

Chairman's statement

This year we have set out resolutely to focus the Group on its core businesses and deal with both peripheral and poor performing activities. I am glad to report that we have finished the year with much of the clean up completed and the management team able to direct their attention to improving and growing their businesses.

The disposal of the Precision Engineering Division in April provided us with the financial resources both to carry out this corporate overhaul and to support our world leading market positions and our first class brands.

The acquisition of Hicking Pentecost PLC was a first step in this development process. Its Barbour thread business has confirmed Coats as the leading supplier of thread in the USA and by adding the Barbour specialist product range to its already extensive portfolio, Coats has further strengthened its position as the world leader in thread. The initial integration of Barbour into Coats has gone well and, during the course of this year, their respective manufacturing operations will be combined to provide a more cost effective supply base.

In tough market conditions, the Viyella businesses have had to accelerate the reduction of UK manufacturing plants and decrease costs. The benefit of these actions has unfortunately been outweighed by an extremely competitive environment, but, in the long run, these actions will benefit both our brands and our private label manufacturing. I am encouraged that our many key brands, Jaeger, Viyella, Dorma and Van Heusen are showing resilience in the face of a tough trading climate and, in particular, that Jaeger is showing positive signs of progress after a couple of years of decline.

Despite the tough environment, senior management has shown outstanding determination in responding to the challenges we face. Their leadership and example has been crucial in maintaining a loyal and committed workforce and a satisfied customer base through a period of significant change. I pay tribute to our many employees worldwide who have shown great resilience and have helped us to achieve a better platform for going forward.

The current year has started encouragingly and, despite the continuing competitive pressures, we are confident of improving each of our businesses in order to increase shareholder value.

Your board is pleased to recommend a final dividend of 1.5p (1998: 1.5p), making a total of 3.0p for the year. We have taken the view that we should proceed cautiously until our improvement is firmly established.



Sir Harry Djanogly CBE