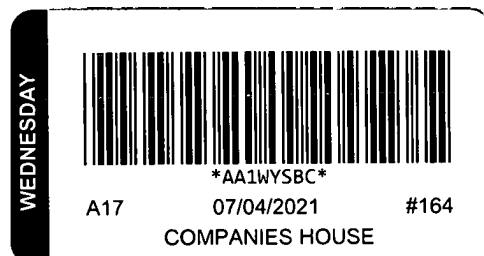


Registered No: 00104998

COATS HOLDINGS LTD
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020



STRATEGIC REPORT**PRINCIPAL ACTIVITY**

The principal activity of the Company is the holding of investments in group companies. Income is principally derived from dividends.

BUSINESS REVIEW

Results for the year are shown in the profit and loss account on page 10. The balance sheet of the Company is shown on page 11.

FUTURE DEVELOPMENTS

The Directors do not foresee a change in the Company's activities in the foreseeable future.

SECTION 172 STATEMENT - DUTY TO PROMOTE THE SUCCESS OF THE COMPANY

The Board of Directors of Coats Holdings Ltd seek to ensure that the decisions that we take in the interests of promoting the success of the Company are made with the appropriate consideration of our relationships with, and our impact on, our various stakeholders. The Board's intent is always to maintain high standards of business conduct and governance in all of the Company's operations, which is critical in maintaining our reputation for doing the right thing. We do not underestimate the importance of understanding our stakeholder expectations and needs to achieve our strategy and accordingly our long-term sustainable success. As a wholly owned subsidiary of Coats Group plc, our key stakeholders are aligned with our ultimate parent company and you can read more about that stakeholder engagement on pages 17 to 22 of the 2020 Annual Report for Coats Group plc, which can be found online at www.coats.com. By considering Coats Group's purpose, vision and values together with the strategic priorities, we balance outcomes for our key stakeholders alongside long-term sustainable growth.

As the principal activity of the Company is the holding of investments in group companies, decisions on receiving and making dividend payments are the main decisions taken where we ensure that the impact of these decisions, including the impact on our stakeholders, is considered. The Company's approach to its suppliers and the wider employees of the Coats Group was considered as part of the approval process for the Modern Slavery Statement published on the Coats Group plc website. We regularly review which are our key stakeholder relationships and examine how we appropriately engage with them. We also consider ways to ensure that we maintain open lines of communication with those stakeholder groups and whether there are ways that the Board's engagement can be improved to help us operate more effectively.

In response to COVID-19 the Board of Coats Group plc agreed a set of key Group priorities focusing on continuing to ensure the health and safety of employees and contractors, supporting customers, maintaining critical aspects of our supply chain and providing supplies and training to our employees and the communities in which the Coats Group operate.

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.

STRATEGIC REPORT (Continued)**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 overall Coats Group plc are discussed in Coats Group plc's annual report which does not form part of this report.

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 plc 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.

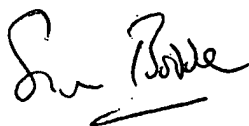
INTEREST RATE RISK

The Company has both interest bearing assets and interest bearing liabilities. Interest bearing assets and liabilities include cash, bank overdraft 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 necessary 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:



S Boddie
Director

30 March 2021

DIRECTORS' REPORT

The Directors present their report and accounts for the year ended 31 December 2020.

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; and
- financial risk management.

DIRECTORS

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

S Boddie	
W K Chiang	(Resigned 1 September 2020)
S J Morgan	
R C Mann	(Appointed 1 September 2020)

SECRETARY

At the date of this report, the Company secretary is S J Morgan.

DIVIDEND

During the year ended 31 December 2020, no interim dividends were paid on the ordinary shares (2019: \$Nil). The Directors do not recommend the payment of a final dividend on the ordinary shares (2019: \$Nil).

AUDITOR

Elective resolutions to dispense with holding annual general meetings, the laying of accounts before the Company in general meeting and the appointment of an auditor annually are currently in force. The auditor, Deloitte LLP, have expressed their willingness to continue in office and will therefore be deemed to have been reappointed 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 to the effect that their appointment is brought to an end.

DIRECTORS' REPORT (Continued)**GOING CONCERN BASIS**

The company has net current liabilities and net liabilities at 31 December 2020, is reliant on financial support to be able to meet its liabilities as they fall due and has received a letter of financial support from Coats Group Finance Company Limited, an intermediate parent company. This results in judgement required over the use of the going concern basis in the preparation of the financial statements. The Directors have made enquiries into the adequacy of both the Company and Coats Group Finance Company Limited's financial resources, through a review of the current financial projections and the financing facilities available. In assessing going concern, the Directors have considered a number of factors, including the response to COVID-19 by Coats Group Finance Company Limited, the current balance sheet position and available liquidity, the principal and emerging risks which could impact the performance of Coats Group Finance Company Limited and compliance with borrowing covenants. Further disclosure on the impact and response to COVID-19 is available in the Coats Group plc 2020 Annual Report. The Company's and Coats Group Finance Company Limited'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 Finance Company Limited and, in particular, taking account of the support referred to above, the Directors have a reasonable expectation that the company will have access to adequate resources to continue in existence for the foreseeable future. Accordingly, the Directors believe it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

POST BALANCE SHEET EVENTS

There are no material post balance sheet events requiring adjustment or disclosure.

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.

DIRECTORS' REPORT (Continued)

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.

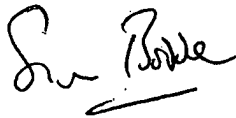
DISCLOSURE OF INFORMATION TO AUDITOR

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 ought to have taken as a Director to make himself 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.

Approved by the Board and signed on its behalf by:



S Boddie
Director

30 March 2021

Registered office:
4 Longwalk Road
Stockley Park
Uxbridge
Middlesex UB11 1FE

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COATS HOLDINGS LTD**Report on the audit of the financial statements****Opinion**

In our opinion the financial statements of Coats Holdings Ltd (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its loss 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 which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 17.

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 Financial Reporting Council's (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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COATS HOLDINGS LTD (Continued)**Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 this regard.

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 FRC'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 HOLDINGS LTD (Continued)**Extent to which the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management, internal audit, and the Coats Group plc audit and risk committee about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included International Financial Reporting Standards, UK Companies Act, tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team including relevant internal specialists such as tax, valuations, pensions, IT, and industry specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and in-house and external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance, and reviewing internal audit reports.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COATS HOLDINGS LTD (Continued)**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

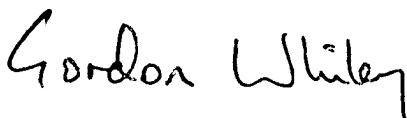
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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.

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.



Gordon Whiley FCA (Senior Statutory Auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

30 March 2021

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2020**

	<u>Notes</u>	2020 \$'000	2019 \$'000
Administrative credit		48	1
Amounts written off investments	9	(82,986)	(1,235)
Operating loss	3	(82,938)	(1,234)
Interest receivable and similar income	6	2,217	8,621
Interest payable and similar expenses	7	(7,284)	(26,834)
Loss before taxation		(88,005)	(19,447)
Tax on loss	8	-	-
Loss for the financial year		<u>(88,005)</u>	<u>(19,447)</u>

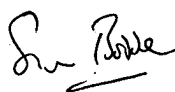
The notes on pages 13 to 26 form part of these accounts.

The Company has no other comprehensive income attributable to equity shareholders of the Company in the current or preceding year and accordingly no statement of comprehensive income is presented.

**BALANCE SHEET
AS AT 31 DECEMBER 2020**

	<u>Notes</u>	2020 \$'000	2019 \$'000
FIXED ASSETS			
Investments	9	447,702	530,688
CURRENT ASSETS			
Debtors due within one year	10	52	3,708
Debtors due after more than one year	10	-	229,439
Cash at bank and in hand		23	1,233
		<u>75</u>	<u>234,380</u>
Creditors: amounts falling due within one year	11	<u>(383)</u>	<u>(4,689)</u>
NET CURRENT (LIABILITIES)/ASSETS		<u>(308)</u>	<u>229,691</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		447,394	760,379
Creditors: amounts falling due after more than one year	12	<u>(516,155)</u>	<u>(741,135)</u>
NET (LIABILITIES)/ASSETS		<u>(68,761)</u>	<u>19,244</u>
CAPITAL AND RESERVES			
Called up share capital	14	-	-
Profit and loss account		<u>(68,761)</u>	<u>19,244</u>
TOTAL SHAREHOLDERS' (DEFICIT)/FUNDS		<u>(68,761)</u>	<u>19,244</u>

The financial statements of Coats Holdings Ltd, registered number 00104998, were approved by the Board of Directors and authorised for issue on 30 March 2021.



S Boddie
Director

The notes on pages 13 to 26 form part of these accounts.

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Called up share capital \$'000s	Profit and loss account \$'000s	Total \$'000s
At 1 January 2019	-	38,691	38,691
Loss for the financial year	-	(19,447)	(19,447)
Total comprehensive expense for the year	-	(19,447)	(19,447)
At 31 December 2019	-	19,244	19,244
Loss for the financial year	-	(88,005)	(88,005)
Total comprehensive expense for the year	-	(88,005)	(88,005)
At 31 December 2020	-	(68,761)	(68,761)

The notes on pages 13 to 26 form part of these financial statements.

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2020****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.

(a) GENERAL INFORMATION AND BASIS OF ACCOUNTING

Coats Holdings Ltd is a private company limited by shares incorporated in the United Kingdom under Companies Act 2006 and 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 pages 1 and 2.

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 Holdings Ltd is considered to be US Dollars because that is the currency of the primary economic environment in which the Company operates.

Coats Holdings Ltd 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 Holdings Ltd is consolidated in the financial statements of its ultimate parent, Coats Group plc, which has the same registered address as Coats Holdings Ltd. Exemptions have been taken in these separate Company financial statements in relation to financial instruments, presentation of a cash flow statement, related party transactions with wholly-owned subsidiaries and remuneration of key management personnel.

(b) GOING CONCERN BASIS

The company has net current liabilities and net liabilities at 31 December 2020, is reliant on financial support to be able to meet its liabilities as they fall due and has received a letter of financial support from Coats Group Finance Company Limited, an intermediate parent company. This results in judgement required over the use of the going concern basis in the preparation of the financial statements. The Directors have made enquiries into the adequacy of both the Company and Coats Group Finance Company Limited's financial resources, through a review of the current financial projections and the financing facilities available. In assessing going concern, the Directors have considered a number of factors, including the response to COVID-19 by Coats Group Finance Company Limited, the current balance sheet position and available liquidity, the principal and emerging risks which could impact the performance of Coats Group Finance Company Limited and compliance with borrowing covenants. Further disclosure on the impact and response to COVID-19 is available in the Coats Group plc 2020 Annual Report. The Company's and Coats Group Finance Company Limited'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 Finance Company Limited and, in particular, taking account of the support referred to above, the Directors have a reasonable expectation that the company will have access to adequate resources to continue in existence for the foreseeable future. Accordingly, the Directors believe it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

**NOTES TO THE ACCOUNTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2020****1. STATEMENT OF ACCOUNTING POLICIES (Continued)****(c) FOREIGN CURRENCIES**

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. At 31 December 2020, the closing exchange rate to Sterling was \$1/£0.73 (2019: \$1/£0.75) and the average exchange rate to Sterling for the year ended 31 December 2020 was \$1/£0.78 (2019: \$1/£0.79).

(d) 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), 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 statement of financial position 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.

(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.

NOTES TO THE ACCOUNTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2020

1. STATEMENT OF ACCOUNTING POLICIES (Continued)

(e) 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.

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.

Deferred tax liabilities are recognised for timing differences arising from investments in subsidiaries and associates, except where the Company is able to control the reversal of the timing difference and it is probable that it will not reverse in the foreseeable future.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference.

(f) 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.

(g) INTEREST INCOME AND EXPENSES

Interest income and expenses are recognised in the profit and loss account on an accrual basis.

NOTES TO THE ACCOUNTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2020

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.

Critical judgements in applying the Company's accounting policies

In the course of preparing the financial statements, no judgements have been made in the process of applying the Company's accounting policies, other than those involving estimations (which are dealt with separately below) that have had a significant effect on the amounts recognised in the financial statements.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other sources of estimation uncertainty at the balance sheet date, that may have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of investments

Determining whether investments in subsidiary undertakings are impaired requires an estimation of their value in use to the Company. The value in use calculation requires the Company to estimate the future cash flows expected to arise from the subsidiary undertaking and a suitable discount rate in order to calculate present value. Changes in the discount rate assumption or future events could cause the carrying value of investments in subsidiary undertakings to change. Further details are set out in Note 9.

3. OPERATING LOSS

Operating loss is stated after crediting/(charging):

	2020 \$'000	2019 \$'000
Other income	49	-
Foreign exchange (losses)/gains	(1)	1
	<u> </u>	<u> </u>

Auditor's remuneration for the audit of the Company's annual accounts of \$5,504 (2019: \$5,293) was borne by a subsidiary undertaking.

4. DIRECTORS' REMUNERATION

The Directors received no remuneration for their services to the Company (2019: \$nil).

NOTES TO THE ACCOUNTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2020

5. EMPLOYEE INFORMATION

	2020 Number	2019 Number
Monthly average number of employees (Incl. Directors)	<u>3</u>	<u>2</u>

Employee costs for the year ended 31 December 2020 and 2019 were borne by a subsidiary undertaking.

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	2020 \$'000	2019 \$'000
Interest due from group undertakings	2,203	8,581
Bank and other interest receivable	<u>14</u>	<u>40</u>
	<u>2,217</u>	<u>8,621</u>

7. INTEREST PAYABLE AND SIMILAR EXPENSES

	2020 \$'000	2019 \$'000
Interest due to group undertakings	7,283	26,834
	<u>7,283</u>	<u>26,834</u>

8. TAX ON LOSS

	2020 \$'000	2019 \$'000
UK Corporation tax at 19.00% (2019: 19.00%)	<u>-</u>	<u>-</u>

The current tax expense for the year is higher (2019: higher) than the standard rate of current tax for the reasons set out in the following reconciliation:

	2020 \$'000	2019 \$'000
Loss before tax	(88,005)	(19,447)
Tax on loss at standard rate	(16,721)	(3,695)
Adjusted for the effects of:		
Non-deductible expenses	15,767	235
Group relief surrendered for nil consideration	<u>954</u>	<u>3,460</u>
Current tax expense for the year	<u>-</u>	<u>-</u>

NOTES TO THE ACCOUNTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2020

8. TAX ON LOSS (Continued)

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

On 11 March 2020 the government announced that the main UK corporation tax rate for the years starting 1 April 2020 and 2021 would remain at 19%. This change was substantively enacted on 17 March 2020. Therefore at 31 December 2020, unprovided amounts of deferred tax assets and liabilities have been calculated based on rates of 19%. Subsequent to the year end, on 3 March 2021 the government announced an increase to the main UK corporation tax rate from April 2023 to 25% which has not yet been substantively enacted and therefore is not included in these financial statements. It is currently not expected that this will have a material impact on the Company.

9. INVESTMENTS

	Shares in Subsidiaries
	\$'000
COST	
At 1 January 2020 and at 31 December 2020	997,985
	<hr/>
PROVISIONS	
At 1 January 2020	467,297
Impairment charge for the year	82,986
	<hr/>
At 31 December 2020	550,283
	<hr/>
NET BOOK VALUE	
At 31 December 2020	<u>447,702</u>
At 31 December 2019	<u>530,688</u>

Subsidiary undertakings are listed in note 16.

The Company recognised an impairment charge for the year ended 31 December 2020 against the carrying value of its investments in subsidiaries of \$82,986,000 (2019: \$1,235,000). As set out in Note 2, determining whether investments in subsidiary undertakings are impaired requires an estimation of their value in use to the Company. The value in use calculation requires the Company to estimate the future cash flows expected to arise from the subsidiary undertaking and a suitable discount rate in order to calculate present value. An additional impairment charge of \$39 million would be necessary if the discount rate assumption increased by 1%.

NOTES TO THE ACCOUNTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2020

10. DEBTORS

	2020 \$'000	2019 \$'000
Amounts falling due within one year:		
Other debtors	52	48
Amounts owed by subsidiary undertakings	-	3,660
	<u>52</u>	<u>3,708</u>
Amounts falling due after more than one year:		
Amounts owed by subsidiary undertakings	-	229,439
	<u>-</u>	<u>229,439</u>

11. CREDITORS: Amounts falling due within one year

	2020 \$'000	2019 \$'000
Amounts owed to subsidiary undertakings	331	4,641
Other creditors	52	48
	<u>383</u>	<u>4,689</u>

The amounts owed to subsidiary undertakings shown above have no specified dates of repayment and bear interest at USD Libor plus a margin.

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

	2020 \$'000	2019 \$'000
Amounts owed to subsidiary undertakings	<u>516,155</u>	<u>741,135</u>

The amounts owed to subsidiary undertakings have no specified dates of repayment, bears interest at USD Libor plus a margin and are only payable on receipt of twelve months' notice.

NOTES TO THE ACCOUNTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2020

13. DEFERRED TAXATION

The amount of deferred tax assets unrecognised at 19% (2019: 17%) was as follows:

	2020 \$'000	2019 \$'000
Capital losses	10,085	11,382
Trading losses	6,806	3,908
Unprovided deferred tax asset	<u>16,891</u>	<u>15,290</u>

At 31 December 2020 the Company had unrecovered Advance Corporation Tax of \$4,609,000 (2019: \$4,609,000) available for offset against future UK profits.

No deferred tax assets have been recognised due to the uncertainty of recoverability.

14. CALLED UP SHARE CAPITAL

	2020 Number	2019 Number	2020 \$'000	2019 \$'000
Ordinary shares of £1 each	<u>1</u>	<u>1</u>	<u>-</u>	<u>-</u>

15. ULTIMATE PARENT COMPANY

The Company's ultimate parent company and controlling party is Coats Group plc, a company incorporated in the United Kingdom and registered in England and Wales.

The Company's immediate parent company is Coats Group Finance Company Limited, a company incorporated in the United Kingdom and registered in England and Wales. The smallest and largest group for which consolidated accounts are prepared is Coats Group plc. Copies of the accounts of Coats Group plc are available from the company's registered office at 4 Longwalk Road, Stockley Park, Uxbridge, Middlesex UB11 1FE.

NOTES TO THE ACCOUNTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2020

16. SUBSIDIARY UNDERTAKINGS

Unless otherwise indicated, all shareholdings owned directly or indirectly by the Group represent 100% of issued share capital of the Subsidiary.

Company	Registered office address	Description and proportion of shares held (%)
Direct subsidiary holdings of the Company:		
Coats Finance Co. Limited	4 Longwalk Road, Stockley Park, Uxbridge, UB11 1FE, UK	17,000,000 Ordinary shares
Coats Property Management Limited	4 Longwalk Road, Stockley Park, Uxbridge, UB11 1FE, UK	25,000 £1 Ordinary shares
J. & P. Coats, Limited	1 George Square, Glasgow, Scotland, G2 1AL, UK	1 £1 Ordinary share
I.P. Clarke & Co. Limited	4 Longwalk Road, Stockley Park, Uxbridge, UB11 1FE, UK	100 £1 Ordinary shares
Indirect subsidiary holdings of the Company:		
Coats Canada Inc	10 Roybridge Gate Blvd, Vaughan ON L4H 3M8, Canada	156,760,833 Common (no par value) shares
The Central Agency Limited – Chile	Marathon 4046, Macul, Santiago, Chile	42,000 Ordinary shares
Coats France S.A.S.	8 avenue Hoche, 75008, Paris, France	3,691,333 Ordinary shares
Coats GmbH	Huefingerstrasse 28,, D-78199, Braunlingen, Germany	1 Ordinary shares
Coats Thread Germany GmbH	Huefingerstrasse 28,, D-78199, Braunlingen, Germany	11,704,000 Ordinary shares
Schwanenwolle Tittel & Krueger AG i. L	RHS, Stadtstrasse 29, 79104 Freiburg, Germany	5,700 shares

NOTES TO THE ACCOUNTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2020

16. SUBSIDIARY UNDERTAKINGS (Continued)

Companhia de Linha Coats & Clark S.A.	Quinta De Cravel, Oporto, Vila Nova de Gaia , 4430 073, Mafamude, Portugal	5,000,000 Bare Shares
Coats Stroppel AG	c/o Haussmann Treuhand AG, Seefeldstrasse 45, 8008 Zurich	200 2,500 Swiss Franc shares
Coats (Turkiye) Iplik Sanayii AS	Organize Sanayi Bolgesi Mavi Cad. No 2, 16371 Bursa, Turkey	13,216,976 New Ordinary shares (92%)
Barbour Threads Limited	Cornerstone, 107 West Regent Street, Glasgow, G2 2BA	810,500 £10 Ordinary shares
Coats (UK) Limited	4 Longwalk Road, Stockley Park, Uxbridge, UB11 1FE, UK	1 Ordinary share 1 Ordinary A share
Coats Holding Company (No. 1) Limited	4 Longwalk Road, Stockley Park, Uxbridge, UB11 1FE, UK	198,876 Ordinary shares
Coats Holding Company (No. 2) Limited	4 Longwalk Road, Stockley Park, Uxbridge, UB11 1FE, UK	10,753,227 25P Ordinary shares
Coats Patons Limited	Cornerstone, 107 West Regent Street, Glasgow, G2 2BA, UK	100 Ordinary shares

NOTES TO THE ACCOUNTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2020

16. SUBSIDIARY UNDERTAKINGS (Continued)

Coats Pensions Trustee Limited	4 Longwalk Road, Stockley Park, Uxbridge, UB11 1FE, UK	2 Ordinary shares
Coats Shelfco (BDA) Limited	4 Longwalk Road, Stockley Park, Uxbridge, UB11 1FE, UK	5,937,428 Ordinary shares
Coats Shelfco (VV) Limited	4 Longwalk Road, Stockley Park, Uxbridge, UB11 1FE, UK	8,131,240,347 Ordinary shares, 182,501,287 Deferred shares
Coats Thread (UK) Limited	4 Longwalk Road, Stockley Park, Uxbridge, UB11 1FE, UK	1,000 Ordinary shares
Corah Limited	4 Longwalk Road, Stockley Park, Uxbridge, UB11 1FE, UK	81,656,791 Ordinary shares, 327,760 4.2% Cumulative Preference shares
The Central Agency Limited	Cornerstone, 107 West Regent Street, Glasgow, G2 2BA, UK	1,000 £10 Ordinary shares
D. Byford & Co Limited	4 Longwalk Road, Stockley Park, Uxbridge, UB11 1FE, UK	2,800,000 Ordinary shares, 200,000 Preference shares
Hicking Pentecost Limited	4 Longwalk Road, Stockley Park, Uxbridge, UB11 1FE, UK	31,890,849 Ordinary shares
Needle Industries Limited	4 Longwalk Road, Stockley Park, Uxbridge, UB11 1FE, UK	350,000 Ordinary shares

NOTES TO THE ACCOUNTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2020

16. SUBSIDIARY UNDERTAKINGS (Continued)

Patons & Baldwins Limited	4 Longwalk Road, Stockley Park, Uxbridge, UB11 1FE, UK	10,768,016 Ordinary shares
Patons Limited	4 Longwalk Road, Stockley Park, Uxbridge, UB11 1FE, UK	600,000 Ordinary shares, 400,000 7% Preference shares
Simpson, Wright & Lowe, Limited	4 Longwalk Road, Stockley Park, Uxbridge, UB11 1FE, UK	100 £1 Ordinary shares
The Coats Trustee Company Limited	4 Longwalk Road, Stockley Park, Uxbridge, UB11 1FE, UK	2 £1 Ordinary shares
Thomas Burnley & Sons, Limited	4 Longwalk Road, Stockley Park, Uxbridge, UB11 1FE, UK	100,000 Ordinary shares
Tootal Group Limited	4 Longwalk Road, Stockley Park, Uxbridge, UB11 1FE, UK	292,548,120 Ordinary shares, 5,879,641 3.5% Cumulative Preference shares
Sir Richard Arkwright & Co. Limited	4 Longwalk Road, Stockley Park, Uxbridge, UB11 1FE, UK	1,000 £1 Ordinary shares
Tootal Limited	4 Longwalk Road, Stockley Park, Uxbridge, UB11 1FE, UK	2 Ordinary shares
Calico Printers Association (USA) Limited	CT Corporation System, 111 8th Avenue, New York, NY 10011, USA	20,000 Ordinary shares

NOTES TO THE ACCOUNTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2020

16. SUBSIDIARY UNDERTAKINGS (Continued)

Coats HP Holding Inc.	CT Corporation System, 160 Mine Lake Ct., Suite 200, Wake NC 27615- 6417, USA	1,000 Ordinary shares
Coats HP Inc.	CT Corporation System, 160 Mine Lake Ct., Suite 200, Wake NC 27615- 6417, USA	1,000 Ordinary shares
Coats Sales Corporation	CT Corporation System, 820 Bear Tavern Road, West Trenton, NJ 08628, USA	2,498 Ordinary shares
Coats American Inc	CT Corporation System, 820 Bear Tavern Road, West Trenton, NJ 08628, USA	1,796,064 Common shares
Coats Garments (USA) Inc	CT Corporation System, Corporation Trust Centre, 1209 Orange Street, Wilmington, DE 19801, USA	500 Ordinary shares
Coats Holdings Inc	CT Corporation System, Corporation Trust Centre, 1209 Orange Street, Wilmington, DE 19801, USA	500 Ordinary shares
Coats North America Consolidated Inc	CT Corporation System, Corporation Trust Centre, 1209 Orange Street, Wilmington, DE 19801, USA	11,191 Ordinary shares, 10,000 Class B Voting shares
Coats North America de Republica Dominica Inc	c/o CT Corporation System, 225 Hillsborough Street, Raleigh, Wake Country, North Carolina 27603, USA	100,000 Ordinary shares

NOTES TO THE ACCOUNTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2020

16. SUBSIDIARY UNDERTAKINGS (Continued)

Coats Puerto Rico Inc	CT Corporation System, 150 Fayetteville Street, Box 1011, Raleigh NC 27601, USA CT Corporation	1 Ordinary shares
Jaeger Sportswear Ltd	System, 111 8 th Avenue, New York, NY 10011, USA	20 Common shares
Westminster Fibers, Inc	c/o The Corporation Trust, 1209 Orange Street, Wilmington, Delaware, USA	1,000 Common shares
Patrick Yarn Mill, Inc.	700 S Railroad Avenue, Kings Mountain NC 28086- 3360	481,025 Ordinary A shares

Joint Ventures:

ACS Nominees Pty Limited	Level 7 409 St Kilda Road, Melbourne VIC 3004, Australia	13,000,000 Ordinary shares (50%)
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17. POST BALANCE SHEET EVENTS

There are no material post balance sheet events requiring adjustment or disclosure.