors Limited	24,160,000	3.43

*Includes 63,592,869 ordinary shares held by Finance and Trading Limited who act with RIT Capital Partners Plc under Section 204 of the Companies Act 1985.

**Includes ordinary shares held by Colmar Investment Holdings Limited, The Millennium Trust, The Panda Trust and The Apple Pie Trust under Sections 204 and 205 of the Companies Act 1985.

Acquisitions and disposals Details of acquisitions and disposals during the year are set out in the Financial review on pages 10 to 13.

Review of the business A review of the business during the year and of prospective future developments is contained within the Chairman's statement, Operating review and the Financial review set out on pages 2 and 3 and pages 6 to 13 which constitute an integral part of this Report.

Property The majority of the Group's freehold and long leasehold properties were professionally valued by Healey & Baker at 30 June 1992. Group occupied properties were generally valued on the basis of open market value for existing use, although certain limited parts were valued on the basis of depreciated replacement costs. Those properties held surplus to requirements were valued on the basis of open market value. Since the completion of Healey & Baker's 1992 valuation a number of properties have been sold and, in the Directors' view, the surplus over book value based on the 1992 valuation has now been reduced to around £44 million.

Results and dividends The results of the Group for the year appear in detail on page 25. The preference dividends, amounting to £715,863 (1999 – £715,863) were paid on their due date.

The Directors recommend a final dividend of 1.50p per share. If approved by shareholders, dividends for the year will total 3.0p (1999 – 3.0p). Movements in reserves are set out on pages 49 and 50.

Directors Sir Harry Djanogly, Sir Victor Blank, Messrs Flower, Hartley and Merrifield, Ms Kantor and Lord Owen served as Directors throughout the year. Messrs Malone, Nixon and Goutard were appointed Directors of the Company on 10 January 2001. Ms Kantor and Mr Hartley will retire from the Board on 2 April 2001 and Lord Owen will retire after the AGM on 16 May 2001. Mr Lea will be appointed a Director of the Company on 2 April 2001.

In accordance with the Articles of Association of the Company Sir Harry Djanogly and Mr Merrifield retire by rotation under Article 110 and, being eligible, offer themselves for re-election. Messrs Malone, Nixon, Goutard and Lea also offer themselves for re-election as they have been appointed Directors of the Company since the previous Annual General Meeting of the Company.

Directors' interests The interests of the Directors in the share capital of the Company are shown on page 23.

Coats Viyella 1994 executive share option scheme Options in respect of 250,000 ordinary shares were granted on 11 September 2000 to one eligible executive at a price of 45.75 pence per share.

Coats Viyella sharesave scheme No options over ordinary shares were granted under the sharesave scheme during the year.

Employment practices in the UK Progress has been maintained in ensuring that employment practices and policies continue to match best practice. The need to improve efficiency and performance has necessitated significant structural change leading to further factory closures and headcount reductions. Effective communications have played a major part both in explaining the changes and motivating those remaining. Management training and development activities continued during 2000.

Ethical employment The Group acknowledges throughout the world the ILO's Child Labour Convention, 1999 and Forced Labour Convention, 1957. The Group recognises the right of workers to form and join Trade Unions where applicable. Workers are employed on the basis of their ability to work and not on the basis of their race, individual characteristic, creed or political opinion. The Group seeks to ensure that its suppliers also act fully in conformity with this policy.

It is the Group's policy to offer equal opportunities to disabled persons applying for vacancies and provide them with the same opportunities for employment, training, career development and promotion as are available to all employees, within the limitation of their aptitude and abilities.

Supplier credit It is the Group's policy that its subsidiaries follow the CBI Code of Practice regarding the prompt payment of suppliers. A copy of the Code may be obtained from the CBI. In particular, for all trade creditors it is the Group's policy to agree the terms of payment at the start of business with a supplier, ensure suppliers are aware of the terms of payment and pay in accordance with its contractual and other legal obligations.

As the parent company does not trade, the number of days' credit in 2000 was nil (1999 – nil).

Research and development Resources have continued to be made available for research and development to improve products and processes. Contacts are being maintained and developed with outside institutions and centres of design excellence enabling the Group to maintain a leading position in technology and design.

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

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

Charitable donations Payments of £13,000 (1999 – £15,000) were made to charities during the year.

Auditors A resolution to re-appoint Deloitte & Touche as the Group's auditors and to authorise the Directors to fix their remuneration will be proposed at the forthcoming Annual General Meeting.

Annual General Meeting Attached to this report on pages 59 and 60 is the Notice of Annual General Meeting, which sets out the resolutions for the ordinary and special business of the Annual General Meeting.

Directors' responsibilities for the financial statements
The Directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group as at the end of the financial year and of the profit or loss for that period. It is also the Directors' responsibility to maintain adequate accounting records, safeguard the assets of the Group and take reasonable steps in preventing and detecting fraud and other irregularities.

The Directors confirm that suitable accounting policies consistently applied and supported by reasonable and prudent judgment and estimates, have been used in the preparation of the financial statements and that applicable accounting standards have been followed.

By Order of the Board

Christopher Healy
Company Secretary
6 March 2001

Corporate governance

The Combined Code on Corporate Governance issued by the Financial Services Authority contains 14 principles of good governance applicable to listed companies and the paragraph below together with the Remuneration Report on pages 20 to 23 disclose how these principles are applied within the Group.

Directors The Group is controlled by a Board of Directors, the majority of whose members are Non Executive. All Directors are able to take independent professional advice in furtherance of their duties as necessary. The Board has a formal schedule of matters reserved to it and met eight times during 2000. It is responsible for the overall Group strategy, acquisition and divestment policy, approval of major capital expenditure, reorganisation projects and consideration of significant financing matters. It monitors the exposure to key business risks and reviews the strategic direction of the trading divisions, their annual budgets, their progress towards achievement of those budgets and their capital expenditure programmes. The Board also considers environmental, employee issues and key appointments. It ensures that all Directors receive appropriate training on appointment and then subsequently as appropriate. All Directors, in accordance with the Code, will submit themselves for re-election at least once every three years.

The Board has established a number of standing committees. The principal committees are the Audit Committee, Remuneration Committee and the Nomination Committee.

Relations with shareholders The Group encourages two-way communication with its institutional and private investors and responds quickly to all queries received verbally or in writing. The preliminary and interim results are presented to analysts and other meetings with shareholders are arranged as appropriate. All shareholders have at least 20 working days notice of the Annual General Meeting at which all Directors and Committee Chairmen are introduced and available for questions.

Financial reporting Reviews of the performance of the Divisions and the overall financial position of the Group are included in the Operating review and Financial review on pages 6 to 13. The Board uses this, together with the Chairman's statement on pages 2 and 3 and the Directors' report on pages 15 and 16 to present a balanced and understandable assessment of the Group's position and prospects.

Statement of internal control and risk management The Directors are responsible for the Group's system of internal control and for regularly reviewing its effectiveness. It is recognised that such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

An ongoing process for identifying, evaluating and managing the significant risks faced by the Group has been established. This process has been operational for the period from 6 September 2000 to the date of approval of the Annual Report and Accounts. The process is regularly reviewed by the Board and accords with the Internal Control Guidance for Directors on the Combined Code produced by the Turnbull working party. During the preceding part of the financial year procedures were being established to meet the requirements for the system of internal control determined by the Board.

As part of the establishment of a formal risk management infrastructure to suit the geographically dispersed nature of the Group, key individuals within each of the businesses were identified to act as risk co-ordinators. A series of risk management workshops and interviews were held with business executives to identify the key risks and evaluate them in terms of impact and likelihood. A Group risk management guidance was produced and communicated to management. This included a Group wide risk management policy, an indication of what constitutes an acceptable level of group risk and guidelines on monitoring, sustaining and enhancing the process. Steps are being taken to embed internal control and risk management further into the operations of the business and to deal with areas of improvement which come to management's and the Board's attention.

A Risk Management Committee, comprising the Executive Directors, has been established, reporting directly to the Group Board. The Risk Management Committee is responsible for the co-ordination of Group wide risk management, including the regular review of management risk reports. These quarterly reports include management assertions regarding both the key risks and the effectiveness of the process.

In reviewing the effectiveness of the system of internal control, the Board has received and considered the regular risk reports, including management assertions together with the reports of internal audit.

Internal financial control The Directors are responsible for the Group's system of internal financial control and for reviewing its effectiveness. The key control procedures are described under the following five headings.

Management structure As a large, geographically dispersed multinational business, the Group operates through a divisional structure. Each Division has a board of directors or a management committee which accounts for its performance on a monthly basis through its Chief Executive to the Chairman. Management review meetings are held regularly for each Division at which the Divisions' progress is reviewed and subsequently reported to the Group Board at its next meeting.

Financial reporting There are comprehensive management reporting disciplines which involve the preparation of annual budgets by all operating units. The budgets are successively reviewed by executive management and subsequently passed to the Board for approval. Monthly results are reported against the approved budget and revised forecasts are prepared at quarterly intervals.

Investment appraisals The Group has a clearly defined framework for capital expenditure including appropriate authorisation levels beyond which such expenditure requires the approval of the Board. There is a prescribed format for capital expenditure applications which places high emphasis on the commercial and strategic logic for the investment and demands a high quality financial presentation of the business case. As a matter of routine, projects are also subject to post-investment appraisal after an appropriate period.

Functional reporting The Group has identified a number of key areas which are subject to annual reporting to the Board. These include treasury operations and corporate taxation matters. Other areas given particular emphasis are information management strategy and risk management, the latter including environmental, legal and insurance matters.

Internal audit The internal audit function is carried out by PricewaterhouseCoopers who report to the Finance Director and have access to the Audit Committee on a regular basis. The scope of internal audit covers a wide variety of operational matters and, as a minimum, ensures compliance with the Group's specified standards. The direct reporting route to the Finance Director ensures that appropriate actions are taken and can be reported back to the Audit Committee on a timely basis.

It is the view of the Board that the overall quality of internal financial control across the Group can be related directly to the controls in individual operating units. It is therefore a requirement for the managers of operating units and divisions to confirm in writing the quality of internal financial control in their area. The statements are required in respect of each financial year as part of the year end accounting process and are reported to the Audit Committee.

Audit Committee The Audit Committee, comprising of the Non Executive Directors, has specific terms of reference which set out its authorities and duties. It meets formally at least three times a year with the external and internal auditors. The Committee overviews the monitoring of the adequacy of the Group's internal financial controls, accounting policies and financial reporting and provides a forum through which the Group's external and internal auditors report to the Non Executive Directors. This forum may take place in private without the presence of an Executive Director.

Going concern basis After making enquiries, the Directors have formed a judgment that at the time of approving the financial statements, there is a reasonable expectation that the Group has sufficient resources to continue in operational existence for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements. This Statement also forms part of the Operating review and Financial review.

Environmental management The Group requires local management in its international businesses to take responsibility for environmental performance, within the framework of the Group's Environmental Policy, defined standards and procedures. This Policy is published on our website, together with further details of our approach to environmental management and achievements of individual businesses.

Communication networks and action groups are in place across the Group to assist implementation of the Policy, monitor issues and performance, and exchange best practice.

Units prepare an annual self-assessed audit report, covering environmental management systems (EMS), emissions, energy and resources management, compliance, targeted action plan, customer issues and external interests. These are evaluated for reliability by the Group's external auditors on a sample basis. The results, for the 92 units completing the 2000 self assessment are summarised on the Company's website. Progress has been made in achieving Group defined levels of performance in key areas of environmental management.

Five environmental incidents, leading to action by regulatory authorities, were reported to the Group. These did not result in prosecution and no significant adverse environmental effects resulted. Action has been taken to prevent reoccurrence.

This statement and a representative sample of self assessed audits, have been reviewed by Deloitte & Touche, Environmental Consultants.

Their verification opinion statement will be available on the Company's website.

Compliance statement

Throughout the year ended 31 December 2000 the Group has been in compliance with the Code provisions set out in Section 1 of the Combined Code on Corporate Governance issued by the Financial Services Authority.

Report by the Board on Directors' Remuneration

The Remuneration Committee The Remuneration Committee is chaired by Mr Merrifield and acknowledges the principles and provisions relating to Directors' remuneration contained in the Code. During 2000, he and Sir Harry Djanogly, Lord Owen and Sir Victor Blank were members of the Remuneration Committee and are independent Non Executive Directors. The Committee maintains overall responsibility for the development and effective implementation of senior management remuneration policies as well as approving the individual salaries and packages of the Board and other senior executives. The Committee has access to professional advice from inside and outside the Group as well as to detailed information about the remuneration practices of companies of similar size and international spread and of industry competitors. No Director plays a part in any discussion about his or her own remuneration.

The Group has sought to build a performance led culture and, accordingly, its remuneration and benefits policies are constructed to support the principle of rewards related to achievement. The Group's success is dependent on senior management motivated by the opportunity both to pursue a varied and challenging career and to benefit from a fairly based and competitive remuneration package.

Remuneration package The Group's Executive Directors received a basic salary and were eligible to receive an annual bonus pursuant to the Senior Management Performance Plan. The level of basic salary is determined by the Remuneration Committee prior to April each year or when an individual changes position or responsibility.

Bonuses possible under the Senior Management Performance Plan consider factors including achieving budget for operating profit and return on capital employed. In addition the Remuneration Committee is empowered to award additional bonuses at its discretion. Details of bonuses paid to Directors for 2000 are disclosed on page 22.

A Long Term Incentive Plan introduced in 1995 for senior managers did not result in the allocation of any shares as performance targets were not achieved. During the year no shares for use under the Long Term Incentive Plan were purchased by the employee benefits trust which administers the funds allocated to the Group's subsidiaries. The Trust held 1,012,907 ordinary shares as at 31 December 2000 and the market value of these shares was £389,969 (1999 – £420,356).

Under the terms of the 1994 Executive Share Option Scheme, the Remuneration Committee may grant options to Directors and a wide group of senior management at the market price prevailing at the time of grant. Options are exercisable not less than three and not more than ten years after the grant. The exercise of options granted under this Scheme is dependent upon growth in the Group's earnings per share exceeding by 2% the increase in the retail price index during the three year period following grant. During the year no options were granted to Directors under the Scheme. It is the Group's policy ordinarily to grant options under the Scheme on a staged basis.

The Executive Share Option Scheme and the Long Term Incentive Plan are designed to emphasise the correlation of interests of shareholders, Directors and senior management.

Executive Directors' pension arrangements All Executive Directors are members of the Group pension plan which is contributory and is approved by the Inland Revenue. Their dependants are eligible for dependants' pensions and the payment of a lump sum in the event of death in service. The Group pension plan has been established for many years and normally provides for a pension on retirement at the age of 60 of up to two-thirds of final basic salary. This may be increased within Inland Revenue limits where qualifying pensionable service exceeds 30 years in which case remuneration in addition to basic salary may be taken into account.

Where a Directors' benefits from the Group scheme are restricted by revenue limits, as is the case in respect of Ms Kantor, the Group increases pension and death benefits to the level that would otherwise have applied through the mechanism of an unfunded unapproved retirement benefit scheme. The pension costs of unfunded unapproved arrangements are charged over their estimated service lives based upon actuarial advice.

There have been no changes in the terms of Directors' pension entitlements during the year.

Other benefits Executive Directors receive benefits including medical insurance and company car benefits in line with competitive practice. The value of such benefits is set out on page 22.

Executive Directors' contracts Executive Directors currently have contracts expiring on 12 months' notice. On appointment from outside the Group, however, a new Director may be entitled to a contract with an initial notice period of 24 months reducing to 12 months at the end of the first year of service. The Group may be obliged to pay the unexpired portion of a Director's contract, if it is terminated early. The Group's personnel policies relating to its UK based senior management include guidelines on redundancy payments, which reflect the length of service of the redundant employee. These guidelines would also apply to any Director made redundant. Mr Flower has 33 years' service with the Group and the maximum benefit payable to him under the guidelines, inclusive of any entitlement under his service contract, would not exceed two years' basic salary. Executive Directors' contracts of service will be available for inspection at the Annual General Meeting.

External appointments Subject to Board approval and the reasonableness of demands on their time, Executive Directors may assume membership of up to two other boards on the basis that the Director concerned may retain any fees earned by him/her.

Non Executive Directors The remuneration of the Non Executive Directors is determined by the Board and is based upon independent surveys of fees paid to Non Executive Directors of similar companies. The Non Executive Directors do not have contracts of service with the Company and are not members of the Pension Plan. Sir Harry Djanogly is entitled to benefits including medical insurance and company car benefits. Details of Non Executive Directors' remuneration are disclosed in the table of Directors' remuneration set out on page 22.

The Remuneration Committee has determined that there are no special circumstances giving rise to a need to invite shareholders to vote on any resolution concerning remuneration at this year's Annual General Meeting. The Chairman of the Committee will, however, be available to answer questions on any aspect of the remuneration policy at the Annual General Meeting.

For and on behalf of the Remuneration Committee
K J Merrifield

Directors' salaries for year ended 31 December 2000

	Salaries/fees		Taxable benefits		Performance related bonuses		Total	
	£'000 2000	£'000 1999	**£'000 2000**	£'000 1999	**£'000 2000**	£'000 1999	**£'000 2000**	£'000 1999
Sir Harry Djanogly	**125**	99	**20**	24	**–**	–	**145**	123
M C Flower	**300**	250	**16**	12	**174**	71	**490**	333
M G Hartley	**250**	225	**16**	11	**167**	9	**433**	245
K T Kantor	**250**	240	**25**	15	**250**	56	**525**	311
Sir Victor Blank	**20**	20	**–**	–	**–**	–	**20**	20
K J Merrifield	**20**	20	**–**	–	**–**	–	**20**	20
Lord Owen	**20**	20	**–**	–	**–**	–	**20**	20
Former Directors	**–**	217	**–**	38	**–**	157	**–**	412
Total	**985**	1,091	**77**	100	**591**	293	**1,653**	1,484

Notes

1. The figures set out above related only to the period of each Director's membership of the Board.
2. Emoluments are paid in the same financial year with the exception of bonuses, which are paid in the year following that in which they are earned.

Directors' pension entitlements	Increase in accrued pension entitlement during 2000 (Note 2) £ pa	Total accrued pension entitlement at 31 Dec 2000 £ pa	Transfer value of increase in accrued pension entitlements during 2000 (Note 3) £
M C Flower	**30,280**	**174,530**	**571,240**
M G Hartley	**31,290**	**113,866**	**559,330**
K T Kantor	**12,270**	**25,610**	**217,600**

Notes to pension benefits

1. The pension entitlement shown is that which would be paid annually on retirement based on service at the end of the year.
2. The increase in accrued pension during the year excludes any increase for inflation.
3. The transfer value has been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Notes GN11 less Director's contributions and includes the cost of death in service cover and salary continuance protection.
4. Members of the Plan have the option to pay Additional Voluntary Contributions. The figures in the table above do not include allowance for benefits produced by AVCs, nor has the transfer value been adjusted in respect of AVCs.

Directors' interests	Ordinary Shares 31 December 2000	31 December 1999
Sir Harry Djanogly	**1,292,207**	1,292,207
M C Flower	**84,502**	34,502
M G Hartley	**64,780**	57,039
K T Kantor	**–**	–
Sir Victor Blank	**124,094**	124,094
K J Merrifield	**30,000**	30,000
Lord Owen	**1,417**	1,417

In 1992, the Company, through a subsidiary, acquired a joint interest in a property with Mr Flower on his taking permanent residence in England. The subsidiary's investment was £180,000. Under the agreement Mr Flower has the option to purchase the Group's interest at market value. The Group's investment was reduced to £75,000 in January 1994 following partial exercise of Mr Flower's option.

None of the Directors has or had any interest in the preference share capital of the Company or of the shares of any of its subsidiaries.

Details of Directors' executive share options are as follows:

Director	Number of Options At 1 Jan 2000	Granted in year	Lapsed	At 31 Dec 2000	Weighted average exercise price	Range of dates from which exercisable	Range of expiry dates
M C Flower							
Options granted							
since 01/01/98	**720,800**	–	–	**720,800**	42.00p	29/03/01	29/03/08
Options granted						15/10/94-	15/10/01-
prior to 01/01/98	**376,050**	–	–	**376,050**	185.41p	17/03/00	17/03/07
SAYE	**11,660**	–	**4,423**	**7,237**			
	1,108,510	–	**4,423**	**1,104,087**			
M G Hartley							
Options granted	**776,666**		–	**776,666**	34.92p	21/10/01-	21/10/08-
since 01/01/98						29/03/02	29/03/09
Options granted		–	–			15/10/94-	15/10/01-
prior to 01/01/98	**151,543**			**151,543**	185.97p	17/03/00	17/03/07
SAYE	**8,863**	–	**8,863**	–			
	937,072	–	**8,863**	**928,209**			
K T Kantor							
Options granted	**1,757,185**	–	–	**1,757,185**	36.44p	21/10/01-	21/10/08-
since 01/01/98						29/03/02	29/03/09
			–				
	1,757,185	–	–	**1,757,185**			
Totals	**3,802,767**	–	**13,286**	**3,789,481**			

The market price of the Group's shares at 31 December 2000 was 38.50p (1999 – 41.5p) and the range during the year was 37.75p to 62.50p.

Auditors' report to the members of Coats Viyella Plc

We have audited the financial statements on pages 25 to 56 which have been prepared under the accounting policies set out on pages 29 and 30.

Respective responsibilities of Directors and auditors

The Directors are responsible for preparing the Annual Report, including as described on page 16 the preparation of financial statements which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, the UK Listing Authority, and by our profession's ethical guidance.

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

We review whether the corporate governance statement on pages 17 to 19 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the UK Listing Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all the risks and controls or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures. We read the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2000 and of the loss of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche
Chartered Accountants and Registered Auditors
Manchester
6 March 2001

Consolidated profit and loss account

For the year ended 31 December 2000	Notes	2000 Before exceptional items £m	2000 Exceptional items £m	2000 Total £m	1999 Before exceptional items £m	1999 Exceptional items £m	1999 Total £m
Turnover	1&2						
Continuing operations		1,167.0	–	1,167.0	1,048.9	–	1,048.9
Discontinuing operations		197.3	–	197.3	213.7	–	213.7
Total continuing operations		1,364.3	–	1,364.3	1,262.6	–	1,262.6
Discontinued operations		231.8	–	231.8	416.9	–	416.9
		1,596.1	–	1,596.1	1,679.5	–	1,679.5
Cost of sales	1&3	(1,039.7)	(34.8)	(1,074.5)	(1,119.8)	(67.0)	(1,186.8)
Gross profit		556.4	(34.8)	521.6	559.7	(67.0)	492.7
Distribution costs	1	(330.6)	–	(330.6)	(332.8)	–	(332.8)
Administrative expenses	1&3	(128.0)	(1.5)	(129.5)	(141.7)	(10.1)	(151.8)
Other operating income	1&3	8.3	–	8.3	7.5	–	7.5
Operating profit	1,2&3	106.1	(36.3)	69.8	92.7	(77.1)	15.6
Continuing operations		104.8	(21.5)	83.3	72.1	(56.6)	15.5
Discontinuing operations		10.0	(3.1)	6.9	12.9	(7.7)	5.2
Total continuing operations		114.8	(24.6)	90.2	85.0	(64.3)	20.7
Discontinued operations		(8.7)	(11.7)	(20.4)	7.7	(12.8)	(5.1)
Share of operating profits/(losses) of associated companies		0.6	–	0.6	(0.4)	–	(0.4)
Profit on sale of fixed assets of continuing operations		–	2.0	2.0	–	2.9	2.9
Profit on sale of fixed assets of discontinued operations		–	2.5	2.5	–	0.2	0.2
Gains/(losses) on sale or termination of continuing operations		–	15.9	15.9	–	(30.9)	(30.9)
(Losses)/gains on sale or termination of discontinued operations		–	(100.6)	(100.6)	–	114.7	114.7
(Loss)/profit on ordinary activities before interest		106.7	(116.5)	(9.8)	92.3	9.8	102.1
Amounts written off investments				–			(16.8)
Interest receivable and similar income	6			8.5			12.1
Interest payable and similar charges	7			(28.6)			(33.8)
(Loss)/profit on ordinary activities before taxation				(29.9)			63.6
Tax on (loss)/profit on ordinary activities	8			(17.4)			(31.3)
(Loss)/profit on ordinary activities after taxation				(47.3)			32.3
Equity minority interests				(14.8)			(3.0)
(Loss)/profit for the financial year	9			(62.1)			29.3
Preference dividends on non-equity shares				(0.7)			(0.7)
(Loss)/profit attributable to ordinary shareholders				(62.8)			28.6
Ordinary dividends on equity shares	10			(21.1)			(21.1)
Transferred (from)/to reserves	24			(83.9)			7.5
Basic (loss)/earnings per ordinary share of 20p	11			(8.9)p			4.1p
Diluted (loss)/earnings per ordinary share of 20p	11			(8.9)p			4.1p
Headline earnings/(loss) per ordinary share of 20p	11			3.8p			(4.3)p

Movements in reserves appear on pages 49 and 50. The notes on pages 31 to 56 form part of these accounts.

Balance sheets

At 31 December 2000	Notes	Group 2000 £m	Group 1999 £m	Company 2000 £m	Company 1999 £m
Fixed assets					
Goodwill	21	**58.4**	56.9	–	–
Tangible assets	12	**421.6**	476.9	–	–
Investments	13	**5.0**	6.3	**2,076.1**	1,419.8
		485.0	540.1	**2,076.1**	1,419.8
Current assets					
Stocks	14	**304.2**	340.5	–	–
Debtors due within one year	15	**314.5**	297.8	**22.2**	10.8
Debtors due in more than one year	15	**197.9**	207.3	–	7.2
Investments	16	**20.2**	1.4	–	–
Cash at bank and in hand	19	**106.8**	144.1	**20.5**	47.9
		943.6	991.1	**42.7**	65.9
Less:					
Creditors – amounts falling due within one year					
Bank overdrafts	19	**31.5**	23.2	**14.6**	11.3
Other creditors	17	**432.1**	393.5	**149.2**	46.6
		463.6	416.7	**163.8**	57.9
Net current assets/(liabilities)		**480.0**	574.4	**(121.1)**	8.0
Total assets less current liabilities		**965.0**	1,114.5	**1,955.0**	1,427.8
Creditors – amounts falling due after more than one year					
Other creditors	18	**(41.4)**	(150.5)	**(1,045.2)**	(540.5)
Convertible debt	18	**(60.1)**	(59.9)	**(60.1)**	(59.9)
		(101.5)	(210.4)	**(1,105.3)**	(600.4)
Provisions for liabilities and charges	20	**(151.6)**	(128.1)	**(4.1)**	(4.0)
Net assets		**711.9**	776.0	**845.6**	823.4
Capital and reserves					
Equity share capital	22	**140.7**	140.7	**140.7**	140.7
Non-equity share capital	22	**14.6**	14.6	**14.6**	14.6
Called up share capital		**155.3**	155.3	**155.3**	155.3
Share premium account	23	**206.5**	206.5	**206.5**	206.5
Other reserves	23	**128.4**	124.0	**35.6**	35.6
Profit and loss account	24	**143.4**	223.1	**448.2**	426.0
Shareholders' funds		**633.6**	708.9	**845.6**	823.4
Equity minority interests	26	**78.3**	67.1	–	–
Total capital employed		**711.9**	776.0	**845.6**	823.4

Approved by the Board on 6 March 2001 Sir Harry Djanogly, Director
K Kantor, Director

The notes on pages 31 to 56 form part of these accounts

Cash flow statement

For the year ended 31 December 2000	Notes	2000 £m	1999 £m
Net cash inflow from operating activities	32	**73.3**	118.4
Returns on investments and servicing of finance			
Interest received		**5.4**	9.0
Interest paid		**(21.9)**	(25.1)
Cost of financing convertible debt		**(3.8)**	(4.5)
Interest element of finance lease rental payments		**(2.3)**	(3.4)
Income from investments		**0.9**	0.5
Preference dividends paid		**(0.7)**	(0.7)
Dividends paid to minority shareholders		**(4.5)**	(4.5)
Net cash outflow for returns on investments and servicing of finance		**(26.9)**	(28.7)
Taxation		**(14.1)**	(19.6)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		**(51.7)**	(57.4)
Purchase of fixed asset investments		**(0.1)**	–
Sale of tangible fixed assets		**19.5**	17.6
Sale of fixed asset investments		**1.3**	10.1
Sale and leaseback of plant and machinery		**–**	0.5
Net cash outflow for capital expenditure and financial investment		**(31.0)**	(29.2)
Acquisitions and disposals			
Purchase of subsidiary undertakings	32	**(3.7)**	(77.1)
Net cash acquired with subsidiaries		**–**	2.5
Sale of subsidiary undertakings	32	**34.1**	293.2
Net overdrafts/(cash) disposed with subsidiaries		**1.9**	(15.4)
Sale of businesses held for resale	32	**0.5**	2.2
Net cash inflow for acquisitions and disposals		**32.8**	205.4
Equity dividends paid		**(21.1)**	(10.6)
Management of liquid resources			
Decrease/(increase) in short term deposits		**18.1**	(16.4)
Purchase of current asset investments		**(46.5)**	–
Sale of current asset investments		**27.2**	–
Net cash (outflow) from management of liquid resources		**(1.2)**	(16.4)
Financing			
(Decrease) in borrowings	32	**(33.7)**	(202.0)
Net cash (outflow) from financing		**(33.7)**	(202.0)
(Decrease)/increase in cash	32	**(21.9)**	17.3
Reconciliation of net cash flow to movement in net debt			
(Decrease)/increase in cash		**(21.9)**	17.3
Cash outflow from change in debt and lease financing		**33.7**	202.0
Cash (inflow)/outflow from change in short term deposits		**(18.1)**	16.4
Change in net debt resulting from cash flows		**(6.3)**	235.7
New finance leases		**–**	(0.8)
Loan notes issued in respect of acquisitions		**–**	(4.2)
Loans and finance leases acquired with subsidiaries		**0.2**	(32.7)
Loans and finance leases disposed with subsidiaries		**0.2**	11.4
Other		**(0.2)**	–
Exchange		**(17.0)**	(13.7)
(Increase)/decrease in net debt		**(23.1)**	195.7
Net debt at 1 January		**(125.1)**	(320.8)
Net debt at 31 December	32	**(148.2)**	(125.1)

Analysis of free cash flow

For the year ended 31 December 2000	2000 £m	1999 £m
Net cash inflow from operating activities	**73.3**	118.4
Returns on investments and servicing of finance	**(26.9)**	(28.7)
Tax paid	**(14.1)**	(19.6)
Capital expenditure and financial investment	**(31.0)**	(29.2)
Free cash flow	**1.3**	40.9

Statement of total recognised gains and losses

For the year ended 31 December 2000	2000 £m	1999 £m
(Loss)/profit for the financial year	**(62.1)**	29.3
Currency translation differences on foreign currency net investments	**3.3**	(12.6)
Total recognised gains and losses relating to the year	**(58.8)**	16.7

Reconciliation of movements in shareholders' funds

For the year ended 31 December 2000	2000 £m	1999 £m
(Loss)/profit for the financial year	**(62.1)**	29.3
Dividends	**(21.8)**	(21.8)
	(83.9)	7.5
Other recognised gains and losses relating to the year	**3.3**	(12.6)
Goodwill written – off relating to prior year acquisitions	**–**	(1.0)
Goodwill attributable to businesses sold or terminated	**5.3**	74.6
Net (reduction of)/addition to shareholders' funds	**(75.3)**	68.5
Opening shareholders' funds	**708.9**	640.4
Closing shareholders' funds	**633.6**	708.9
Equity shareholders' funds	**619.0**	694.3
Non-equity shareholders' funds	**14.6**	14.6
	633.6	708.9

Statement of accounting policies

Basis of accounting

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

Consolidation and results

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

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

Acquisitions and disposals

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

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

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

As a matter of accounting policy, goodwill written off directly to reserves prior to 1 January 1998 remains written off against reserves.

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

The profit or loss on the disposal of a previously acquired business reflects the attributable amount of purchased goodwill relating to that business.

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

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the year end or related forward contract rates. Trading results are translated at the average rates of exchange for the year after eliminating the effects of hyper-inflation in certain countries by using an appropriate stable currency as the functional currency for operations in these countries. Profits and losses on exchange arising in the normal course of trading and realised exchange differences arising on the conversion or repayment of foreign currency borrowings are dealt with in the profit and loss account. Unrealised exchange differences arising on the translation of overseas net assets and matched long term foreign currency borrowings or forward exchange contracts are taken direct to reserves.

Turnover

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

Exceptional items

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

Grants

Revenue based grants are credited against related expenditure.

Operating lease rentals

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

Research and development expenditure

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

Pensions and other post retirement benefits

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

In accordance with SSAP24; Accounting for Pension Costs, pension costs incurred in the Group's UK and US defined benefit plans are charged to the profit and loss account over the anticipated working lives of the pension plan members currently in service.

In other overseas countries, pension and other retirement benefits are provided for in a number of ways. The Directors are satisfied that, in relation to legal requirements and established accounting practice, other overseas pension obligations are, in aggregate. adequately provided and that, in relation to material overseas pension plans, the accounting treatment complies with the requirements of SSAP24. Full provision has been made for the current actuarial liability for US post-retirement benefits.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation and, where appropriate, provision for impairment or estimated losses on disposal. Depreciation is provided to write off the cost of the assets by equal instalments over their expected useful lives. The rates used are:

Freehold and long leasehold land	Nil	Motor vehicles	20%
Freehold and long leasehold buildings	2%	Electronic office equipment	20% to 25%
Short leasehold property	Over period of lease	All other plant and machinery	5% to 25%

Assets held under finance leases are included in tangible fixed assets at a value equal to the original cost incurred by the lessor less depreciation, and obligations to the lessor are shown as part of creditors. The interest element is charged to profit and loss account under the reducing balance method. During the year the Group implemented FRS15 "Tangible Fixed Assets". There has been no impact on the current year or prior year numbers as a result of its implementation.

Investments

Fixed asset investments are stated at cost unless, in the opinion of the Directors, there has been an impairment, in which case an appropriate adjustment is made.

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

Associated companies

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

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

Stocks

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

Provisions

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

Deferred taxation

Provision is made for taxation liabilities which, under current legislation, are expected to crystallise in the foreseeable future. Unrelieved advance corporation tax is carried forward only when it can be set against provisions for taxation or to the extent recoverable against tax liabilities in respect of the following period. No provision is made for taxation that would arise on the remittance of retained profits by overseas subsidiaries and associated companies subsequent to the balance sheet date as there is no present intention to remit these retained profits.

Capital instruments

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

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

Reporting the substance of transactions

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

Liquid resources

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

Notes to the accounts

1 Continuing and discontinued operations and acquisitions

	2000			1999		
	Continuing £m	**Discontinued £m**	**Total £m**	Continuing £m	Discontinued £m	Total £m
Turnover	**1,364.3**	**231.8**	**1,596.1**	1,262.6	416.9	1,679.5
Cost of sales	**865.9**	**208.6**	**1,074.5**	836.4	350.4	1,186.8
Net operating expenses						
Distribution costs	**299.4**	**31.2**	**330.6**	284.2	48.6	332.8
Administrative expenses	**116.5**	**13.0**	**129.5**	128.1	23.7	151.8
Other operating income (note 3)	**(7.7)**	**(0.6)**	**(8.3)**	(6.8)	(0.7)	(7.5)
Total	**408.2**	**43.6**	**451.8**	405.5	71.6	477.1
Operating profit	**90.2**	**(20.4)**	**69.8**	20.7	(5.1)	15.6
Profit on sale of fixed assets	**2.0**	**2.5**	**4.5**	2.9	0.2	3.1
	2.0	**2.5**	**4.5**	2.9	0.2	3.1
Sale or termination of operations:						
Losses	**(0.6)**	**(128.2)**	**(128.8)**	(30.9)	–	(30.9)
Gains	**16.5**	**27.6**	**44.1**	–	114.7	114.7
	15.9	**(100.6)**	**(84.7)**	(30.9)	114.7	83.8

On 4 December 2000, the Group completed the sale of substantially the whole of its Contract Clothing Division to management. A net loss of £128.2 million arose in respect of this disposal after accounting for £5.3 million of goodwill previously written off on the acquisition of the businesses comprising that Division. There was a net cash outflow during the year of £15.6 million in respect of this disposal.

In accordance with FRS3, the results of the Contract Clothing businesses for the 11 months to the date of disposal have been shown as discontinued and prior year figures have been restated accordingly.

The gain on sale of discontinued operations of £27.6 million relates to the gain on disposal of the Garments Division of the Group's Indian subsidiary, Madura Coats Ltd, which was completed in January 2000 and was referred to in last year's Annual Report.

Gains on sale of continuing operations include the sale of certain brands, particularly Ladybird which was sold to Woolworths Plc. The loss on sale of continuing operations mainly relates to the sale of the former Barbour Threads Inc. non-thread businesses at Anniston in the USA.

Acquisitions

All acquisitions during the year have been accounted for using the acquisition method. There were no significant acquisitions during the year, the principal cost of acquisition relating to the purchase of the 25% minority interest in a USA crafts subsidiary.

2 Analysis of turnover, operating profit and net assets	Turnover 2000 £m	Turnover 1999 £m	Operating profit 2000 £m	Operating profit 1999 £m	Net assets 2000 £m	Net assets 1999 £m
Product category:						
Industrial	**646.8**	535.8	**64.9**	43.2	**487.8**	441.8
Crafts	**319.5**	312.1	**38.4**	31.0	**129.1**	122.7
Thread	**966.3**	847.9	**103.3**	74.2	**616.9**	564.5
India – Other Textiles	**52.2**	55.8	**(3.0)**	(2.4)	**32.0**	37.3
Fashion Retail	**148.5**	145.2	**4.7**	0.7	**52.1**	64.2
Continuing operations	**1,167.0**	1,048.9	**105.0**	72.5	**701.0**	666.0
Branded Clothing	**54.4**	56.8	**6.5**	6.4	**11.3**	16.9
Home Furnishings	**142.9**	156.9	**3.5**	6.5	**47.8**	55.2
Discontinuing operations	**197.3**	213.7	**10.0**	12.9	**59.1**	72.1
Corporate	**–**	–	**(0.2)**	(0.4)	**74.0**	55.5
Total continuing operations	**1,364.3**	1,262.6	**114.8**	85.0	**834.1**	793.6
Contract Clothing	**231.8**	305.6	**(8.7)**	(0.7)	**0.8**	94.6
Precision Engineering	**–**	75.9	**–**	5.4	**–**	–
India Garments	**–**	35.4	**–**	3.0	**–**	5.2
Discontinued operations	**231.8**	416.9	**(8.7)**	7.7	**0.8**	99.8
	1,596.1	1,679.5	**106.1**	92.7	**834.9**	893.4
Reorganisation costs and impairment of fixed assets			**(34.8)**	(67.0)		
Other exceptional items			**(1.5)**	(10.1)		
Operating profit			**69.8**	15.6		
Other items			**(80.2)**	86.9		
(Loss)/profit before interest and associated companies			**(10.4)**	102.5		

Note

Businesses in the process of disposal following the announcement of 6 September 2000 have been shown separately as discontinuing operations in the table above.

2 Analysis of turnover, operating profit and net assets (continued)	Turnover 2000 £m	Turnover 1999 £m	Operating profit 2000 £m	Operating profit 1999 £m	Net assets 2000 £m	Net assets 1999 £m
Geographical analysis by location:						
United Kingdom	**344.0**	347.6	**15.6**	4.2	**259.1**	266.9
Rest of Europe	**286.1**	288.3	**18.8**	14.0	**89.6**	101.7
North America	**360.5**	308.1	**43.1**	40.6	**244.9**	199.4
South America	**103.1**	90.5	**8.7**	7.5	**71.2**	69.9
Africa, Asia, Australasia	**270.6**	228.1	**28.6**	18.7	**169.3**	155.7
Total continuing operations	**1,364.3**	1,262.6	**114.8**	85.0	**834.1**	793.6
Discontinued operations	**231.8**	416.9	**(8.7)**	7.7	**0.8**	99.8
Associated companies	**–**	–	**–**	–	**3.1**	3.1
	1,596.1	1,679.5	**106.1**	92.7	**838.0**	896.5
Reorganisation costs and impairment of fixed assets			**(34.8)**	(67.0)		
Other exceptional items			**(1.5)**	(10.1)		
Operating profit			**69.8**	15.6		
Other items			**(80.2)**	86.9		
(Loss)/profit before interest and associated companies			**(10.4)**	102.5		
Net debt					**(148.2)**	(125.1)
Other fixed and current asset investments					**22.1**	4.6
Net assets per consolidated balance sheet					**711.9**	776.0
The geographical analysis of discontinued operations by location was:						
United Kingdom	**217.8**	296.2	**(7.4)**	(0.9)	**1.0**	84.4
Rest of Europe	**13.9**	27.4	**–**	2.5	**(0.2)**	1.4
North America	**–**	52.5	**–**	3.5	**–**	–
South America	**–**	1.0	**–**	(0.6)	**–**	–
Africa, Asia, Australasia	**0.1**	39.8	**(1.3)**	3.2	**–**	14.0
	231.8	416.9	**(8.7)**	7.7	**0.8**	99.8

Note

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

3 Operating profit

	2000 £m	1999 £m
Operating profit is stated after charging:		
Depreciation – Owned assets	**52.8**	55.4
– Leased assets	**3.1**	4.7
Amortisation of goodwill	**3.0**	1.2
Reorganisation costs	**31.7**	46.9
Impairment of fixed assets	**3.1**	20.1
Other exceptional items	**1.5**	10.1
Hire of plant and machinery	**7.0**	8.5
Other operating lease rentals	**22.9**	21.2
Research and development expenditure	**2.6**	3.7
Directors' remuneration (note 4)	**1.7**	1.5
Auditors' remuneration – Audit fees	**1.8**	2.0
– Non audit related fees – UK	**1.7**	0.4
– Overseas	**0.1**	0.1
and after crediting other operating income:		
Rental income net of expenses	**0.9**	1.2
Royalties and licensing income	**5.0**	4.6
Credit card income	**1.7**	1.7
Exchange gain	**0.7**	–
	8.3	7.5
Product category analysis of reorganisation costs and impairment of fixed assets		
Industrial	**14.3**	28.6
Crafts	**2.1**	12.6
Thread	**16.4**	41.2
Other Indian Businesses	**2.0**	2.9
Fashion Retail	**1.8**	0.6
Continuing operations	**20.2**	44.7
Branded Clothing	**0.7**	0.2
Home Furnishings	**2.4**	7.5
Discontinuing operations	**3.1**	7.7
Corporate	**–**	1.8
Total continuing operations	**23.3**	54.2
Discontinued operations	**11.5**	12.8
Total	**34.8**	67.0
Analysis of other exceptional items		
Loss net of estimated recoveries arising from accounting irregularities in a US subsidiary	**0.6**	5.6
Provision for onerous leaseholds	**–**	4.6
Abortive disposal and demerger costs	**0.7**	(0.2)
US legal restructuring costs	**0.2**	–
Pension refund from discontinued scheme	**–**	0.1
Total	**1.5**	10.1

4 Directors' emoluments

	2000 £'000	1999 £'000
Aggregate emoluments	1,653	1,484
Gains made on exercise of share options	–	–
	1,653	1,484
Compensation for loss of office	–	–
Total	1,653	1,484

Disclosures required by the Companies Act 1985 on Directors' remuneration, including salaries, performance-related bonuses, share options, pension contributions and pension entitlements, and those specified for audit by the UK Listing Authority, are on pages 20 to 23 within the Report by the Board on Directors' Remuneration and form part of these financial statements.

5 Employees

	2000 Number	1999 Number
The average numbers employed by the Group during the year were:		
Direct	28,928	32,103
Indirect	6,648	7,359
Staff	14,370	15,640
	49,946	55,102
Comprising:		
UK	13,231	16,328
Overseas	36,715	38,774
	49,946	55,102
The total numbers employed at the end of the year were:		
UK	8,394	15,307
Overseas	33,812	36,833
	42,206	52,140

The costs incurred in respect of these employees were:	£m	£m
Wages and salaries	414.6	438.5
Social security costs	44.2	47.0
Pension credits (note 30)	(13.1)	(11.1)
Other pension costs (note 30)	9.1	10.0
	454.8	484.4

6 Interest receivable and similar income

	2000 £m	1999 £m
Interest receivable	8.4	10.5
Termination of interest rate swaps	–	1.5
Gain on redemption of convertible bonds	–	0.2
Income from other fixed and current asset investments	0.9	0.6
(Loss) on sale of other fixed and current asset investments	(0.1)	–
Gross interest receivable and similar income	9.2	12.8
Less: credit card interest transferred to other operating income	(0.7)	(0.7)
	8.5	12.1

7 Interest payable and similar charges	2000 £m	1999 £m
Debentures	–	0.1
Loans	**12.0**	16.1
Bank overdrafts and other borrowings	**9.9**	8.9
Discounting interest re onerous leasehold provisions	**0.2**	0.2
Finance leases	**2.3**	3.4
	24.4	28.7
Cost of financing convertible debt (note 18)	**3.9**	4.6
Share of net interest payable of associated companies	**0.3**	0.5
Total interest payable and similar charges	**28.6**	33.8
The above interest includes interest on borrowings not repayable in full within five years of:	**4.6**	4.8

8 Tax on profit on ordinary activities		2000 £m		1999 £m
UK taxation based on profit for the year:				
Corporation tax at 30% (1999 – 30.25%)		**8.3**		20.7
Double taxation relief		**(8.3)**		(14.6)
Deferred taxation		**1.7**		0.5
Tax on franked investment income		–		–
Advance corporation tax		–		(6.1)
Advance corporation tax written off as a result of change in legislation		–		–
Prior year adjustments – Corporation tax	**2.6**		0.1	
Deferred taxation	**1.1**		(1.6)	
Advance corporation tax	**(2.6)**		(0.6)	
		1.1		(2.1)
		2.8		(1.6)
Overseas taxation:				
Current taxation		**12.3**		30.3
Deferred taxation		**2.2**		2.5
		17.3		31.2
Associated companies taxation		**0.1**		0.1
		17.4		31.3

Excluding advance corporation tax movement, the UK charge for the year has been increased/(decreased) by:	2000 £m	1999 £m
Losses forward and capital allowances not dealt with in the deferred tax provision	**6.8**	11.9
Profit on sale of fixed assets and shares in subsidiary companies covered by reliefs	–	(0.3)
Transitional relief for foreign exchange gains/losses	**(0.7)**	(0.7)

Other factors resulting in a tax charge disproportionate to the UK tax rate of 30% (1999 – 30.25%) are:	2000 £m	1999 £m
Gain on disposal of shares in subsidiary companies covered by reliefs	–	(24.7)
Gains on other disposals in the year covered by reliefs	**(10.4)**	–
Loss on disposal of shares in subsidiary companies not eligible for relief	**33.3**	9.4
Effect of (lower)/higher tax rates overseas	**(2.1)**	7.6
Tax arising on remittance of overseas profits (net of ACT)	**2.1**	2.6
Unrelieved overseas losses	**4.4**	3.2

8 Tax on profit on ordinary activities (continued)	2000 £m	1999 £m
Tax attributable to the profits on sale of fixed assets amounts to:	**0.3**	0.1
Tax (relief) attributable to impairment of fixed assets and goodwill	**–**	(0.3)
Tax (relief) attributable to reorganisation costs	**(6.9)**	(7.2)
(Relief)/tax attributable to the (loss)/profit on sale or termination of operations amounts to:	**(2.5)**	9.5

9 Profit for the year		
The Company's profit for the financial year was	**41.2**	116.0

Under the provisions of Section 230 Companies Act 1985 a Profit and Loss Account for the Company is not presented.

10 Ordinary dividends	2000	1999	2000 £m	1999 £m
Ordinary shares (equity shares)				
Interim	**1.50p**	1.50p	**10.6**	10.5
Final	**1.50p**	1.50p	**10.5**	10.6
	3.00p	3.00p	**21.1**	21.1

The interim dividend of 1.5p net per share was paid on 4 January 2001.
The final dividend of 1.50p per share will be paid on 2 July 2001 to shareholders on the register on 1 June 2001.

11 (Loss)/earnings per share				
(Loss)/earnings per share are based on (loss)/profit available for ordinary shareholders of:			**(62.8)**	28.6
and on average number of shares of:	**702.6m**	702.6m		
resulting in basic and diluted (loss)/earnings per share of:	**(8.9)p**	4.1p		
Less: amortisation of goodwill	**0.4p**	0.2p	**3.0**	1.2
profit on sale of fixed assets	**(0.6)p**	(0.4)p	**(4.5)**	(3.1)
losses/(gains) on sale or termination of operations	**12.0p**	(11.9)p	**84.7**	(83.8)
amounts written off investments	**–**	2.4p	**–**	16.8
taxation relating to these items	**(0.3)p**	1.3p	**(2.2)**	9.6
minority interests relating to these items	**1.2p**	–	**8.8**	–
Headline earnings/(loss) per share	**3.8p**	(4.3)p	**27.0**	(30.7)

Headline earnings per share have been calculated in accordance with Statement of Investment Practice Number 1 issued by The Institute of Investment Management and Research and are provided in order to assist users of accounts to identify earnings derived from trading activities.
Exercise of outstanding share options and conversion of all the £60.471 million 6.25% Senior Convertible Bonds of Coats Viyella Plc would not result in any dilution of earnings per share.

12 Tangible assets	Land and buildings £m	Plant machinery & vehicles £m	Total £m
Group			
Cost			
At beginning of year	236.3	844.2	1,080.5
Exchange difference	7.4	25.7	33.1
Subsidiaries disposed	(6.7)	(132.1)	(138.8)
Additions	6.5	45.3	51.8
Disposals	(13.2)	(77.5)	(90.7)
At 31 December 2000	230.3	705.6	935.9
Depreciation			
At beginning of year	77.6	526.0	603.6
Exchange difference	2.8	13.1	15.9
Subsidiaries disposed	(2.0)	(92.9)	(94.9)
Charge for the year	6.1	49.8	55.9
Impairment of fixed assets	–	3.1	3.1
Disposals	(5.6)	(63.7)	(69.3)
At 31 December 2000	78.9	435.4	514.3
Net book value			
At 31 December 2000	151.4	270.2	421.6
At beginning of year	158.7	318.2	476.9

Land and buildings	2000 £m	1999 £m
Cost		
Freehold	188.0	193.8
Long leasehold	15.3	17.4
Short leasehold	27.0	25.1
	230.3	236.3
Accumulated depreciation		
Freehold	61.7	62.6
Long leasehold	4.0	3.7
Short leasehold	13.2	11.3
	78.9	77.6

The cost of long leasehold land and buildings includes capitalised interest of £1.4 million (1999 – £1.4 million)

Plant, machinery and vehicles

The net book value of capitalised finance leases included in plant, machinery and vehicles is £5.9 million (1999 – £18.5 million).

13 Investments	Associated companies £m	Other £m	Total £m
Group			
Cost			
At beginning of year	0.9	22.0	22.9
Exchange	–	1.0	1.0
Companies acquired	–	0.1	0.1
Disposals	–	(1.8)	(1.8)
At 31 December 2000	0.9	21.3	22.2
Provisions			
At beginning of year	–	(18.8)	(18.8)
Exchange	–	(1.0)	(1.0)
Disposals	–	0.4	0.4
At 31 December 2000	–	(19.4)	(19.4)
Share of profits/(losses) retained			
At beginning of year	2.2		2.2
Exchange	(0.2)		(0.2)
Retained profit for the year	0.2		0.2
At 31 December 2000	2.2		2.2
Net book value			
At 31 December 2000	3.1	1.9	5.0
At beginning of year	3.1	3.2	6.3
Including investments listed on a recognised Stock Exchange			
At 31 December 2000	–	0.4	0.4
At beginning of year	–	0.5	0.5

Other fixed asset investments include: a) An investment of £0.4 million (1999 – £0.4 million) in the Company's own shares as part of the Long Term Incentive Plan referred to on page 20 of the Report by the Board on Directors' Remuneration; b) An investment by the Company in the share capital of Vermilion plc, a company incorporated in Great Britain and registered in England and Wales. The investment comprises 4,000,000 cumulative redeemable B preference shares (non-voting), representing 100% of that class of share. Full provision has been made against the carrying value of this investment.

Other fixed asset investments include £13.9 million in respect of a 20% interest in a Mexican accessories company, GICISA, received in exchange for the sale of the Group's US zips business, Talon Inc. The Group does not exercise a significant influence over the affairs of this company as its financial and operating policies are dictated by its parent company in which the Group has no interest or representation, and it is therefore not treated as an associated company. As a result of the financial performance of this company and the difficulties the Group has experienced with the majority shareholder, full provision has been made against this investment.

13 Investments (continued)	Subsidiaries Shares £m	Subsidiaries Loans £m	Other fixed asset Investments £m	Total £m
Company				
Cost				
At beginning of year	**1,080.9**	**339.0**	**6.7**	**1,426.6**
Additions	**56.0**	**43.6**	**–**	**99.6**
Group transfers	**628.0**	**–**	**–**	**628.0**
Disposals	**(1.4)**	**–**	**–**	**(1.4)**
Repaid	**–**	**(69.9)**	**–**	**(69.9)**
At 31 December 2000	**1,763.5**	**312.7**	**6.7**	**2,082.9**
Provisions				
At beginning of year	**(1.3)**	**–**	**(5.5)**	**(6.8)**
Provided in the year	**–**	**–**	**–**	**–**
At 31 December 2000	**(1.3)**	**–**	**(5.5)**	**(6.8)**
Net book value				
At 31 December 2000	**1,762.2**	**312.7**	**1.2**	**2,076.1**
At beginning of year	1,079.6	339.0	1.2	1,419.8

Principal subsidiary undertakings are listed on page 56.

Loans to subsidiaries include £6.7 million in respect of back-to-back finance leases. The maturity profile of these leases is shown in note 18.

14 Stocks	Group 2000 £m	Group 1999 £m	Company 2000 £m	Company 1999 £m
Raw materials and consumables	**68.1**	72.9	**–**	–
Work in progress	**72.6**	86.6	**–**	–
Finished goods and goods for resale	**163.5**	181.0	**–**	–
	304.2	340.5	**–**	–

15 Debtors

	Group 2000 £m	Group 1999 £m	Company 2000 £m	Company 1999 £m
Debtors due within one year:				
Trade debtors	**218.8**	229.0	**0.1**	–
Amounts owed by subsidiaries	–	–	**2.2**	7.0
Amounts owed by associated companies	**0.6**	0.7	–	–
Corporation and overseas tax recoverable	**15.2**	16.5	**1.8**	3.1
Other debtors	**64.2**	34.1	**16.9**	0.2
Prepayments and accrued income	**15.7**	17.5	**1.2**	0.5
	314.5	297.8	**22.2**	10.8
Debtors due in more than one year:				
Trade debtors	**1.3**	1.6	–	–
Amounts owed by associated companies	–	–	–	–
Other debtors	**11.8**	15.0	–	7.2
Prepayments and accrued income	**0.2**	23.5	–	–
Pension fund prepayments – UK (note 30)	**134.7**	128.5	–	–
– other	**49.9**	38.7	–	–
	197.9	207.3	–	7.2

16 Current asset investments

	Group 2000 £m	Group 1999 £m	Company 2000 £m	Company 1999 £m
Listed investments	**19.1**	0.3	–	–
Unlisted investments	**1.1**	1.1	–	–
	20.2	1.4	–	–
Market value of listed investments	**19.0**	0.3	–	–

17 Creditors (amounts falling due within one year)

	Group 2000 £m	Group 1999 £m	Company 2000 £m	Company 1999 £m
Trade creditors	**113.3**	140.5	**0.1**	0.3
Debentures, loans and loan stock (note 19)	**124.2**	52.6	**93.2**	4.3
Amounts owed to subsidiaries	–	–	–	3.5
Amounts owed to associated companies	**0.3**	0.2	–	–
Payments in advance	–	0.5	–	–
Bills of exchange	**13.6**	10.4	–	–
Corporation tax and overseas taxation	**25.7**	28.4	**10.0**	10.0
Other taxation and social security	**19.9**	28.6	–	–
Other creditors	**33.6**	43.7	**0.8**	2.1
Accruals and deferred income	**52.9**	54.8	**3.7**	3.4
Proposed dividends	**21.1**	21.1	**21.1**	21.1
Finance lease obligations (note 18)	**20.9**	5.1	**20.3**	1.9
Leaving indemnities (note 20)	**6.6**	7.6	–	–
	432.1	393.5	**149.2**	46.6

18 Creditors (amounts falling due after more than one year)

	Group 2000 £m	Group 1999 £m	Company 2000 £m	Company 1999 £m
Other creditors				
Trade creditors	0.6	0.5	–	–
Debentures, loans and loan stock (note 19)	10.9	98.2	–	61.8
Amounts owed to subsidiaries	–	–	1,037.4	459.3
Payments in advance	0.7	–	–	–
Other creditors	7.3	6.1	–	–
Accruals and deferred income	14.5	15.5	1.8	2.3
Finance lease obligations	7.4	30.2	6.0	17.1
	41.4	150.5	1,045.2	540.5

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

	Group 2000 £m	Group 1999 £m	Company 2000 £m	Company 1999 £m
Finance lease obligations are repayable as follows:				
Within one year	20.9	5.1	20.3	1.9
Between one and two years	1.9	6.3	1.6	3.4
Between two and five years inclusive	4.0	16.8	3.5	10.2
Over five years	1.5	7.1	0.9	3.5
	28.3	35.3	26.3	19.0
Convertible debt				
Coats Viyella Plc – £60.471 million 6.25% senior convertible bonds due 2003 (see note)	60.1	59.9	60.1	59.9

Note

On 9 August 1993, Coats Viyella Plc issued £75.625 million 6.25% senior convertible bonds. As a result of redemptions between 1995 and 1999, the value of bonds currently in issue is £60.471 million. These bonds are convertible into ordinary shares of Coats Viyella Plc at a price of 270p per share at any time up to 2 August 2003. The conversion price was adjusted in accordance with the Trust Deed with effect from 17 May 1994 as a result of the dilution effect of the enhanced share dividend. The bonds then outstanding will be redeemed at their principal value on 9 August 2003. The Company has the power to redeem the bonds in whole or in part at any time after 31 August 1998.

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

19 Borrowings and financial instruments

(a) Debentures, loans and loan stock

	Group 2000 £m	Group 1999 £m	Company 2000 £m	Company 1999 £m
Debentures	–	0.4	–	–
Loans	125.9	141.2	93.2	66.1
Loan stock	9.2	9.2	–	–
	135.1	150.8	93.2	66.1
Repayable within one year	(124.2)	(52.6)	(93.2)	(4.3)
Amounts falling due after more than one year	10.9	98.2	–	61.8
Repayable as follows:				
Between one and two years	0.2	12.6	–	–
Between two and five years	1.3	11.6	–	6.1
After five years	9.4	74.0	–	55.7
	10.9	98.2	–	61.8
Debentures				
Madura Coats Ltd:				
Indian Rupee 75 million 17.5% debenture stock 1998/2000	–	0.4	–	–

19 (a) Debentures, loans and loan stock (continued)	Group 2000 £m	Group 1999 £m	Company 2000 £m	Company 1999 £m
Loans				
Repayable within five years:				
Bank loans	**121.6**	57.6	**89.6**	–
Other loans	**3.6**	5.0	**3.6**	4.1
Not wholly repayable within five years:				
Bank loans	**0.5**	16.5	–	–
Other loans	**0.2**	62.1	–	62.0
	125.9	141.2	**93.2**	66.1
Amounts repayable by instalments which in part fall due after more than five years	**0.7**	77.7	–	62.0
Instalments falling due after more than five years	**0.2**	63.8	–	55.7
Loans repayable after one year:				
Coats Viyella Plc:				
US$50 million 6.88% senior notes due 2004/2008	–	31.0	–	31.0
US$50 million 7.15% senior notes due 2006/2015	–	31.0	–	31.0
Hicking Pentecost Limited:				
US$10 million floating rate loan due 1998/2005	–	4.8	–	–
US$7.5 million floating rate loan due 2001	–	4.6	–	–
US$8.2 million floating rate loan due 2001	–	5.1	–	–
US$10 million floating rate loan due 1998/2007	–	5.0	–	–
US$6.4 million 6.95% loan due 2004/2009	–	4.0	–	–
Other (all below £2.0 million equivalent)	**1.7**	3.5	–	–
	1.7	89.0	–	62.0

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

	Group 2000 £m	Group 1999 £m	Company 2000 £m	Company 1999 £m
Loan stock				
Not wholly repayable within five years:				
Coats Patons Ltd 6.75% unsecured stock 2002/2007	**6.5**	6.5	–	–
Coats Patons Ltd 4.5% unsecured stock 2002/2007	**2.7**	2.7	–	–
	9.2	9.2	–	–
Net debt				
Debentures, loans and loan stock	**135.1**	150.8	**93.2**	66.1
Bank overdrafts	**31.5**	23.2	**14.6**	11.3
Lease finance	**28.3**	35.3	**26.3**	19.0
	194.9	209.3	**134.1**	96.4
Convertible debt	**60.1**	59.9	**60.1**	59.9
Total borrowings	**255.0**	269.2	**194.2**	156.3
Cash and short term deposits	**(106.8)**	(144.1)	**(20.5)**	(47.9)
Net debt	**148.2**	125.1	**173.7**	108.4

19 (a) Debentures, loans and loan stock (continued)	Group 2000 £m	Group 1999 £m
Maturity of debt		
Total borrowings are repayable as follows:		
Within one year	**176.7**	80.9
Between one and two years	**2.0**	18.9
Between two and five years	**65.4**	88.3
After five years	**10.9**	81.1
	255.0	269.2
Total secured indebtedness	**8.5**	37.9
Total indebtedness guaranteed by parent company	**17.7**	26.8

(b) Financial instruments

Group

The Group's policies as regards derivatives and other financial information are set out in the Financial review on pages 10 to 13 and the Statement of accounting policies on pages 29 and 30. The Group does not trade in financial instruments.

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

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

Maturity profile of financial liabilities

The maturity profile of the Group's total borrowings is stated in note 19(a). Total borrowings include the Group's finance lease obligations and convertible debt: the repayment profile of both these liabilities is further analysed in note 18.

The 4.9% Cumulative preference shares issued by Coats Viyella Plc are not redeemable (see note 22).

At 31 December 2000 the Group had undrawn committed borrowing facilities of £55.0 million (1999 – £60.0 million) expiring after more than one year.

	2000 £m	1999 £m
Currency analysis of net assets		
Sterling	**260.2**	351.3
US dollar and dollar related	**351.0**	370.1
Euro	**54.4**	64.5
Indian rupee	**59.0**	67.4
Other	**110.3**	40.1
	834.9	893.4

Interest rate profile

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

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

Financial liabilities

31 December 2000	Fixed rate £m	Floating rate £m	Non-interest bearing £m	Total £m
Sterling cross currency swaps	–	(456.6)	–	(456.6)
Sterling	74.5	118.8	–	193.3
US dollar and dollar related	12.4	411.9	–	424.3
Euro	3.2	58.2	0.2	61.6
Other	1.5	29.8	1.1	32.4
Gross financial liabilities	91.6	162.1	1.3	255.0

19 (b) Financial instruments (continued)

	Fixed rate		Non-interest bearing
	Weighted average interest rate %	Weighted average period for which the rate is fixed Years	Weighted average period until maturity Years
Sterling	6.4	3.1	–
US dollar and dollar related	9.0	2.7	–
Euro	5.4	4.0	3.1
Other	7.7	2.7	–

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

31 December 1999	Fixed rate £m	Floating rate £m	Non-interest bearing £m	Total £m
Sterling cross currency swaps	(120.9)	(75.2)	–	(196.1)
Sterling	77.9	38.5	–	116.4
US dollar and dollar related	109.0	157.9	–	266.9
Euro	3.3	59.6	0.2	63.1
Other	–	18.7	0.2	18.9
Gross financial liabilities	69.3	199.5	0.4	269.2

	Fixed rate		Non-interest bearing
	Weighted average interest rate %	Weighted average period for which the rate is fixed Years	Weighted average period until maturity Years
Sterling cross currency swaps	(7.4)	(1.9)	–
Sterling	6.7	4.0	–
US dollar and dollar related	7.7	6.5	–
Euro	5.3	4.9	7.5
Other	–	–	2.5

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

Financial assets

31 December 2000	Fixed rate £m	Floating rate £m	Non-interest bearing £m	Total £m
Sterling cross currency swaps	–	(42.0)	–	(42.0)
Sterling	–	17.2	0.1	17.3
US dollar and dollar related	–	34.1	3.4	37.5
Euro	–	55.4	1.7	57.1
Other	–	23.3	13.6	36.9
Gross financial assets	–	88.0	18.8	106.8

Interest on floating rate bank deposits is based on the relevant inter bank rates and is fixed in advance for periods of up to one year. The majority of non-interest bearing financial assets mature within one week of the balance sheet date.

19 (b) Financial instruments (continued)

31 December 1999	Fixed rate £m	Floating rate £m	Non-interest bearing £m	Total £m
Sterling cross currency swaps	–	(40.0)	–	(40.0)
Sterling	–	69.4	0.4	69.8
US dollar and dollar related	–	28.3	2.9	31.2
Euro	–	61.4	0.3	61.7
Other	–	18.4	3.0	21.4
Gross financial assets	–	137.5	6.6	144.1

Interest on floating rate bank deposits is based on the relevant inter bank rates and is fixed in advance for periods of up to one year. The majority of non-interest bearing financial assets mature within one week of the balance sheet date.

Fair values of financial assets and liabilities

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

	2000		1999	
	Book value £m	**Estimated fair value £m**	Book value £m	Estimated fair value £m
Primary financial instruments held or issued to finance the Group's operations:				
Cash and short term deposits	**(106.8)**	**(106.8)**	(144.1)	(144.1)
Debentures, loans and loan stock	**135.1**	**134.0**	150.8	143.4
Lease finance	**28.3**	**28.5**	35.3	35.2
Convertible debt	**60.1**	**54.5**	59.9	59.0
Bank overdrafts	**31.5**	**31.5**	23.2	23.2
	255.0	**248.5**	269.2	260.8
Derivative financial instruments held to manage the Group's interest rate and currency profile				
Forward foreign exchange contracts	**(18.8)**	**(20.9)**	(23.1)	(20.9)
Interest rate cross currency swaps	**2.8**	**3.7**	3.7	8.5
	(16.0)	**(17.2)**	(19.4)	(12.4)
Coats Viyella Plc 4.9% Cumulative Preference Shares	**14.6**	**11.3**	14.6	12.5

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

Hedging

The aggregate unrecognised gain at 31 December 2000, being the difference between book value and estimated fair value of the above derivative financial instruments, is £1.2 million (1999 – £7.0 million/loss). Of this approximately £1.1 million gain will be recognised in the profit and loss account for the year ending 31 December 2000 (1999 – approximately £3.0 million/loss).

Currency profile

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

31 December 2000	**Sterling £m**	**US Dollar £m**	**Euro £m**	**Other £m**	**Total £m**
Sterling	**–**	**(0.2)**	**0.8**	**0.5**	**1.1**
US dollar	**0.6**	**–**	**(0.8)**	**(0.1)**	**(0.3)**
Euro	**0.3**	**(0.1)**	**–**	**0.6**	**0.8**
Other	**(0.3)**	**9.6**	**2.5**	**0.1**	**11.9**
	0.6	**9.3**	**2.5**	**1.1**	**13.5**

( ) represents uncovered monetary liabilities.

19 (b) Financial instruments (continued)

31 December 1999	Sterling £m	US Dollar £m	Euro £m	Other £m	Total £m
Sterling	–	7.5	1.7	0.4	9.6
US dollar	0.8	–	0.6	–	1.4
Euro	0.8	(1.4)	–	1.1	0.5
Other	1.7	4.0	1.9	(0.4)	7.2
	3.3	10.1	4.2	1.1	18.7

( ) represents uncovered monetary liabilities.

20 Provisions for liabilities and charges

	Group 2000 £m	Group 1999 £m	Company 2000 £m	Company 1999 £m
Deferred taxation	**52.5**	47.1	**–**	–
Other provisions	**99.1**	81.0	**4.1**	4.0
	151.6	128.1	**4.1**	4.0

Deferred taxation	2000 £m	1999 £m
At beginning of year	**47.1**	48.5
Subsidiaries acquired	**–**	0.8
Subsidiaries disposed	**(0.2)**	(3.6)
Movement in period – Exchange difference	**0.6**	0.2
– Foreign companies	**2.2**	2.5
– UK companies	**2.8**	(1.1)
– Transfer to current tax	**–**	(0.2)
At 31 December 2000	**52.5**	47.1
Deferred taxation, representing a full provision calculated at 30% (1999 – 30%) for UK companies, is as follows:		
United Kingdom		
Capital allowances	**2.7**	5.6
Other timing differences less losses forward	**(1.6)**	(5.3)
Pension fund prepayment	**40.4**	38.5
	41.5	38.8
Overseas	**11.0**	8.3
	52.5	47.1
In addition there are:		
Tax on unutilised losses forward	**16.5**	19.2
Unrecovered advance corporation tax	**69.3**	72.8

No provision is required in the Company for deferred tax.

Other provisions	Group Closures and reorganisation £m	Group Leaving indemnities £m	Group 2000 Total £m	Group 1999 Total £m	Company 2000 Total £m	Company 1999 Total £m
At beginning of year	**43.0**	**38.0**	**81.0**	72.3	**4.0**	–
Exchange difference	**0.5**	**0.8**	**1.3**	(5.9)	**–**	–
Subsidiaries acquired	**0.1**	**–**	**0.1**	6.2	**–**	–
Subsidiaries disposed	**(9.7)**	**–**	**(9.7)**	(2.2)	**–**	–
Provided – reorganisations	**31.7**	**–**	**31.7**	46.9	**–**	–
– sale or termination of operations	**128.8**	**–**	**128.8**	16.6	**3.9**	4.0
– discounting interest	**0.2**	**–**	**0.2**	0.2	**–**	–
– other	**3.7**	**6.7**	**10.4**	10.3	**–**	–
Utilised	**(140.1)**	**(4.6)**	**(144.7)**	(63.4)	**(3.8)**	–
At 31 December 2000	**58.2**	**40.9**	**99.1**	81.0	**4.1**	4.0

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

20 Provisions for liabilities and charges (continued)

Leaving indemnities

In many countries including Italy, India and much of South America, there are legal requirements to make payments to employees on the termination of their employment by retirement, redundancy, or otherwise. These payments are commonly based on the number of years' service with the Company that each employee has. The Group's policy is to accrue for this liability on a service basis and to charge amounts actually paid out against the provisions. The resultant provisions are included above under the heading "leaving indemnities" along with unfunded pension provisions in certain countries, mainly Germany. The amount payable within one year is included in creditors (note 17).

	2000 £m	1999 £m
The maturity profile of provisions for leaving indemnities is as follows:		
Payable between one and two years	3.2	4.4
Payable between two and five years	10.1	9.1
Payable in more than five years	27.6	24.5
	40.9	38.0

21 Goodwill	Book value £m	Fair value adjustments £m	Fair value to the Group £m
The fair values attributed to the net tangible assets acquired during the year were:			
Current assets	(2.2)	–	(2.2)
Businesses held for resale	–	0.3	0.3
Creditors and provisions	–	0.1	0.1
Minority interest	1.2	–	1.2
	(1.0)	0.4	(0.6)
Fair value of consideration: cash			3.5
			3.5
Goodwill arising during the year			4.1

The above goodwill includes a reduction of £0.7 million in respect of Hicking Pentecost Limited acquired during 1999, comprising amendments to fair value adjustments of £0.4 million and a reduction in the cost of acquisition of £0.3 million.
Other goodwill arising during the year relates principally to adjustments in respect of minority interests.

	Cost £m	Amortisation and impairment £m	Net £m
The goodwill capitalised in the balance sheet is as follows:			
At beginning of year	58.1	1.2	56.9
Exchange	0.7	–	0.7
Acquisitions	4.1	–	4.1
Amortised in the year	–	3.0	(3.0)
Disposals	(0.3)	–	(0.3)
Carried forward at 31 December 2000	62.6	4.2	58.4

Goodwill arising during the year has been capitalised in accordance with FRS10 and will be amortised over 20 years.
Purchased goodwill attributable to businesses sold or terminated during the year amounted to £5.3 million (1999 – £74.6 million).
The cumulative amount of goodwill charged to reserves is £205 million net of amounts attributable to companies sold (1999 – £210 million).

22 Called up share capital	**Number of shares**	**2000 £m**	Number of shares	1999 £m
Authorised:				
Ordinary Shares of 20p each	**876,952,750**	**175.4**	876,952,750	175.4
4.9% Cumulative Preference Shares of £1 each	**14,609,450**	**14.6**	14,609,450	14.6
		190.0		190.0
Allotted and fully paid:				
Ordinary Shares of 20p each – equity shares	**703,623,098**	**140.7**	703,623,098	140.7
4.9% Cumulative Preference Shares of £1 each – non-equity shares	**14,609,449**	**14.6**	14,609,449	14.6
		155.3		155.3

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

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

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

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

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

The conversion rights attaching to the £60.471 million 6.25% Senior Convertible Bonds issued by Coats Viyella Plc are detailed in note 18.

Options granted for ordinary shares not exercised are as follows:

	Options granted	Price per share	Period of option	**Number of shares**
1984 Executive Share Option Scheme	1991 to 1994	170.15p to 256.08p	2001 to 2004	**1,512,709**
Overseas Executive Share Option Scheme	1991 to 1994	170.15p to 256.08p	2001 to 2004	**1,509,035**
1994 Executive Share Option Scheme	1994 to 2000	33.75p to 214.5p	2001 to 2010	**14,501,073**
Sharesave Scheme	1994 to 1997	110p to 183p	2001 to 2003	**3,206,214**
				20,729,031

No share options were exercised during the year.

23 Other reserves	**Share premium account £m**	**Other capital reserve £m**	**Pension reserve £m**	**Total £m**
Group				
At beginning of year	**206.5**	**34.1**	**89.9**	**330.5**
Transfer from profit and loss account	**–**	**–**	**4.4**	**4.4**
At 31 December 2000	**206.5**	**34.1**	**94.3**	**334.9**
Company				
At beginning of year and 31 December 2000	**206.5**	**35.6**	**–**	**242.1**

24 Profit and loss account

		Group £m	Company £m
At beginning of year		**223.1**	**426.0**
Foreign currency translation (losses)/gains			
– overseas net assets*	**14.1**		
– related hedging	**(10.8)**		
		3.3	**2.8**
Retained (loss)/profit for the year		**(83.9)**	**19.4**
Goodwill attributable to businesses sold or terminated (note 21)		**5.3**	–
Transfer to pension reserve		**(4.4)**	–
At 31 December 2000		**143.4**	**448.2**
Retained in Group companies (including £(28.6) million overseas)		**141.2**	
Retained in associated companies		**2.2**	
		143.4	

*Including £0.7 million of net exchange losses arising on foreign currency borrowings less deposits.

25 Total reserves

	Group		Company	
	2000 £m	1999 £m	2000 £m	1999 £m
Available for distribution	**143.4**	223.1	**448.2**	426.0
Not available for distribution	**334.9**	330.5	**242.1**	242.1
	478.3	553.6	**690.3**	668.1

26 Minority interests

	2000 £m	1999 £m
Equity minority interests	**78.3**	67.1

27 Future capital expenditure

	Group 2000 £m	Group 1999 £m	Company 2000 £m	Company 1999 £m
Contracted but not provided for	**5.4**	5.5	–	–
Authorised but not contracted for	**13.2**	5.1	–	–
	18.6	10.6	–	–

28 Contingent liabilities

	Group 2000 £m	Group 1999 £m	Company 2000 £m	Company 1999 £m
Loan, overdraft and finance lease guarantees in respect of certain subsidiaries (see note 19)	–	–	**19.3**	26.8
Others including performance guarantees and documentary credits on overseas contracts	**52.2**	49.3	**16.3**	17.5
Company undertaking relating to deferred tax liabilities of UK subsidiaries (note 20)	–	–	**41.5**	38.8

29 Operating lease rentals

	Group 2000 £m	Group 1999 £m	Company 2000 £m	Company 1999 £m
The committed amounts payable during 2001 are:				
Leases of land and buildings expiring:				
Within one year	**2.2**	1.2	–	–
Within two to five years inclusive	**6.3**	4.7	–	–
Over five years	**14.3**	13.5	–	–
	22.8	19.4	–	–
Other operating leases expiring:				
Within one year	**1.0**	1.0	–	–
Within two to five years inclusive	**3.5**	3.7	–	–
	4.5	4.7	–	–

30 Pensions

The Group operates a number of pension plans throughout the world. The principal defined benefit arrangements are in the UK and North America. The assets of these plans are mainly held under self-administered trust funds and hence are separated from the Group assets. Pension costs in respect of these plans are assessed in accordance with the advice of independent, professionally qualified actuaries and consultants.

Pension costs for the year were:	2000 £m	1999 £m
UK		
Coats Viyella Pension Plan:		
Regular pension cost	**12.7**	15.7
Spreading of surplus	**(10.2)**	(11.8)
Interest	**(7.7)**	(8.4)
Net (credit)	**(5.2)**	(4.5)

Of the unrecognised surplus that existed at 1 April 2000, the actuaries calculated that some £1.0 million related to the Contract Clothing business sold during the year. In accordance with the requirements of FRS3 and SSAP24, this amount has been credited in arriving at the gain on sale.

	2000 £m	1999 £m
The movements on the UK pension prepayment during the year were as follows:		
At the beginning of year	**128.5**	120.4
Net pension credit above	**5.2**	4.5
Credit arising as a result of disposals	**1.0**	3.6
At 31 December 2000	**134.7**	128.5
Overseas		
North America defined benefit plans:		
Regular cost	**3.1**	3.0
Spreading of surplus	**(11.0)**	(9.6)
Net credit	**(7.9)**	(6.6)
Other plans	**9.1**	10.0
Total overseas	**1.2**	3.4
Net (credit)	**(4.0)**	(1.1)

The principal UK defined benefit arrangement is the Coats Viyella Pension Plan (“the Plan”) which is open to all employees of participating Group companies provided employees are permanent and over age 16. An actuarial valuation of the Plan was carried out at 1 April 2000 which resulted in an actuarially calculated surplus of £222.4 million. The results of this valuation are set out below. The actuaries have recommended that the suspension of contributions into the Plan by the Group should be continued until the next full actuarial valuation at 1 April 2003.

30 Pensions (continued)

Method used	Projected unit	Average remaining service life	12 years
Investment rate of return	6% per annum	Market value of Plan assets	£1,608m
Increase in earnings	4% per annum	Market value of Plan assets after averaging	£1,510m
Increase in pensions	2.5% per annum	*Level of funding	117%
		Actuarially calculated surplus	£222.4m

*The smoothed market value of assets as a percentage of the accrued service liabilities.

In North America, the results of the most recent actuarial valuations at 31 December 2000 showed:

Market value of investments	£199.0m
Level of funding	197%

Amounts included in debtors and creditors, representing the differences between pension costs charged in the accounts and amounts funded to date, are, where material, disclosed in notes 15 and 17 respectively.

Post retirement medical benefits, principally in the USA, are fully provided for in accordance with the US accounting standard FAS106. There are no other significant post-retirement benefits. Amounts included in creditors (amounts falling due after more than one year) in respect of these benefits are:

	2000 £m	1999 £m
Accruals and deferred income	**14.5**	14.0

31 Related party transactions

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

Group	**Associated companies £m**	**Related parties included in Other Fixed Asset Investments £m**	**Total £m**
Sales to	**0.9**	**0.1**	**1.0**
Purchases from	**1.7**	**0.8**(i)	**2.5**
Other income	**0.3**	–	**0.3**
Debtors	**0.6**	–	**0.6**
Creditors	**0.3**	–	**0.3**

Associated companies and related parties included in Other Fixed Asset Investments are those in which the Group has a participating interest and is able to influence financial and operating policies.

Included in the above table are the following principal related party transactions:

(i) Barbour Threads Ltd (industrial Thread), purchases from Barbour Vardhman Threads Ltd of £0.8 million.

Company

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

Directors

Further details of transactions with Directors are given in the Report by the Board on Directors’ Remuneration on pages 20 to 23.

32 Notes to the cash flow statement

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

	2000 £m	1999 £m
Operating profit	**69.8**	15.6
Dividends from associated companies	**0.1**	–
Depreciation	**55.9**	60.1
Amortisation of goodwill	**3.0**	1.2
Reorganisation costs	**31.7**	46.9
Impairment of fixed assets	**3.1**	20.1
Other exceptional items	**1.5**	10.1
(Increase)/decrease in stocks	**(12.1)**	31.8
(Increase)/decrease in debtors	**(27.5)**	4.9
(Decrease) in creditors	**(1.7)**	(5.1)
Loss arising from accounting irregularities in a US subsidiary	**–**	(10.6)
Pension refund from discontinued scheme	**–**	(0.1)
Abortive disposal and demerger costs	**(0.6)**	0.2
Movement in pension fund prepayment	**(5.2)**	(4.5)
Other non-cash movements	**(4.8)**	(12.1)
Net cash inflow from normal operating activities	**113.2**	158.5
Continuing operations	**134.2**	143.6
Discontinued operations	**(21.0)**	14.9
	113.2	158.5
Net cash outflow in respect of reorganisation costs:		
Utilisation of provisions – closures and reorganisation	**(39.8)**	(44.1)
– other	**(0.2)**	(0.2)
– non-cash asset write downs	**0.1**	4.2
	(39.9)	(40.1)
Net cash inflow from operating activities	**73.3**	118.4

b Analysis of financing cash flows

	2000 £m	1999 £m
Issue of ordinary share capital	**–**	–
Issue of shares to minorities	**–**	–
	–	–
(Decrease)/increase in borrowings: – new long term loans	**0.1**	0.2
– new short term loans	**105.8**	19.7
– repayment of amounts borrowed	**(132.7)**	(212.7)
– redemption of convertible debt	**–**	(4.5)
– capital element of finance lease rental payments	**(6.9)**	(4.7)
	(33.7)	(202.0)
Net cash (outflow) from financing	**(33.7)**	(202.0)

32 Notes to the cash flow statement (continued)

c Analysis of net debt

	At 1 January 2000 £m	Cash flow £m	Acquisitions/ disposals (excl. cash/ overdrafts) £m	Other non-cash changes £m	Exchange £m	At 31 December 2000 £m
Cash at bank and in hand	98.8					79.1
Bank overdrafts	(23.2)					(31.5)
Net cash	75.6	(21.9)			(6.1)	47.6
Short term deposits	45.3	(18.1)			0.5	27.7
Debentures, loans and loan stock	(150.8)	26.8	0.4		(11.5)	(135.1)
Convertible debt	(59.9)			(0.2)		(60.1)
Lease finance	(35.3)	6.9			0.1	(28.3)
		33.7				
Total	(125.1)	(6.3)	0.4	(0.2)	(17.0)	(148.2)

d Purchase of subsidiary undertakings

	2000 £m	1999 £m
Tangible fixed assets	–	33.9
Fixed asset investments	–	1.2
Stocks	0.1	28.0
Debtors	(2.3)	19.2
Businesses acquired for resale	0.3	2.4
Cash at bank and in hand	–	2.5
Loans	–	(32.9)
Creditors	–	(16.8)
Current and deferred taxation	–	(1.2)
Provisions	0.1	(6.2)
Minority shareholders interests	1.2	(0.4)
	(0.6)	29.7
Goodwill	4.1	51.4
Total	3.5	81.1
Satisfied by:		
Cash	3.7	77.1
Loan notes issued	–	4.2
Transfer from deferred consideration	(0.4)	(0.7)
Transfer to deferred consideration	0.2	0.5
	3.5	81.1

32 Notes to the cash flow statement (continued)

e Sale of subsidiary undertakings

	2000 £m	1999 £m
Goodwill	**0.3**	–
Tangible fixed assets	**51.0**	104.9
Associated companies	**–**	(1.2)
Stock	**57.7**	26.4
Debtors	**37.1**	56.7
Business held for resale	**0.4**	–
Current asset investments	**–**	1.0
Cash at bank and in hand	**0.2**	15.4
Bank overdrafts	**(2.1)**	–
Loans and finance lease obligations	**(0.2)**	(11.4)
Creditors	**(49.4)**	(54.5)
Provisions	**(9.7)**	(2.2)
Current and deferred taxation	**(0.4)**	(5.3)
Minority shareholders interests	**(0.1)**	(1.1)
	84.8	128.7
(Loss)/profit on disposal	**(84.7)**	83.8
Write-back of purchased goodwill	**5.3**	74.6
	5.4	287.1
Satisfied by:		
Cash	**34.6**	293.2
Pension credit	**1.1**	3.6
Future closure costs	**(29.6)**	(9.0)
Transfer from deferred consideration	**(0.7)**	(0.7)
	5.4	287.1

f Cash flow relating to exceptional items

	2000 £m	1999 £m
Profit on sale of fixed assets	**4.5**	6.3
Book value of fixed assets sold	**7.0**	5.0
Proceeds of sale of fixed assets	**11.5**	11.3
Proceeds of sale or termination of operations (note e)	**34.6**	293.2

Principal subsidiary undertakings

		Country of incorporation or registration and principal country of operation
Holding and Finance Companies		
*Coats Finance Co Limited		England
*Hicking Pentecost Limited		England
Jaeger Holdings Limited		England
*Tootal Group Limited		England
Tootal Thread Limited		England
*Viyella Holdings Limited		England
Vantona Viyella Limited		England
Coats Deutschland GmbH		Germany
Barbour Campbell Textiles Limited		Scotland
*Coats Patons Limited		Scotland
J & P Coats Limited		Scotland
Coats North America Holdings Inc		USA
Coats		
Coats Limited		England
Coats Bangladesh Ltd	80%	Bangladesh
Coats Cadena SA		Argentina
Coats Australian Pty Ltd		Australia
Coats Corrente Ltda		Brazil
Coats Canada Inc		Canada
Coats Cadena SA	60%	Chile
Coats Guangzhou	90%	China
Guangying Spinning Company Limited		China
US$5.4m Ordinary Capital	50%	
Jinying Spinning Company Limited		China
US$8.8m Ordinary Capital	50%	
Coats Sartel SA		France
Coats GmbH		Germany
China Thread Development Company Limited		Hong Kong
Coats Hong Kong Limited		Hong Kong
Coats Hungary Limited		Hungary

		Country of incorporation or registration and principal country of operation
Coats continued		
PT Tootal Thread Indonesia	70%	Indonesia
Coats Cucirini SpA	72.9%	Italy
Coats Tootal Malaysia	51%	Malaysia
Grupo Coats Timon, S.A. De C.V.		Mexico
Cia de Linha Coats & Clark Lda		Portugal
Barbour Threads Limited		Scotland
Coats South Africa (Pty) Ltd		South Africa
Coats Fabra SA	98.9%	Spain
Coats Thread Lanka	87%	Sri Lanka
Coats (Turkiye) Iplik Sanayii AS	76.1%	Turkey
Coats American Inc		USA
Coats & Clark Inc		USA
Coats Tootal Phong Phu Ltd	75%	Vietnam
Fashion Retail & Branded Clothing		
The Jaeger Company Limited		England
The Jaeger Company's Shops Limited		England
The British Van Heusen Company Limited		England
William Hollins & Company Limited		England
Pasolds Limited		England
Berghaus BV		Holland
Jaeger Sportswear Inc		USA
Home Furnishings		
CV Home Furnishings Limited		England
Dorma France SA		France
Other		
Madura Coats Limited		India
Ordinary Shares	51.5%	
(Thread and Other Indian Businesses)		

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

A complete list of subsidiary undertakings and companies in which Coats Viyella Plc holds more than 10% of the equity share capital will be filed with the next annual return.

Companies marked with an asterisk are direct subsidiaries of Coats Viyella Plc.

Shareholder information

Financial Calendar The date, time and venue of the Annual General Meeting are set out on pages 59 and 60

Final Ordinary Dividend	1.50p per share paid on 2 July 2001
Interim Results to 30 June 2001	Announced on 5 September 2001
Interim Ordinary Dividend	Payable in January 2002
Preference Dividends	Payable on 31 March and 30 September in each year

Company Information Registered Office: 2 Foubert's Place, London W1V 1HH
Registered in England No.104998
Registrars: Capita IRG plc, Balfour House, 390/398 High Road, Ilford, Essex IG1 1NQ Tel: 020 8639 2000

Low Cost Dealing The Company has arranged for its stockbroker, Cazenove & Co, to provide shareholders with a simple low cost method of buying and selling its shares. Details are available from the Company Secretary. Please note there is a minimum commission of £10 on each purchase transaction.

Dividend Mandates If you wish dividends to be sent directly into a bank or building society account, you should contact the Registrars for a dividend mandate form.

Capital Gains Tax For the purpose of Capital Gains Tax the market value of ordinary shares on 31 March 1982 was 62.75p after adjustment for the 1 for 1 capitalisation issue in 1987. The market value of ordinary shares on 18 May 1993, 5 November 1993 and 18 May 1994, the dates of the issue of shares following the offer of enhanced share dividends, were respectively 229.685p, 267.25p and 227.25p.

Market Values of Securities The market value and balance sheet carrying values of the Group's traded securities at 31 December 2000 are available at the Registered Office.

Analysis by Category	Numbers of Shareholders	Number of Ordinary 20p shares
Banks and nominee companies	1,752	593,810,704
Insurance companies	29	37,189,225
Pension funds	6	118,256
Investment trusts and unit trusts	40	1,760,459
Other institutions	242	14,241,496
Individuals	27,261	56,502,958
	29,330	703,623,098

Analysis by Shareholding		
Under 1,000	17,271	6,644,757
1,000-5,000	9,573	21,210,467
5,001-50,000	2,041	26,456,849
50,001-100,000	102	7,846,294
100,001-500,000	200	44,892,089
Over 500,000	143	596,572,642
	29,330	703,623,098

Unsolicited Mail The Company is obliged to make its share register available to members of the public and organisations payment of a prescribed fee. This may result in shareholders receiving unsolicited mail. If you wish to limit the receipt of unsolicited mail you should write to: The Mailing Preference Service, FREEPOST 22, London W1E 7ER.

Five year statistics

	2000 £m	1999 £m	1998 £m	1997 £m	1996 £m
Turnover	**1,596.1**	1,679.5	2,082.9	2,358.5	2,455.1
Operating profit before exceptional items	**106.1**	92.7	115.8	135.6	174.3
Exceptional items	**(36.3)**	(77.1)	(28.9)	(47.9)	(54.9)
Less: prior year provision	**–**	–	1.6	–	–
Operating profit	**69.8**	15.6	88.5	87.7	119.4
FRS3 exceptional items	**(80.2)**	86.9	(18.1)	(19.6)	11.1
(Loss)/profit before interest and associated companies	**(10.4)**	102.5	70.4	68.1	130.5
Share of profits of associated companies	**0.6**	(0.4)	(0.4)	(0.5)	0.2
Amounts written off investments	**–**	(16.8)	–	–	–
Net interest	**(20.1)**	(21.7)	(34.5)	(34.3)	(36.3)
(Loss)/profit before taxation	**(29.9)**	63.6	35.5	33.3	94.4
Taxation	**(17.4)**	(31.3)	(56.2)	(23.6)	(34.1)
(Loss)/profit after taxation	**(47.3)**	32.3	(20.7)	9.7	60.3
Preference dividends and minority interests	**(15.5)**	(3.7)	(5.9)	(9.7)	(4.5)
(Loss)/profit attributable to ordinary shareholders	**(62.8)**	28.6	(26.6)	0.0	55.8
Ordinary dividends	**(21.1)**	(21.1)	(20.9)	(33.1)	(68.4)
(Loss)/profit retained	**(83.9)**	7.5	(47.5)	(33.1)	(12.6)
Basic (loss)/earnings per ordinary share	**(8.9)p**	4.1p	(3.8)p	nil	8.0p
Diluted (loss)earnings per ordinary share	**(8.9)p**	4.1p	(3.8)p	nil	7.9p
Headline earnings/(loss) per share	**3.8p**	(4.3)p	(1.4)p	2.8p	6.7p
Dividends per ordinary share	**3.0p**	3.0p	3.0p	4.7p	8.8p
Goodwill, fixed assets and investments	**485.0**	540.1	626.6	637.5	637.1
Net current assets	**480.0**	574.4	472.7	527.0	638.2
Total assets less current liabilities	**965.0**	1,114.5	1,099.3	1,164.5	1,275.3
Creditors due after more than one year	**(101.5)**	(210.4)	(269.0)	(294.7)	(361.4)
Provisions for liabilities and charges	**(151.6)**	(128.1)	(120.8)	(114.0)	(112.9)
Net assets	**711.9**	776.0	709.5	755.8	801.0
Net debt	**148.2**	125.1	320.8	361.9	294.5
Net asset value per ordinary share	**88.0p**	99.0p	88.9p	94.6p	103.1p
Net gearing including convertible debt	**20.8%**	16.1%	45.2%	47.9%	36.8%
Cash inflow from normal operating activities	**113.2**	158.5	222.9	210.3	240.2
Net cash inflow from operating activities	**73.3**	118.4	187.1	177.3	205.6
(Increase)/decrease in net debt	**(23.1)**	195.7	41.1	(67.4)	(0.7)
Free cash flow	**1.3**	40.9	61.2	(8.8)	41.2

Notice of Annual General Meeting

To the holders of ordinary shares

Notice is hereby given that the ninety first Annual General Meeting of Coats Viyella Plc will be held at The Conference Centre, Church House, Dean's Yard, Westminster, London SW1P 3NZ at 10.30am on Wednesday 16 May 2001 for the following purposes:

Ordinary business

1 to receive the accounts for the year ended 31 December 2000 and the report of the Directors and Auditors thereon
2 to declare the final dividend of 1.50p per ordinary share for the year ended 31 December 2000
3 to re-elect Sir Harry Djanogly as a Director
4 to re-elect Mr J Lea as a Director
5 to re-elect Mr K J Merrifield as a Director
6 to re-elect Mr B Nixon as a Director
7 to re-elect Mr E Malone as a Director
8 to re-elect Mr N Goutard as a Director
9 to re-appoint Deloitte & Touche as Auditors of the Company and to authorise the Directors to fix their remuneration

Special business

10 SPECIAL RESOLUTION **(Change of Company name)**
That the Company changes its name to Coats plc.

11 SPECIAL RESOLUTION **(Authority for the Company to purchase its own shares)**
That the Company be and is hereby authorised to purchase for cancellation its own fully paid ordinary shares by way of market purchase upon and subject to the following conditions:

(i) the maximum number of shares which may be purchased is 100,000,000 ordinary shares of 20p each:

(ii) the maximum price at which shares may be purchased is an amount equal to 105% of the average of the middle market quotations derived from the Daily Official List of the London Stock Exchange for the five business days immediately preceding the day on which the shares are contracted to be purchased and the minimum price at which shares may be purchased is 20p per share, in both cases exclusive of expenses; and

(iii) the authority to purchase conferred by this resolution shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2002 and in any event no later than 15 November 2002 provided that any contract for the purchase of any ordinary share as aforesaid which has been concluded before the expiry of the said authority may be executed wholly or partly after the said authority expires.

12 ORDINARY RESOLUTION **(Authority for Directors to allot relevant securities)**
That the Directors be and are hereby generally and unconditionally authorised pursuant to Section 80 of the Companies Act 1985 to exercise all powers of the Company to allot relevant securities (within the meaning of Section 80 of the said Act) up to an aggregate nominal value of £30,000,000 (representing approximately 21% of the issued share capital of the Company) provided that this authority shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or 15 August 2002 whichever is the sooner save that the Company may before the expiry of such period make offers or agreements which would or might require relevant securities to be allotted after the expiry of such period and the Directors may allot relevant securities in pursuance of any such offer or agreement as if the authority hereby conferred had not expired.

13 SPECIAL RESOLUTION **(Disapplication of pre-emption rights)**
That the Directors be and are hereby empowered pursuant to Section 95 of the Companies Act 1985 to allot equity securities (within the meaning of Section 94 of the said Act) for cash pursuant to the Authority conferred on them in that behalf by Resolution 12 above (as varied from time to time by the Company in General Meeting) as if sub-section (1) of Section 89 of the said Act did not apply to any such allotment provided that (without prejudice to the authority conferred in Resolution 12 above) the power conferred by this Resolution shall be limited:

(i) to the allotment of equity securities in connection with a rights issue in favour of ordinary shareholders where the equity securities respectively attributable to the interests of all such shareholders are proportionate (or as nearly as may be) to the respective numbers of ordinary shares held by them subject only to such exclusion or other arrangements as the Directors may consider appropriate to deal with fractional entitlements, and in connection therewith to sell, for the benefit of those shareholders who are citizens of or resident in any overseas territory where in the opinion of the Directors it would at the time of the offer be illegal (by a relevant law) or unduly costly or burdensome for the Company to make or for those shareholders to accept an offer of equity securities of the Company, the equity securities to which they would otherwise be entitled, save that proceeds (net of expenses) of £2 or less to any such shareholder may be retained for the benefit of the Company;

(ii) to the allotment (otherwise than pursuant to sub-paragraph (i) above) of equity securities having in the case of relevant shares (as defined for the purposes of Section 89 of the said Act) a nominal amount or in the case of other equity securities giving the right to subscribe for or convert into relevant shares having a nominal amount not exceeding in aggregate £7,700,000 (representing approximately 5% of the issued share capital of the Company); and

(iii) to the allotment of equity securities pursuant to an election by any holders of ordinary shares to take shares instead of a cash dividend in connection with any share dividend or distribution reinvestment plan implemented by the Directors under Article 138A;

and such authority shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this Resolution or 15 August 2002 whichever is the sooner, unless renewed or extended prior to or at such meeting except that the Company may before the expiry of any power contained in this Resolution make offers or agreements which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities pursuant to any such offer or agreement as if the power conferred hereby had not expired.

Notes

1 Only ordinary shareholders are entitled to attend and vote at the Annual General Meeting and such members will receive a form of proxy with this notice.

2 A member entitled to attend and vote may appoint one or more proxies to attend and on a poll to vote instead of him or her. A proxy need not also be a member. A proxy or representative attending on behalf of a corporation is entitled to vote on a show of hands but a member (other than a corporation) present by proxy shall not be entitled to vote on a show of hands.

3 To be valid, the proxy forms must arrive at the office of the Registrars not less than 48 hours before the time the meeting is to be held. The appointment of a proxy does not prevent a member who so wishes from attending the meeting and voting in person.

4 The Register of Directors' share interests together with copies of any service contracts for periods in excess of one year between each Director and the Company or any of its subsidiary companies are available for inspection at the Registered Office during normal business hours from the date of this Notice until the date of the meeting and at the place of meeting from 15 minutes prior to the meeting until its conclusion.

Annual General Meeting – Explanatory Notes

Items 11, 12 and 13 of the Notice of Annual General Meeting contain resolutions which renew existing authorisations for a further year. The Directors believe that such renewal is necessary to take advantage of business opportunities as they arise and recommend you to vote in favour.

1 RESOLUTION 11 This resolution authorises the Company to purchase 100,000,000 of its own shares. {No purchases were made pursuant to last year's authority}

2 RESOLUTION 12 An ordinary resolution will be proposed to grant the Directors general authority to allot shares up to an aggregate nominal value of £30 million, representing almost all of the unissued authorised ordinary share capital of the Company.

3 RESOLUTION 13 The principal effect of this resolution is to give the Directors authority to allot equity securities for cash other than to existing shareholders up to a limited aggregate amount of £7,700,000 representing approximately 5% of the issued share capital.

By Order of the Board
Christopher Healy
Company Secretary
6 March 2001

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2 Foubert's Place
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Registered in England No: 104998

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