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COMPANY NO: 151652

WILLIAM HOLLINS & COMPANY LIMITED

REPORT AND ACCOUNTS FOR THE YEAR ENDED
31 DECEMBER 2002

COUNTRY OF REGISTRATION	ENGLAND
REGISTERED OFFICE	57 BROADWICK STREET LONDON W1F 9QS
DIRECTORS:	J G HARRIS S M WATSON
SECRETARY:	S M WATSON
AUDITORS:	DELOITTE & TOUCHE LLP NOTTINGHAM

DIRECTORS' REPORT

The Directors submit their report and financial statements for the year ended 31 December 2002.

PRINCIPAL ACTIVITY

The principal activity of the company is the retailing and overseas licensing of fabrics and garments, mainly under the brand name of Viyella.

REVIEW OF THE BUSINESS AND FUTURE PROSPECTS

Sales for the year were £43,559,000 (2001: £54,418,000). The operating loss for the year of £3,267,000 compares with an operating profit of £2,387,000 in 2001. Sales in the Viyella retail operation declined by 14% compared to a strong performance in 2001. Against a background of deteriorating market conditions for the Viyella customer, response to the Autumn ranges was particularly disappointing. This necessitated an increase in discounting to clear stocks, and is reflected in a dilution of the gross margin.

Following the acquisition of the company in March 2003 by Harris Watson Investments Limited, significant steps have been taken to improve the product offer and to reduce the cost base particularly with regard to administrative expenses. The business is now well placed to benefit from an upturn in market conditions.

FIXED ASSETS

The changes which have taken place during the year 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 loss for the year after taxation is £3,073,000 (2001: profit of £4,696,000). In 2002, an interim dividend of £nil (2002: £1,111,000) was paid. The Directors do not recommend the payment of a final dividend (2001: £nil).

DIRECTORS AND THEIR INTERESTS

The directors of the company during the year, and since the end of the year are:

J G Harris	(appointed 12 March 2003)
S M Watson	(appointed 12 March 2003)
R C Thompson	(appointed 10 March 2003, resigned 12 March 2003)
A W Oliver	(appointed 23 January 2003, resigned 12 March 2003)
P A Burnett	(resigned 23 January 2003)
C W Healy	(resigned 23 January 2003)
D L F Holt	(resigned 26 February 2003)
J D Lea	(resigned 23 January 2003)
D W Younger	(resigned 15 January 2003)

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

J D Lea was a director of Coats plc, the ultimate holding company as at 31 December 2002 and his interests are shown in that company's directors' report.

C W Healy was a director of the company's parent company, Coats Holdings Limited as at 31 December 2002, and his interests are shown in that company's directors' report.

DIRECTORS' REPORT (Continued)

Details of the other directors' interests in the ordinary shares of Coats plc are shown below:-

	Ordinary shares	
	31 December 2002	31 December 2001
P A Burnett	Nil	Nil
D L F Holt	Nil	Nil
D W Younger	Nil	Nil

The following share options in Coats plc have been granted to the other Directors and not exercised:

	Options Granted	Price per Share	Period of Option	Number of Shares
1984 Executive Share Option Scheme	1992 to 1993	195.80p to 256.08p	2002 to 2003	10,095
1994 Executive Share Option Scheme	1996 to 2001	45.75p to 199.50p	2002 to 2011	851,764

Other than the foregoing, the Directors have no beneficial interest in the shares of Coats plc.

EMPLOYMENT POLICIES

The company is committed to best practice employment policies and practice in all its activities. The company is continually reviewing and amending policy and practice to ensure that legal requirements are adhered to.

The company aims to communicate effectively with all employees to ensure that the business vision is clearly understood and implemented across the business.

DISABLED PERSONS

It is the company'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 that are available to all employees within the limitation of their aptitude and abilities.

PAYMENT OF SUPPLIERS

It is the company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the company and its suppliers, provided that all trading terms and conditions have been complied with.

At 31 December 2002, the company had an average of 38 days purchases outstanding in trade creditors (2001: 40 days).

DIRECTORS' REPORT (Continued)

AUDITORS

On 1 August 2003, Deloitte & Touche, the company's auditors transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP under the provisions of section 26(5) of the Companies Act 1989.

Elective resolutions to dispense with holding annual general meetings, the laying of accounts before the company in general meeting and the appointment of auditors annually are currently in force. The auditors, Deloitte & Touche LLP, will therefore be deemed to have been appointed at the end of the period of 28 days, beginning with the day on which copies of this report and accounts are sent to members, unless a resolution is passed under selection 393 of the Companies Act 1985, to the effect that their appointment be brought to an end.

DIRECTORS' RESPONSIBILITIES

United Kingdom 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, subject to any material departures disclosed and explained in the financial statements; and
- 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 group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, 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

J G Harris.

J HARRIS

Director

23 January 2004

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WILLIAM HOLLINS & COMPANY LIMITED

We have audited the financial statements of William Hollins & Company Limited for the year ended 31 December 2002 which comprise the profit and loss account, the balance sheet and the related notes 1 to 22 together with the reconciliation of movement in shareholders' funds and statement of accounting policies. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 at 31 December 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP

Chartered Accountants
and Registered Auditors

Nottingham

29 January 2004

PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2002

	Note	2002 £'000	2001 £'000
TURNOVER	1	43,559	54,418
Cost of sales		(18,175)	(20,834)
GROSS PROFIT		25,384	33,584
Distribution costs		(23,454)	(25,740)
Administrative expenses		(5,824)	(6,385)
Other operating income	2	627	928
		(28,651)	(31,197)
OPERATING (LOSS)/PROFIT FROM CONTINUING OPERATIONS	2	(3,267)	2,387
Loss on disposal of shirts division		-	(41)
Profit on disposal of fixed assets		-	1,815
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST		(3,267)	4,161
Interest receivable and similar income	5	231	596
Interest payable and similar charges	6	(24)	(42)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(3,060)	4,715
Tax on (loss)/profit on ordinary activities	7	(13)	(19)
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		(3,073)	4,696
Equity ordinary dividends paid	8	-	(1,111)
(LOSS)/PROFIT CARRIED FORWARD	17	(3,073)	3,585

The notes on pages 9 to 17 form part of these accounts.

The above results derive solely from continuing activities.

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.

WILLIAM HOLLINS & COMPANY LIMITED

BALANCE SHEET
31 December 2002

	Note	2002 £'000	2001 £'000
FIXED ASSETS			
Tangible assets	9	1,650	2,633
CURRENT ASSETS			
Stocks	11	5,685	6,723
Debtors - due in less than one year	12	19,086	7,543
- due in more than one year	12	-	22,653
Cash at bank and in hand		21	1,394
		24,792	38,313
CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR			
Bank overdrafts		(1,853)	-
Trade creditors		(2,286)	(3,087)
Other creditors	13	(2,363)	(2,181)
		(6,502)	(5,268)
NET CURRENT ASSETS		18,290	33,045
TOTAL ASSETS LESS CURRENT LIABILITIES		19,940	35,678
CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	14	-	(12,644)
PROVISIONS FOR LIABILITIES AND CHARGES	15	-	(21)
		19,940	23,013
CAPITAL AND RESERVES			
CALLED UP EQUITY SHARE CAPITAL	16	7,500	7,500
RESERVES			
Profit and loss account	17	12,440	15,513
EQUITY SHAREHOLDERS' FUNDS		19,940	23,013

Approved by the Board of Directors on 23 January 2004 and signed on their behalf

J Harris

J HARRIS

Director

The notes on pages 9 to 17 form part of these accounts.

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS
Year ended 31 December 2002

	2002 £'000	2001 £'000
(Loss)/profit for the financial year	(3,073)	4,696
Dividends paid	-	(1,111)
Net *(reduction of)/addition to shareholders' funds*	(3,073)	3,585
Opening shareholders' funds	23,013	19,428
Closing shareholders' funds	19,940	23,013

STATEMENT OF ACCOUNTING POLICIES
Year ended 31 December 2002

These financial statements are prepared on the basis of historical cost and in accordance with applicable United Kingdom accounting standards.

The company has taken advantage of the exemption to prepare and deliver group accounts as the company was a subsidiary of Coats plc as at 31 December 2002 and for the year then ended.

The principal accounting policies which the directors have adopted are set out below.

TURNOVER

All turnover relates to external transactions only, excluding those with other branches of William Hollins & Company Limited, and represents the value of goods and services supplied net of returns, after deduction of trade discounts and value added tax.

FOREIGN CURRENCIES

All closing balances 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 are dealt with in the profit and loss account.

TAXATION

Corporation tax and deferred tax

Coats plc assumed responsibility for discharging any liability for UK corporation tax for accounting periods up to and including 31 December 2002, the period in which the company was a member of the Coats plc group. The directors have received assurances that there is no intention to revoke the undertaking to discharge the taxation liabilities of the company for those periods.

The company has adopted FRS 19 Deferred Tax. This has not had a material impact on either the current year or prior year figures and therefore comparative figures have not been restated. Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements.

Deferred tax assets are only recognised to the extent that it is regarded as more likely that not that they will be recovered. Deferred tax assets and liabilities are not discounted.

TANGIBLE FIXED ASSETS AND DEPRECIATION

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

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

The rates used are:-

Freehold land	Nil
Freehold buildings	2%
Short leasehold property	Over period of lease
Motor vehicles	20%
Electronic office equipment	25%
All other plant and machinery	10% to 20%

STATEMENT OF ACCOUNTING POLICIES
Year ended 31 December 2002

STOCKS

Stock and work in progress is 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 material plus, in the case of work in progress and finished goods, labour and factory overheads based on a normal level of production.

GRANTS

Revenue based grants are credited against appropriate expenditure for the relevant year.

LICENCING INCOME

Licensing income is credited to the profit and loss account in the year in which it arises.

OPERATING LEASE RENTALS

Rentals on operating leases are charged to profit and loss in the year to which they relate.

PENSIONS

During the year, the company was a member of the Coats Group pension scheme. The Coats Group operates defined benefit pension schemes covering a large proportion of its permanent staff employees. The schemes' funds are administered by trustees and are independent of the Group's finances.

During 2001, Coats plc adopted FRS 17 – Retirement Benefits. As the company is unable to identify its share of the underlying assets and liabilities of the scheme, it has accounted for the scheme as if it were a defined contribution scheme. Company contributions are charged against profits for the period to which they relate.

Details of the latest actuarial valuation of the scheme are shown in note 21.

CASH FLOW STATEMENT

The company is exempt from preparing a cash flow statement on the basis that a consolidated cash flow statement, which includes the company, is presented in the financial statements of the ultimate parent undertaking, Coats plc.

NOTES TO THE ACCOUNTS
Year ended 31 December 2002

1. TURNOVER

All turnover derives from the principal business activities of the company in the United Kingdom.

2. OPERATING (LOSS)/PROFIT

Operating (loss)/profit is stated after charging:

	2002 £'000	2001 £'000
Depreciation	999	1,187
Operating lease rentals	2,071	1,637
Auditors' remuneration	21	16
Directors' remuneration (note 4)	-	232
Loss on disposal of fixed assets	35	27
Reorganisation costs	21	119

And after crediting:

OTHER OPERATING INCOME

	2002 £'000	2001 £'000
Licensing income	205	475
Credit card income	422	453
	627	928

3. EMPLOYEES

	2002 Number	2001 Number
The average number employed by the company during the year was:		
Staff	871	907

Staff costs during the year:	2002 £'000	2001 £'000
Wages and salaries	7,123	8,580
Social security costs	370	503
Other pension costs	202	272
	7,695	9,355

NOTES TO THE ACCOUNTS
Year ended 31 December 2002

4. DIRECTORS' REMUNERATION

	2002 £'000	2001 £'000
Aggregate emoluments	-	172
Compensation for loss of office	-	60
	-	232

All the directors were members of the Coats Pension Plan, a contributory defined benefits scheme, during the year.

	£'000	£'000
The remuneration of the highest paid directors was:-		
Aggregate emoluments	-	77
Accrued pension	-	-

During 2002, directors were remunerated through another group company.

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	2002 £'000	2001 £'000
Interest receivable from group companies	231	596
Credit card interest	205	212
Gross interest receivable and similar income	436	808
Less: Credit card interest transferred to other operating income	(205)	(212)
	231	596

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2002 £'000	2001 £'000
Bank and other interest	24	42

NOTES TO THE ACCOUNTS
Year ended 31 December 2002

7. TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

a) Analysis of charge in the year

	2002 £'000	2001 £'000
Current tax		
UK corporation tax at 30% (2001: 30%)	-	19
Overseas taxation	13	19
Double tax relief	-	(19)
Total current tax	13	19
Deferred tax		
Timing differences	-	-
Total deferred tax	-	-
Total tax on (loss)/profit on ordinary activities	13	19

Adoption of FRS 19 has not resulted in restatement of comparative figures. Similarly, there has been no impact on the current year's tax charges.

b) Factors affecting charge in the year

The standard rate of tax for the year, based on the UK standard rate of corporation tax, is 30% (2001: 30%). The actual tax charge for the current year and prior year differs from the standard rate for the reasons set out below:

	2002 £'000	2001 £'000
(Loss)/profit on ordinary activities before tax	(3,060)	4,715
Tax credit/(charge) on (loss)/profit on ordinary activities at standard rate	918	(1,414)
Effects of:		
Overseas taxes not relieved in the UK	(13)	-
Expenses not deductible for tax purposes	(23)	(13)
Depreciation in excess of Capital allowances	(114)	(4)
Movement in short term timing differences	(8)	46
(Surrender)/receipt of tax losses for no payment	(773)	821
Chargeable gains covered by losses	-	545
	(13)	(19)

8. ORDINARY DIVIDENDS

	2002 £'000	2001 £'000
Dividends on ordinary shares nilp per share (2001: 0.15p)	-	1,111

NOTES TO THE ACCOUNTS
Year ended 31 December 2002

9. TANGIBLE FIXED ASSETS

	Land and Buildings £'000	Plant and Machinery £'000	TOTAL £'000
COST			
At 1 January 2002	426	8,523	8,949
Additions	4	376	380
Group transfers	46	-	46
Disposals	(7)	(149)	(156)
At 31 December 2002	469	8,750	9,219
DEPRECIATION			
At 1 January 2002	169	6,147	6,316
Charge for the year	30	969	999
Impairment losses	-	355	355
Group transfers	20	-	20
Disposals	(4)	(117)	(121)
At 31 December 2002	215	7,354	7,569
NET BOOK VALUE			
At 31 December 2002	254	1,396	1,650
At 31 December 2001	257	2,376	2,633

10. INVESTMENTS

On 17 December 2002, the company acquired the entire share capital of Amalgamated Cotton Mills Limited, a non-trading company. No consideration was paid to the company.

11. STOCKS

	2002 £'000	2001 £'000
Raw materials and consumables	409	620
Finished goods and goods for resale	5,276	6,103
	5,685	6,723

There is no material difference between the balance sheet value of stocks and their replacement cost.

NOTES TO THE ACCOUNTS
Year ended 31 December 2002

12. DEBTORS – due in less than one year

	2002 £'000	2001 £'000
Trade debtors	5,201	6,601
Amounts owed by parent and fellow subsidiary undertakings	12,872	-
Prepayments and other debtors	1,013	942
	19,086	7,543

DEBTORS – due in more than one year	2002 £'000	2001 £'000
Trade debtors	-	18
Amounts owed by parent and fellow subsidiary undertakings	-	22,635
	-	22,653

13. OTHER CREDITORS

	2002 £'000	2001 £'000
Amounts owed to parent and fellow subsidiary undertakings	562	481
Other creditors	83	115
Other tax and social security	1,063	1,007
Accruals and deferred income	655	578
	2,363	2,181

14. CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2002 £'000	2001 £'000
Amount owed to parent and fellow subsidiary undertakings	-	12,644

NOTES TO THE ACCOUNTS
Year ended 31 December 2002

15. PROVISIONS OF LIABILITIES AND CHARGES

REORGANISATION PROVISION	2002 £'000	2001 £'000
At 1 January 2002	21	164
Utilised	(21)	(262)
Provided	-	119
At 31 December 2002	-	21

DEFERRED TAXATION

The deferred tax assets not recognised are as follows:	2002 £'000	2001 £'000
Depreciation in excess of capital allowances	(436)	(252)
Other timing differences	(27)	(18)
	(463)	(270)

16. CALLED UP EQUITY SHARE CAPITAL

	2002 £'000	2001 £'000
Authorised		
773,750,000 Ordinary shares of 1p each	7,738	7,738
Allotted, called up and fully paid		
750,000,000 Ordinary shares of 1p each	7,500	7,500

17. RESERVES

PROFIT AND LOSS ACCOUNT

	2002 £'000	2001 £'000
At 1 January	15,513	11,928
Retained (loss)/profit for the year	(3,073)	3,585
At 31 December	12,440	15,513

18. OPERATING LEASE RENTALS

At 31 December 2002 the company had annual operating lease commitments as follows:-	2002 £'000	2001 £'000
Leases expiring within one year	53	3
Leases expiring within 2 to 5 years	363	165
Leases expiring in over 5 years	1,674	1,411
	2,090	1,579

NOTES TO THE ACCOUNTS
Year ended 31 December 2002

19. FUTURE CAPITAL EXPENDITURE

	2002 £'000	2001 £'000
Contracted but not provided for	22	-
Authorised but not contracted for	-	49
	22	49

20. ULTIMATE PARENT COMPANY

As at 31 December 2002, the company's ultimate parent company was Coats plc, a company incorporated in Great Britain and registered in England and Wales. Coats plc is only company producing group accounts. Copies of the Group financial statements are available from the parent company's registered office at 1 The Square, Stockley Park, Uxbridge, Middlesex, UB11 1TD. Coats plc changed its name to Coats Limited on 3 November 2003.

On 23 January 2003, Riverhawk Investments acquired the entire issued share capital of William Hollins & Company Limited from Coats Holdings Limited. On 12 March 2003, Harris Watson Investments Limited acquired the entire share capital of William Hollins & Company Limited. Harris Watson Investments Limited is controlled by Harris Watson Holdings plc.

21. PENSIONS

During the year, the company participated in the Coats Pension Plan. This is a defined benefit multi-employer scheme, the assets and liabilities of which are held independently from the Coats plc group and the company. The company is unable to identify its share of the underlying assets and liabilities of the scheme and accordingly, accounts for the scheme as if it were a defined contribution scheme. There were no contributions to the scheme for the period (2001: £Nil) and the agreed future contribution rate is Nil%.

The latest full valuation of the scheme as a whole, was at 1 April 2000. This valuation was updated to 31 December 2002 for the group accounts by a qualified actuary. The valuation at 31 December 2002 indicated scheme assets of £1,289.6m (2001: £1,438.5m) representing 101% of the scheme liabilities (2001: 118%). Of the resulting surplus, £16.5m (2001: £34.9m) is recoverable by the group, as detailed in the accounts of Coats plc for the year ended 31 December 2002.

As part of the sale agreement of the company by Coats plc in January 2003, Coats plc has indemnified the purchaser against any liabilities which the purchaser or any group member may incur as a result of past participation in the Coats Pension Plan.

22. RELATED PARTY TRANSACTIONS

As at 31 December 2002, and for the year then ended, the company was a subsidiary undertaking within the Coats Plc group, 90% or more of its voting rights were controlled within the group, and the group's consolidated financial statements are publicly available. In accordance with FRS8 therefore, disclosure is not required of transactions with entities that are part of the group or investees of the group qualifying as related parties. There were no other transactions with related parties during the year other than those disclosed in these accounts.