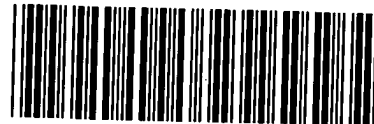


Registered No: 332517

COATS INDUSTRIAL THREAD LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

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COMPANIES HOUSE

COATS INDUSTRIAL THREAD LIMITED

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 December 2016.

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 is the holding of investments in group undertakings. Income is principally derived from dividends and royalties.

DIRECTORS

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

| | |
|----------------------|------------------------------|
| P A Forman | (Resigned 31 December 2016) |
| R D Howes | (Resigned 6 April 2016) |
| R C Reade | |
| R Sharma | |
| K Taylor | (Resigned 23 September 2016) |
| 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.

RESULTS AND DIVIDEND

The result for the year was a profit of \$24,219,000 (2015: \$11,652,000). During the year a dividend was paid of \$104,089,000 (2015: \$nil).

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

Elective resolutions to dispense with holding annual general meetings, the laying of accounts before the company in general meeting and the appointment of auditors annually are currently in force. The auditor, Deloitte LLP, 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'
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; 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.

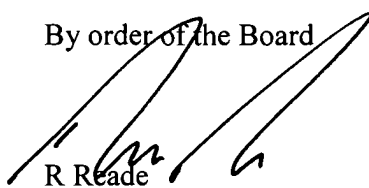
**DISCLOSURE OF
INFORMATION
TO AUDITOR**

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
5th May 2017

Registered office:

1 The Square
Stockley Park
Uxbridge
Middlesex
UB11 1TD

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COATS INDUSTRIAL THREAD LIMITED

We have audited the financial statements of Coats Industrial Thread Limited for the year ended 31 December 2016 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 (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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.

Respective responsibilities of directors and auditor

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter 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 Directors' Report for the financial year for which the financial statements are prepared consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements.

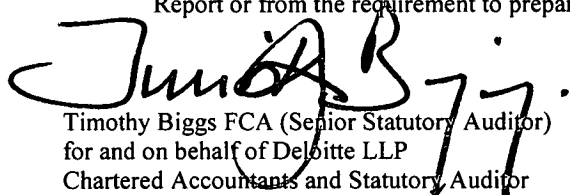
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Directors' Report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COATS INDUSTRIAL THREAD LIMITED (CONTINUED)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you 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
- the directors were not entitled to take advantage of the small companies exemption in preparing the Directors' Report or from the requirement to prepare a Strategic Report.

 Timothy Biggs FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor

London, United Kingdom

5 April 2017

May

COATS INDUSTRIAL THREAD LIMITED**PROFIT AND LOSS ACCOUNT****Year ended 31 December 2016**

| | Notes | 2016 \$'000 | 2015 \$'000 |
|--|-------|----------------|----------------|
| Administrative expenses | | (17,382) | (30,426) |
| Other operating income | | 43,887 | 44,682 |
| OPERATING PROFIT | 3 | 26,505 | 14,256 |
| Interest receivable and similar income | 5 | 1,714 | 997 |
| Interest payable and similar charges | 6 | (199) | (14) |
| PROFIT BEFORE TAXATION | | 28,020 | 15,239 |
| Tax on profit | 7 | (3,801) | (3,587) |
| PROFIT FOR THE FINANCIAL YEAR | | 24,219 | 11,652 |
| TRANSFERRED TO RESERVES | | 24,219 | 11,652 |

All results derive solely from continuing operations.

The notes on pages 10 to 19 form part of these financial statements.

COATS INDUSTRIAL THREAD LIMITED**STATEMENT OF COMPREHENSIVE INCOME****Year ended 31 December 2016**

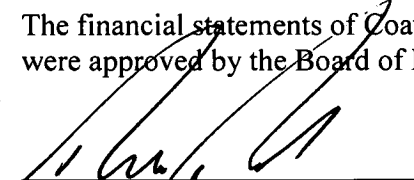
| | 2016 | 2015 |
|--|---------------|---------------|
| | \$'000 | \$'000 |
| Profit for the financial year | 24,219 | 11,652 |
| | <hr/> | <hr/> |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | |
| ATTRIBUTABLE TO EQUITY HOLDERS OF THE | | |
| COMPANY | 24,219 | 11,652 |
| | <hr/> | <hr/> |

The notes on pages 10 to 19 form part of these financial statements.

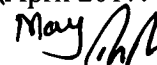
COATS INDUSTRIAL THREAD LIMITED**BALANCE SHEET****As at 31 December 2016**

| | Notes | 2016 \$'000 | 2015 \$'000 |
|---|-------|----------------------|-----------------------|
| FIXED ASSETS | | | |
| Intangible assets | 9 | 16,000 | 32,000 |
| Investments | 10 | 686 | 686 |
| | | <u>16,686</u> | <u>32,686</u> |
| CURRENT ASSETS | | | |
| Debtors: amounts falling due within one year | 11 | 30,052 | 12,112 |
| Debtors: amounts falling due after more than one year | 11 | - | 83,371 |
| | | <u>30,052</u> | <u>95,483</u> |
| CURRENT LIABILITIES | | | |
| Creditors: amounts falling due within one year | 12 | (7,102) | (8,663) |
| NET CURRENT ASSETS | | <u>22,950</u> | <u>86,820</u> |
| NET ASSETS | | <u><u>39,636</u></u> | <u><u>119,506</u></u> |
| CAPITAL AND RESERVES | | | |
| Share capital | 14 | - | 67,689 |
| Profit and loss account | | 39,636 | 51,817 |
| TOTAL SHAREHOLDERS' FUNDS | | <u><u>39,636</u></u> | <u><u>119,506</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 5th April 2017.



R Reade
Director



Mary

The notes on pages 10 to 19 form part of these financial statements.

COATS INDUSTRIAL THREAD LIMITED**STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2016**

| | Share capital \$'000 | Profit and loss account \$'000 | Total \$'000 |
|--|-------------------------------------|---|-------------------------|
| At 1 January 2015 | 67,689 | 40,165 | 107,854 |
| Profit for the year | - | 11,652 | 11,652 |
| Total comprehensive income for the year | - | 11,652 | 11,652 |
| At 31 December 2015 | 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 (note 14) | (67,689) | 67,689 | - |
| Dividends paid (note 8) | - | (104,089) | (104,089) |
| At 31 December 2016 | - | 39,636 | 39,636 |

The notes on pages 10 to 19 form part of these financial statements.

COATS INDUSTRIAL THREAD LIMITED**NOTES TO THE ACCOUNTS
YEAR ENDED 31 DECEMBER 2016****1. STATEMENT OF ACCOUNTING POLICIES****General Information and
Basis of Accounting**

Coats Industrial Thread Limited is a private company 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 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 2016****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 2016, the closing exchange rate to sterling was \$1/£0.81 (2015: \$1/£0.68) and the average exchange rate to sterling for the year ended 31 December 2016 was \$1/£0.74 (2015: \$1/£0.65).

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.

**Royalties and
Licensing Income**

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

COATS INDUSTRIAL THREAD LIMITED**NOTES TO THE ACCOUNTS (Continued)
YEAR ENDED 31 DECEMBER 2016****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 2016

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.

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.

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.

COATS INDUSTRIAL THREAD LIMITED**NOTES TO THE ACCOUNTS (Continued)
YEAR ENDED 31 DECEMBER 2016****2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)**

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.

Carrying value of intangible assets

The carrying value of intangible assets is dependent on the calculation of discounted cash flows. Changes in either the estimated cash flows or the discount rates applied could materially change the carrying value.

Impairment of assets

Amounts owed by fellow subsidiary undertakings, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in the profit and loss account and the asset is reduced to its recoverable amount.

3. OPERATING PROFIT

| | | |
|---|-----------------|-----------------|
| Operating profit is after (crediting)/charging: | 2016 | 2015 |
| | \$'000 | \$'000 |
| Royalties and licensing income | (43,887) | (44,682) |
| Amortisation of intangibles | 16,000 | 16,000 |
| | ===== | ===== |

Auditor's remuneration for the audit of the Company's annual accounts of \$9,000 (2015: \$9,000) was borne by a fellow group company.

4. DIRECTORS AND EMPLOYEES

The directors received no remuneration for their services to the company (2015: \$nil). There were no other employees (2015: nil) and consequently employee costs for the year were \$nil (2015: \$nil).

5. INTEREST RECEIVABLE AND SIMILAR INCOME

| | | |
|---|---------------|---------------|
| | 2016 | 2015 |
| | \$'000 | \$'000 |
| Interest on amounts due from Group undertakings | 1,714 | 997 |
| | ===== | ===== |

COATS INDUSTRIAL THREAD LIMITED**NOTES TO THE ACCOUNTS (Continued)
YEAR ENDED 31 DECEMBER 2016****6. INTEREST PAYABLE AND SIMILAR CHARGES**

| | 2016 | 2015 |
|-----------------------|---------------|---------------|
| | \$'000 | \$'000 |
| Bank interest payable | 199 | 14 |
| | ===== | ===== |

7. TAX ON PROFIT

| | 2016 | 2015 |
|---|----------------|----------------|
| | \$'000 | \$'000 |
| UK taxation based on the profit for the year: | | |
| Corporation tax at 20% (2015: 20.25%) | 3,801 | 3,587 |
| Double taxation relief | (3,801) | (3,587) |
| | ----- | ----- |
| | - | - |
| Overseas taxation | 3,801 | 3,587 |
| | ----- | ----- |
| | 3,801 | 3,587 |
| | ===== | ===== |

The standard rate of current tax for the year, based on UK standard rate of corporation tax, is 20% (2015: 20.25%). The current tax charge for the year is lower than 20% for the reasons set out in the following reconciliation:

| | 2016 | 2015 |
|---|----------------|----------------|
| | \$'000 | \$'000 |
| Profit before tax | 28,020 | 15,239 |
| | ===== | ===== |
| Tax on profit at standard rate | 5,604 | 3,086 |
| Adjusted for the effects of: | | |
| Expenses disallowed for tax purposes | 3,200 | 3,240 |
| Double tax relief | (3,801) | (3,587) |
| Withholding and other taxes on remittances | 3,801 | 3,587 |
| Group relief received for nil consideration | (5,003) | (2,739) |
| | ----- | ----- |
| | 3,801 | 3,587 |
| | ===== | ===== |

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% |

COATS INDUSTRIAL THREAD LIMITED**NOTES TO THE ACCOUNTS (Continued)
YEAR ENDED 31 DECEMBER 2016****8. DIVIDENDS**

| | 2016 \$'000 | 2015 \$'000 |
|---|------------------------------|------------------------------|
| Interim dividend paid of \$2.752589 (2015: \$nil) per share | 104,089 | - |

9. INTANGIBLE ASSETS - BRANDS**COST**At 1 January 2016 and
at 31 December 2016

\$'000

160,000

AMORTISATIONAt 1 January 2016
Provided in the year

128,000

16,000

At 31 December 2016

144,000

NET BOOK VALUE

At 31 December 2016

16,000

At 31 December 2015

32,000

10. INVESTMENTSShares in
Group
Undertakings
\$'000**COST**At 1 January 2016 and
at 31 December 2016

10,817

PROVISIONSAt 1 January 2016 and
at 31 December 2016

10,126

NET BOOK VALUE

At 31 December 2016

686

At 31 December 2015

686

COATS INDUSTRIAL THREAD LIMITED**NOTES TO THE ACCOUNTS (Continued)
YEAR ENDED 31 DECEMBER 2016****10. INVESTMENTS (Continued)**

The company's subsidiary undertakings, all directly held with 100% of the Ordinary share capital, at 31 December 2016 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. |
| Allied Thread Co. Inc | Dr. Sixto Antonio Ave, Bo. Maybunga, Pasig City, Philippines |

11. DEBTORS

| | 2016 | 2015 |
|--|-------------------|-------------------|
| | \$'000 | \$'000 |
| Amounts falling due within one year: | | |
| Amounts owed by group undertakings | 30,052 | 12,112 |
| | <u> </u> | <u> </u> |
| Amounts falling due after more than one year: | | |
| Amounts owed by group undertakings | - | 83,371 |
| | <u> </u> | <u> </u> |

The amounts owed by a fellow group undertakings due after one year shown above attracted interest at LIBOR + 1.5% and is not repayable without 12 months' notice.

12. CREDITORS

| | 2016 | 2015 |
|--|-------------------|-------------------|
| | \$'000 | \$'000 |
| Amounts falling due within one year | | |
| Bank overdraft | 5,618 | 7,499 |
| Taxation payable | 1,402 | 1,164 |
| Amounts owed to group undertakings | 82 | - |
| | <u> </u> | <u> </u> |
| | 7,102 | 8,663 |
| | <u> </u> | <u> </u> |

COATS INDUSTRIAL THREAD LIMITED**NOTES TO THE ACCOUNTS (Continued)
YEAR ENDED 31 DECEMBER 2016****13. DEFERRED TAXATION**

The amount of deferred tax assets unrecognised at 17% (2015: 18%) was as follows:

| | 2016 \$'000 | 2015 \$'000 |
|---|----------------|----------------|
| Depreciation in advance of capital allowances | 1 | 1 |
| Capital losses | 664 | 841 |
| | <hr/> | <hr/> |
| Unrecognised deferred tax asset | 665 | 842 |
| | <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.

14. CALLED UP SHARE CAPITAL

| | ALLOTTED AND AUTHORISED | | FULLY PAID | |
|--|------------------------------------|----------------|-------------------|----------------|
| | 2016 \$'000 | 2015 \$'000 | 2016 \$'000 | 2015 \$'000 |
| 37,814,890 Ordinary shares of £0.0000000264 (2015: £1) each | - | 67,689 | - | 67,689 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

On 8 December 2016 the issued share capital of the Company was reduced by cancelling paid-up share capital to the extent of £0.9999999736 on each issued ordinary share of £1 and by reducing the nominal value of each ordinary share from £1 to £0.0000000264. The proceeds from the capital reduction were treated as a creation of distributable reserves of the Company.

15. CONTINGENT LIABILITIES**Coats banking facilities**

At 31 December 2016, \$680.0 million (2015: \$720.0 million) of banking facilities of the Company's immediate parent company, Coats Limited, were subject to guarantees issued by certain of its principal subsidiaries, including Coats Industrial Thread Limited. At 31 December 2016, \$440.1 million (2015: \$457.4 million) of these banking facilities had been drawn down. Subsequent to the year end, the banking facilities were transferred from Coats Limited to Coats Group Finance Company Limited.

COATS INDUSTRIAL THREAD LIMITED**NOTES TO THE ACCOUNTS (Continued)
YEAR ENDED 31 DECEMBER 2016****16. 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.

At 31 December 2016, the Company's immediate parent undertaking was Coats Limited, a company incorporated in Great Britain and registered in England and Wales. As at the date of these financial statements, the Company's immediate parent undertaking is Coats Group Finance Company Limited, a company incorporated in Great Britain and registered in England and Wales.