

20 Directors' report

The Directors present their report and the financial statements for the year ended 31 December 2001.

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

Details of the authorised and issued Ordinary share capital during the year are shown in note 22 to the accounts.

Major shareholdings

As at 1 March 2002, 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
Guinness Peat Group plc	150,474,232	21.33
RIT Capital Partners Plc	60,028,269	8.51
Chapman International Investments Limited*	46,584,156	6.60
UBS Asset Management Limited	34,595,526	4.90

*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 16 to 18.

Review of the business

A review of the business during the year and of prospective future developments is contained within the Chairman's statement, the Chief Executive's review, the Operating reviews and the Financial review set out on pages 4 to 18 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 £37 million.

Results and dividends

The results of the Group for the year appear in detail on page 30. The preference dividends, amounting to £715,863 (2000 – £715,863) were paid on their due date.

The Directors recommend a final dividend of 1.5p per share. If approved by shareholders, dividends for the year will total 3.0p (2000 – 3.0p). Movements in reserves are set out on page 53.

Directors

Sir Harry Djanogly, Sir Victor Blank and Messrs Flower and Merrifield served as Directors throughout the year. Messrs Malone, Nixon and Goutard were appointed Directors of the Company on 10 January 2001 and Mr Lea on 2 April 2001. Ms Kantor and Mr Hartley retired from the Board on 2 April 2001, Lord Owen on 16 May 2001 and Mr Goutard on 31 December 2001. Mr Anderson was appointed a Director of the Company on 1 January 2002.

In accordance with the Articles of Association of the Company Sir Victor Blank and Mr Flower retire by rotation under Article 110 and, being eligible, offer themselves for re-election. Mr Anderson also offers himself for re-election as he has been appointed a Director 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 28.

Option schemes

Details of the Executive share schemes are given in the Report on Directors' Remuneration on pages 25 to 28. No options over Ordinary shares were granted under the Sharesave scheme during the year.

Employment practices in the UK

The Group is committed to ensuring that employment practices and policies continue to match best practice. Effective employee communications play a key role in ensuring that changes within the Group are understood and wherever possible anticipated. Coats European Works Council continues to play a major role in the process of employee consultation and provides an opportunity for employee representatives to be consulted in relation to key issues that affect their employment.

The Group continuously develops its employment practices and policies and uses the best practice that exist in its units to the benefit of its wider operations.

Ethical employment

The Group operates worldwide in full recognition of key ILO conventions. The Group's Worldwide Employment Standards Statement contains the ethical principles which are observed across its global operations. The statement refers to employee rights to a safe and healthy work environment, the right to collective representation and the Group's commitment to ensuring that no persons below the legal age of employment are employed.

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.

Employment within the Group is offered on the basis of the person's ability to work and not on the basis of their race, individual characteristics, creed or political opinion. The Group seeks to ensure that its suppliers also act in full conformity with this policy.

Health and safety

The Group is committed to effective health and safety risk management and work is underway to establish a group wide system of health and safety performance monitoring in order that appropriate information can be published in future years.

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
- pay in accordance with its contractual and other legal obligations

As the parent Company does not trade, the number of days' credit in 2001 was nil (2000 – 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 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 £8,000 (2000 – £13,000) 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 65 to 68 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

5 March 2002