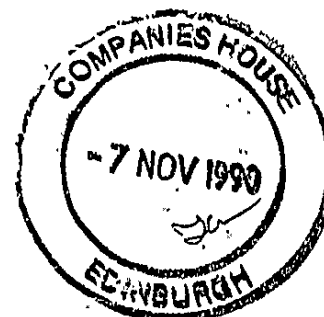


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***COATS PATONS* PLC**



**REPORT &
ACCOUNTS 1989**

Directors and Officers

Directors	J. McAdam	<i>Chairman</i>
	C. D. Kuenstberg	
	F. Miller	
	V. C. Thomson	<i>Non-executive</i>

Secretary S. Dow

Registered Office 155 St Vincent Street,
Glasgow, G2 5PA

Auditors Coopers & Lybrand Deloitte,
Chartered Accountants,
Glasgow

Solicitors Maclay, Murray & Spens,
Glasgow

Bankers National Westminster Bank PLC,
London

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Directors' Report

The Directors present their report and financial statements for the year ended 31 December 1989.

Principal Activities The principal activities of the Group are the manufacture, processing and distribution of knitwear and garments, handknitting, sewing thread for industrial and domestic use, yarns and fabrics, fashionwear and precision engineering products.

Review of the Business The financial year ending on 31 December saw total sales and pre-tax profits advance modestly from £1,066m to £1,138m and £125.2m to £132.3m respectively. Despite very difficult trading conditions in the UK, the international spread of our business ensured that overall margins were maintained. The Thread Division had good performances in North America and Continental Europe, the latter benefitting particularly from the reorganisation of our Spanish business and an advance in German industrial thread helped by the acquisition of Unigarn. The Division achieved one of its principal strategic objectives by acquiring the Opti Group during the year, making the Group the second largest zip fastener manufacturer in the world. Precision Engineering Division has given much increased focus to the Dynacast business and has disposed of a number of ancillary businesses, notably CV Medical and Nottingham Group. During 1989 Dynacast advanced satisfactorily in a number of markets, in particular in the USA, Japan, Brazil and Germany. The disposal of Country Casuals and Jean Muir accounts for the reduction in turnover in the Garments sector. Jaeger made progress in the UK, Canada and the USA with Ladies Retail in particular recording an improvement. Our position as the world's leading thread supplier was enhanced by increasing our strategic shareholding in Tootal Group plc to 29.9%. The offer by our parent company, Coats Viyella Plc, for the balance of the Tootal shares lapsed following the reference to the Monopolies and Mergers Commission by the Secretary of State for Trade and Industry. Since the reference to the Monopolies Commission our Thread Divisional management have pursued their alternative development plans with commendable vigour.

Results and Dividends The results of the Group for the year appear in detail on page 6. Dividends for the year total 18.8p per share (1988 16.1p). Movements in reserves are set out on page 17.

Tangible Assets Capital expenditure of £48 million was incurred during the year. Further details are set out in Note 11 to the accounts.

The Directors are of the opinion that the present market value of the Group's properties exceeds the amount at which they are stated in the accounts.

Directors The Directors listed on page 1 served as Directors throughout the year. With great regret we record that C. Michael Bell and his wife Jenefer died in a plane crash while travelling on business in India on 14th February 1990. Michael Bell's wise counsel was much sought after by his fellow directors and he is sadly missed by all who knew him. W. J. Shelton retired on 1st June 1989.

In accordance with the Articles of Association, N. C. D. Kuenssberg and J. D. F. Miller retire and being eligible will offer themselves for re-election.

Directors Interests in Shares and Debentures The interest of the directors who are or were also directors of Coats Viyella, Plc, being: J. McAdam
C. M. Bell
N. C. D. Kuenssberg
J. D. F. Miller
W. C. Thomson

are listed in the Annual Report of Coats Viyella Plc.

No contract or arrangement has been entered into at any time during the year or subsisted at the end of the year in which any director had a material interest which was significant in relation to the Group's business.

Research and Development The Company has a number of laboratories and other facilities and devotes considerable resources to research and development aimed at new products and processes. In addition, contacts are being maintained and developed with outside institutions, enabling the company to keep fully abreast of relevant technology.

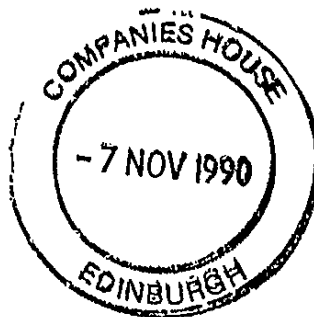
Future Development The Company intends to secure the international competitiveness of its manufacturing facilities, wherever located, by continued investment in the highest quality assets and people. Considerable emphasis is being placed on development of marketing and sourcing expertise. Future development will be both organic and by acquisition.

- South Africa** The Coats Viyella Group submitted to the Secretary of State for Trade and Industry a progress report for the 12 months to 30 June 1989 under the EEC Code of Conduct in respect of J & P Coats (South Africa) (Proprietary) Limited.
Copies of this report are available on written request to the Company Secretary.
- Income and Corporation Taxes Act 1938** Coats Viyella Plc is the beneficial owner of all the issued share capital of the Company. The Company is not a close company within the meaning of the Act and there has been no change in this respect since 31 December 1989.
- Employment Policies in the United Kingdom** Our employment philosophy is set out in a small booklet entitled General Business Principles which has been circulated to Group employees and is available from the Company Secretary.
As a result of a communication audit completed during the year further efforts have been made throughout the Group to ensure more effective communication at all levels.
A wide ranging study into the attitudes to employment of the Group management and workforce has also been undertaken and lessons learned will be applied to ensure that the Group remains an attractive employer at a time when demographic changes will make recruitment and retention of appropriately skilled people more difficult. Our assessment centres have identified for further training and development a good number of young people with potential.
- Disabled Persons** It is the Group's policy to offer equal opportunity 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.
- Donations** During the year £72,000 was paid to charities.
No political subscriptions were made during 1989.
- Auditors** Our auditors Deloitte Haskins & Sells are in the process of merging their practice with Coopers & Lybrand. In the meantime they have adopted Coopers & Lybrand Deloitte as their business name and have signed their audit report in that name. A resolution to re-appoint Coopers & Lybrand Deloitte as the Company's auditors will be proposed at the Annual General Meeting.

6 March 1990



By order of the Board
S. DOW, Secretary



Auditors' Report

To the members of Coats Patons PLC

We have audited the financial statements on pages 5 to 19 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 31 December 1989 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

The accounts do not specify the manner in which the operations of the Company have been financed or in which its financial resources have been used during the year, as required by standard accounting practice.

COOPERS & LYBRAND DELOITTE
Chartered Accountants

Coopers Lybrand Deloitte

6 March 1990

Glasgow

Statement of Accounting Policies

Basis of Accounting	The accounts are prepared on the basis of historical cost.												
Consolidation	For all subsidiaries the accounts include the results for those companies owned throughout the year or to the date of disposal or from the date of acquisition as appropriate. Where local fiscal and company legislation prevents foreign subsidiaries and related companies from complying with the Group's accounting policies, adjustments are made on consolidation to present the Group accounts on a consistent basis.												
Goodwill	Goodwill arising on acquisition of subsidiaries is written off against reserves in the year the cost is incurred.												
Related Companies	Investments, excluding those classified as subsidiaries, are regarded as related companies where the Group has a long term interest in more than 20% of the equity and is in a position to exercise a significant influence over their affairs on a continuing basis. These are stated in the Consolidated Balance Sheet at the Group's share of net assets after adjustment for goodwill or discount on acquisition.												
Foreign Currencies	Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the year end. Trading results are translated at the average rates of exchange for the year after eliminating the effects of hyperinflation in certain countries. 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.												
Grants	Investment and development grants receivable are deducted from the cost of fixed assets and depreciation is calculated on the net cost of the assets. Revenue based grants are credited against related expenditure.												
Deferred Taxation	Provision is made for taxation liabilities which, under current legislation, are expected to crystallise in the foreseeable future. Unrelieved advance corporation tax is carried forward only when it can be set against provisions for taxation or to the extent recoverable against tax liabilities in respect of the following period. No provision is made for taxation that would arise on the remittance of retained profits by overseas subsidiaries and related companies subsequent to the balance sheet date.												
Tangible fixed assets and depreciation	<p>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.</p> <p>The rates used are:</p> <table> <tr> <td>Freehold and long leasehold land</td><td>Nil</td></tr> <tr> <td>Freehold and long leasehold buildings</td><td>2%</td></tr> <tr> <td>Short leasehold property</td><td>Over period of lease</td></tr> <tr> <td>Motor vehicles</td><td>20%</td></tr> <tr> <td>Electronic office equipment</td><td>20%</td></tr> <tr> <td>All other plant and machinery</td><td>5% to 25%</td></tr> </table> <p>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 the profit and loss account under the reducing balance method.</p>	Freehold and long leasehold land	Nil	Freehold and long leasehold buildings	2%	Short leasehold property	Over period of lease	Motor vehicles	20%	Electronic office equipment	20%	All other plant and machinery	5% to 25%
Freehold and long leasehold land	Nil												
Freehold and long leasehold buildings	2%												
Short leasehold property	Over period of lease												
Motor vehicles	20%												
Electronic office equipment	20%												
All other plant and machinery	5% to 25%												
Stocks	Stocks are valued on bases consistent with those used in previous years at the lower of cost and net realisable value. Cost is the invoiced value of materials plus, in the case of work in progress and finished goods, labour and factory overheads based on a normal level of production.												
Turnover	All turnover and profit figures relate to external transactions and turnover represents the value of goods and services supplied net of returns.												
Closure and reorganisation costs	Costs of withdrawal from, or fundamental restructuring of, significant business segments of the Group are dealt with as extraordinary items. Those costs include trading results of discontinued business segments from the commencement of closure.												
Operating lease rentals	Rentals on operating leases are charged to profit and loss account in the year to which they relate.												
Research and development expenditure	Expenditure is charged to profit and loss account in the year it is incurred.												
Pensions	<p>In the UK, the Coats Viyella Group operates a contributory pension scheme covering a large proportion of its permanent staff employees. The scheme's funds are administered by trustees and are independent of the Group's finances. Contributions are paid to the scheme in accordance with the recommendations of an independent actuary whose report is compiled every three years. The Company's contributions are charged against profits for the period to which they relate. Details of the actuarial valuation of the Group scheme are included in the accounts of Coats Viyella Plc.</p> <p>In overseas countries, pension and other retirement benefits are provided for in a number of ways. The Directors are satisfied that, in relation to legal requirements and established accounting practice, other overseas pension obligations are, in aggregate, adequately provided.</p>												

Consolidated Profit and Loss Account

For the year ended 31 December 1989

	Notes	1989 £m	1988 £m
Turnover	1	1,137.5	1,066.4
Cost of sales		(717.9)	(679.6)
Gross profit		419.6	386.8
Distribution costs		(214.7)	(195.1)
Administrative expenses		(84.8)	(78.4)
Other operating income	2	3.5	0.3
Operating profit	2	123.6	113.6
Investment and other income	4	29.9	27.7
Interest payable	5	(21.2)	(16.1)
Profit on ordinary activities before taxation	1	132.3	125.2
Tax on profit on ordinary activities	6	(27.9)	(24.6)
Profit on ordinary activities after taxation		104.4	100.6
Interest of minority shareholders		(6.8)	(6.4)
Profit before extraordinary items		97.6	94.2
Extraordinary items	7	15.6	(24.7)
Earnings for ordinary shareholders		113.2	69.5
Ordinary Dividends	8	(52.5)	(45.0)
Profits for the year transferred to reserves	9	60.7	24.5
Earnings per ordinary share of 25p	10	34.9p	33.7p

The accounting policies on page 5 and the notes on pages 9 to 19 form part of these accounts

Consolidated Balance Sheet

at 31 December 1989

	Notes	1989 £m	1988 £m
Fixed assets			
Tangible assets	11	332.5	313.2
Investments	12	82.2	23.5
		<u>414.7</u>	<u>336.7</u>
Current assets			
Stocks	13	292.5	267.2
Debtors	14	212.1	207.2
Investments	15	3.3	5.5
Cash at bank and in hand		102.1	73.1
		<u>610.0</u>	<u>553.0</u>
Creditors: Amounts falling due within one year			
Loans and overdrafts	16	71.8	58.8
Other	16	200.2	177.7
		<u>272.0</u>	<u>236.5</u>
Net current assets		<u>338.0</u>	<u>316.5</u>
Total assets less current liabilities		<u>752.7</u>	<u>653.2</u>
Creditors: Amounts falling due after more than one year			
Loans and loan stocks	17	191.1	90.1
Other	16	37.4	28.0
		<u>228.5</u>	<u>118.1</u>
Provisions for liabilities and charges	18	53.8	37.9
Net assets		<u>470.4</u>	<u>497.2</u>
Capital and reserves			
Called up share capital	20	69.9	69.9
Share premium account		12.3	12.3
Other reserves	21	353.2	365.1
		<u>435.4</u>	<u>447.3</u>
Minority interests		<u>35.0</u>	<u>49.9</u>
		<u>470.4</u>	<u>497.2</u>

The accounts were approved by the Board of Directors on 6 March 1990 and were signed on its behalf by:

J. McADAM

J. D. F. MILLER

Directors

Balance Sheet

at 31 December 1989

	Notes	1989 £m	1988 £m
Fixed assets			
Investments in subsidiary companies	12	90.9	91.7
Loans to parent and fellow subsidiaries	12	133.4	136.1
		<u>224.3</u>	<u>227.8</u>
Current assets			
Debtors: Group companies		—	5.5
Cash at bank and in hand		0.5	—
		<u>0.5</u>	<u>5.5</u>
Creditors: Amounts falling due within one year			
Loans and overdrafts	16	1.2	3.6
Other	16	73.2	83.3
		<u>74.4</u>	<u>86.9</u>
Net current liabilities		<u>(73.9)</u>	<u>(81.4)</u>
Total assets less current liabilities		<u>150.4</u>	<u>146.4</u>
Creditors: Amounts falling due after more than one year			
Loans and loan stocks	17	19.2	19.2
Net assets		<u>131.2</u>	<u>127.2</u>
Capital and reserves			
Called up share capital	20	69.9	69.9
Share premium account		12.3	12.3
Other reserves	21	49.0	45.0
		<u>131.2</u>	<u>127.2</u>

The accounts were approved by the Board of Directors on 6 March 1990 and were signed on its behalf by:

J. McADAM
J. D. F. MILLER
Directors

Notes to the Accounts

1 Analysis of turnover and profit

	Turnover		Profit Before Taxation	
	1989 £m	1988 £m	1989 £m	1988 £m
Product Category				
Thread and Handknittings	703.0	610.9	78.6	75.6
Garment Manufacture and Retailing	151.4	156.7	7.9	6.2
Yarns and Fabrics	154.8	167.0	9.1	9.8
Precision Engineering	148.3	131.8	23.3	20.9
Corporate & Other Operating Income	—	—	4.7	1.1
	1,137.5	1,066.4	123.6	113.6
Related Companies			3.1	3.7
Net Interest Receivable			5.6	7.9
	1,137.5	1,066.4	132.3	125.2
Geographical Analysis:				
United Kingdom including Exports	252.2	324.8	43.2	40.9
Europe	264.6	224.0	24.7	18.0
North America	309.0	291.1	18.1	17.4
South America	105.5	151.8	38.9	42.7
Africa, Asia, Australasia	86.2	74.7	7.4	6.2
	1,137.5	1,066.4	132.3	125.2

2 Operating Profit

	1989 £m	1988 £m
Operating Profit is arrived at after charging:		
Depreciation — Owned Assets	24.9	23.6
Depreciation — Leased Assets	4.1	4.3
Hire of Plant and Machinery	2.3	2.1
Other Operating Leases/Rentals	11.6	11.7
Research and Development Expenditure	5.4	4.8
Auditors Remuneration	1.4	1.2
and after crediting other operating income:		
Rental Income Net of Expenses	0.7	—
Royalties and Licensing Income	0.7	0.3
Foreign Claim Compensation	2.1	—
	3.5	0.3

Notes to the Accounts (continued)

3 Directors and Employees

Emoluments in terms of the Companies Act 1985		1989	1988
		£'000s	£'000s
a) Directors' Emoluments and Higher Paid Employees			
Emoluments and Contributions to Pension Funds		451	539
Fees		17	15
Compensation for loss of office		133	100

- b) Directors Chairman and highest paid Director—£126 000 (1988—£110,000). Emoluments excluding pension scheme contributions of other Directors, and of employees earning £30,000 or more (other than those whose duties were discharged wholly or mainly outside the UK) were as follows:

	1989 Number	1988 Number
£120,000 to £125,000	1	—
£105,001 to £110,000	—	1
£95,001 to £100,000	—	1
£85,001 to £90,000	1	—
£70,001 to £75,000	1	2
£60,001 to £65,000	—	1
£35,001 to £40,000	1	—
£15,001 to £20,000	1	—
£10,001 to £15,000	—	2

In respect of Directors who are also Directors of Coats Vytella Plc, the above salaries reflect the proportion of total salaries which pertain to Coats Patons PLC.

c) Group Employees	£100,001 to £105,000	2	—
	£85,001 to £90,000	—	1
	£75,001 to £80,000	—	1
	£65,001 to £70,000	2	1
	£60,001 to £65,000	3	4
	£55,001 to £60,000	7	5
	£50,001 to £55,000	5	13
	£45,001 to £50,000	8	9
	£40,001 to £45,000	8	11
	£35,001 to £40,000	14	19
	£30,001 to £35,000	31	20

d) Employees		1989 Number	1988 Number
The average numbers employed by the Group during the year were:			
Direct		17,256	17,222
Indirect		7,064	7,936
Staff		11,151	11,294
		<u>35,471</u>	<u>36,452</u>

Comprising:			
UK		9,945	12,615
Overseas		25,526	23,837
		<u>35,471</u>	<u>36,452</u>

The costs incurred in respect of these employees were:	£m	£m
Wages and Salaries	285.5	268.9
Social Security Costs	44.0	37.4
Other Pension Costs	8.4	9.6
	<u>337.9</u>	<u>315.9</u>

4 Investment and Other Income

	1989 £m	1988 £m
Interest receivable: from Fellow Subsidiaries	9.4	11.9
External Sources	7.7	8.5
Profits of Related Companies	3.1	3.7
Income from Other Fixed and Current Asset Investments	8.7	2.8
Other	1.0	0.8
	<u>29.9</u>	<u>27.7</u>

5 Interest Payable

	1989 £m	1988 £m
Interest on Debentures, Loans and Overdrafts:		
Repayable within five years	16.2	11.5
Repayable wholly or partly in more than five years	3.7	3.7
Interest payable on Finance Lease	1.3	0.9
	<u>21.2</u>	<u>16.1</u>

6 Tax on Profit on Ordinary Activities

	1989 £m	1988 £m
UK Taxation		
Corporation tax at 33% (1988 - 33%)	16.0	13.4
Double taxation relief	(6.2)	(5.0)
Deferred taxation	0.3	1.2
Advance corporation tax recoverable	(4.3)	(7.7)
Prior year adjustments - Corporation tax	(2.0)	1.6
- Deferred taxation	(1.2)	1.2
- Advance corporation tax	-	(0.8)
Prior year adjustments - total	<u>(3.2)</u>	<u>2.0</u>
	<u>2.6</u>	<u>3.9</u>
Overseas Taxation		
Corporation tax	21.8	17.1
Deferred taxation	2.7	2.9
	<u>27.1</u>	<u>23.9</u>
Related companies taxation	0.8	0.7
	<u>27.9</u>	<u>24.6</u>
The Overseas tax charge for the year has been reduced, principally by inflation related relief, by	7.0	8.4

7 Extraordinary Items

	1989 £m	1988 £m
Cost of withdrawal from business segments and fundamental restructuring of businesses	9.7	37.2
Attributable tax relief	(0.1)	(0.6)
Minority interest	-	(3.4)
	<u>9.6</u>	<u>33.2</u>
Gain on disposal of businesses	<u>(25.2)</u>	<u>(8.5)</u>
	<u>(15.6)</u>	<u>24.7</u>

Extraordinary charges comprise the estimated costs of withdrawal from certain of the Group's businesses in the UK and overseas.

The gain on disposal of businesses relates to the sale of the Group's interests in Nottingham Group, CV Medical and Country Casuals.

8 Ordinary Dividend

	1989 £m	1988 £m
Interim Ordinary Dividend 18.8p (1988 - 16.1p)	<u>52.5</u>	<u>45.0</u>

9 Profit for the Year

	1989 £m	1988 £m
Dealt with in the Accounts of:		
Subsidiaries	55.2	17.8
Company	3.9	5.0
Related Companies	1.6	1.7
	<u>60.7</u>	<u>24.5</u>

As permitted by Section 228(7) of the Companies Act 1985, the profit and loss account of the Company is not presented with these accounts.

Notes to the Accounts (continued)

10 Earnings per Ordinary Share of 25p

The calculation of earnings per share is based on earnings for ordinary shareholders before extraordinary items of £97.6m (1988 £94.2m) and on average shares in issue for the year ended 31 December 1989 of 279.5m (1988 279.5m).

11 Tangible Fixed Assets

	Land and buildings £m	Owned Plant machinery & vehicles £m	Leased Plant & machinery £m	Total £m
Cost				
At beginning of year	156.9	341.8	44.8	543.5
Additions	6.0	40.2	1.7	47.9
Subsidiaries acquired/disposed net	11.6	29.4	(3.0)	38.0
Disposals	(20.9)	(61.2)	(2.9)	(85.0)
Exchange Adjustments	10.9	31.0	—	41.9
At 31 December 1989	164.5	381.2	40.6	586.3
Depreciation				
At beginning of year	52.4	155.2	22.7	230.3
Charge for the year	3.0	21.9	4.1	29.0
Subsidiaries acquired/disposed net	5.1	23.3	(1.4)	27.0
Disposals	(11.5)	(49.7)	(1.6)	(62.8)
Exchange Adjustments	6.8	23.5	—	30.3
At 31 December 1989	55.8	174.2	23.8	253.8
Net Book Value				
At 31 December 1989	108.7	207.0	16.8	332.5
At beginning of year	104.5	186.6	22.1	313.2
Land and Buildings			1989 £m	1988 £m
Cost				
Freehold			143.0	134.9
Long leasehold			14.1	15.1
Short leasehold			7.4	6.9
			164.5	156.9
Accumulated depreciation				
Freehold			51.8	49.0
Long leasehold			0.9	0.7
Short leasehold			3.1	2.7
			55.8	52.4

The cost of long leasehold includes capitalised interest of £2.2m (1988 £2.2m).

12 Fixed Asset Investments

	Related Companies £m	Other Investments £m	Total £m
Group:			
Cost:			
At beginning of year	2.1	11.7	13.8
Additions	0.6	114.6	115.2
Disposals and Reclassifications	—	(1.1)	(1.1)
Exchange Adjustment	—	1.8	1.8
Goodwill written off	—	(59.0)	(59.0)
At 31 December 1989	2.7	68.0	70.7
Share of profits retained:			
At beginning of year	10.4	—	10.4
Retained for year	1.6	—	1.6
Exchange Adjustment	0.1	—	0.1
At 31 December 1989	12.1	—	12.1
Provisions:			
At beginning of year	—	(0.7)	(0.7)
Disposals	—	0.1	0.1
At 31 December 1989	—	(0.6)	(0.6)
Net Book Value at 31 December 1989	14.8	67.4	82.2
Net Book Value at beginning of year	12.5	11.0	23.5

During the year the Coats Viyella Group increased its holding in the ordinary share capital of Tootal Group plc ("Tootal"), a company registered in England and Wales, from 4.9% to 29.99%. Under the terms of a ruling from the Secretary of State for Trade and Industry and an inquiry by the Monopolies and Mergers Commission into the proposed merger of the Coats Viyella Group with Tootal, the Coats Viyella Group is at present only able to exercise voting rights in respect of 9.9% of the shares in Tootal. As a result, Tootal has not been treated as a related company in these accounts.

It is the Coats Viyella Group's intention to have the restriction on its voting rights removed. The difference between the cost of acquisition of the interest in Tootal and the estimated value of the appropriate share of the underlying net assets of Tootal has been accounted for as goodwill and an amount of £59m has been written off against reserves (see note 19).

The list of principal related companies is shown on page 19.

Investments at net book value include:

	Related Companies		Other Investments	
	1989 £m	1988 £m	1989 £m	1988 £m
Investments listed on a recognised Stock Exchange Overseas	12.2	11.1	50.4	0.2
Aggregate Market Value of Listed Investments	35.4	30.6	86.7	0.2

	Group Companies	
	Shares £m	Loans £m
Company:		
Cost and net book value:		
At beginning of year	91.7	136.1
Disposals	0.8	2.7
At 31 December 1989	90.9	133.4

The interests in principal subsidiaries and related companies are shown in the list of Group interests on pages 18 and 19.

13 Stocks

	1989 £m	1988 £m
Raw materials and consumables	63.0	54.3
Work in process	85.4	75.3
Finished goods and goods for resale	144.1	137.6
	292.5	267.2

Notes to the Accounts (continued)

14 Debtors

	1989 £m	1988 £m
Due within one year:		
Trade Debtors	170.1	169.1
Other Debtors	19.4	15.9
Prepayments and Accrued Income	12.5	12.8
	<u>202.0</u>	<u>197.8</u>
Other Debtors due in more than one year	10.1	9.4
	<u>212.1</u>	<u>207.2</u>

15 Current Asset Investments

	1989 £m	1988 £m
Investments listed on a recognised Stock Exchange Overseas	0.6	0.5
Unlisted Investments	2.7	5.0
	<u>3.3</u>	<u>5.5</u>
Aggregate Market Value of Listed Investments	0.6	0.5

16 Creditors

	Due within one year		Due after more than one year	
	1989 £m	1988 £m	1989 £m	1988 £m
Group:				
Current Instalments due on Loans	22.5	17.1	—	—
Bank Overdrafts	49.3	41.7	—	—
	<u>71.8</u>	<u>58.8</u>	<u>—</u>	<u>—</u>
Trade Creditors	81.6	71.8	—	—
Bills of Exchange Payable	6.0	11.3	—	—
Finance Lease Obligations	3.1	3.8	11.4	14.6
United Kingdom and Overseas Taxation	10.8	6.6	(0.7)	2.4
Other Taxation and Social Security Payable	14.3	14.6	—	—
Other Creditors	16.4	17.6	26.6	11.0
Accruals and Deferred Income	15.8	44.2	0.1	—
Pensions/Indemnity Provisions	22.2	7.8	—	—
	<u>200.2</u>	<u>177.7</u>	<u>37.4</u>	<u>28.0</u>

Bank overdrafts in subsidiary companies amounting to £9.2m (1988 £6.8m) are secured by a charge against the assets of those subsidiaries.

	Due within one year		Due after more than one year	
	1989 £m	1988 £m	1989 £m	1988 £m
Company:				
Bank Overdrafts	1.2	3.6	—	—
Amounts owed to Group Companies	70.0	78.4	—	—
United Kingdom Taxation	2.7	4.4	—	—
Other Creditors	0.5	0.5	—	—
	<u>73.2</u>	<u>83.3</u>	<u>—</u>	<u>—</u>
	<u>74.4</u>	<u>86.9</u>	<u>—</u>	<u>—</u>
Finance Lease obligations are repayable as follows:				
Under one year	3.1	3.8	—	—
Between 2 and 5 years	7.5	10.1	—	—
In over 5 years	3.9	4.5	—	—
	<u>14.5</u>	<u>18.4</u>	<u>—</u>	<u>—</u>

17 Loans and Loan Stocks

	Group		Company	
	1989 £m	1988 £m	1989 £m	1988 £m
Bank Loans	184.4	80.2	—	—
Other Loans	10.0	7.7	—	—
	<u>194.4</u>	<u>87.9</u>	<u>—</u>	<u>—</u>
Repayable within one year	(22.5)	(17.1)	—	—
Amounts falling due after more than one year	<u>171.9</u>	<u>70.8</u>	<u>—</u>	<u>—</u>
Repayable after 5 years:				
7½% Unsecured Loan Stock 1990/95	10.0	10.0	10.0	10.0
6¾% Unsecured Loan Stock 2002/07	6.5	6.5	6.5	6.5
4½% Unsecured Loan Stock 2002/07	2.7	2.7	2.7	2.7
Other Loans	—	0.1	—	—
	<u>19.2</u>	<u>19.3</u>	<u>19.2</u>	<u>19.2</u>
Total loans repayable after one year	<u>191.1</u>	<u>90.1</u>	<u>19.2</u>	<u>19.2</u>
The loans are repayable as follows:				
between 1 and 2 years	6.0	6.6	—	—
between 2 and 5 years	147.1	45.7	—	—
in 5 years or more	<u>36.0</u>	<u>37.6</u>	<u>19.2</u>	<u>19.2</u>
	<u>191.1</u>	<u>90.1</u>	<u>19.2</u>	<u>19.2</u>

The aggregate amount of instalments falling due after 5 years in respect of loans shown above as not wholly repayable within 5 years is £31.7m (1988 £35.9m). Current instalments have been included in creditors.

Loans and loan stocks in subsidiary companies amounting to £148.1m (1988 £29.9m) are secured by a charge against the assets of those subsidiaries.

The unsecured loan stocks are repayable at par within the dates mentioned above.

18 Provisions for Liabilities and Charges

	Group	
	1989 £m	1988 £m
Deferred taxation	14.7	12.0
Other provisions	<u>39.1</u>	<u>25.9</u>
	<u>53.8</u>	<u>37.9</u>
Deferred taxation		
At beginning of year	12.0	14.3
Subsidiaries acquired/(disposed) net	(0.4)	—
Movement in period – Exchange differences	0.8	0.2
– Foreign companies	1.0	2.9
– UK companies	<u>0.7</u>	<u>0.3</u>
	<u>14.1</u>	<u>17.7</u>
Advance corporation tax	0.6	(5.7)
At 31 December 1989	<u>14.7</u>	<u>12.0</u>

Notes to the Accounts (continued)

18 Provisions for Liabilities and Charges (Continued)

Deferred taxation representing a full provision calculated at 35% for UK Companies is as follows:-

	Group	
	1989 £m	1988 £m
United Kingdom		
Capital allowances	7.2	7.2
Other timing differences less losses forward	1.5	0.8
	8.7	8.0
Advance corporation tax	(5.2)	(5.7)
	3.5	2.3
Overseas	11.2	9.7
	14.7	12.0
In addition to the above there is:		
Unrecovered advance corporation tax	11.6	11.7
No provision is required in the company		
	1989 £m	1988 £m
Pensions/Indemnity Provisions		
At beginning of year	25.9	28.8
Exchange difference	2.8	(3.2)
Subsidiaries acquired	9.8	—
Provided	6.5	1.7
Utilised	(5.9)	(1.4)
At 31 December 1989	39.1	25.9

19 Goodwill

During the year the Group acquired the Opti Group of companies and also acquired other companies in Germany and Morocco. The fair value of the assets acquired and the consideration were as follows:

	Book value of Assets £m	Adjustments to restate to Group Accounting Policies £m	Fair Value £m
Fixed assets	18.6	2.2	20.8
Investments	0.6	—	0.6
Stocks	23.4	(0.8)	22.6
Debtors	14.0	0.6	14.6
Creditors	(17.6)	(0.9)	(18.5)
Provisions	(8.5)	(1.3)	(9.8)
Borrowings	(6.9)	—	(6.9)
	23.6	(0.2)	23.4
Provision for reorganisation costs			(15.6)
			7.8
Fair value consideration			23.1
Goodwill written off against reserves			20.3
The movements on the provisions for reorganisation costs during the year were as follows:			
Provision at acquisition			15.6
Utilised during year			(0.3)
At December 1989			15.3
Total Group plc			
The Group has accounted for the difference between the cost of acquisition of its interest in Tootal and the estimated value of its share of the underlying net tangible assets of Tootal as goodwill and the amount written off against reserves is as follows:			£m
Cost of shares acquired			114.8
Estimated value of underlying net tangible assets			55.8
Goodwill written off against reserves			59.0
Total goodwill written off against reserves			79.3

20 Share Capital

	1989 £m	1988 £m
Authorised:		
279,494,643 Ordinary Shares of 25p each	69.9	69.9
55,361,585 Unclassified Shares of 25p each	13.8	13.8
	<u>83.7</u>	<u>83.7</u>
Alotted, Called up and Fully Paid:		
279,494,643 Ordinary Shares of 25p each (1988 279,494,643)	69.9	69.9

21 Other Reserves

	Group £m	Company £m
At beginning of year	365.1	45.0
Transferred from Profit and Loss Account	60.7	(0.5)
Exchange Differences	6.7	—
Goodwill written off (Note 19)	(79.3)	4.5
At 31 December 1989	<u>353.2</u>	<u>49.0</u>

Group Other Reserves at 31 December 1989 include £12.1m (1988 £10.4m) attributable to related companies.

22 Future Capital Expenditure

	1989 £m	1988 £m
Capital Expenditure contracted for but not provided for in the accounts	10.6	14.7
Capital Expenditure authorised by the Directors but not yet contracted for	15.5	14.7

23 Contingent Liabilities and Financial Commitments

Bills discounted, guarantees, claims and other contingent liabilities of the Group amounted to £41.0m. Guarantees amounting to £6.2m have been given by the Company, principally in respect of borrowings by subsidiary companies of which £0.6m was outstanding at 31 December 1989. The Company has accepted the obligations to discharge any liability to UK corporation tax which may arise in respect of the majority of its subsidiary companies in the United Kingdom.

24 Operating Lease Rentals

At 31 December 1989, the Company had annual commitments under non-cancellable operating leases as set out below:

	1989		1988	
	Land and Buildings £m	Other £m	Land and Buildings £m	Other £m
Operating Leases which expire:				
within one year	0.5	1.0	0.6	0.3
in 2 to 5 years inclusive	2.6	1.7	3.3	1.9
over 5 years	6.2	—	7.0	0.1
	<u>9.3</u>	<u>2.7</u>	<u>10.9</u>	<u>2.3</u>

The majority of leases of land and buildings are subject to rent reviews.

25 Pensions

The company is a member of the Coats Viyella Group Pension Scheme. The Coats Viyella Group operate defined benefits contributory pension schemes which cover a large proportion of the Company's permanent staff employees. The full regular cost of providing benefits to the Company's members of the Group pension scheme is charged in these accounts. In the opinion of the Directors, variations from regular cost cannot be accurately allocated on a company by company basis and, accordingly, the Group variations are dealt with on a Group basis in Vantona Viyella Plc. Details of the actuarial valuation of the Group schemes and the treatment of the actuarial surplus are given in the accounts of Coats Viyella Plc. In North America, the combined actuarial value of the assets of the major plans at the last valuation dates was 155% of the combined value of the benefits accrued to the members at the respective valuation dates, after allowing for expected future increases in earnings. The total market value of the assets at the last valuation was £85m. The resulting net surplus continues to be spread over the average remaining service lives of the current members in accordance with US accounting standards and in line with SSAP 24. There are other defined benefit plans in overseas subsidiaries but, in aggregate, are not considered material. The net pension cost for the Group was £8.4m (1988 £9.6m) of which £5.2m (1988 £5.1m) relates to overseas plans.

26 Ultimate Holding Company

The Company's ultimate holding company is Coats Viyella Plc, a company incorporated in Great Britain. Coats Viyella Plc manages centrally the cash resources of its wholly owned UK subsidiaries and accordingly the directors do not consider it appropriate to include a separate statement of source and application of funds with the accounts of the Company.

Group Interests

at 31 December 1989

Principal Subsidiary companies

Company and Country of Incorporation or Registration		Combined Interest of Parent and Subsidiaries %	Main Activities/Product Groups
United Kingdom			
Scotland	J. & P. Coats, Limited*	100	Holding company
	J. & P. Coats (U.K.) Limited	100	Leisure and craft products; home sewing products; industrial sewing products
England	Patons & Baldwins Limited*	100	Handknittings
	West Riding Worsted and Woollen Mills Limited*	75	Yarns
	Thomas Burnley & Sons Limited	75	"
	D. Byford & Company Limited*		
	Ordinary Shares	100	Knitwear and Hosiery
	Cum. Preference Shares	100	
	Jaeger Holdings Limited*		
	Ordinary Shares	100	Retail Shops/Fashion Wear
	First Cum. Preference Shares	100	
	Second Cum. Preference Shares	100	
Europe	Dynacast Limited	100	Precision Engineering
	Vascutek Limited	100	Medical equipment products
Austria	Harlander Coats G.m.b.H.	100	Leisure and craft products; home sewing products; industrial sewing products
France	Dynacast France S.A.	100	Precision Engineering
Germany	Opti Werk G.m.b.H. & Co. K.G.	100	Zip Fasteners
	Dynacast Deutschland G.m.b.H.	75	Precision Engineering
	Mez A.G.	97	Leisure and craft products; home sewing products; industrial sewing products
	Schachenmayr, Mann & Cie G.m.b.H.	100	Handknittings
Italy	Cucirini Cantoni Coats S.p.A.	67	Leisure and craft products; home sewing products; industrial sewing products
Portugal	Cia. de Linha Coats & Clark Lda	100	"
Spain	Cia. Anon. Hilaturas de Fabra y Coats		
	Ordinary Shares	77	"
	Preference Shares	48	"
Turkey	Santral Dikis Sanayii A.S.	75	"

Principal Subsidiary companies (Continued)

Company and Country of Incorporation or Registration		Combined Interest of Parent and Subsidiaries %	Main Activities/Product Groups
North America			
U.S.A.	Coats Patons (North America) Inc.	100	Holding company
	Coats & Clark, Inc.	100	Leisure and craft products; home sewing products; industrial sewing products;
	Dynacast Inc.	100	Precision Engineering
Canada	J. & P. Coats (Canada) Inc. (including Dynacast Division)	100	Leisure and craft products; home sewing products; industrial sewing products; precision engineering
	Patons & Baldwins Canada Inc.	100	Handknitting
South America			
Argentina	Hilos Cadena S.A.C.e.I. (see note 4. below)	90	Leisure and craft products; home sewing products; industrial sewing products
Brazil	Linhas Corrente Ltda.	100	Leisure and craft products; home sewing products; industrial sewing products
	Dynacast do Brasil Ltda.	100	Precision Engineering
Chile	Cia. Ind. Hilos Cadena S.A.	93	Leisure and craft products; home sewing products; industrial sewing products
Asia			
Hong Kong	Coats Patons (Hong Kong) Limited	100	Industrial sewing products
Indonesia	PT Coats Rejo	60	Leisure and craft products; home sewing products; industrial sewing products
	J & P Coats (Manufacturing) Sdn Bhd	51	Leisure and craft products; home sewing products; industrial sewing products
Australia	Coats Patons (Proprietary) Limited	100	Leisure and craft products; home sewing products; industrial sewing products; handknittings
Africa	J. & P. Coats (South Africa) (Proprietary) Limited	100	Leisure and craft products; home sewing products; industrial sewing products

Related Companies

Company and Country of Incorporation or Registration		Combined Interest %	Main Activities
India	Madura Coats Limited (based on audited accounts to 31 March and management accounts to 31 December 1989)	40	Cotton and synthetic threads; yarns and fabrics

- Notes: 1. All percentages refer to holdings of ordinary shares, unless otherwise stated.
2. These companies operate principally in the country in which they are incorporated.
3. Shares in the companies marked with an asterisk are held by Coats Patons PLC. The shares of the other companies are held through subsidiaries.
4. The Group beneficial interest is the same as the combined interest of parent and subsidiaries except for Hilos Cadena S.A.C.e.I., Argentina, where the Group beneficial interest is 75%.

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