

Registered No: 332517

COATS INDUSTRIAL THREAD LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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COATS INDUSTRIAL THREAD LIMITED**STRATEGIC REPORT****PRINCIPAL
ACTIVITIES**

The principal activity of the company is the holding of investments in group undertakings and is expected to do so for the foreseeable future. Income is principally derived from dividends and royalties.

BUSINESS REVIEW

Results for the year are shown in the profit and loss account on page 9. The balance sheet of the Company is shown on page 11.

Income during the year was principally derived from dividends, management charges and royalties. The Directors do not foresee a change in the Company's activities in the foreseeable future.

During the year an interim dividend was paid of \$16,284,000 (2016: \$104,089,000) and the directors do not recommend the payment of a final dividend on the ordinary shares (2016: \$nil).

**POST BALANCE SHEET
EVENT**

There are no significant post balance sheet events

**PRINCIPAL RISKS
AND UNCERTAINTIES**

The principal risks and uncertainties of the Company are discussed in Coats Group plc's annual report which does not form part of this report.

**KEY PERFORMANCE
INDICATORS**

Given the nature of the business of the Company as a holding company, the Company's Directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business. The development, performance and position of the Coats Group plc overall are discussed in Coats Group plc's annual report which does not form part of this report.

COATS INDUSTRIAL THREAD LIMITED**STRATEGIC REPORT (Continued)****FINANCIAL RISK
MANAGEMENT**

The Coats Group plc's treasury policy, which is determined by the Board of Directors of Coats Group plc, governs the management of financial risks within the Coats Group. In accordance with this policy, the financial risk exposures are actively monitored and the use of financial instruments, such as derivatives, is permitted. However, under the treasury policy speculative transactions are not permitted. Details of financial risk management are discussed in Notes to the Coats Group plc annual report which does not form part of this report.

**LIQUIDITY AND
CASH FLOW**

The Company is part of the Coats Group plc group of companies which actively maintains a mixture of long-term and short-term debt finance that is designed to ensure that the Group has sufficient available funds for its operations.

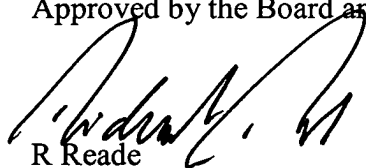
INTEREST RATE RISK

The Company has both interest bearing assets and interest bearing liabilities. Interest bearing assets and liabilities include cash, bank overdraft and loan balances and certain balances due to and from group undertakings, which primarily earn and bear interest at floating rates. The Company did not use interest rate derivatives during the year. However, the Coats Group plc group of companies may from time to time use interest rate derivatives to manage the Group's exposure to interest rate fluctuations.

CURRENCY RISK

The Company's activities expose it to foreign exchange risk in respect of non-USD denominated royalties, bank and inter-company balances. Wherever possible the foreign exchange risk is minimised including through the use of foreign exchange forward contracts.

Approved by the Board and signed on its behalf by:



R Reade
Director

18 July 2018

COATS INDUSTRIAL THREAD LIMITED

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 December 2017.

Under section 414C(11) of the Act, the directors may include in the strategic report such of the matters otherwise required by regulations made under section 416(4) to be disclosed in the directors' report as the directors consider are of strategic importance to the company. Disclosures required by s416(4) that included in the strategic report in this way are:

- future developments;
- financial risk management;
- dividends paid and proposed; and
- post balance sheet event

DIRECTORS

The following persons served as directors of the Company throughout the year and to the date of this Report except as noted:

R C Reade
 R Sharma (Resigned 7th September 2017)
 W K Chiang (Appointed 14th September 2017)
 Coats Patons Limited

SECRETARY

At the date of this report, the company secretary was Coats Patons Limited.

GOING CONCERN

The Directors have made enquiries into the adequacy of both the Company and Coats Group plc's financial resources, through a review of the current financial projections and the financing facilities available.

The Company's and Coats Group plc's forecasts and projections take account of reasonably possible changes in trading performance. Giving due consideration to the financial resources available to the Company and Coats Group plc, the Directors believe it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

COATS INDUSTRIAL THREAD LIMITED**DIRECTORS' REPORT (Continued)****AUDITOR**

Pursuant to Section 487 of the Companies Act 2006, the auditors, Deloitte LLP, have been reappointed and will continue in office as auditors of the company.

**DIRECTORS'
RESPONSIBILITIES
STATEMENT**

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the United Kingdom and Ireland". Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK 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 adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. 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.

COATS INDUSTRIAL THREAD LIMITED

DIRECTORS' REPORT (Continued)

**DIRECTORS'
INDEMNITIES**

The Company's ultimate parent company, Coats Group plc provide certain protections for Directors and officers of companies within the Coats Group plc group against personal financial exposure that they may incur in the course of their professional duties.

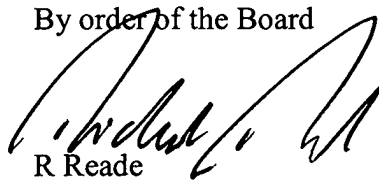
**DISCLOSURE OF
INFORMATION
TO AUDITOR**

Each of the persons who is a director at the date of approval of this Report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This information is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

By order of the Board



R Reade
Director

18 July 2018

Registered office:

1 The Square
Stockley Park
Uxbridge
Middlesex
UB11 1TD

COATS INDUSTRIAL THREAD LIMITED**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COATS INDUSTRIAL THREAD LIMITED****Report on the audit of 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 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Coats Industrial Thread Limited (the 'company') which comprise:

- the profit and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 16.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

COATS INDUSTRIAL THREAD LIMITED**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COATS INDUSTRIAL THREAD LIMITED (Continued)****Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

COATS INDUSTRIAL THREAD LIMITED**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COATS INDUSTRIAL THREAD LIMITED (Continued)****Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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.

Report on other legal and regulatory requirements**Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report has been prepared in accordance with applicable legal requirements.

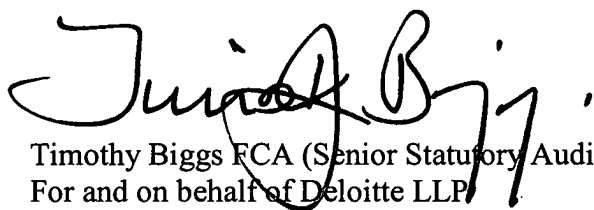
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report and the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or

We have nothing to report in respect of these matters.



Timothy Biggs FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

18 July 2018

COATS INDUSTRIAL THREAD LIMITED**PROFIT AND LOSS ACCOUNT****Year ended 31 December 2017**

| | Notes | 2017 \$'000 | 2016 \$'000 |
|--|-------|----------------------|----------------------|
| Turnover | 3 | <u>51,124</u> | <u>43,887</u> |
| GROSS PROFIT | | 51,124 | 43,887 |
| Administrative expenses | | <u>(17,366)</u> | <u>(17,382)</u> |
| OPERATING PROFIT | 4 | 33,758 | 26,505 |
| Interest receivable and similar income | 6 | 177 | 1,714 |
| Interest payable and similar expenses | 7 | <u>(141)</u> | <u>(199)</u> |
| PROFIT BEFORE TAXATION | | 33,794 | 28,020 |
| Tax on profit | 8 | <u>(4,076)</u> | <u>(3,801)</u> |
| PROFIT FOR THE FINANCIAL YEAR TRANSFERRED TO RESERVES | | <u>29,718</u> | <u>24,219</u> |

All results derive solely from continuing operations.

The notes on pages 13 to 22 form part of these financial statements.

COATS INDUSTRIAL THREAD LIMITED**STATEMENT OF COMPREHENSIVE INCOME****Year ended 31 December 2017**

| | 2017 | 2016 |
|--|---------------|---------------|
| | \$'000 | \$'000 |
| Profit for the financial year | 29,718 | 24,219 |
| | <hr/> | <hr/> |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | |
| ATTRIBUTABLE TO EQUITY HOLDERS OF THE | | |
| COMPANY | 29,718 | 24,219 |
| | <hr/> <hr/> | <hr/> <hr/> |

The notes on pages 13 to 22 form part of these financial statements.

COATS INDUSTRIAL THREAD LIMITED**BALANCE SHEET****As at 31 December 2017**

| | Notes | 2017 \$'000 | 2016 \$'000 |
|--|-------|----------------------|----------------------|
| FIXED ASSETS | | | |
| Intangible assets | 10 | - | 16,000 |
| Investments | 11 | 5 | 686 |
| | | <u>5</u> | <u>16,686</u> |
| CURRENT ASSETS | | | |
| Debtors: amounts falling due within one year | 12 | 58,576 | 30,052 |
| | | <u>58,576</u> | <u>30,052</u> |
| CURRENT LIABILITIES | | | |
| Creditors: amounts falling due within one year | 13 | (5,511) | (7,102) |
| | | <u>(5,511)</u> | <u>(7,102)</u> |
| NET CURRENT ASSETS | | 53,065 | 22,950 |
| | | <u>53,065</u> | <u>22,950</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 53,070 | 39,636 |
| | | <u><u>53,070</u></u> | <u><u>39,636</u></u> |
| CAPITAL AND RESERVES | | | |
| Share capital | 15 | - | - |
| Profit and loss account | | 53,070 | 39,636 |
| | | <u>53,070</u> | <u>39,636</u> |
| TOTAL SHAREHOLDERS' FUNDS | | 53,070 | 39,636 |
| | | <u><u>53,070</u></u> | <u><u>39,636</u></u> |

The financial statements of Coats Industrial Thread Limited, registered number 332517, were approved by the Board of Directors and authorised for issue on 18 July 2018.



R. Reade
Director

The notes on pages 13 to 22 form part of these financial statements.

COATS INDUSTRIAL THREAD LIMITED**STATEMENT OF CHANGES IN EQUITY****Year ended 31 December 2017**

| | Share capital \$'000 | Profit and loss account \$'000 | Total \$'000 |
|--|-------------------------------------|---|-------------------------|
| At 1 January 2016 | 67,689 | 51,817 | 119,506 |
| Profit for the year | - | 24,219 | 24,219 |
| Total comprehensive income for the year | - | 24,219 | 24,219 |
| Share capital reduction | (67,689) | 67,689 | - |
| Dividends paid | - | (104,089) | (104,089) |
| At 31 December 2016 | - | 39,636 | 39,636 |
| Profit for the year | - | 29,718 | 29,718 |
| Total comprehensive income for the year | - | 29,718 | 29,718 |
| Dividends paid (note 9) | - | (16,284) | (16,284) |
| At 31 December 2017 | - | 53,070 | 53,070 |

The notes on pages 13 to 22 form part of these financial statements.

COATS INDUSTRIAL THREAD LIMITED**NOTES TO THE ACCOUNTS
YEAR ENDED 31 DECEMBER 2017****1. STATEMENT OF ACCOUNTING POLICIES****General Information and
Basis of Accounting**

Coats Industrial Thread Limited is a private company limited by shares, incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the registered office is given on page 5. The nature of the Company's operations and its principal activities are set out in the strategic report on page 1.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of Coats Industrial Thread Limited is considered to be US Dollars because that is the currency of the primary economic environment in which the Company operates.

Coats Industrial Thread Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. Coats Industrial Thread Limited is consolidated in the financial statements of its ultimate parent, Coats Group plc, which are available from its registered office. The address of the registered office of Coats Group plc is set out in note 16. Disclosure exemptions have been taken in these separate Company financial statements in relation to financial instruments, the presentation of a cash flow statement and remuneration of key management personnel.

Going Concern Basis

The Directors have made enquiries into the adequacy of both the Company and Coats Group plc's financial resources, through a review of the current financial projections and the financing facilities available.

The Company's and Coats Group plc's forecasts and projections take account of reasonably possible changes in trading performance. Giving due consideration to the financial resources available to the Company and Coats Group plc, the Directors believe it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

COATS INDUSTRIAL THREAD LIMITED**NOTES TO THE ACCOUNTS (Continued)
YEAR ENDED 31 DECEMBER 2017****1. STATEMENT OF ACCOUNTING POLICIES (continued)****Foreign Currencies**

The Directors consider US dollars (\$) to be the company's functional currency. Accordingly, these financial statements are presented in \$. At 31 December 2017, the closing exchange rate to sterling was \$1/0.74 (2016: \$1/£0.81) and the average exchange rate to sterling for the year ended 31 December 2017 was \$0.78 (2016: \$1/£0.74)

Transactions denominated in foreign currencies are translated into US dollars at the rates of exchange ruling at the date of the transaction. Assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rate of exchange ruling at the balance sheet date. Exchange gains or losses are included in the profit and loss account.

Taxation

Current tax is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is recognised on a full provision basis on timing differences that 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, and is not discounted.

Turnover

Turnover relates to royalties and licensing income, and is credited to the profit and loss account in the year to which it relates.

COATS INDUSTRIAL THREAD LIMITED**NOTES TO THE ACCOUNTS (Continued)
YEAR ENDED 31 DECEMBER 2017****1. STATEMENT OF ACCOUNTING POLICIES (continued)****Financial instruments***(i) Financial assets and liabilities*

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the balance sheet when, and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

NOTES TO THE ACCOUNTS (Continued)
YEAR ENDED 31 DECEMBER 2017

1. STATEMENT OF ACCOUNTING POLICIES (continued)

(ii) Investments

Investments in subsidiaries are measured at cost less impairment. Investments are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. An impairment charge is recognised for the amount by which the investment carrying amount exceeds its recoverable amount. The recoverable amount is the higher of its fair value less costs to sell and its value in use. In assessing value in use, estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money.

(iii) Interest

Interest is charged to the profit and loss account on an accruals basis.

Intangible Assets

Acquired brands are stated at cost less accumulated amortisation. Amortisation is provided to write off the asset by equal instalments over the expected period that benefit is derived from the asset which in the case of acquired brands is assumed to be no more than 10 years. Intangible assets are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. An impairment charge is recognised for the amount by which the intangible assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of its fair value less costs to sell and its value in use. In assessing value in use, estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money.

Group accounts

Under the provisions of Section 400 of the Companies Act 2006 the company is exempt from the obligation to prepare and deliver group financial statements as it is included in the consolidated financial statements of Coats Group plc. Accordingly, these financial statements present information about the company as an individual entity and not as a group.

COATS INDUSTRIAL THREAD LIMITED**NOTES TO THE ACCOUNTS (Continued)
YEAR ENDED 31 DECEMBER 2017****2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Company's accounting policies, which are described in note 1, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The Directors do not believe there to be any critical accounting judgements or key sources of estimation uncertainty.

3. TURNOVER

Turnover relates to royalties and licensing income. The split of turnover is as follows:

| | 2017 | 2016 |
|---------------|-------------------|-------------------|
| | \$'000 | \$'000 |
| EMEA | 9,701 | 5,987 |
| Americas | 8,463 | 9,391 |
| Asia | 32,857 | 28,421 |
| Rest of World | 103 | 88 |
| | <u> </u> | <u> </u> |

4. OPERATING PROFIT

| | | |
|--|-------------------|-------------------|
| Operating profit is after (crediting)/expensing: | 2017 | 2016 |
| | \$'000 | \$'000 |
| Royalties and licensing income | (51,124) | (43,887) |
| Amortisation of intangibles | 16,000 | 16,000 |
| | <u> </u> | <u> </u> |

Auditor's remuneration for the audit of the Company's annual accounts of \$9,000 (2016: \$9,000) was borne by a fellow group company.

COATS INDUSTRIAL THREAD LIMITED**NOTES TO THE ACCOUNTS (Continued)
YEAR ENDED 31 DECEMBER 2017****5. DIRECTORS AND EMPLOYEES**

The directors received no remuneration for their services to the company (2016: \$nil). There were no other employees (2016: nil) and consequently employee costs for the year were \$nil (2016: \$nil).

6. INTEREST RECEIVABLE AND SIMILAR INCOME

| | 2017 \$'000 | 2016 \$'000 |
|---|----------------|----------------|
| Interest on amounts due from Group undertakings | 177 | 1,714 |

7. INTEREST PAYABLE AND SIMILAR EXPENSES

| | 2017 \$'000 | 2016 \$'000 |
|-----------------------|----------------|----------------|
| Bank interest payable | 141 | 199 |

8. TAX ON PROFIT

| | 2017 \$'000 | 2016 \$'000 |
|---|----------------|----------------|
| UK taxation based on the profit for the year: | | |
| Corporation tax at 19.25% (2016: 20.00%) | 4,076 | 3,801 |
| Double taxation relief | (4,076) | (3,801) |
| | - | - |
| Overseas taxation | 4,076 | 3,801 |
| | 4,076 | 3,801 |

COATS INDUSTRIAL THREAD LIMITED**NOTES TO THE ACCOUNTS (Continued)
YEAR ENDED 31 DECEMBER 2017****8. TAX ON PROFIT (Continued)**

The standard rate of current tax for the year, based on UK standard rate of corporation tax, is 19.25% (2016: 20.00%). The current tax expense for the year is lower (2016: lower) than 19.25% for the reasons set out in the following reconciliation:

| | 2017 | 2016 |
|---|-------------------|-------------------|
| | \$'000 | \$'000 |
| Profit before tax | 33,794 | 28,020 |
| | <u> </u> | <u> </u> |
| Tax on profit at standard rate | 6,505 | 5,604 |
| Adjusted for the effects of: | | |
| Expenses disallowed for tax purposes | 3,211 | 3,200 |
| Double tax relief | (4,076) | (3,801) |
| Withholding and other taxes on remittances | 4,076 | 3,801 |
| Group relief received for nil consideration | (5,640) | (5,003) |
| | <u> </u> | <u> </u> |
| | 4,076 | 3,801 |
| | <u> </u> | <u> </u> |

With effect from 6 September 2016, Finance Act 2016 was substantively enacted to reduce the UK corporation tax rate to 17% as follows:

| Year to 31 March | 2017 | 2018 | 2019 | 2020 | 2021 |
|-----------------------------|-------------|-------------|-------------|-------------|-------------|
| Corporation Tax Rate | 20% | 19% | 19% | 19% | 17% |

9. DIVIDENDS

| | 2017 | 2016 |
|---|-------------------|-------------------|
| | \$'000 | \$'000 |
| Interim dividend paid of \$0.4306240 (2016: \$2.752589) per share | 16,284 | 104,089 |
| | <u> </u> | <u> </u> |

COATS INDUSTRIAL THREAD LIMITED**NOTES TO THE ACCOUNTS (Continued)
YEAR ENDED 31 DECEMBER 2017****10. INTANGIBLE ASSETS - BRANDS**

| | \$'000 |
|--|----------------|
| COST | |
| At 1 January 2017 and at 31 December 2017 | 160,000 |
| AMORTISATION | |
| At 1 January 2017 | 144,000 |
| Provided in the year | 16,000 |
| At 31 December 2017 | 160,000 |
| NET BOOK VALUE | |
| At 31 December 2017 | - |
| At 31 December 2016 | 16,000 |

11. INVESTMENTS

| | Shares in Group Undertakings \$'000 |
|--|--|
| COST | |
| At 1 January 2017 and at 31 December 2017 | 10,817 |
| PROVISIONS | |
| At 1 January 2017 | 10,131 |
| Impairment expense | 681 |
| At 31 December 2017 | 10,812 |
| NET BOOK VALUE | |
| At 31 December 2017 | 5 |
| At 31 December 2016 | 686 |

COATS INDUSTRIAL THREAD LIMITED**NOTES TO THE ACCOUNTS (Continued)
YEAR ENDED 31 DECEMBER 2017****11. INVESTMENTS (Continued)**

The company's subsidiary undertakings, all directly held with 100% of the Ordinary share capital, at 31 December 2017 were as follows:

| | |
|--|---|
| Coats Industrial Thread Brands Limited | 1 The Square, Stockley Park, Uxbridge UB11 1TD U.K. |
| Coats Shelfco (CV Nominees) Limited | 1 The Square, Stockley Park, Uxbridge UB11 1TD U.K. |

12. DEBTORS

| | 2017 \$'000 | 2016 \$'000 |
|---|----------------|----------------|
| Amounts falling due within one year: | | |
| Amounts owed by fellow group undertakings | <u>58,576</u> | <u>30,052</u> |

The amounts owed by a fellow group undertakings due within one year shown above attracted interest at LIBOR + 1.5% and are repayable on demand.

13. CREDITORS

| | 2017 \$'000 | 2016 \$'000 |
|--|----------------|----------------|
| Amounts falling due within one year | | |
| Bank overdraft | 3,626 | 5,618 |
| Taxation payable | 1,641 | 1,402 |
| Amounts owed to fellow group undertakings | <u>244</u> | <u>82</u> |
| | <u>5,511</u> | <u>7,102</u> |

The amounts owed to fellow group undertakings due within one year shown above bear no interest and are repayable on demand.

COATS INDUSTRIAL THREAD LIMITED**NOTES TO THE ACCOUNTS (Continued)
YEAR ENDED 31 DECEMBER 2017****14. DEFERRED TAXATION**

The amount of deferred tax assets unrecognised at 17% (2016: 17%) was as follows:

| | 2017 \$'000 | 2016 \$'000 |
|---|----------------|----------------|
| Depreciation in advance of capital allowances | 1 | 1 |
| Capital losses | 728 | 664 |
| | <hr/> | <hr/> |
| Unrecognised deferred tax asset | 729 | 665 |
| | <hr/> <hr/> | <hr/> <hr/> |

The deferred tax asset is unrecognised as there is uncertainty regarding the generation of suitable future taxable profits of the company.

15. CALLED UP SHARE CAPITAL

| | ALLOTTED AND AUTHORISED | | FULLY PAID | |
|---|------------------------------------|----------------|-------------------|----------------|
| | 2017 \$'000 | 2016 \$'000 | 2017 \$'000 | 2016 \$'000 |
| 37,814,890 Ordinary shares each of £0.0000000264 | - | - | - | - |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

16. ULTIMATE PARENT COMPANY

At 31 December 2017, the Company's ultimate parent company and controlling party is Coats Group plc, a company incorporated in Great Britain and registered in England and Wales. The smallest and largest group for which consolidated accounts are prepared is Coats Group plc. The consolidated accounts of Coats Group plc can be obtained from its registered office at 1 The Square, Stockley Park, Uxbridge, Middlesex UB11 1TD.

The Company's immediate parent undertaking is Coats Limited, a company incorporated in Great Britain and registered in England and Wales.