

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