

Registered No: SC035975

COATS PATONS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

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DIRECTORS' REPORT

The directors present their report and audited accounts for the year ended 31 December 2019.

The Directors' Report has been prepared in accordance with the provisions applicable to companies entitled to the small companies' exemption.

PRINCIPAL ACTIVITY

During the year the Company continued to receive interest on amounts due from fellow group undertakings.

DIRECTORS

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

R C Reade
W K Chiang
C Thompson
J Gunningham (appointed 27 September 2019)
N Kidd (appointed 27 September 2019)

SECRETARY

At the date of this report, the company secretary was R C Reade.

AUDITOR

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

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 half yearly 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.

DIRECTORS' REPORT (continued)**RESULTS AND DIVIDEND**

The result for the year was a profit of \$6,336,279 (2018: \$6,336,279). During the year an interim dividend was paid of \$6,336,279 (2018: \$6,336,279). The directors do not recommend the payment of a final dividend for the year (2018: \$nil).

**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 United Kingdom 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DIRECTORS' REPORT (continued)

**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.

INTEREST RATE RISK

The Company has interest bearing assets. Interest bearing assets include cash which primarily earn 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.

**POST BALANCE SHEET
EVENTS**

On 11 March 2020, COVID-19 was declared a pandemic by the World Health Organisation. The Company's activities are not expected to be materially impacted by this.

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



J Gunningham
Director

14 August 2020

Registered office:

Cornerstone
107 West Regent Street
Glasgow
G2 2BA

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COATS PATONS LIMITED

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 December 2019 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 11.

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

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

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

We have nothing to report in respect of these matters.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COATS PATONS LIMITED (Continued)

Other information

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

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

We have nothing to report in respect of these matters.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the 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 PATONS 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 directors' report for the financial year for which the financial statements are prepared is 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.

Matters on which we are required to report by exception

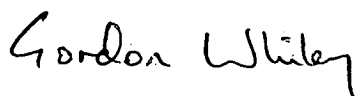
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

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

14 August 2020

**PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 DECEMBER 2019**

	Notes	2019 \$'000	2018 \$'000
Interest receivable and similar income	4	6,336	6,336
Profit before taxation		<u>6,336</u>	<u>6,336</u>
Tax on profit	5	<u>-</u>	<u>-</u>
Profit for the financial year		<u><u>6,336</u></u>	<u><u>6,336</u></u>

All results derive solely from continuing operations.

The notes on pages 11 to 15 form part of these accounts.

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.

BALANCE SHEET
At 31 DECEMBER 2019

	Notes	2019 \$'000	2018 \$'000
CURRENT ASSETS			
Debtors – Amounts falling due within one year	7	6,336	6,336
– Amounts falling due after more than one year	7	271,420	271,420
NET ASSETS		<u>277,756</u>	<u>277,756</u>
CAPITAL AND RESERVES			
Called up share capital	9	-	-
Profit and loss account		277,756	277,756
TOTAL SHAREHOLDERS' FUNDS		<u>277,756</u>	<u>277,756</u>

The financial statements of Coats Patons Limited, registered number SC035975, were approved by the Board of Directors and authorised for issue on 14 August 2020.



J Gunningham
 Director

The notes on pages 11 to 15 form part of these accounts.

**STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 DECEMBER 2019**

	Called up share capital \$'000	Profit and loss account \$'000	Total \$'000
At 1 January 2018	-	277,756	277,756
Profit for the year	-	6,336	6,336
Total comprehensive income for the year	-	6,336	6,336
Dividends paid	-	(6,336)	(6,336)
At 31 December 2018	-	277,756	277,756
Profit for the year	-	6,336	6,336
Total comprehensive income for the year	-	6,336	6,336
Dividends paid	-	(6,336)	(6,336)
At 31 December 2019	-	277,756	277,756

The notes on pages 11 to 15 form part of these accounts.

**NOTES TO THE ACCOUNTS
YEAR ENDED 31 DECEMBER 2019****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 Patons Limited is a private company, limited by shares, registered in Scotland and incorporated in the United Kingdom under the Companies Act 2006. 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 Company has applied the amendments to FRS 102 issued by the FRC in December 2017 with effect from 1 January 2019.

The functional currency of Coats Patons Limited is considered to be US Dollars because that is the currency of the primary economic environment in which the Company operates. Amounts due from group companies and interest receivable on such balances are denominated in US Dollars.

Coats Patons 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 Patons Limited is consolidated in the financial statements of its ultimate parent, Coats Group plc. The address of the registered office of Coats Group plc is set out in note 10. 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. 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 half yearly 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.

NOTES TO THE ACCOUNTS (Continued)
YEAR ENDED 31 DECEMBER 2019**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.

Foreign currencies

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.

At 31 December 2019, the closing exchange rate to sterling was \$1/£0.75 (2018: \$1/£0.78) and the average exchange rate to sterling for the year ended 31 December 2019 was \$1/£0.75 (2018: \$1/£0.75).

Financial instruments

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 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

NOTES TO THE ACCOUNTS (Continued)
YEAR ENDED 31 DECEMBER 2019

1. STATEMENT OF ACCOUNTING POLICIES (Continued)

Financial Instruments (continued)

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.

Interest income is recognised in the profit and loss account on an accruals basis.

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. DIRECTORS, EMPLOYEES AND AUDITOR'S REMUNERATION

The directors received no remuneration for their services to the Company (2018: \$nil). There were no other employees (2018: nil) and consequently employee costs for the year were \$nil (2018: \$nil).

Auditor's remuneration for the audit of the Company's annual accounts of \$3,176 (2018: \$3,000) was borne by a fellow group company.

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	2019 \$'000	2018 \$'000
Interest due from a fellow group undertaking	<u>6,336</u>	<u>6,336</u>

NOTES TO THE ACCOUNTS (Continued)
YEAR ENDED 31 DECEMBER 2019

5. TAX ON PROFIT

The standard rate of current tax for the year, based on UK standard rate of corporation tax, is 19% (2018: 19%). The current tax expense for the year is lower (2018: lower) than 19% for the reasons set out in the following reconciliation:

	2019	2018
	\$'000	\$'000
Profit before tax	<u>6,336</u>	<u>6,336</u>
Tax on profit at standard rate	1,204	1,204
Adjusted for the effects of:		
Group relief claimed for nil consideration	<u>(1,204)</u>	<u>(1,204)</u>
Current tax expense for the year	<u><u>-</u></u>	<u><u>-</u></u>

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

At the Statement of Financial Position date, Finance Act 2016 had been substantively enacted confirming that the main UK corporation tax rate will reduce to 17% from 1 April 2020. Therefore, at 31 December 2019, deferred tax assets and liabilities have been calculated based on rates of 19% and 17% where the temporary differences are expected to reverse before and after 1 April 2020 respectively.

On 11 March 2020 the Chancellor announced that in April 2020 the UK government will legislate to retain the current 19% rate. This change was substantively enacted on 17 March 2020, after the Statement of Financial Position date, and therefore is not included in these financial statements. It is not expected that this will have a material effect on the Company.

6. DIVIDENDS

	2019	2018
	\$'000	\$'000
Interim dividend paid of \$63,360 (2018: \$63,360) per share	<u>6,336</u>	<u>6,336</u>

7. DEBTORS

	2019	2018
	\$'000	\$'000
Debtors due within one year:		
Amounts owed by a fellow subsidiary undertaking	<u>6,336</u>	<u>6,336</u>
Debtors due after one year:		
Amounts owed by a fellow subsidiary undertaking	<u>271,420</u>	<u>271,420</u>

The amount owed by a fellow subsidiary undertaking due after one year shown above bears interest at LIBOR + 1.5% and is not repayable without 12 months' notice.

NOTES TO THE ACCOUNTS (Continued)
YEAR ENDED 31 DECEMBER 2019

8. DEFERRED TAXATION

The amount of deferred tax assets unrecognised at 19% (2018: 17%) was as follows:

	2019	2018
	\$'000	\$'000
Capital losses	<u>3,280</u>	<u>5,106</u>
Unprovided deferred tax asset	<u>3,280</u>	<u>5,106</u>

9. CALLED UP SHARE CAPITAL

	2019	2018
	\$'000	\$'000
CALLED UP, ALLOTTED AND FULLY PAID		
100 (2018: 100) Ordinary shares of 25p each	<u><u>—</u></u>	<u><u>—</u></u>

10. 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 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, Middlesex UB11 1FE.

The Company's immediate parent company is J. & P. Coats Limited, registered in Scotland.

11. POST BALANCE SHEET EVENTS

On 11 March 2020, COVID-19 was declared a pandemic by the World Health Organisation. The Company's activities are not expected to be materially impacted by this.