

4 Chairman's statement

Group structure

The change of the Group's name, in May last year, to Coats plc – the historic brand name of our thread business – effectively summarised the Group's restructuring begun the previous autumn. 2001 saw the Group complete the sale of or withdrawal from almost all non-core activities to create a company whose future is focused around the global thread business. Thread now represents nearly eighty per cent of the Group's turnover.

Overall performance

Real strategic progress in restructuring the Group was partly masked in 2001 by difficult trading conditions. Nevertheless, in a year of general economic weakness, and unprecedented downturn in the North American apparel industry, Coats proved its resilience worldwide, at a time when others in our own industry have experienced serious setbacks Coats has maintained market share and improved cash flow.

In the Thread business, management has concentrated on strengthening its competitive position by building on relationships with key global customers, reducing the cost base and enhancing service capability in low cost locations. Although much remains to be done, we emerge from the end of 2001 better focused, with a stronger balance sheet and well placed to take advantage of any upturn.

Board changes

The Group's restructuring, and the end of a period of intensive change, prompted the establishment of a more conventionally structured Board. Martin Flower was appointed Group Chief Executive in March and Jonathan Lea was appointed Group Finance Director in April. Kazia Kantor and Mike Hartley left the Group and Lord Owen and Noel Goutard retired from the Board. Bryan Anderson, Chief Operating Officer of the Thread business was appointed to the Board on 1 January 2002. I am confident that this management structure provides a platform to deliver shareholder value.

Share Plans

In order to focus on the successful implementation of our business strategy we shall be proposing at the AGM to introduce new approved and unapproved share option plans and a performance share plan. These plans will reward only high performance and the creation of value for shareholders. Details of the proposed new plans are described in the Report on Directors' Remuneration and the Notice of Annual General Meeting contains resolutions to adopt such plans and detailed appendices summarising the principal features.

Pension Plan

In accordance with best accounting practice, we have adopted FRS17 in our 2001 Accounts. I wish to reassure all members of the UK Pension Plan that the Plan continues to enjoy a healthy surplus.

Dividend

The Board is pleased to recommend a final dividend of 1.5p which remains the same as for last year.

The future

We are confident that the decision to focus on Thread will deliver long term growth in shareholder value and this confidence is reflected in the maintained dividend and increased investment in 2001 despite adverse short term trading conditions.

Finally I would like to thank all our 37,000 employees worldwide who have worked extremely hard during the past year.



Sir Harry Djanogly CBE Chairman