

Registered No.: 93416

CV Statutory Company No: 133.108

I.P. CLARKE & COMPANY LIMITED

REPORT AND ACCOUNTS FOR THE YEAR ENDED

31 DECEMBER 1996

COUNTRY OF REGISTRATION:

ENGLAND

REGISTERED OFFICE:

LEES STREET
SWINTON
MANCHESTER
M27 6DA

DIRECTORS:

B BOOTH
S DOW
K A WHITTAKER

SECRETARY:

D W YOUNGER

AUDITORS:

DELOITTE & TOUCHE
201 DEANS GATE
MANCHESTER
M60 2AT



I.P. CLARKE & COMPANY LIMITED

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 December 1996.

PRINCIPAL ACTIVITIES	The holding of investments.
REVIEW OF THE BUSINESS	The directors are of the opinion that the state of the company's affairs is satisfactory and the directors do not expect any material change in the foreseeable future.
RESULTS	The profit for the year after taxation was £25,753,000 (1995 : £9,084,134). Dividends totalling £25,724,000 (1995 : £9,084,134) were paid during the year. The directors do not recommend the payment of a final dividend.
DIRECTORS	<p>The following persons served as directors of the company during the year:</p> <p>B Booth, S Dow, K A Whittaker</p> <p>In accordance with the Articles of Association, B Booth retires and being eligible will offer herself for re-election.</p>
DIRECTORS' INTERESTS	<p>The directors have no beneficial interest in the shares of the company.</p> <p>Details of the directors' interests in the Ordinary Shares of Coats Viyella Plc are shown below:</p>

31 December 1996 31 December 1995

B Booth	709	490
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The following share options in Coats Viyella Plc have been granted to directors and not exercised:

	<u>Options Granted</u>	<u>Price per Share</u>	<u>Period of Option</u>	<u>Number of Shares</u>
1994 Executive Share Option Scheme	1994 to 1996	162.50p to 214.50p	1997 to 2006	78,000
1984 Executive Share Option Scheme	1987 to 1994	103.57p to 367.92p	1997 to 2004	108,981
Savings Related Share Option Scheme	1990 to 1993	89.27p to 190.86p	1997 to 2000	7,692
Sharesave Scheme Share Option Scheme	1994 to 1996	143.00p to 183.00p	1999 to 2002	19,750

Other than the foregoing the directors have no beneficial interest in the shares of Coats Viyella Plc.

I.P. CLARKE & COMPANY LIMITED

DIRECTORS' REPORT (Continued)

AUDITORS

A resolution for the reappointment of Deloitte & Touche as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

DIRECTORS'
RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time, the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board

KA Whittaker

I.P. CLARKE & COMPANY LIMITED

AUDITORS' REPORT TO THE MEMBERS OF I.P. CLARKE & COMPANY LIMITED.

We have audited the financial statements on pages 4 to 12 which have been prepared under the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 2, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Deloitte & Touche
Chartered Accountants and Registered Auditors

5 November 1997

201 Deansgate
Manchester
M60 2AT

I.P. CLARKE & COMPANY LIMITED

PROFIT AND LOSS ACCOUNT

For the Year ended 31 December 1996

	<u>Notes</u>	1996 £'000	1995 £'000
Interest receivable		29	-
Income from shares in group undertakings		26,939	9,483
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		26,968	9,483
Tax on profit on ordinary activities	3	1,215	399
		<hr/>	<hr/>
PROFIT FOR THE FINANCIAL YEAR		25,753	9,084
Dividend paid on equity shares	4	(23,096)	(7,586)
Dividend paid on non-equity shares	4	<u>(2,628)</u>	<u>(1,498)</u>
PROFIT FOR THE YEAR TRANSFERRED TO RESERVES	12	29	-
		<hr/> <hr/>	<hr/> <hr/>

The above results all derive from continuing operations.

The notes on pages 6 to 12 form part of these accounts.

I.P. CLARKE & COMPANY LIMITED

BALANCE SHEET

At 31 December 1996

	<u>Notes</u>	1996 £'000	1995 £'000 restated
FIXED ASSETS			
Investments	5	123,113	129,032
		<u>123,113</u>	<u>129,032</u>
CURRENT ASSETS			
DEBTORS - falling due within one year	6	1,699	2,288
DEBTORS - falling due after more than one year	6	1,428	1,882
CASH AT BANK AND IN HAND		<u>5,218</u>	<u>-</u>
		8,345	4,170
CREDITORS - amounts falling due within one year	7	<u>(1,129)</u>	<u>(1,533)</u>
NET CURRENT ASSETS		<u>7,216</u>	<u>2,637</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		130,329	131,669
CREDITORS - amounts falling due after more than one year	8	<u>(52,707)</u>	<u>(18,463)</u>
NET ASSETS		<u>77,622</u>	<u>113,206</u>
CAPITAL AND RESERVES			
EQUITY SHARE CAPITAL	9	100	100
NON-EQUITY SHARE CAPITAL	9	50,000	50,000
SHARE PREMIUM ACCOUNT	10	11,336	11,336
OTHER CAPITAL RESERVES	11	4,890	4,890
PROFIT AND LOSS ACCOUNT	12	947	13
REVALUATION RESERVE	13	<u>10,349</u>	<u>46,867</u>
		<u>77,622</u>	<u>113,206</u>
EQUITY SHAREHOLDERS' FUNDS		27,622	63,206
NON-EQUITY SHAREHOLDERS' FUNDS		<u>50,000</u>	<u>50,000</u>
		<u>77,622</u>	<u>113,206</u>

Approved by the Board of Directors on 29.10.97 and signed on their behalf.

Kawhatake Director

The notes on pages 6 to 12 form part of these accounts

I P CLARKE & COMPANY LIMITED

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS
Year ended 31 December 1996

	1996 £'000	Restated 1995 £'000
Profit for the financial year	25,753	9,084
Dividends - equity	(23,096)	(7,586)
- non-equity	<u>(2,628)</u>	<u>(1,498)</u>
	29	-
Unrealised(deficit)/surplus on revaluation of investments	(27,881)	-
Currency translation differences	(7,732)	-
Issue of shares	50,000	50,000
Redemption of shares	<u>(50,000)</u>	<u>-</u>
Net (reduction in)/ addition to shareholders' funds	(35,584)	50,000
Opening shareholders' funds as previously stated	113,206	16,339
Prior period adjustment	-	<u>46,867</u>
Opening shareholders' funds as restated	<u>113,206</u>	<u>63,206</u>
Closing shareholders' funds	<u>77,622</u>	<u>113,206</u>
Equity shareholders' funds	27,622	63,206
Non-equity shareholders' funds	<u>50,000</u>	<u>50,000</u>
	<u>77,622</u>	<u>113,206</u>
STATEMENT OF RECOGNISED GAINS AND LOSSES		
Year ended 31 December 1996		
Profit for the financial year	25,753	9,084
Unrealised(deficit)/surplus on revaluation of investments	(27,881)	-
Currency translation differences	<u>(7,732)</u>	<u>-</u>
Total recognised gains and losses relating to the year	<u>(9,860)</u>	<u>9,084</u>
NOTE ON PRIOR PERIOD ADJUSTMENT		
Total recognised gains and losses relating to the year	(9,860)	9,084
Prior period adjustment	-	<u>46,867</u>
Total gains and losses recognised since last annual report	<u>(9,860)</u>	<u>55,951</u>

I.P. CLARKE & COMPANY LIMITED

STATEMENT OF ACCOUNTING POLICIES

BASIS OF ACCOUNTING	The financial accounts are prepared on the basis of historical cost as amended by the revaluation of investments and in accordance with applicable accounting standards.
FOREIGN CURRENCIES	Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the year end. Profits and losses on exchange arising in the normal course of trading and realised exchange differences arising on the conversion of foreign currency borrowings are dealt with in the profit and loss account. Unrealised exchange differences arising on the translation of overseas net assets and matched long term foreign currency borrowings are taken direct to reserves.
INVESTMENTS	<p>The company borrows in foreign currencies as a hedge against fluctuations in the underlying value of its investments in overseas subsidiaries.</p> <p>Previously, investments have been stated at historic cost net of provisions for permanent diminutions in value. In order to enable the company to take advantage of the matching election rules of the new tax legislation, that policy has been changed so that investments are now stated at the value of the underlying currency net assets translated at closing exchange rates. The balance sheet at 31 December 1995 has been restated. The resulting change in value has been credited to the revaluation reserve £46,867,000 as a prior period adjustment. In the current year the revaluation reserve was debited with a net deficit of £36,518,000.</p>
TAXATION	<p>Coats Viyella Plc has assumed the responsibility for discharging any liability for United Kingdom corporation tax, current or deferred, for accounting periods during which the Company remains a member of the Coats Viyella Group. The Directors have received assurances that:</p> <ul style="list-style-type: none">(i) there is no intention to revoke the undertaking to discharge the taxation liabilities of the Company for those periods, and(ii) full provision for deferred taxation has been made by Coats Viyella Plc in respect of the Company.
CASH FLOW STATEMENT	I.P. Clarke & Company Limited is a wholly owned subsidiary undertaking of Coats Viyella Plc. The company has therefore taken the advantage of the exemption under FRS1 of not producing its own cash flow statement as a consolidated cash flow statement has been included in the consolidated financial statements of Coats Viyella Plc.

I.P. CLARKE & COMPANY LIMITED

NOTES TO THE ACCOUNTS

1. DIRECTORS'
REMUNERATION

The directors are either directors or executives of the ultimate parent company, Coats Viyella Plc, or its subsidiaries and receive no remuneration for their services to this company (1995 : NIL).

2. EMPLOYEES

The company had no employees (1995 - NIL).

3. TAX ON PROFITS ON
ORDINARY ACTIVITIES

	1996 £'000	1995 £'000
Overseas taxation	1,215	399

No charge to United Kingdom taxation has been provided in the results for the period. No overseas tax has been provided on overseas income other than withholding tax as shown above suffered on the remittance of dividends. Any United Kingdom corporation tax liability which may arise and is not eliminated by offset of double taxation relief and/or advance corporation tax for neither of which payment will be made, will be discharged by Coats Viyella Plc.

4. DIVIDENDS PAID

	1996 £'000	1995 £'000
Ordinary dividend:		
Interim paid £230.96 per share (1995 : £75.86)	23,096	7,586
Non-equity Dividend	2,628	1,498

I.P. CLARKE & COMPANY LIMITED**NOTES TO THE ACCOUNTS (Continued)****5. INVESTMENTS**

	Shares in Subsidiaries £'000	Other Fixed Asset Investments £'000	Total £'000
COST			
At the beginning of year	32,155	50,010	82,165
Prior Period Adjustment	<u>46,867</u>	<u>-</u>	<u>46,867</u>
Adjusted at 31 December 1995	79,022	50,010	129,032
Exchange	(8,637)	-	(8,637)
Transfer from Coats Viyella group company	30,609	-	30,609
Disposal	-	(10)	(10)
Revaluation	<u>(27,881)</u>	<u>-</u>	<u>(27,881)</u>
At 31 December 1996	<u>73,113</u>	<u>50,000</u>	<u>123,113</u>

Principal subsidiary undertakings are:

	Country of Incorporation or Registration	Class of Share	Combined Interest of Parent and Subsidiaries
HOLDING & FINANCE COMPANIES			%
*Tootal Finance Inc	USA	Common Stock Class 'B' (non-voting)	100.00
Tootal Inc	USA	Common Stock	100.00
Coats Viyella (North America) Inc	USA	Common Stock	100.00
THREAD			
Coats American Inc	USA	Common stock	100.00
Coats & Clark Inc.	USA	Common stock	100.00
Talon Inc.	USA	Common stock	80.00
Dimensions Inc.	USA	Common stock	100.00
*Coats Canada Inc	Canada	Common stock	100.00

I.P. CLARKE & COMPANY LIMITED

NOTES TO THE ACCOUNTS (Continued)

	Country of Incorporation or Registration	Class of Share	Combined Interest of Parent and Subsidiaries
RETAIL AND FASHION			
Jaeger Sportswear Inc	USA	Common stock	100.0
* Jaeger Canada Inc	Canada	Common stock	100.0

PRECISION ENGINEERING

Dynacast Inc.	USA	Common stock	100.0
*Dynacast Canada Inc	Canada	Common stock	100.0

* Companies marked with an asterisk are direct subsidiaries of I.P. Clarke & Company Limited.

A complete list of subsidiary undertakings and companies in which I.P. Clarke & Co Ltd holds more than 10% of the equity share capital will be filed with the next annual return.

In the opinion of the directors the aggregate value of the assets of these subsidiaries is not less than the aggregate of the amounts at which those assets are included in the balance sheet.

As the company is a wholly-owned subsidiary of another company incorporated in Great Britain, consolidated accounts are not presented.

		1996 £'000	1995 £'000
6. DEBTORS	Prepayments and accrued income	1,143	1,531
(Amounts falling due within one year)	Tax recoverable	<u>556</u>	<u>757</u>
		1,699	2,288
DEBTORS	Group undertakings:		
(Amounts falling due after more than one year)	Parent company and fellow subsidiaries	<u>1,428</u>	<u>1,882</u>
7. CREDITORS	Other creditors	<u>1,129</u>	<u>1,533</u>
(Amounts falling due within one year)			
8. CREDITORS	Amounts owed to group undertakings:		
(Amounts falling due after more than one year)	Parent company and fellow subsidiaries	<u>52,707</u>	<u>18,463</u>

The amounts owed to group undertakings have no specified dates of repayment and are only repayable on receipt of twelve month's notice and do not bear interest.

I.P. CLARKE & COMPANY LIMITED

NOTES TO THE ACCOUNTS (Continued)

9. CALLED UP SHARE CAPITAL

EQUITY SHARE CAPITAL

	AUTHORISED		ALLOTTED AND FULLY PAID	
	1996 £'000	1995 £'000	1996 £'000	1995 £'000
Ordinary shares of £1 each	100	100	100	100

NON-EQUITY SHARE CAPITAL

Redeemable preference shares of £1 each	50,000	50,000	50,000	50,000
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On 4 July 1996, the company issued 50 million redeemable preference shares of £1 each, the proceeds of which were used to redeem the previous preference share issue.

Redeemable Preference Shareholders' Rights

On a winding-up, the holders of the Preference Shares shall be entitled, in priority to any payment to the holders of any other class of shares, to receive any amount equal to the nominal amount paid up, together with all dividend arrears, of the Preference Share Capital. The Preference shareholders have the right to receive notice and attend but neither speak nor vote at General Meetings.

		£'000
10. SHARE PREMIUM	At 31 December 1995 and 31 December 1996	11,336
		<hr/>
11. OTHER CAPITAL RESERVES	At 31 December 1995 and 31 December 1996	4,890
		<hr/>
12. PROFIT AND LOSS ACCOUNT	At 31 December 1995	13
	Retained profit for the year	29
	Exchange	<u>905</u>
	At 31 December 1996	947
		<hr/>
13. REVALUATION RESERVE		£'000
At 31 December 1995		-
Prior Period Adjustment		<u>46,867</u>
Adjusted at 31 December 1995		46,867
Exchange		(8,637)
Deficit on revaluation of investments		<u>(27,881)</u>
		<hr/>
		10,349
		<hr/>

I.P. CLARKE & COMPANY LIMITED

NOTES TO THE ACCOUNTS (Continued)

14. ULTIMATE PARENT
COMPANY

The company's ultimate parent company is Coats Viyella Plc, a company incorporated in England and Wales. Copies of the Group financial statements are available from the parent company's registered office at 28 Savile Row, London.

15. RELATED PARTY
TRANSACTIONS

The company is a subsidiary undertaking within the Coats Viyella Group, 90% or more of its voting rights are controlled within the Group, and the Group's consolidated financial statements are publicly available. In accordance with FRS 8, therefore, disclosure is not required of transactions with entities that are part of the Group or investees of the Group qualifying as related parties.