

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