

Registered No: 332517

CV Statutory Company No: 453

TOOTAL THREAD LIMITED

REPORT AND ACCOUNTS FOR THE YEAR ENDED

31 DECEMBER 1996

COUNTRY OF REGISTRATION:

ENGLAND

REGISTERED OFFICE:

LEES STREET
SWINTON
MANCHESTER
M27 6DA

DIRECTORS:

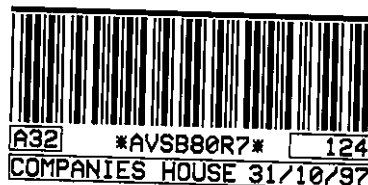
B BOOTH
S W DAVIES
K A WHITTAKER

SECRETARY:

K A WHITTAKER

AUDITORS:

DELOITTE & TOUCHE
201 DEANS GATE
MANCHESTER
M60 2AT



TOOTAL THREAD LIMITED

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

The company is an investment holding company and provides technical and management support to its subsidiaries.

REVIEW OF THE BUSINESS

Other than a reduction in income from subsidiary undertakings, resulting from the transfer of the investments in Tootal Finance Inc to a fellow Coats Viyella Group company, there have been no material other changes in the company's business during the year.

FIXED ASSETS

The changes which have taken place during the period are set out in Note 9 to the accounts. The directors are of the opinion that there is no significant difference between the present market value of the company's properties and the amounts at which they are stated in the accounts.

RESULTS

The profit for the period after taxation is £ 4,400,000 (1995 : £10,460,000). An interim dividend of £3,725,000 (1995 : £10,157,000) has been paid.

DIRECTORS

The following persons served as directors of the company during the period:

B. Booth
S W Davies (Appointed 1 July 1996)
K.A. Whittaker

TOOTAL THREAD LIMITED

DIRECTORS' REPORT (Continued)

DIRECTORS' INTERESTS

The directors have no beneficial interest in the shares of the company.

Details of the directors' interests in the Ordinary Shares of Coats Viyella Plc are shown below:

	<u>31 December 1996</u>	<u>31 December 1995</u> * or date of appointment
B Booth	709	490
S W Davies	49	* 539

The following share options 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	97,500
1984 Executive Share Option Scheme	1987 to 1994	103.57p to 367.92p	1997 to 2004	17,739
Savings related Share Option Scheme	1990 to 1993	89.27p to 190.86p	1997 to 2000	9,590
Sharesave Scheme Share Option Scheme	1994 to 1996	143.00p to 183.00p	1999 to 2002	15,240

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;

TOOTAL THREAD LIMITED

DIRECTORS' REPORT (Continued)

DIRECTORS'
RESPONSIBILITIES
(Continued)

- 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



K.A. WHITTAKER,
Secretary

TOOTAL THREAD LIMITED

AUDITORS' REPORT TO THE MEMBERS OF TOOTAL THREAD LIMITED.

We have audited the financial statements on pages 6 to 18 which have been prepared under the accounting policies set out on pages 9 and 10.

Respective responsibilities of directors and auditors

As described on pages 3 & 4, 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

201 Deansgate
Manchester
M60 2AT

31/10/97

TOOTAL THREAD LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 1996

	<u>Notes</u>	<u>Total</u> 1996 £'000	<u>Total</u> 1995 £'000
TURNOVER	1	-	562
Cost of Sales		<u>-</u>	<u>(509)</u>
GROSS PROFIT		-	53
Distribution costs		-	(13)
Administrative expenses		(2)	(178)
Other operating income	2	<u>1,498</u>	<u>1,716</u>
OPERATING PROFIT	2	1,496	1,578
Termination of operations		-	(515)
Profit on ordinary activities before interest		<u>1,496</u>	<u>1,063</u>
Income from shares in group companies		3,749	10,696
Interest receivable and similar income	5	72	73
Interest payable and similar charges	6	<u>(531)</u>	<u>(778)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		4,786	11,054
Tax on profit on ordinary activities	7	<u>(386)</u>	<u>(594)</u>
PROFIT FOR THE FINANCIAL YEAR		4,400	10,460
Ordinary dividends paid on equity shares	8	<u>(3,725)</u>	<u>(10,157)</u>
AMOUNT TRANSFERRED TO RESERVES	17	<u>675</u>	<u>303</u>

The above results derive from a continuing operation.

The notes on pages 9 to 18 form part of these accounts.

TOOTAL THREAD LIMITED

BALANCE SHEET

At 31 December 1996

	<u>Notes</u>	31 December 1996 £'000	31 December 1995 £'000
FIXED ASSETS			
Tangible assets	9	-	-
Investments	10	<u>52,698</u>	<u>53,641</u>
		52,698	53,641
CURRENT ASSETS			
Debtors	11	445	356
Debtors falling due in more than one year	11	38,032	32,862
Cash at bank and in hand		<u>959</u>	<u>591</u>
		39,436	33,809
Less:			
CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR			
Sundry creditors	12	<u>153</u>	<u>394</u>
NET CURRENT ASSETS		<u>39,283</u>	<u>33,415</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		91,981	87,056
CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR			
	13	(37,540)	(32,626)
PROVISIONS FOR LIABILITIES AND CHARGES			
	14	<u>-</u>	<u>-</u>
NET ASSETS		<u>54,441</u>	<u>54,430</u>
CAPITAL AND RESERVES			
EQUITY SHARE CAPITAL	15	37,815	37,815
PROFIT AND LOSS ACCOUNT	16	13,739	12,249
REVALUATION RESERVE	17	<u>2,887</u>	<u>4,366</u>
EQUITY SHAREHOLDERS' FUNDS		<u>54,441</u>	<u>54,430</u>

Approved by the Board of Directors on

29.10.97

K A Whittaker Director

The notes on pages 9 to 18 form part of these accounts

TOOTAL THREAD LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES YEAR ENDED 31 DECEMBER 1996

	1996 £'000	1995 £'000
Profit for the financial year	4,400	10,460
Unrealised (deficit)/surplus on revaluation of investments	<u>(1,479)</u>	<u>1,502</u>
	2,921	11,962
Currency translation differences on foreign currency loans	<u>815</u>	<u>(117)</u>
TOTAL RECOGNISED GAINS AND LOSSES SINCE THE LAST ANNUAL REPORT	<u>3,736</u>	<u>11,845</u>

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1996 £'000	1995 £'000
Profit for the financial year	4,400	10,460
Dividends	<u>(3,725)</u>	<u>(10,157)</u>
	675	303
Unrealised (deficit)/surplus on revaluation of investments	<u>(1,479)</u>	<u>1,502</u>
	(804)	1,805
Other recognised gains and losses relating to the year	<u>815</u>	<u>(117)</u>
Net addition to Shareholders' funds	11	1,688
Opening Shareholders' funds	<u>54,430</u>	<u>52,742</u>
Closing Shareholders' funds	<u>54,441</u>	<u>54,430</u>

TOOTAL THREAD LIMITED

STATEMENT OF ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The accounts are prepared on the basis of historical cost and in accordance with applicable accounting standards, as modified by the revaluation of investments outlined in the accountancy policy below.

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 long-term foreign currency borrowings are taken direct to reserves.

TAXATION

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:

- (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.

TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible fixed assets are stated at cost, less accumulated depreciation and, where appropriate, provision for estimated losses on disposal.

Depreciation is provided to write off the cost of the assets by equal instalments over their expected useful lives.

The rates used are:

Freehold and long leasehold land	Nil
Freehold and long leasehold bldgs.	2%
Short leasehold property	Over period of lease
Motor vehicles	20%
Electronic office equipment	20%
All other plant and machinery	5% to 25%

Assets held under finance leases are included in tangible fixed assets at a value equal to the original cost incurred by the lessor less depreciation and obligations to the lessor are shown as part of creditors. The interest element is charged to profit and loss account under the reducing balance method.

TOOTAL THREAD LIMITED

STATEMENT OF ACCOUNTING POLICIES (Continued)

RESEARCH AND
DEVELOPMENT
EXPENDITURE

Expenditure is charged to profit and loss account in the year in which it is incurred.

CLOSURE AND
REORGANISATION COSTS

Closure costs and reorganisation costs are normally treated as charges in arriving at the profit or loss on ordinary activities, and where material, are disclosed as exceptional items.

LICENSING INCOME

Licensing Income is credited to profit and loss account in the year in which it relates.

INVESTMENTS

Investments are stated at the value of the underlying currency net assets translated at closing exchange rates.

TOOTAL THREAD LIMITED

NOTES TO THE ACCOUNTS

1. TURNOVER AND PROFIT

The analysis of operating profit and net assets by geographical local is:-

	<u>OPERATING PROFIT</u>		<u>NET ASSETS</u>	
	1996 £'000	1995 £'000	1996 £'000	1995 £'000
United Kingdom	1,496	1,650	55,471	55,460
United Arab Emirates	-	(72)	(1,030)	(1,030)
	<u>1,496</u>	<u>1,578</u>	<u>54,441</u>	<u>54,430</u>

2. OPERATING PROFIT

is stated after charging:

Depreciation on owned
assets

Year to 31 December 1996 £'000	Year to 31 December 1995 £'000
---	---

- 6

after crediting Other
Operating Income:

Royalties and licensing
income
Other

1,502	1,728
<u>(4)</u>	<u>(12)</u>
<u>1,498</u>	<u>1,716</u>

3. DIRECTORS' REMUNERATION

The directors are employees of the ultimate parent company, Coats Viyella Plc, or its subsidiaries and receive no remuneration from this company (1995 : NIL).

TOOTAL THREAD LIMITED

NOTES TO THE ACCOUNTS (Continued)

		Year to 31 December 1996	Year to 31 December 1995
4. EMPLOYEES	The average numbers employed by the company during the year were:		
	Staff	<u> </u>	<u> 6</u>
		£'000	£'000
	The costs incurred in respect of these employees were:		
	Wages and salaries	<u> </u>	<u> 104</u>
5. INTEREST RECEIVABLE AND SIMILAR INCOME	Bank interest	50	73
	Group undertakings	<u> 22</u>	<u> </u>
		72	73
6. INTEREST PAYABLE AND SIMILAR CHARGES	Bank overdraft and other borrowings repayable within five years	-	202
	Group undertakings	<u> 531</u>	<u> 576</u>
		531	778
		<u> </u>	<u> </u>
		Year to 31 December 1996	Year to 31 December 1995
		£'000	£'000
7. TAX ON PROFIT ON ORDINARY ACTIVITIES	UK taxation based on the profit for the year:		
	Corporation tax at 33% (1995 - 33%)	601	1,416
	Double taxation relief	<u> (601)</u>	<u> (1,416)</u>
		-	-
	Overseas taxation	<u> 386</u>	<u> 594</u>
		386	594
		<u> </u>	<u> </u>

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 the receipt of group relief and/or advance corporation tax for neither of which payment will be made, will be discharged by Coats Viyella Plc.

TOOTAL THREAD LIMITED

NOTES TO THE ACCOUNTS (Continued)

		31 December 1996 £'000	31 December 1995 £'000
8. ORDINARY DIVIDENDS PAID ON EQUITY SHARES	Interim 9.85p per share (12 months to 31/12/95 26.86p per share)	3,725	10,157

9. TANGIBLE FIXED ASSETS

	Short leasehold Land and Buildings £'000	Plant and Machinery £'000	Capitalised Finance Leases £'000	Total £'000
a) COST				
At 31 December 1995 and 31 December 1996	3	341	7	351
DEPRECIATION				
At 31 December 1995 and 31 December 1996	3	341	7	351
NET BOOK VALUE				
At 31 December 1995 and 31 December 1996	-	-	-	-

TOOTAL THREAD LIMITED

NOTES TO THE ACCOUNTS (Continued)

10. INVESTMENTS

	Subsidiary Undertakings		Unlisted Invest- ments	Total
	Shares £'000	Loans £'000	£'000	£'000
COST/VALUATION				
At 31 December 1995	52,350	3,039	23	55,412
Exchange	5,166	-	-	5,166
Acquired/advanced	3,591	1,681	-	5,272
Revaluation	(6,645)	-	-	(6,645)
Disposal/repaid	<u>(2,363)</u>	<u>(2,373)</u>	<u>-</u>	<u>(4,736)</u>
At 31 December 1996	<u>52,099</u>	<u>2,347</u>	<u>23</u>	<u>54,469</u>
PROVISIONS				
At 31 December 1995	<u>504</u>	<u>1,267</u>	<u>-</u>	<u>1,771</u>
At 31 December 1996	<u>504</u>	<u>1,267</u>	<u>-</u>	<u>1,771</u>
NET BOOK VALUE				
At 31 December 1996	<u>51,595</u>	<u>1,080</u>	<u>23</u>	<u>52,698</u>
At 31 December 1995	<u>51,846</u>	<u>1,772</u>	<u>23</u>	<u>53,641</u>

A list of principal subsidiary undertakings appears on page 18.

The unlisted investment at 31 December 1995 was: Coats Fabra SA - Incorporated in Spain and 0.499% of share capital is held. The company manufactures and markets sewing thread.

Historic cost valuation of shares in subsidiary undertakings:

	1996 £'000	1995 £'000
Cost	50,420	49,192
Provisions	<u>(1,208)</u>	<u>(1,208)</u>
Net book value	<u>49,212</u>	<u>47,984</u>

TOTAL THREAD LIMITED

NOTES TO THE ACCOUNTS (Continued)

		31 December 1996 £'000	31 December 1995 £'000
11. DEBTORS	Amounts owed by group undertakings:		
	Parent company and fellow subsidiaries	38,214	32,862
	Subsidiary undertakings	257	329
	Other debtors	6	19
	Prepayments and accrued income	-	8
		<u>38,477</u>	<u>33,218</u>
	Debtors include amounts owed by group undertakings due in more than one year:		
	Parent company and fellow subsidiaries	<u>38,032</u>	<u>32,862</u>
12. CREDITORS	Amounts owed to group undertakings:		
(Amounts falling due within one year)	Parent company and fellow subsidiaries	72	74
	Overseas taxation	50	63
	Accruals and deferred income	<u>31</u>	<u>257</u>
		<u>153</u>	<u>394</u>
13. CREDITORS	Amounts owed to group undertakings:		
(Amounts falling due after more than one year)	Parent company and fellow subsidiaries	<u>37,540</u>	<u>32,626</u>

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

TOOTAL THREAD LIMITED

NOTES TO THE ACCOUNTS (Continued)

14. PROVISIONS FOR LIABILITIES AND CHARGES

DEFERRED TAXATION

In the opinion of the directors any deferred taxation liability is either so remote or immaterial that it is unnecessary to provide for such deferred tax or to show any potential liability. If, however, such a liability was to arise then such liability will be discharged by Coats Viyella Plc.

The amount of deferred tax unprovided is as follows:

	Unprovided	
	31 December 1996 £'000	31 December 1995 £'000
Depreciation in advance of capital allowances	(5)	(15)
Other timing differences	<u>(10)</u>	<u>(105)</u>
	(15)	(120)
	<u> </u>	<u> </u>
	31 December 1996 £'000	31 December 1995 £'000
OTHER PROVISIONS		
At 31 December 1995	-	11
Utilised	<u>-</u>	<u>(11)</u>
At 31 December 1996	<u>-</u>	<u>-</u>

15. EQUITY SHARE CAPITAL

	AUTHORISED		ALLOTTED AND FULLY PAID	
	31 December 1996 £'000	31 December 1995 £'000	31 December 1996 £'000	31 December 1995 £'000
Ordinary shares of £1 each	<u>37,815</u>	<u>37,815</u>	<u>37,815</u>	<u>37,815</u>

TOOTAL THREAD LIMITED

NOTES TO THE ACCOUNTS (Continued)

		31 December £'000
16. PROFIT AND LOSS ACCOUNT	At 31 December 1995	12,249
	Retained profit for the year	675
	Foreign currency translation gains	<u>815</u>
	At 31 December 1996	<u>13,739</u>
17. REVALUATION RESERVE	At 31 December 1995	4,366
	Exchange	5,166
	Deficit on revaluation of investments	<u>(6,645)</u>
	At 31 December 1996	<u>2,887</u>
18. CONTINGENT LIABILITIES AND FINANCIAL OBLIGATIONS	There is a first floating charge on the assets of the company in favour of the trustees for the £3,200,000 4.75% perpetual debenture stock of Tootal Group plc.	
19. 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 Savile Row, London.	
20. 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.	

TOOTAL THREAD LIMITED

PRINCIPAL UNDERTAKINGS

31 DECEMBER 1996

	Country of Incorporation or registration	Class of Share	Percentage held by:	
			Company	Subsidiaries
HOLDING & FINANCE COMPANIES				
Overseas Thread Industries	England	Ordinary	100	-
Coats Viyella France SA	France	Ordinary	100	-
THREAD				
Coats Industrial New Zealand Limited	England	Ordinary	100	-
Coats Australia Pty Limited	Australia	Ordinary	100	-
Coats Tootal Limited	Bangladesh	Ordinary	80	-
Guangying Spinning Company Limited	China	Ordinary	-	50
Jinying Spinning Company Limited	China	Ordinary	-	50
Coats Guangzhou Limited	China	Ordinary	-	70
China Spinning Limited	China	Ordinary	-	50
Coats Opti OY	Finland	Ordinary	-	100
Coats Sartel S.A.	France	Ordinary	-	100
Steiner Freres S.A.	France	Ordinary	-	100
Coats Hong Kong Limited	Hong Kong	Ordinary	100	-
China Thread Development Co. Limited	Hong Kong	Ordinary	100	-
PT Tootal Thread Indonesia	Indonesia	Ordinary	70	-
Irish Sewing Limited	Rep. of Ireland	Ordinary	100	-
Tootal Thread Malacca Sdn Bhd	Malaysia	Ordinary	51	-
J & P Coats (Mfg) Sdn Bhd	Malaysia	Ordinary	-	51
Grupo Coats Timon SA De CV	Mexico	Ordinary	-	51
Allied Thread Co. Inc.	Philippines	Capital Stock	100	-
Tootal Thread (Singapore) Private Limited	Singapore	Ordinary	100	-
Coats Natal Thread Company (Proprietary) Ltd	South Africa	Ordinary	71.7	-
Sung Sin Tootal Thread Limited	South Korea	Ordinary	60	-
Coats Tootal Lanka (Private) Limited	Sri Lanka	Ordinary	69.4	-
Mölnlycke Sytrad A.B.	Sweden	Ordinary	100	-
OPTI-Expotex AB	Sweden	Ordinary	-	100
Coats Phong Phu Thread Limited	Vietnam	Ordinary	75	-
CLOTHING				
New Island Clothing Limited	Mauritius	Ordinary	-	49.9
		Preference	-	35.7
HOMEWARES				
Dorma France S.A.	France	Ordinary	-	-
RETAIL AND FASHION				
Jaeger Sportswear Inc.	USA	Common Stock	-	48.5
PRECISION ENGINEERING				
Dynacast France S.A.	France	Ordinary	-	100

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 these assets are included in the balance sheet.

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