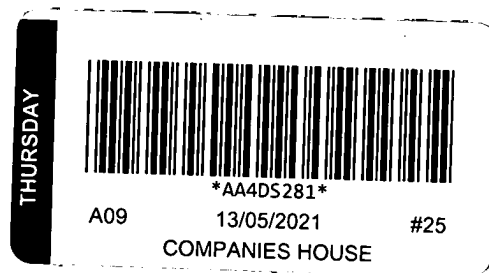


Registered No: 00332517

COATS INDUSTRIAL THREAD LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020



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

The principal activity of the company is the holding of investments in group undertakings and is expected to do so for the foreseeable future.

BUSINESS REVIEW

Results for the year are shown in the profit and loss account on page 11. The balance sheet of the Company is shown on page 12.

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

During the year there was no interim dividend paid (2019: \$nil) and the directors do not recommend the payment of a final dividend on the ordinary shares (2019: \$nil).

**POST BALANCE SHEET
EVENT**

There are no significant post balance sheet events.

**PRINCIPAL RISKS
AND UNCERTAINTIES**

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

**KEY PERFORMANCE
INDICATORS**

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

**FINANCIAL RISK
MANAGEMENT**

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

COATS INDUSTRIAL THREAD LIMITED**STRATEGIC REPORT (continued)****SECTION 172
STATEMENT – DUTY TO
PROMOTE THE
SUCCESS OF THE
COMPANY**

The Board of Directors of Coats Industrial Thread Limited 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.

COATS INDUSTRIAL THREAD LIMITED

STRATEGIC REPORT (Continued)

SECTION 172 STATEMENT – DUTY TO PROMOTE THE SUCCESS OF THE COMPANY (continued)

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.

LIQUIDITY AND CASH FLOW

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

INTEREST RATE RISK

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

CURRENCY RISK

The Company's activities expose it to foreign exchange risk in respect of non-USD denominated bank and inter-company balances. Wherever possible the foreign exchange risk is minimised including through the use of foreign exchange forward contracts. The Company did not use foreign exchange forward contracts during the year.

Approved by the Board and signed on its behalf by:



R Reade
Director

30 April 2021

COATS INDUSTRIAL THREAD LIMITED**DIRECTORS' REPORT**

The directors present their report and the audited financial statements for the year ended 31 December 2020.

DIRECTORS

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

| | |
|------------|------------------------------|
| R Reade | |
| W K Chiang | (resigned 1 September 2020) |
| N J Kidd | |
| R Mann | (appointed 1 September 2020) |

**COMPANY
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. In assessing going concern, the Directors have considered a number of factors, including Coats Group plc's response to COVID-19, the current balance sheet position and available liquidity, the principal and emerging risks which could impact the performance of Coats Group plc 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 the 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.

AUDITOR

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

COATS INDUSTRIAL THREAD LIMITED

DIRECTORS' REPORT (Continued)

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 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.

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.

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

30 April 2021

Registered office:

4 Longwalk Road
Stockley Park
Uxbridge
England
UB11 1FE

COATS INDUSTRIAL THREAD LIMITED

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

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Coats Industrial Thread Limited (the 'company'):

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

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

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

Basis for opinion

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

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the 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.

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

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.

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.

COATS INDUSTRIAL THREAD LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COATS INDUSTRIAL THREAD LIMITED (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 Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice), 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.

COATS INDUSTRIAL THREAD LIMITED**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COATS INDUSTRIAL THREAD LIMITED (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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report has been prepared in accordance with applicable legal requirements.

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

Matters on which we are required to report by exception

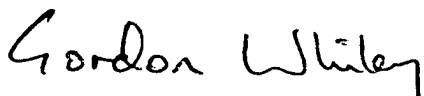
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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 April 2021

COATS INDUSTRIAL THREAD LIMITED**PROFIT AND LOSS ACCOUNT****Year ended 31 December 2020**

| | Notes | 2020 \$'000 | 2019 \$'000 |
|--|-------|----------------------|----------------------|
| Turnover | 3 | <u>41,837</u> | <u>65,216</u> |
| GROSS PROFIT | | 41,837 | 65,216 |
| Administrative expenses | | <u>(13,741)</u> | <u>(14,676)</u> |
| OPERATING PROFIT | | 28,096 | 50,540 |
| Interest receivable and similar income | 6 | 998 | 268 |
| Interest payable and similar expenses | 7 | <u>(38)</u> | <u>-</u> |
| PROFIT BEFORE TAXATION | | 29,056 | 50,808 |
| Tax on profit | 8 | <u>(3,313)</u> | <u>(5,767)</u> |
| PROFIT FOR THE FINANCIAL YEAR | | <u>25,743</u> | <u>45,041</u> |

All results derive solely from continuing operations.


The notes on pages 14 to 24 form part of these financial statements.

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

COATS INDUSTRIAL THREAD LIMITED**BALANCE SHEET****As at 31 December 2020**

| | Notes | 2020 \$'000 | 2019 \$'000 |
|--|-------|-----------------------|-----------------------|
| FIXED ASSETS | | | |
| Intangible assets | 9 | - | - |
| Investments | 10 | 5 | 5 |
| | | <u>5</u> | <u>5</u> |
| CURRENT ASSETS | | | |
| Debtors | 11 | 174,042 | 140,850 |
| Cash at bank and in hand | | - | 7,679 |
| | | <u>174,042</u> | <u>148,529</u> |
| CURRENT LIABILITIES | | | |
| Creditors: amounts falling due within one year | 12 | (506) | (736) |
| NET CURRENT ASSETS | | | |
| | | <u>173,536</u> | <u>147,793</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | |
| | | <u><u>173,541</u></u> | <u><u>147,798</u></u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 14 | - | - |
| Profit and loss account | | 173,541 | 147,798 |
| TOTAL SHAREHOLDERS' FUNDS | | | |
| | | <u><u>173,541</u></u> | <u><u>147,798</u></u> |

The financial statements of Coats Industrial Thread Limited, registered number 00332517, were approved by the Board of Directors and authorised for issue on 30 April 2021.



R Reade
Director

The notes on pages 14 to 24 form part of these financial statements.

COATS INDUSTRIAL THREAD LIMITED**STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2020**

| | Called up share capital \$'000 | Profit and loss account \$'000 | Total \$'000 |
|--|---|---|-------------------------|
| At 1 January 2019 | - | 102,757 | 102,757 |
| Profit for the year | - | 45,041 | 45,041 |
| Total comprehensive income for the year | - | 45,041 | 45,041 |
| At 31 December 2019 | - | 147,798 | 147,798 |
| Profit for the year | - | 25,743 | 25,743 |
| Total comprehensive income for the year | - | 25,743 | 25,743 |
| At 31 December 2020 | - | 173,541 | 173,541 |

The notes on pages 14 to 24 form part of these financial statements.

COATS INDUSTRIAL THREAD LIMITED**NOTES TO THE ACCOUNTS
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.

**General Information and
Basis of Accounting**

Coats Industrial Thread Limited is a private company limited by shares, incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the registered office is given on page 6. The nature of the Company's operations and its principal activities are set out in the strategic report on page 1.

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

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

Coats Industrial Thread Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. Coats Industrial Thread Limited is consolidated in the financial statements of its ultimate parent, Coats Group plc, which are available from its registered office. The address of the registered office of Coats Group plc is set out in note 15. 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.

COATS INDUSTRIAL THREAD LIMITED

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

1. STATEMENT OF ACCOUNTING POLICIES (continued)

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. In assessing going concern, the Directors have considered a number of factors, including Coats Group plc's response to COVID-19, the current balance sheet position and available liquidity, the principal and emerging risks which could impact the performance of Coats Group plc 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 the 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.

Foreign Currencies

The Directors consider US dollars (\$) to be the company's functional currency. Accordingly, these financial statements are presented in \$. 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).

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.

COATS INDUSTRIAL THREAD LIMITED**NOTES TO THE ACCOUNTS (Continued)
YEAR ENDED 31 DECEMBER 2020****1. STATEMENT OF ACCOUNTING POLICIES (continued)****Taxation**

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

Deferred taxation is recognised on a full provision basis on timing differences that result in an obligation at the balance sheet date to pay more tax or a right to pay less tax at a future date, at rates expected to apply when they crystallise based on current tax rates and law, and is not discounted.

Turnover

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

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

1. STATEMENT OF ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(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 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 2020

1. STATEMENT OF ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(ii) Investments

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

(iii) Interest

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

Intangible Assets

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

Group accounts

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

COATS INDUSTRIAL THREAD LIMITED

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

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

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

3. TURNOVER

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

| | 2020 | 2019 |
|---------------|----------------------|----------------------|
| | \$'000 | \$'000 |
| EMEA | 8,226 | 10,435 |
| Americas | 6,262 | 7,923 |
| Asia | 27,247 | 46,757 |
| Rest of World | 102 | 101 |
| | <u>41,837</u> | <u>65,216</u> |

4. AUDITOR'S REMUNERATION

Auditor's remuneration for the audit of the Company's annual accounts of \$4,660 (2019: \$4,235) was borne by a fellow group company.

COATS INDUSTRIAL THREAD LIMITED**NOTES TO THE ACCOUNTS (Continued)
YEAR ENDED 31 DECEMBER 2020****5. DIRECTORS AND EMPLOYEES**

The directors received no remuneration for their services to the company (2019: \$nil). There were no other employees (2019: nil) and consequently employee costs for the year were \$nil (2019: \$nil).

6. INTEREST RECEIVABLE AND SIMILAR INCOME

| | 2020 \$'000 | 2019 \$'000 |
|---|----------------|----------------|
| Interest on amounts due from Group undertakings | 998 | 268 |

7. INTEREST PAYABLE AND SIMILAR EXPENSES

| | 2020 \$'000 | 2019 \$'000 |
|---|----------------|----------------|
| Interest on amounts due to Group undertakings | 38 | - |

8. TAX ON PROFIT

| | 2020 \$'000 | 2019 \$'000 |
|---|----------------|----------------|
| UK taxation based on the profit for the year: | | |
| Corporation tax at 19% (2019: 19%) | 3,313 | 5,767 |
| Double taxation relief | (3,313) | (5,767) |
| | <u>3,313</u> | <u>5,767</u> |
| Overseas taxation | 3,313 | 5,767 |
| | <u>3,313</u> | <u>5,767</u> |

COATS INDUSTRIAL THREAD LIMITED**NOTES TO THE ACCOUNTS (Continued)
YEAR ENDED 31 DECEMBER 2020****8. TAX ON PROFIT (Continued)**

The standard rate of current tax for the year, based on UK standard rate of corporation tax, is 19% (2019: 19%). The current tax expense for the year is lower (2019: lower) than 19% for the reasons set out in the following reconciliation:

| | 2020 \$'000 | 2019 \$'000 |
|---|----------------|----------------|
| Profit before tax | 29,056 | 50,808 |
| Tax on profit at standard rate | 5,521 | 9,654 |
| Adjusted for the effects of: | | |
| Withholding and other taxes on remittances | 3,313 | 5,767 |
| Group relief received for nil consideration | (5,521) | (9,654) |
| | <u>3,313</u> | <u>5,767</u> |

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.

COATS INDUSTRIAL THREAD LIMITED**NOTES TO THE ACCOUNTS (Continued)
YEAR ENDED 31 DECEMBER 2020****9. INTANGIBLE ASSETS - BRANDS**

| | \$'000 |
|---|----------------|
| COST | |
| At 1 January 2020 and at 31 December 2020 | 160,000 |
| AMORTISATION | |
| At 1 January 2020 and at 31 December 2020 | 160,000 |
| NET BOOK VALUE | |
| At 31 December 2020 | - |
| At 31 December 2019 | - |

10. INVESTMENTS

| | Shares in Group Undertakings \$'000 |
|--|--|
| COST | |
| At 1 January 2020 and at 31 December 2020 | 10,817 |
| PROVISIONS | |
| At 1 January 2020 and at 31 December 2020 | 10,812 |
| NET BOOK VALUE | |
| At 31 December 2020 | 5 |
| At 31 December 2019 | 5 |

The company's subsidiary undertakings, all directly held with 100% of the Ordinary share capital, at 31 December 2020 were as follows:

| | |
|--|--|
| Coats Industrial Thread Brands Limited | 4 Longwalk Road, Stockley Park, Uxbridge, UB11 1FE |
| Coats Shelfco (CV Nominees) Limited | 4 Longwalk Road, Stockley Park, Uxbridge, UB11 1FE |

COATS INDUSTRIAL THREAD LIMITED**NOTES TO THE ACCOUNTS (Continued)
YEAR ENDED 31 DECEMBER 2020****11. DEBTORS**

| | 2020 | 2019 |
|---|-----------------------|-----------------------|
| | \$'000 | \$'000 |
| Amounts falling due within one year: | | |
| Amounts owed by fellow group undertakings | <u>174,042</u> | <u>140,850</u> |

Within the amount owed by a fellow group undertaking due within one year there is an amount of \$88.5 million bearing interest and the rest is non-interest bearing repayable on demand.

12. CREDITORS

| | 2020 | 2019 |
|--|-------------------|-------------------|
| | \$'000 | \$'000 |
| Amounts falling due within one year | | |
| Taxation payable | <u>506</u> | <u>736</u> |
| | <u>506</u> | <u>736</u> |

COATS INDUSTRIAL THREAD LIMITED**NOTES TO THE ACCOUNTS (Continued)
YEAR ENDED 31 DECEMBER 2020****13. DEFERRED TAXATION**

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

| | 2020 | 2019 |
|---------------------------------|---------------|--------|
| | \$'000 | \$'000 |
| Capital losses | 823 | 714 |
| Unrecognised deferred tax asset | 823 | 714 |

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

| | FULLY PAID | |
|----------------------------------|-------------------|--------|
| | 2020 | 2019 |
| | \$'000 | \$'000 |
| 1 (2019: 1) Ordinary share of £1 | - | - |

15. ULTIMATE PARENT COMPANY

At 31 December 2020, 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 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 4 Longwalk Road, Stockley Park, Uxbridge, England, UB11 1FE.

The Company's immediate parent undertaking is Coats Group Finance Company Limited, a company incorporated in the United Kingdom and registered in England and Wales.

16. POST BALANCE SHEET EVENTS

There are no significant post balance sheet events.