

Registered No: 2591134

CV Statutory Company No: 05

COATS VIYELLA FINANCE CO LTD

REPORT AND ACCOUNTS FOR THE YEAR ENDED

31 DECEMBER 1995

COUNTRY OF REGISTRATION:

ENGLAND

REGISTERED OFFICE:

LEES STREET
SWINTON
MANCHESTER
M27 6DA

DIRECTORS:

N C BAIN
S DOW
R K STEPHENSON

SECRETARY:

B BOOTH

AUDITORS:

DELOITTE & TOUCHE
ABBAY HOUSE
P O BOX 500
74 MOSLEY STREET
MANCHESTER
M60 2AT



COATS VIYELLA FINANCE CO LTD

DIRECTORS' REPORT

The Directors present their report and accounts for the year ended 31 December 1995.

PRINCIPAL ACTIVITIES

The Company acted as a financial trading company during the year ended 31 December, 1995.

REVIEW OF BUSINESS

Profits on ordinary activities before taxation decreased by £1.9m primarily as a result of a general reduction in interest rates and the transfer during the year of a number of interest rate swaps to a fellow group company without consideration. The directors are of the opinion that the level of profit from financial transactions will continue throughout the forthcoming year.

On 4 July 1995, the issued share capital of the company was increased by the allotment at par of 50 million Redeemable Preference Shares of £1 each to a fellow group undertaking. The monies received were used for the purposes of its business as a financial trader.

RESULTS

Dividends totalling £4.5m were paid on the ordinary shares during the year.

The directors do not recommend the payment of a final dividend on the ordinary shares.

Following the issue of £50m preference shares a dividend of £3,029,013, for the period 4 July 1995 to 4 July 1996, was paid on 5 July 1995, the proportion of which attributable to the 31 December 1995 (£1,497,954) has been charged to the profit and loss account. In addition to this payment a dividend of £6,979 is proposed on the 0.001% redeemable preference shares.

DIRECTORS

The following persons served as directors of the company during the year and appointed after the year end:

N C Bain

S Dow

J K Phillips

(Appointed 1 March 1995,
resigned 14 September 1995)

R K Stephenson

(Appointed 1 April 1996)

COATS VIYELLA FINANCE CO LTD

DIRECTORS' REPORT (Continued)

DIRECTORS' INTERESTS

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

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

	Options Granted	Price per Share	Period of Option	Number of Shares
1994 Executive Share Option Scheme	1994 to 1995	195.00p to 214.50p	1997 to 2005	45,000
1984 Executive Share Option Scheme	1986 to 1994	103.57p to 367.92p	1996 to 2004	139,394
Savings-Related Share Option Scheme	1989 to 1993	89.27p to 190.86p	1996 to 2000	17,058

Mr N C Bain and Mr J K Phillips were directors of Coats Viyella Plc during the year and their interests are therefore shown in the Directors' Report of that company.

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

AUDITORS

On 1 February 1996 our auditors changed the name under which they practise to Deloitte & Touche and, accordingly, have signed their report in their new name. A resolution for the reappointment of Deloitte & Touche as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

COATS VIYELLA FINANCE CO LTD

DIRECTORS' REPORT (Continued)

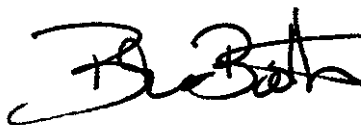
DIRECTORS' RESPONSIBILITIES

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



B Booth,
Secretary

COATS VIYELLA FINANCE CO LTD

AUDITORS' REPORT TO THE MEMBERS OF COATS VIYELLA FINANCE CO LTD

We have audited the financial statements on pages 6 to 13 which have been prepared under the accounting policies set out on page 9.

Respective responsibilities of directors and auditors

As described on page 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 1995 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

21 May 1996

Abbey House
P O Box 500
74 Mosley Street
Manchester
M60 2AT

COATS VIYELLA FINANCE CO LTD

PROFIT AND LOSS ACCOUNT

Year ended 31 December 1995

	Notes	Year to 31 December 1995 £'000	Year to 31 December 1994 £'000
Administrative expenses		(1)	(4)
Interest receivable and similar income	4	13,684	15,128
Interest payable and similar charges	5	(8,218)	(7,773)
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	1	5,465	7,351
Tax on Profit on ordinary activities	6	(19)	(10)
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE FINANCIAL YEAR		5,446	7,341
Ordinary Dividends paid on equity shares	7	(4,500)	(7,000)
Preference Dividends payable on non-equity shares	8	(1,505)	(7)
		<hr/>	<hr/>
RETAINED (LOSS)\PROFIT FOR THE FINANCIAL YEAR	14	(559)	334
		<hr/>	<hr/>

The above results derive solely from continuing operations.

There are no recognised gains and losses for the current financial year and preceding financial year other than as stated in the profit and loss account.

The Notes on page 10 to 13 form part of these accounts.

COATS VIYELLA FINANCE CO LTD

BALANCE SHEET At 31 December 1995

	Notes	31 December 1995 £'000	31 December 1994 £'000
CURRENT ASSETS			
DEBTORS - due within one year	9	190,732	121,293
- due after more than one year	9	32,258	101,395
CASH AT BANK AND IN HAND		<u>23,301</u>	<u>4,081</u>
		246,291	226,769
CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR	10	<u>(9,709)</u>	<u>(71,881)</u>
NET CURRENT ASSETS		236,582	154,888
CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	11	<u>(108,532)</u>	<u>(76,279)</u>
NET ASSETS		128,050	78,609
CAPITAL AND RESERVES			
EQUITY SHARE CAPITAL	13	500	500
NON-EQUITY SHARE CAPITAL	13	119,795	69,795
PROFIT AND LOSS ACCOUNT	14	<u>7,755</u>	<u>8,314</u>
TOTAL SHAREHOLDERS' FUNDS		128,050	78,609
EQUITY SHAREHOLDERS' FUNDS		8,255	8,814
NON-EQUITY SHAREHOLDERS' FUNDS		<u>119,795</u>	<u>69,795</u>
		128,050	78,609

Approved by the Board of Directors on 14/5/1996 and signed on their behalf.



S DOW,
Director

The notes on pages 10 to 13 form part of these accounts.

COATS VIYELLA FINANCE CO LTD

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS
Year ended 31 December 1995

	1995 £'000	1994 £'000
Profit for the financial year	5,446	7,341
Dividends	(6,005)	(7,007)
	<u>(559)</u>	<u>334</u>
Issue of shares	50,000	-
	<u>49,441</u>	<u>334</u>
Net addition to shareholders' funds	49,441	334
Opening shareholders' funds	78,609	78,275
	<u>128,050</u>	<u>78,609</u>
Closing shareholders' funds	128,050	78,609
	<u><u>128,050</u></u>	<u><u>78,609</u></u>
Equity shareholders' funds	8,255	8,814
Non-equity shareholders' funds	<u>119,795</u>	<u>69,795</u>
	<u><u>128,050</u></u>	<u><u>78,609</u></u>

COATS VIYELLA FINANCE CO LTD

STATEMENT OF ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The accounts are prepared on the basis of historical cost and in accordance with applicable accounting standards.

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.

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.

COATS VIYELLA FINANCE CO LTD

NOTES TO THE ACCOUNTS

1. PROFIT ON ORDINARY ACTIVITIES

The profit and net assets arise in the United Kingdom from the principal activity of financial trading.

2. DIRECTORS' REMUNERATION

No directors received any remuneration for their services to the Company (1994 - £Nil).

3. EMPLOYEES

The company had no employees during the year (1994 : Nil).

		1995 £'000	1994 £'000
4. INTEREST RECEIVABLE AND SIMILAR INCOME	Interest receivable:		
	From Group undertakings	13,342	11,759
	Bank interest	<u>342</u>	<u>3,369</u>
		13,684	15,128
		<u> </u>	<u> </u>
5. INTEREST PAYABLE AND SIMILAR CHARGES	Group undertakings	6,378	7,773
	Bank interest	<u>1,840</u>	<u>-</u>
		8,218	7,773
		<u> </u>	<u> </u>
6. TAX ON PROFIT ON ORDINARY ACTIVITIES	Corporation tax - Current Year	41	-
	Corporation tax - Prior Year	1	-
	Overseas taxation	16	6
	Advance Corporation tax (recovered)/written off	(23)	4
	Double tax relief	<u>(16)</u>	<u>-</u>
		19	10
		<u> </u>	<u> </u>

Any United Kingdom liability which may arise and is not eliminated by the offset of group relief and/or advance corporation tax, for neither of which payment will be made, will be discharged by Coats Viyella Plc. No overseas tax has been produced on overseas income other than withholding tax shown above on the remittance of dividends.

COATS VIYELLA FINANCE CO LTD

NOTES TO THE ACCOUNTS (Continued)

		1995 £'000	1994 £'000
7. ORDINARY DIVIDENDS	Interim dividends paid @ £9 per share (1994 : £14 per share).	4,500	7,000
8. PREFERENCE DIVIDENDS	Paid on 1995 3% Redeemable Preference shares	1,498	-
	Proposed on 0.001% fixed rate redeemable preference shares	7	7
		1,505	7
9. DEBTORS	Amounts owed by the parent company and fellow subsidiary undertakings	222,309	219,345
	Other debtors	681	3,343
		222,990	222,688
	Debtors include amounts owed by group undertakings due in more than one year:		
	Parent company and fellow subsidiaries	32,258	101,395
10. CREDITORS (Amounts falling due within one year)	Amounts owed to the parent company and fellow subsidiary undertakings	9,238	71,134
	Other creditors	471	747
		9,709	71,881
11. CREDITORS (Amounts falling due after more than one year)	Amounts owed to the parent company and fellow subsidiary undertakings	108,532	76,279

The amounts owing to parent company and fellow subsidiaries have no specified dates of repayment but are only repayable on receipt of twelve months notice.

COATS VIYELLA FINANCE CO LTD

NOTES TO THE ACCOUNTS (Continued)

12. 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 were to arise then such liability will be discharged by Coats Viyella Plc.

The potential liability for deferred taxation calculated at 33% is as follows:

	1995 £'000	1994 £'000
Short term borrowing differences	(594)	1,046
ACT off-settable	<u>(4)</u>	<u>(4)</u>
	<u>(598)</u>	<u>1,042</u>

13. SHARE CAPITAL

	AUTHORISED		ALLOTTED AND FULLY PAID	
	1995 £'000	1994 £'000	1995 £'000	1994 £'000
<u>Equity share capital</u>				
New Ordinary shares of £1 each	500	500	500	500
<u>Non-equity share capital</u>				
1995 3% Redeemable Preference Shares of £1 each	50,000	-	50,000	-
Fixed Rate Redeemable Preference Shares of £1 each	<u>150,000</u>	<u>150,000</u>	<u>69,795</u>	<u>69,795</u>
	<u>200,500</u>	<u>150,500</u>	<u>120,295</u>	<u>70,295</u>

On 4 July 1995, the company issued at par to a fellow group undertaking 50 million preference shares of £1 each redeemable in 1 year, the proceeds of which were used to fund other group financing requirements.

On a winding-up of the assets of the company there will be a repayment to the holders of the Preference Shares of the amounts paid up or credited as paid up on the Preference Shares held by them respectively and the balance of such assets belong to the holders of the Ordinary Shares.

Preference shareholders have the right to receive notice and attend but not speak or vote at the General Meetings.

The Preference Shares, at the election of any registered holder of Preference Shares in respect of the whole of the holding on any day upto the fifth anniversary of issue, may be redeemed equal to the amount paid up or credited as paid up on each share together with any accrual and unpaid dividends thereon.

COATS VIYELLA FINANCE CO LTD

NOTES TO THE ACCOUNTS (Continued)

		£'000
14. PROFIT AND LOSS ACCOUNT		
	At 31 December 1994	8,314
	Retained loss for the year	<u>(559)</u>
	At 31 December 1995	<u>7,755</u>

15. ULTIMATE PARENT COMPANY

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