

Registered No: 2591134

COATS FINANCE CO. LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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COATS FINANCE CO. LIMITED

DIRECTORS' REPORT

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

The Directors' report has been prepared in accordance with the provisions applicable to companies entitled to the small companies' exemption and consequently no Strategic Report is presented.

PRINCIPAL ACTIVITIES

The principal activity of the Company during the year continued to be that of a financial trading company.

No changes in the business are expected in the foreseeable future.

DIRECTORS

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

Nick Kidd	(Appointed 28 February 2018)
A Stockwell	
C Barlow	(Resigned 28 February 2018)
Coats Patons Limited	

SECRETARY

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

GOING CONCERN

The Directors have made enquiries into the adequacy of the Company's financial resources, through a review of the current financial projections and the financing facilities available. The Company'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 the uncertainties that exist in the current economic environment, the Directors believe it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

FINANCIAL RISK MANAGEMENT

The Coats Group plc group'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.

LIQUIDITY RISK

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.

COATS FINANCE CO. LIMITED

DIRECTORS' REPORT (Continued)

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 bank and inter-company balances. Wherever possible the foreign exchange risk is minimised including through the use of foreign exchange forward contracts.

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 Annual 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 UK and Republic of 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 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 FINANCE CO. LIMITED

DIRECTORS' REPORT (Continued)

DIRECTORS' INDEMNITIES

The Company's ultimate parent company, Coats Group plc provides 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



A Stockwell
Director

30 July 2018

Registered office:

1 The Square
Stockley Park
Uxbridge
Middlesex
UB11 1TD

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COATS FINANCE CO. 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 Finance Co. 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 12.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COATS FINANCE CO. 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COATS FINANCE CO. 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 the 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 have been prepared in accordance with applicable legal requirements.

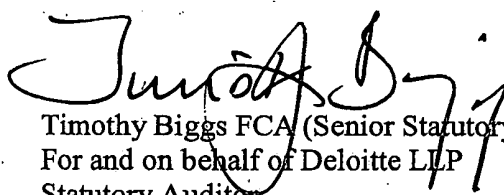
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

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.

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

31 July 2018

COATS FINANCE CO. LIMITED**PROFIT AND LOSS ACCOUNT****Year ended 31 December 2017**

	Notes	2017 \$'000	2016 \$'000
Other operating expense		<u>(383)</u>	<u>(43)</u>
OPERATING LOSS		(383)	(43)
Interest receivable and similar income	4	18,910	17,380
Interest payable and similar charges	5	<u>(11,171)</u>	<u>(8,955)</u>
PROFIT BEFORE TAXATION		7,356	8,382
Tax on profit	6	<u>-</u>	<u>-</u>
PROFIT FOR THE FINANCIAL YEAR		<u>7,356</u>	<u>8,382</u>

All results derive solely from continuing operations.

The notes on pages 11 to 17 form part of these accounts.

COATS FINANCE CO. LIMITED

STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2017

	2017 \$'000	2016 \$'000
PROFIT FOR THE FINANCIAL YEAR	<u>7,356</u>	<u>8,382</u>
TOTAL COMPREHENSIVE INCOME		
ATTRIBUTABLE TO EQUITY	<u>7,356</u>	<u>8,382</u>
SHAREHOLDERS OF THE COMPANY		

The notes on pages 11 to 17 form part of these financial statements.

COATS FINANCE CO. LIMITED**BALANCE SHEET at 31 December 2017**

	Notes	2017 \$'000	2016 \$'000
CURRENT ASSETS			
Debtors – Amounts falling due within one year	7	67,709	96,843
– Amounts falling due after more than one year	7	695,985	667,295
Cash at bank and in hand		<u>23,318</u>	<u>21,116</u>
		787,012	785,254
CURRENT LIABILITIES			
Creditors – Amounts falling due within one year	8	<u>(302,032)</u>	<u>(304,163)</u>
NET CURRENT ASSETS AND TOTAL ASSETS LESS CURRENT LIABILITIES			
		484,980	481,091
Creditors – Amounts falling due after more than one year	9	<u>(271,420)</u>	<u>(274,887)</u>
NET ASSETS			
		<u>213,560</u>	<u>206,204</u>
CAPITAL AND RESERVES			
Share capital	10	30,430	30,430
Profit and loss account		<u>183,130</u>	<u>175,774</u>
TOTAL SHAREHOLDERS' FUNDS			
		<u>213,560</u>	<u>206,204</u>

The financial statements of Coats Finance Co. Limited, registered number 2591134, were approved by the Board of Directors and authorised for issue on 30 July 2018.



A Stockwell
Director

The notes on pages 11 to 17 form part of these accounts.

COATS FINANCE CO. LIMITED**STATEMENT OF CHANGES IN EQUITY**
Year ended 31 December 2017

	Called-up share capital \$'000	Profit and loss account \$'000	Total \$'000
At 1 January 2016	30,430	167,392	197,822
Profit for the financial year	-	8,382	8,382
At 31 December 2016	<u>30,430</u>	<u>175,774</u>	<u>206,204</u>
Profit for the financial year	<u>-</u>	<u>7,356</u>	<u>7,356</u>
At 31 December 2017	<u>30,430</u>	<u>183,130</u>	<u>213,560</u>

The notes on pages 11 to 17 form part of these accounts.

COATS FINANCE CO. LIMITED
YEAR ENDED 31 DECEMBER 2017

NOTES TO THE ACCOUNTS

1. STATEMENT OF ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding year.

GENERAL INFORMATION AND BASIS OF PREPARATION

Coats Finance Co. Limited is a company private limited by shares, and incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 3. The nature of the Company's operations and its principal activities are set out in the Directors' report on pages 1 to 3.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of Coats Finance Co. Limited is considered to be USD because that is the currency of the primary economic environment in which the Company operates.

Coats Finance Co. 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 Finance Co. Limited is consolidated in the financial statements of its ultimate parent, Coats Group plc, which has the same registered address as Coats Finance Co. Limited (see page 3). Exemptions have been taken in these separate Company financial statements in relation to share-based payments, financial instruments, 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 the Coats Group plc Group's financial resources, through a review of the current financial projections and the financing facilities available. The Company's and the Coats Group plc Group'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 the Coats Group plc Group, the Directors believe it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

COATS FINANCE CO. LIMITED
YEAR ENDED 31 DECEMBER 2017

NOTES TO THE ACCOUNTS (Continued)

1. STATEMENT OF ACCOUNTING POLICIES (Continued)

FOREIGN CURRENCIES

Assets and liabilities in foreign currencies are translated into sterling at the rate of exchange ruling at the year end. Profits and losses on exchange arising in the normal course of trading are translated at the rate of exchange at the date of the transaction. Realised exchange differences arising on the conversion of foreign currency borrowings are dealt with in the profit and loss account.

FINANCIAL INSTRUMENTS

(i) Financial assets and liabilities

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.

(ii) Derivative financial instruments

The Company uses derivative financial instruments to reduce exposure to foreign exchange risk and interest rate movements. The Company does not hold or issue derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

TAXATION

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

COATS FINANCE CO. LIMITED
YEAR ENDED 31 DECEMBER 2017

NOTES TO THE ACCOUNTS (Continued)

1. STATEMENT OF ACCOUNTING POLICIES (Continued)

TAXATION (Continued)

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

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.

Fair value of derivative financial instruments

Coats Finance Co. Limited hedges a significant amount of the Group's currency exposures and therefore has a number of foreign exchange contracts in a variety of different foreign currencies. Determining the fair value of these contracts involves using observable inputs such as quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Therefore, there is an element of judgement involved in determining the fair values.

3. DIRECTORS, EMPLOYEES AND AUDITORS' REMUNERATION

No director received any remuneration for their services to the company (2016: \$nil). There were no other employees (2016: none).

Auditor's remuneration for the audit of the Company's annual accounts of \$13,000 (2016: \$13,000) was borne by a fellow group company.

COATS FINANCE CO. LIMITED
YEAR ENDED 31 DECEMBER 2017

NOTES TO THE ACCOUNTS (Continued)

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	2017	2016
	\$'000	\$'000
Interest on amounts due from Group undertakings	17,880	13,818
Bank interest receivable	1,030	2,209
Foreign currency gains	-	1,353
	<u>18,910</u>	<u>17,380</u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2017	2016
	\$'000	\$'000
Interest on amounts due to Group undertakings	7,767	6,374
Bank and loan interest payable	1,368	2,581
Foreign currency loss	2,036	-
	<u>11,171</u>	<u>8,955</u>

6. TAX ON PROFIT

	2017	2016
	\$'000	\$'000
UK Corporation tax at 19.25% (2016: 20.00%)	-	-
Tax on profit	<u>-</u>	<u>-</u>

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 charge for the year is lower than 19.25% for the reasons set out in the following reconciliation:

	2017	2016
	\$'000	\$'000
Profit before tax	<u>7,356</u>	<u>8,382</u>
Tax on profit at standard rate	1,416	1,676
Adjusted for:		
Non-deductible expenses	-	-
Group relief received from group companies for nil consideration	<u>(1,416)</u>	<u>(1,676)</u>
	<u>-</u>	<u>-</u>

No charge to United Kingdom taxation has been provided in the results for the current and preceding year.

COATS FINANCE CO. LIMITED
YEAR ENDED 31 DECEMBER 2017

NOTES TO THE ACCOUNTS (Continued)

6. TAX ON PROFIT ON ORDINARY ACTIVITIES (Continued)

With effect from 6 September 2017 Finance Act 2017 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%

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

	2017	2016
	\$'000	\$'000
Temporary difference arising on financial instruments	<u>81</u>	<u>114</u>

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

7. DEBTORS

	2017	2016
	\$'000	\$'000
Amounts falling due within one year:		
Other debtors	-	250
Amounts owed by group undertakings	65,652	86,177
Derivative financial assets	<u>2,057</u>	<u>10,416</u>
	<u>67,709</u>	<u>96,843</u>
Amounts falling due after more than one year:		
Amounts owed by group undertakings	<u>695,985</u>	<u>667,295</u>

The amount owed by fellow subsidiary undertakings bear interest at the margin on the Group's revolving credit facility plus 25 basis points. Specific rates also apply to some loan balances. This results in various rates being charged between 1.25% and 2.75%. The amounts receivable in greater than one year are not repayable without 12 months' notice.

COATS FINANCE CO. LIMITED
YEAR ENDED 31 DECEMBER 2017

NOTES TO THE ACCOUNTS (Continued)

8. CREDITORS: Amounts falling due within one year

	2017 \$'000	2016 \$'000
Bank loans and overdrafts	22,317	24,031
Amounts owed to group undertakings	277,169	269,018
Other creditors	14	25
Derivative financial liabilities	<u>2,532</u>	<u>11,089</u>
	<u>302,032</u>	<u>304,163</u>

9. CREDITORS: Amounts falling due after more than one year

	2017 \$'000	2016 \$'000
Amounts owed to group undertakings	<u>271,420</u>	<u>274,887</u>

The amounts owing to group undertakings have no specified dates of repayment but are only repayable on receipt of twelve months' notice.

10. SHARE CAPITAL

	2017 Number	2016 Number	2017 \$'000	2016 \$'000
Authorised				
Ordinary shares of £1 each	<u>17,000,000</u>	<u>17,000,000</u>	<u>30,430</u>	<u>30,430</u>
Issued				
Ordinary shares of £1 each	<u>17,000,000</u>	<u>17,000,000</u>	<u>30,430</u>	<u>30,430</u>

COATS FINANCE CO. LIMITED
YEAR ENDED 31 DECEMBER 2017

NOTES TO THE ACCOUNTS (Continued)

11. FINANCIAL INSTRUMENTS

The carrying values of the Company's financial assets and liabilities are summarised by category below:

	2017	2016
	\$'000	\$'000
Financial assets at fair value		
Derivative financial assets measured at fair value through profit or loss:		
• Forward currency contracts	<u>2,057</u>	<u>10,416</u>
Financial liabilities at fair value		
Derivative financial liabilities measured at fair value through profit or loss:		
• Forward currency contracts	<u>2,532</u>	<u>11,089</u>

Forward foreign currency contracts are valued using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

12. ULTIMATE PARENT COMPANY

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 company is Coats Holdings Ltd, a company incorporated in Great Britain and registered in England and Wales.