

Registered No: 10465810

Coats Group Finance Company Limited
Annual Report and Financial Statements
Year Ended 31 December 2018

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Coats Group Finance Company Limited

STRATEGIC REPORT

PRINCIPAL ACTIVITY

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

The Company's ultimate parent company is Coats Group plc, a company incorporated in the United Kingdom and the Company's immediate parent company is Coats Limited, a company incorporated in the United Kingdom.

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

BUSINESS REVIEW

Results for the year ended 31 December 2018 are shown in the profit and loss account on page 9. The balance sheet of the Company is shown on page 11.

The company was incorporated on 7 November 2016 and comparative amounts are for the period from 7 November 2016 to 31 December 2017.

During the year ended 31 December 2018 interim dividends paid on the ordinary shares totalled \$46,648,000 (2017: \$433,101,000). The Directors do not recommend the payment of a final dividend on the ordinary shares (2017: \$nil).

In September 2018 the Company issued one ordinary share in return for consideration of \$8,497,580. For further details see note 14.

POST BALANCE SHEET EVENT

Following the year end, interim dividends of \$617,000 and \$1,414,000 were declared by the board on 4 February 2019 and paid on 7 February 2019 and 7 March 2019.

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 overall Coats Group are discussed in Coats Group plc's annual report which does not form part of this report.

Coats Group Finance Company Limited

STRATEGIC 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.

LIQUIDITY RISK

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

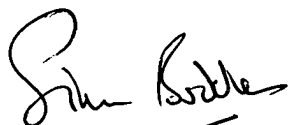
INTEREST RATE RISK

The Company has both interest bearing assets and interest bearing liabilities. Interest bearing assets comprise cash, which primarily earns interest at floating rates. The Company also has bank borrowings, US Private Placement (USPP) Notes, bank overdrafts, bank loans and certain balances due to and from group undertakings, which primarily earned and paid interest at floating rates. The Company uses interest rate derivatives to manage the Company's exposure to interest rate fluctuations.

CURRENCY RISK

The Company's activities may from time to time expose it to foreign exchange risk in respect of non-USD transactions. Wherever necessary the foreign exchange risk is minimised including through the use of foreign exchange forward contracts.

Approved by the Board and signed on its behalf by:



S Boddie
Director

18 April 2019

Coats Group Finance Company Limited

DIRECTORS' REPORT

The Directors present their annual report and financial statements for the year ended 31 December 2018.

Under section 414C(11) of the Act, the Directors may include in the strategic report such of the matters otherwise required by regulations made under section 416(4) to be disclosed in the Directors' report as the Directors consider are of strategic importance to the company. Disclosures required by s416(4) that included in the strategic report in this way are:

- future developments;
- financial risk management; and
- dividends paid and proposed

DIRECTORS

The following persons served as Directors of the Company throughout the year ended 31 December 2018 and to the date of this Report except as noted:

R Sharma
S Boddie
C Barlow (Resigned 31 March 2018)
A Stockwell (Appointed 28 February 2018)

SECRETARY

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

AUDITOR

Elective resolutions to dispense with holding annual general meetings, the laying of accounts before the Company in general meeting and the appointment of an auditor annually are currently in force. The auditor, Deloitte LLP, 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 financial statements are sent to members unless a resolution is passed to the effect that their appointment is brought to an end.

GOING CONCERN BASIS

The Directors have made enquiries into the adequacy of the Company's financial resources, through a review of the current financial projections and the financing facilities available. The Company's forecasts and projections take account of reasonably possible changes in trading performance. Giving due consideration to the financial resources available to the Company, the Directors believe it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

Coats Group Finance Company 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 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.

The Company's ultimate parent company, Coats Group plc provides certain protections for Directors and officers of companies within the Coats Group plc group against personal financial exposure that they may incur in the course of their professional duties.

Coats Group Finance Company 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 ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This information is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Approved by the Board and signed on its behalf by:



S Boddie
Director

18 April 2019

Registered office:
1 The Square
Stockley Park
Uxbridge
Middlesex UB11 1TD

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COATS GROUP FINANCE COMPANY LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Coats Group Finance Company Limited (the "company"):

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the period 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 statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 20.

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 GROUP
FINANCE COMPANY 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.

Coats Group Finance Company Limited

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COATS GROUP FINANCE COMPANY 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 the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

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

Matters on which we are required to report by exception

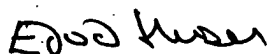
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Edward Hanson (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

18th April 2019

Coats Group Finance Company Limited

PROFIT AND LOSS ACCOUNT For the year ended 31 December 2018

		Year to 31 December 2018	7 November 2016 to 31 December 2017
	<u>Notes</u>	\$'000	\$'000
Income from investments in subsidiary undertakings		70,000	105,000
Operating profit		70,000	105,000
Interest receivable and similar income	6	1,743	120
Interest payable and similar expenses	7	(16,987)	(10,777)
Profit before taxation		54,756	94,343
Tax on profit	8	-	-
Profit for the financial year		<u>54,756</u>	<u>94,343</u>

All results derive solely from continuing operations.

The notes on pages 13 to 39 form part of these accounts.

Coats Group Finance Company Limited

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2018

	Year to 31 December 2018 \$'000	7 November 2016 to 31 December 2017 \$'000
Profit for the financial year/period	54,756	94,343
Items that may be reclassified subsequently to profit or loss:		
Loss on cash flow hedges arising during the year	(1,033)	(1,143)
Transferred to profit or loss on cash flow hedges	(624)	58
Other comprehensive loss for the year/period	(1,657)	(1,085)
Total comprehensive income attributable to equity shareholders of the Company	<u>53,099</u>	<u>93,258</u>

The notes on pages 13 to 39 form part of these accounts.

Coats Group Finance Company Limited

BALANCE SHEET
As at 31 December 2018

	<u>Notes</u>	2018 \$'000	2017 \$'000
FIXED ASSETS			
Investments	9	1,923,600	1,923,600
CURRENT ASSETS			
Debtors due within one year	10	83,054	60,960
Debtors due after more than one year	10	265	567
Cash at bank and in hand		1,657	774
		<u>84,976</u>	<u>62,301</u>
Creditors: amounts falling due within one year	11	<u>(59,771)</u>	<u>(34,276)</u>
NET CURRENT ASSETS		<u>25,205</u>	<u>28,025</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,948,805	1,951,625
Creditors: amounts falling due after more than one year	12	<u>(340,361)</u>	<u>(358,130)</u>
NET ASSETS		<u>1,608,444</u>	<u>1,593,495</u>
CAPITAL AND RESERVES			
Called up share capital	14	-	-
Share premium account	14	18,236	9,738
Hedging reserve	15	(2,742)	(1,085)
Profit and loss account		1,592,950	1,584,842
TOTAL SHAREHOLDERS' FUNDS		<u>1,608,444</u>	<u>1,593,495</u>

The financial statements of Coats Group Finance Company Limited, registered number 10465810, were approved by the Board of Directors and authorised for issue on 18 April 2019.



S Boddie
Director

The notes on pages 13 to 39 form part of these accounts.

Coats Group Finance Company Limited

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2018

	Called-up share capital \$'000	Share premium account \$'000	Hedging reserve \$'000	Profit and loss account \$'000	Total \$'000
At 7 November 2016	-	-	-	-	-
Issuance of shares	-	1,933,338	-	-	1,933,338
Capital reduction	-	(1,923,600)	-	1,923,600	-
Profit for the period	-	-	-	94,343	94,343
Loss on cash flow hedges arising during the period	-	-	(1,143)	-	(1,143)
Transferred to profit or loss on cash flow hedges	-	-	58	-	58
Total comprehensive income/(loss) for the period	-	-	(1,085)	94,343	93,258
Dividends paid	-	-	-	(433,101)	(433,101)
At 31 December 2017	-	9,738	(1,085)	1,584,842	1,593,495
Profit for the year	-	-	-	54,756	54,756
Issuance of shares	-	8,498	-	-	8,498
Loss on cash flow hedges arising during the year	-	-	(1,033)	-	(1,033)
Transferred to profit or loss on cash flow hedges	-	-	(624)	-	(624)
Total comprehensive income/(loss) for the year	-	-	(1,657)	54,756	53,099
Dividends paid	-	-	-	(46,648)	(46,648)
At 31 December 2018	-	18,236	(2,742)	1,592,950	1,608,444

The notes on pages 13 to 39 form part of these accounts.

Coats Group Finance Company Limited

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. STATEMENT OF ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the year ended 31 December 2018.

(a) GENERAL INFORMATION AND BASIS OF ACCOUNTING

Coats Group Finance Company Limited is a private company limited by shares incorporated in the United Kingdom under the Companies Act and is registered in England and Wales. The address of the registered office is given on page 5. The nature of the Company's operations and its principal activity are set out in the strategic report on pages 1 to 2.

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

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

Coats Group Finance Company 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 Group Finance Company Limited is consolidated in the financial statements of its ultimate parent, Coats Group plc, which has the same registered address as Coats Group Finance Company Limited. Exemptions have been taken in these separate Company financial statements in relation to share-based payments, financial instruments, presentation of a cash flow statement and remuneration of key management personnel.

The company was incorporated on 7 November 2016 and comparative amounts are for the period from 7 November 2016 to 31 December 2017.

(b) GOING CONCERN BASIS

The Directors have made enquiries into the adequacy of the Company's financial resources, through a review of the current financial projections and the financing facilities available. The Company's forecasts and projections take account of reasonably possible changes in trading performance. Giving due consideration to the financial resources available to the Company, the Directors believe it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

(c) FOREIGN CURRENCIES

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. At 31 December 2018, the closing exchange rate to US Dollars was \$1/£0.78 (2017: \$1/0.74) and the average exchange rate to sterling for the year ended 31 December 2018 was \$1/£0.75 (2017: \$1/£0.78).

Coats Group Finance Company Limited

NOTES TO THE ACCOUNTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2018

1. STATEMENT OF ACCOUNTING POLICIES (Continued)

(d) DIVIDEND INCOME

Dividend income from subsidiary undertakings is recognised when declared.

(e) DIRECTORS' REMUNERATION

The remuneration of the Directors is paid by fellow group undertakings which make no recharge to the Company.

(f) 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 statement of financial position when, and only when there exists a legally enforceable right to offset the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

(ii) *Investments*

Investments in subsidiaries are measured at cost less impairment.

(iii) *Derivative financial instruments*

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

Coats Group Finance Company Limited

NOTES TO THE ACCOUNTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2018

1. STATEMENT OF ACCOUNTING POLICIES (Continued)

(f) FINANCIAL INSTRUMENTS (Continued)

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

(iv) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is deferred in the cash flow hedge reserve in equity. Once the related hedged item is recognised in the income statement, the amounts deferred in equity are recycled through the income statement. The gain or loss arising from any ineffective portion of the hedge is recognised immediately through the income statement.

(g) IMPAIRMENT ASSESSMENTS

(i) Investments

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit and loss as described below.

(ii) Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

(h) BORROWINGS

Interest-bearing loans and overdrafts are initially measured at fair value, net of direct issue costs. These financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised over the period of the relevant liabilities.

(i) TAXATION

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Coats Group Finance Company Limited

NOTES TO THE ACCOUNTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2018

1. STATEMENT OF ACCOUNTING POLICIES (Continued)

(i) TAXATION (Continued)

Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

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

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

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

(j) INTEREST RECEIVABLE AND PAYABLE

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method.

(k) 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

The principal accounting policies adopted by the Company are set out in Note 1 to the financial statements. Certain of the Company's accounting policies inherently rely on subjective assumptions and judgements, such that it is possible over time the actual results could differ from the estimates based on the assumptions and judgements used by the Company. Due to the size of the amounts involved, changes in the assumptions relating to the following policies could potentially have a significant impact on the result for the year and/or the carrying values of assets and liabilities in the financial statements:

Critical judgements in applying the Company's accounting policies

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

Coats Group Finance Company Limited

NOTES TO THE ACCOUNTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2018

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty

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

Impairment of investments

Determining whether investments are impaired requires an estimation of their value in use to the Company. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the subsidiary undertaking and a suitable discount rate in order to calculate present value. The carrying value of the Company's investments in subsidiaries are included in note 9.

3. AUDITOR'S REMUNERATION

Auditor's remuneration for the audit of the Company's annual accounts of \$12,000 was borne by a subsidiary undertaking (2017: \$12,000).

4. DIRECTORS' REMUNERATION

The remuneration of the Directors is paid by fellow group undertakings which make no recharge to the Company as they cannot be separately attributed to the Company from services to the parent and fellow subsidiaries. The Directors of the Company are directors of a number of fellow group undertakings and an allocation of their remuneration in respect of each subsidiary is not made.

5. EMPLOYEE INFORMATION

	2018 Number	2017 Number
Average number of employees (Incl. Directors)	<u>3</u>	<u>3</u>

Employee costs for the year ended 31 December 2018 and for the prior period were borne by a subsidiary undertaking.

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	2018 \$'000	2017 \$'000
Bank and other interest receivable	54	76
Interest due from subsidiary undertakings	<u>1,689</u>	<u>44</u>
	<u>1,743</u>	<u>120</u>

Coats Group Finance Company Limited

**NOTES TO THE ACCOUNTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2018**

7. INTEREST PAYABLE AND SIMILAR EXPENSES

	2018	2017
	\$'000	\$'000
Interest on bank and other borrowings	13,920	8,845
Interest due to subsidiary undertakings	458	10
Foreign exchange losses	495	1,062
Other finance costs	2,114	860
	<u>16,987</u>	<u>10,777</u>

Other finance costs includes mark to market losses on foreign currency contracts of \$481,000 (2017: gain \$261,000).

8. TAX ON PROFIT

	2018	2017
	\$'000	\$'000
UK Corporation tax at 19.00% (2017: 19.35%)	<u>-</u>	<u>-</u>

The standard rate of current tax for the year, based on UK standard rate of corporation tax, is 19.00% (2017: 19.35%). The current tax expense for the year is lower (2017: lower) than 19.00% for the reasons set out in the following reconciliation:

	2018	2017
	\$'000	\$'000
Profit before tax	<u>54,756</u>	<u>94,343</u>
Tax on profit at standard rate	10,404	18,255
Adjusted for the effects of:		
Non-taxable income	(13,300)	(20,318)
Deferred tax not recognised	(119)	45
Group relief surrendered for nil consideration	3,015	2,018
	<u>-</u>	<u>-</u>
Current tax expense for the year/period	<u>-</u>	<u>-</u>

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 Group Finance Company Limited

**NOTES TO THE ACCOUNTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2018**

9. INVESTMENTS

	Shares in Subsidiaries \$'000
COST AND NET BOOK VALUE	
At 1 January 2018 and At 31 December 2018	<u><u>1,923,600</u></u>

Subsidiary undertakings are listed in note 20.

10. DEBTORS

	31 December 2018 \$'000	31 December 2017 \$'000
Amounts falling due within one year:		
Derivative financial assets	1,039	815
Other debtors	-	15
Amounts owed by subsidiary undertakings	<u>82,015</u>	<u>60,130</u>
	<u><u>83,054</u></u>	<u><u>60,960</u></u>
Amounts falling due after one year:		
Derivative financial assets	<u>265</u>	<u>567</u>

The amount owed by fellow subsidiary undertakings bear interest at USD base rate plus 1.25%. Specific rates also apply to some loan balances. This results in various rates being charged between 0.9% and 3.8%.

11. CREDITORS: Amounts falling due within one year

	31 December 2018 \$'000	31 December 2017 \$'000
Bank overdrafts	47,209	30,633
Amounts owed to subsidiary undertakings	10,696	1,268
Other creditors	-	1,285
Accruals and deferred income	1,063	819
Derivative financial liabilities	<u>803</u>	<u>271</u>
	<u><u>59,771</u></u>	<u><u>34,276</u></u>

The amount owed to fellow subsidiary undertakings bear interest at the base rate of the currency the balance is denominated in.

Coats Group Finance Company Limited

NOTES TO THE ACCOUNTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2018

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

	31 December 2018 \$'000	31 December 2017 \$'000
Bank and other borrowings	337,489	356,787
Derivative financial liabilities	2,872	1,343
	<u>340,361</u>	<u>358,130</u>
Bank and other borrowings comprise:		
Bank borrowings	112,489	131,787
Series A and Series B Senior Notes	225,000	225,000
	<u>337,489</u>	<u>356,787</u>
Bank and other borrowings are repayable as follows:		
Between two and five years	112,489	131,787
After five years	225,000	225,000
	<u>337,489</u>	<u>356,787</u>

On 6 December 2017 the Company issued \$125.0 million of 3.88% Series A Senior Notes due 6 December 2024 and \$100.0 million of 4.07% Series B Senior Notes due 6 December 2027 in a US private placement.

Interest is payable semi-annually in arrears on 6 June and 6 December of each year beginning on 6 June 2018. The Senior Notes are unsecured and rank equally with all the Company's other unsecured and unsubordinated indebtedness.

On 6 December 2017 the Company also entered into a \$350.0 million five year bank facility. The facility bears interest at LIBOR plus 1.25%.

Coats Group Finance Company Limited

NOTES TO THE ACCOUNTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2018

13. DEFERRED TAXATION

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

	31 December 2018	31 December 2017 \$'000
Other temporary differences	403	39
Income tax losses	1,778	-
	<u>2,181</u>	<u>39</u>

No deferred tax assets have been recognised due to the unpredictability of the Company's future taxable profit streams.

14. CALLED UP SHARE CAPITAL

	31 December 2018 Number	31 December 2017 Number
Issued		
Ordinary shares of £0.33 each	<u>5</u>	<u>4</u>

Movements in share capital and share premium during the year were as follows:

	Ordinary shares Number	Share Capital \$'000	Share premium \$'000	Total \$'000
At 1 January 2018	4	-	9,738	9,738
Issue of 1 ordinary share of £0.33	<u>1</u>	-	<u>8,498</u>	<u>8,498</u>
At 31 December 2018	<u>5</u>	-	<u>18,236</u>	<u>18,236</u>

On 14 September 2018, 1 ordinary share of £0.33 was issued for total consideration of \$8,497,580.

Coats Group Finance Company Limited

NOTES TO THE ACCOUNTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2018

15. HEDGING RESERVE

The hedging reserve represents the cumulative amount of gains and losses on hedging instruments deemed effective in cash flow hedges. The cumulative deferred gain or loss on the hedging instrument is recognised in profit or loss only when the hedged transaction impacts the income statement, or is included as a basis adjustment to the non-financial hedged item, consistent with the applicable accounting policy.

16. FINANCIAL INSTRUMENTS

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

	31 December 2018 \$'000	31 December 2017 \$'000
Financial assets at fair value		
Derivative financial assets measured at fair value through profit or loss:		
• Forward currency contracts	-	306
Derivative financial assets measured at fair value and designated in an effective hedging relationship:		
• Interest rate swaps	1,304	1,076
	<u>1,304</u>	<u>1,382</u>

Coats Group Finance Company Limited

**NOTES TO THE ACCOUNTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2018**

16. FINANCIAL INSTRUMENTS (Continued)

	31 December 2018 \$'000	31 December 2017 \$'000
Financial liabilities at fair value		
Derivative financial liabilities measured at fair value through profit or loss:		
• Forward currency contracts	221	45
Derivative financial liabilities measured at fair value and designated in an effective hedging relationship:		
• Interest rate swaps	3,454	1,569
	<u>3,675</u>	<u>1,614</u>

During the year ended 31 December 2018 fair value losses in respect of derivative financial instruments designated in an effective relationship were \$624,000 (2017: gain \$58,000) and losses in respect of financial instruments measured at fair value through the profit and loss account were \$481,000 (2017: gain \$261,000).

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

Interest rate swaps were valued at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

Cash flow hedges - Interest rate swap contracts

The following tables detail the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at 31 December 2018:

	Average contract fixed interest rate %	Notional principal value \$'000	Fair value \$'000
Outstanding receive floating pay fixed contracts			
Less than 1 year	1.5620	40,000	1,051
1 to 2 years	1.6400	60,000	253
		<u>100,000</u>	<u>1,304</u>

Coats Group Finance Company Limited

**NOTES TO THE ACCOUNTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2018**

16. FINANCIAL INSTRUMENTS (Continued)

Outstanding receive fixed pay floating contracts	Average contract floating interest rate %	Notional principal value \$'000	Fair value \$'000
	LIBOR		
More than 5 years	+1.7289	125,000	(3,454)

The interest rate swaps settle on a quarterly basis. The floating rate on the interest rate swaps is three months' LIBOR plus a margin. The Company settled the difference between the fixed and floating interest rate on a net basis.

All interest rate swap contracts were designated as cash flow hedges to reduce the Company's cash flow exposure resulting from variable interest rates and fixed interest rates on bank and other borrowings.

17. CONTINGENT LIABILITIES

The Company has the following contingent liabilities:

	31 December 2018 \$'000	31 December 2017 \$'000
Corporate facility guarantees in respect of certain subsidiaries	1,421	1,570

18. POST BALANCE SHEET EVENT

Following the year end, interim dividends of \$617,000 and \$1,414,000 were declared by the board on 4 February 2019 and paid on 7 February 2019 and 7 March 2019.

19. 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 Company's immediate parent company is Coats Limited, 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. Copies of the accounts of Coats Group plc are available from the company's registered office at 1 The Square, Stockley Park, Uxbridge, Middlesex, UB11 1TD.

Coats Group Finance Company Limited

NOTES TO THE ACCOUNTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2018

20. SUBSIDIARY UNDERTAKINGS

Unless otherwise indicated, all shareholdings owned at 31 December 2018 directly or indirectly by the Group represent 100% of issued share capital of the Subsidiary.

Company	Country	Description and proportion of shares held (%)
Direct subsidiary holdings of the Company:		
Coats Holdings Ltd	1 The Square, Stockley Park, Uxbridge, UB11 1TD, UK	1,806,365,546 Ordinary shares
Coats Industrial Thread Holdings B.V	1 The Square, Stockley Park, Uxbridge, UB11 1TD, UK	18,020 Ordinary shares
Coats Industrial Thread Limited	1 The Square, Stockley Park, Uxbridge, UB11 1TD, UK	1 Ordinary share
Coats Global Services Limited	1 The Square, Stockley Park, Uxbridge, UB11 1TD, UK	12,000,100 Ordinary shares
Coats UK Pension Scheme Trustees Limited	1 The Square, Stockley Park, Uxbridge, UB11 1TD, UK	2 Ordinary shares
Indirect subsidiary holdings of the Company:		
Coats Cadena S.A. - Argentina	Tucuman 1, 4 th Floor (1049) Capital Federal, Argentina	2,697,337 Ordinary Nominal shares
Coats Australian Pty Ltd	Unit 2, 56 Keys Road, Moorabbin VIC 3189, Australia	2,500,000 AUD0.54 Ordinary shares
GPG Services Pty Limited	c/o BDO, Level 11, 1 Margaret Street, Sydney NSW 2000, Australia	2 AUD1.00 Ordinary shares
Guinness Peat Group (Australia) Pty Limited	c/o BDO, Level 11, 1 Margaret Street, Sydney NSW 2000, Australia	4,000,001 AUD1.00 Ordinary shares, 913 AUD14,977.77 Redeemable Preference shares
Sabatica Pty Limited	c/o BDO, Level 11, 1 Margaret Street, Sydney NSW 2000, Australia	2 AUD1.00 Ordinary shares
Coats Bangladesh Limited	Novo Tower, 270 Tejgaon Industrial Area, Dhaka 1208, Bangladesh	360,000 Ordinary shares (80%)
Coats Crafts Bangladesh Limited	Novo Tower, 270 Tejgaon Industrial Area, Dhaka 1208, Bangladesh	800 Ordinary shares (80%)

Coats Group Finance Company Limited

NOTES TO THE ACCOUNTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2018

20. SUBSIDIARY UNDERTAKINGS (Continued)

Coats Corrente Ltda	Rua do Manifesto, N 705, Bloco A, Ipranga, Sao Paulo, SP BR, Brazil	9,384,596,741 Ordinary shares
Coats Bulgaria Eood	Tharigradsko shouse bld 7 th Km, Sofia 1748, Bulgaria	58,749 Ordinary shares
Coats Canada Inc	10 Roybridge Gate Blvd, Vaughan ON L4H 3M8, Canada	156,760,833 Common (no par value) shares
Coats Cadena Ltda	Marathon 4046, Macul, Santiago, Chile	10,539 Ordinary shares
The Central Agency Limited – Chile	Marathon 4046, Macul, Santiago, Chile	42,000 Ordinary shares
Dalian Coats Limited	48-1 Shengli Road, Nanshan Complex, Jinzhou Economic Development Zone, China	1,370,000 Ordinary shares
Qingdao Coats Limited	Qingdao Huanhai, Economic + Technological Development Zone, Chengyang, Qingdao 266108, China	1,160,000 Ordinary shares
Shanghai Coats Limited	No. 8 Building, Export Processing Garden, Songjiang Industrial Zone 201613, Shanghai, China	1,520,000 Ordinary shares
Coats Opti Shenzhen Limited	Shenzhen Coats Industrial Park, Fuyong Town, Baoan Distric, Shenzhen, China	24,750,000 shares (90%)
Coats Shenzhen Limited	Shenzhen Coats Industrial Park, Fuyong Town, Baoan Distric, Shenzhen, China	14,220,000 shares (90%)
Guangzhou Coats Limited	533-3 Xin Gang Road, Haizhu District, Guanghou, 510310, China	106,542,000 shares (90%)
Coats Cadena Andina SA – Colombia	Avenida Santander, N.5E-87, Pereira, Colombia	22,399,888 Ordinary shares
Coats Cadena SA Ecuador	De las Avellanas E, 2-74 y El Juncal, Quito, Ecuador	499,002 Ordinary shares

Coats Group Finance Company Limited

NOTES TO THE ACCOUNTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2018

20. SUBSIDIARY UNDERTAKINGS (Continued)

Coats Craft Egypt	Industrial Area Zone B3, Plot 78, 10 th of Ramadan City, Cairo, Egypt	250,000 Ordinary shares
Coats Industrial Trading Egypt	Industrial Area Zone B3 , Plot 78, 10th of Ramadan City, Cairo, Egypt	50,000 Ordinary shares
Coats Egypt for manufacturing and dyeing sewing thread SAE	Industrial Area Zone B3 , Plot 78, 10th of Ramadan City, Cairo, Egypt	319,998 Ordinary shares
Coats El Salvador, S.A. de C.V.	Zona Franca Export Salva, Edificio No 18C, San Salvador, El Salvador	2,000 Ordinary shares
Coats Eesti AS - Estonia	Ampri tee 9/4, Haabaneeme, 74010 Viimsi Vald, Harjumaa, Estonia	740 Ordinary shares
Coats France S.A.S.	8 avenue Hoche, 75008, Paris, France	3,691,333 Ordinary shares
Coats GmbH	Huefingerstrasse 28,, D-78199, Braunlingen, Germany	1 Ordinary shares
Coats Opti Germany GmbH	1 Suedwieke 180, 26817 Rhaderfehn, Germany	1,000,000 Ordinary shares
Coats Thread Germany GmbH	Huefingerstrasse 28,, D-78199, Braunlingen, Germany	10,104,000 Ordinary shares
Schwanenwolle Tittel & Krueger AG i. L	RHS, Stadtstrasse 29, 79104 Freiburg, Germany	5,700 shares
Centraltex de Guatemala, S.A.	Avenida Petapa 42-85,, Zona 12, Bodega No. 7, Guatemala	50 Ordinary shares
Coats de Guatemala, S.A.	13-78 Zona 10, Edif. Intercontinental Plaza Torre Citigroup Nivel 17, Oficina 1702, Ciudad, Guatemala	6,000 Ordinary shares

Coats Group Finance Company Limited

NOTES TO THE ACCOUNTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2018

20. SUBSIDIARY UNDERTAKINGS (Continued)

Distribuidora Coats de Guatemala, Sociedad Anomina	39 Avenida, 3-47 Zona 7, Colonia El Rodeo, Guatemala	6,000 Ordinary shares
Coats Honduras, S.A.	Edificio #13 Zona Libre Inhdelva, 800 mts. Carretera a la Jutosa, Choloma, Cortes, Honduras	250 Ordinary shares
China Thread Development Company Limited	21/F, 9 Chong Yip Street, Kwun Tong, Kowloon, Hong Kong	9,996,000 Ordinary shares
Coats (China) Limited	21/F, 9 Chong Yip Street, Kwun Tong, Kowloon, Hong Kong	1,491,753 Ordinary shares
Coats China Holdings Limited	21/F, 9 Chong Yip Street, Kwun Tong, Kowloon, Hong Kong	7,085,000 Ordinary shares
Coats Hong Kong Limited	21/F, 9 Chong Yip Street, Kwun Tong, Kowloon, Hong Kong	90 Ordinary shares (90%)
Coats Opti Hong Kong Limited	21/F, 9 Chong Yip Street, Kwun Tong, Kowloon, Hong Kong	10,000 Issued shares
Coats Thread HK Limited	21/F, 9 Chong Yip Street, Kwun Tong, Kowloon, Hong Kong	2 Ordinary shares
Fast React Asia (HK) Limited	Room 2203 22/F, Tower 1, Lippo Centre, 89 Queensway, Hong Kong	10 Ordinary shares
Fast React (Far East) Co Limited	Room 2203 22/F, Tower 1, Lippo Centre, 89 Queensway, Hong Kong	100 Ordinary shares
Coats Magyarorszag Cernagyarto es Ertekesito Korlatolt Felelossegu Tarsasag	1044 Budapest, Vaci ut 91, Hungary	20,000 Ordinary shares
Kor Investments Private Limited	Head Office, 144 Mahatma Gandhi Road, Bangalore 560 001, India	249,999 Ordinary shares
Madura Coats Private Limited	Head Office, 144 Mahatma Gandhi Road, Bangalore 560 001, India	6,000,100 Ordinary shares

Coats Group Finance Company Limited

NOTES TO THE ACCOUNTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2018

20. SUBSIDIARY UNDERTAKINGS (Continued)

Intellosol Softwares India Private Limited*	Ground Floor, S-606-B School Block, Shakarpur Delhi, East Delhi, DL – 110092 India	33,290 INR10.00 Ordinary shares
PT Coats Trading Indonesia	Ventura Building, 4th Floor, Jl RA Kartini No 26, Cilandak, Jakarta 12430, Indonesia	200,000 Ordinary shares
PT. Coats Rejo Indonesia	Ventura Building, 4th Floor, Jl RA Kartini No 26, Cilandak, Jakarta 12430, Indonesia	3,324,000 Ordinary-A shares, 5,926,540 Ordinary-B shares
Coats (Israel) Ltd	Argaman Site, Shidlovsky Road, Yavne Industrial Estate (Northern), Yavne, Israel	3,000 Ordinary shares
Coats Italy S.r.l.	Viale SARCA, No. 223, Milano, Italy	1 Quota shares
Coats Korea Co., Limited	74 Siu-ro, Danwon-gu, Ansan City, Republic of Korea, 15436	198,000 Ordinary shares
J&P Coats (Mauritius) Ltd	Allee des Mangues, Pailles, Mauritius	418,533 Ordinary shares
Coats (Madagascar) International	First Immo, Galaxy Industrial Estate, Rue du Dr. Raseta, Andraharo, Antananarivo, Madagascar	100 Ordinary shares
Coats (Madagascar) S.A.R.L (EPZ)	First Immo, Galaxy Industrial Estate, Rue du Dr. Raseta, Andraharo, Antananarivo, Madagascar	100 Ordinary shares
Coats Thread (Malaysia) Sdn. Bhd.	49-B Jalan Melaka Raya 8,, Taman Melaka Raya, 75000 Melaka, Malaysia	127,500 A shares, 75,000 B shares, 47,500 C shares (99%)

* Acquired on 12 February 2019.

Coats Group Finance Company Limited

NOTES TO THE ACCOUNTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2018

20. SUBSIDIARY UNDERTAKINGS (Continued)

Coats Indian Ocean Holding Co Limited	2nd Floor, IBL House, Caudan, Port-Louis, Mauritius	23,553 Ordinary shares
Coats Assets de Mexico SA de CV	Periferico Sur #3325 Piso 8, Col. San Jerónimo Lídice, Magdalena Contreras, Mexico City, CP10200, Mexico	205,880,990 Series A Fixed shares
Coats Mexico S.A. de C.V.	Periferico Sur #3325 Piso 8, Col. San Jerónimo Lídice, Magdalena Contreras, Mexico City, CP10200, Mexico	45,000 Ordinary-A shares, 567,200,257 Ordinary-B shares
Coats Maroc	220 Bld Chefchaouni, Ain Sebaa, Casablanca, Morocco	199,990 Ordinary shares
Mercerie Industrielle de Casablanca	220 Bld Chefchaouni, Ain Sebaa, Casablanca, Morocco	31,980 Ordinary shares
Coats Industrial Europe Holdings B.V.	1 The Square, Stockley Park, Uxbridge, UB11 1TD, UK	18,000 Ordinary shares
Coats Northern Holdings B.V.	1 The Square, Stockley Park, Uxbridge, UB11 1TD, UK	18,000 Ordinary shares
Coats South America Holdings B.V.	1 The Square, Stockley Park, Uxbridge, UB11 1TD, UK	18,004 Ordinary shares
Coats Southern Holdings B.V.	1 The Square, Stockley Park, Uxbridge, UB11 1TD, UK	18,000 Ordinary shares
Coats South Asia Holdings B.V.	1 The Square, Stockley Park, Uxbridge, UB11 1TD, UK	18,004 Ordinary shares
Coats Patons (New Zealand) Ltd	3 Mana Place, Wira, Auckland, New Zealand	7,000,000 Ordinary shares

Coats Group Finance Company Limited

NOTES TO THE ACCOUNTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2018

20. SUBSIDIARY UNDERTAKINGS (Continued)

Coats de Nicaragua SA	Esso Salvadorita 1/2 cuadra al Oeste Centro Perisferico Mod, #8, Managua, Nicaragua	500 Ordinary shares
J & P Coats Pakistan (Pvt) Limited	Suites 112-113, Prime Office Lobby, Park Towers, Sharah-e- Firdousi, Clifton, Karachi , 75600, Pakistan	2,999,920 Ordinary shares
Coats Cadena Investment SA	Av Nicolas de Ayllon No.2925, Lima 10, Peru	1,265,973,427 Ordinary shares (99%)
Coats Cadena SA - Peru	Av Nicolas de Ayllon No.2925, Lima 10, Peru	98,659,340 Ordinary shares (99%)
Coats Polska Spolka z ograniczona odpowiedzialnoscia	91-214 Lodz, ul, Kaczencowa 16, Poland	21,092 Ordinary shares
Coats Comercio de Linhas, Fechos e Acessorios Para a Industria SA	Praca do Almada, No 10, 4490 , Povia do Varzim, Portugal	150,000 Ordinary Bearer Shares
Companhia de Linha Coats & Clark S.A.	Quinta De Cravel, Oporto, Vila Nova de Gaia , 4430 073, Mafamude, Portugal	5,000,000 Bare Shares
Coats Romania S.R.L.	Municipiul Odorheiu Secuiesc, Str. Nicolae Balcescu, Nr. 71, Judetul Harghita	164,516 Ordinary shares
Coats LLC	53a, Lenin Street., pos. Oktyabrsky, Luberetsv, 140060, Moscow Region, Russia	133,681 shares
Coats International Pte Limited	10 Changi Business Park Central 2, #05- 01 HansaPoint, 486030, Singapore	337,092,726 Ordinary shares
Coats Overseas Pte Limited	10 Changi Business Park Central 2, #05- 01 HansaPoint, 486030, Singapore	1 Ordinary shares

Coats Group Finance Company Limited

NOTES TO THE ACCOUNTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2018

20. SUBSIDIARY UNDERTAKINGS (Continued)

Coats South Africa (Proprietary) Limited	107 Escom Road, New Germany 3620, KZN, Natal, South Africa	98,120,000 Ordinary shares, 3,803,000 Non-redeemable Preference Shares, 5,000,000 Cumulative Redeemable Preference shares, 124,000,000 Non-redeemable Non- cumulative Variable Rate Convertible Preference shares
Cotnat Properties (Proprietary) Limited	107 Escom Road, New Germany 3620, KZN, Natal, South Africa	2 Ordinary shares
Coats Spain, SL	Poligono Industrial Can Roqueta, Avda. Ca N'Alzina nr.79, Calle N'Alzina Sabadell, Barcelona, Spain	3,000 Ordinary shares
Gotex S.A.	Poligono Industrial Can Roqueta, Avda. Ca N'Alzina nr.79, Calle N'Alzina Sabadell, Barcelona, Spain	10,000 Ordinary shares
Coats Thread Exports (Private) Limited	479, 8th Floor, HNB Towers,, T.B. Jayah Mawatha, Colombo 4, Sri Lanka	105,000 Ordinary shares (99%)
Coats Thread Lanka (Private) Limited	479, 8th Floor, HNB Towers,, T.B. Jayah Mawatha, Colombo 4, Sri Lanka	2,893,500 Ordinary shares (99%)
Coats Expotex AB	Box 25, Stationsvagen 2, SE- 516 21, Dalsjofors, Sweden	100,000 Bearer shares
Coats Stoppel AG	c/o Haussmann Treuhand AG, Seefeldstrasse 45, 8008 Zurich	200 2,500 Swiss Franc shares
Coats Threads (Thailand) Ltd	39/60 Moo 2 Tambol Bangkrachaw, Amphur Muang, Samutsakorn Province 74000, Thailand	140,000 Ordinary shares

Coats Group Finance Company Limited

NOTES TO THE ACCOUNTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2018

20. SUBSIDIARY UNDERTAKINGS (Continued)

Coats Industrial Tunisie	52, rue du Tissage, Douar Hicher, Manouba, 2086, Tunisia	90,000 Ordinary shares
Coats Trading Tunisie	52, rue du Tissage, Douar Hicher, Manouba, 2086, Tunisia	38,500 Ordinary shares
Coats (Turkiye) Iplik Sanayii AS	Organize Sanayi Bolgesi Mavi Cad. No 2, 16371 Bursa, Turkey	13,216,976 New Ordinary shares (92%)
Coats Ukraine Ltd	Moskovskiy ave. 28A, litera B, Kiev, 04655, Ukraine	14,348,257 Ordinary shares
Barbour Threads Limited	Cornerstone, 107 West Regent Street, Glasgow, G2 2BA	810,500 £10 Ordinary shares
Coats (UK) Limited	1 The Square, Stockley Park, Uxbridge, UB11 1TD, UK	99,038,462 Ordinary shares
Coats Finance Co. Limited	1 The Square, Stockley Park, Uxbridge, UB11 1TD, UK	17,000,000 Ordinary shares
Coats Holding Company (No. 1) Limited	1 The Square, Stockley Park, Uxbridge, UB11 1TD, UK	198,876 Ordinary shares
Coats Holding Company (No. 2) Limited	1 The Square, Stockley Park, Uxbridge, UB11 1TD, UK	10,753,227 25P Ordinary shares
Coats Industrial Thread Brands Limited	1 The Square, Stockley Park, Uxbridge, UB11 1TD, UK	2 Ordinary shares
Coats Patons Limited	Cornerstone, 107 West Regent Street, Glasgow, G2 2BA, UK	100 Ordinary shares
Coats Pensions Trustee Limited	1 The Square, Stockley Park, Uxbridge, UB11 1TD, UK	2 Ordinary shares

Coats Group Finance Company Limited

NOTES TO THE ACCOUNTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2018

20. SUBSIDIARY UNDERTAKINGS (Continued)

Coats Property Management Limited	1 The Square, Stockley Park, Uxbridge, UB11 1TD, UK	25,000 Ordinary shares
Coats Shelfco (BDA) Limited	1 The Square, Stockley Park, Uxbridge, UB11 1TD, UK	5,937,428 Ordinary shares
Coats Shelfco (CV Nominees) Limited	1 The Square, Stockley Park, Uxbridge, UB11 1TD, UK	100 Ordinary shares
Coats Shelfco (VV) Limited	1 The Square, Stockley Park, Uxbridge, UB11 1TD, UK	8,131,240,347 Ordinary shares, 182,501,287 Deferred shares
Coats Thread (UK) Limited	1 The Square, Stockley Park, Uxbridge, UB11 1TD, UK	1,000 Ordinary shares
Corah Limited	1 The Square, Stockley Park, Uxbridge, UB11 1TD, UK	81,656,791 Ordinary shares, 327,760 4.2% Cumulative Preference shares
D. Byford & Co Limited	1 The Square, Stockley Park, Uxbridge, UB11 1TD, UK	2,800,000 Ordinary shares, 200,000 Preference shares
Fast React Systems Limited	1 The Square, Stockley Park, Uxbridge, UB11 1TD, UK	45,425 Ordinary shares
Fast React Systems (Bangladesh) Limited	1 The Square, Stockley Park, Uxbridge, UB11 1TD, UK	1 Ordinary share
GSD (Corporate) Limited	1 The Square, Stockley Park, Uxbridge, UB11 1TD, UK	40,000 Ordinary shares

Coats Group Finance Company Limited

NOTES TO THE ACCOUNTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2018

20. SUBSIDIARY UNDERTAKINGS (Continued)

GSD Holdings Limited	1 The Square, Stockley Park, Uxbridge, UB11 1TD, UK	90 Ordinary-A shares, 10 Ordinary-B shares
Hicking Pentecost Limited	1 The Square, Stockley Park, Uxbridge, UB11 1TD, UK	31,890,849 Ordinary shares
I.P. Clarke & Co. Limited	1 The Square, Stockley Park, Uxbridge, UB11 1TD, UK	100 £1 Ordinary shares
J. & P. Coats, Limited	1 George Square, Glasgow, Scotland, G2 1AL, UK	334,145,393 £1 Ordinary shares
Needle Industries Limited	1 The Square, Stockley Park, Uxbridge, UB11 1TD, UK	350,000 Ordinary shares
Patons & Baldwins Limited	1 The Square, Stockley Park, Uxbridge, UB11 1TD, UK	10,768,016 Ordinary shares
Patons Limited	1 The Square, Stockley Park, Uxbridge, UB11 1TD, UK	600,000 Ordinary shares, 400,000 7% Preference shares
Simpson, Wright & Lowe, Limited	1 The Square, Stockley Park, Uxbridge, UB11 1TD, UK	100 £1 Ordinary shares
Sir Richard Arkwright & Co. Limited	1 The Square, Stockley Park, Uxbridge, UB11 1TD, UK	1,000 Ordinary shares

Coats Group Finance Company Limited

NOTES TO THE ACCOUNTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2018

20. SUBSIDIARY UNDERTAKINGS (Continued)

The Coats Trustee Company Limited	1 The Square, Stockley Park, Uxbridge, UB11 1TD, UK	2 £1 Ordinary shares
Thomas Burnley & Sons, Limited	1 The Square, Stockley Park, Uxbridge, UB11 1TD, UK	100,000 Ordinary shares
Tootal Group Limited	1 The Square, Stockley Park, Uxbridge, UB11 1TD, UK	292,548,120 Ordinary shares, 5,879,641 3.5% Cumulative Preference shares
Tootal Limited	1 The Square, Stockley Park, Uxbridge, UB11 1TD, UK	2 Ordinary shares
Calico Printers Association (USA) Limited	CT Corporation System, 111 8th Avenue, New York, NY 10011, USA	20,000 Ordinary shares
Coats & Clark Inc*	CT Corporation System, Corporation Trust Centre, 1209 Orange Street, Wilmington, DE 19801, USA	593,501 Ordinary shares
Coats & Clark's Sales Corporation	CT Corporation System, 820 Bear Tavern Road, West Trenton, NJ 08628, USA	2,498 Ordinary shares
Coats American Inc	CT Corporation System, 820 Bear Tavern Road, West Trenton, NJ 08628, USA	1,796,064 Common shares

* Sale completed on 20 February 2019.

Coats Group Finance Company Limited

NOTES TO THE ACCOUNTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2018

20. SUBSIDIARY UNDERTAKINGS (Continued)

Coats Garments (USA) Inc	CT Corporation System, Corporation Trust Centre, 1209 Orange Street, Wilmington, DE 19801, USA	500 Ordinary shares
Coats Holdings Inc	CT Corporation System, Corporation Trust Centre, 1209 Orange Street, Wilmington, DE 19801, USA	500 Ordinary shares
Coats North America Consolidated Inc	CT Corporation System, Corporation Trust Centre, 1209 Orange Street, Wilmington, DE 19801, USA	11,190 Ordinary shares, 10,000 Class B Voting Shares
Coats North America de Republica Dominica Inc	c/o CT Corporation System, 225 Hillsborough Street, Raleigh, Wake County, North Carolina 27603, USA	100,000 Ordinary shares
Coats Puerto Rico Inc	CT Corporation System, 150 Fayetteville Street, Box 1011, Raleigh NC 27601, USA	1 Ordinary shares
Jaeger Sportswear Ltd	CT Corporation System, 111 8th Avenue, New York, NY 10011, USA	20 Common shares
Patrick Yarn Mill, Inc	700 S Railroad Avenue, Kings Mountain NC 28086- 3360, USA	47,621 Class B non-voting shares & 481 Ordinary A shares
Westminster Fibers, Inc.	c/o The Corporation Trust, 1209 Orange Street, Wilmington, Delaware	1,000 Common shares
Coats Cadena S.A. - Uruguay	Rufino Dominguez 1864, Montevideo, Uruguay	77,152,220 Ordinary shares
Cambridge Medical Production CA (Cameproca)	Av. Principal de los Ruices, "Don Diego Cisneros", Caracas, Venezuela	1,000 Ordinary shares

Coats Group Finance Company Limited

NOTES TO THE ACCOUNTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2018

20. SUBSIDIARY UNDERTAKINGS (Continued)

Coats Cadena SA - Venezuela	Ciudad Industrial la Union, Sector Fundo la Union - Autopisa Regional del Centro, Parcela L-23, Galpones G38, G39 and G40, San Diego District, Valencia - Estado Carabobo, Venezuela	4,234,741 Ordinary shares
Distribuidora El Costurero, S.A. (DICOSA)	Ciudad Industrial la Union, Sector Fundo la Union - Autopisa Regional del Centro, Parcela L-23, Galpones G38, G39 and G40, San Diego District, Valencia - Estado Carabobo, Venezuela	15,000 Ordinary shares
Hilos Cadena, S.A.	Ciudad Industrial la Union, Sector Fundo la Union - Autopisa Regional del Centro, Parcela L-23, Galpones G38, G39 and G40, San Diego District, Valencia - Estado Carabobo, Venezuela	1,000 Ordinary shares
Hilos Elefante C.A.	Ciudad Industrial la Union, Sector Fundo la Union - Autopisa Regional del Centro, Parcela L-23, Galpones G38, G39 and G40, San Diego District, Valencia - Estado Carabobo, Venezuela	1,000 Ordinary shares
Informatica Robox, S.R.L	Ciudad Industrial la Union, Sector Fundo la Union - Autopisa Regional del Centro, Parcela L-23, Galpones G38, G39 and G40, San Diego District, Valencia - Estado Carabobo, Venezuela	500 Ordinary shares

Coats Group Finance Company Limited

NOTES TO THE ACCOUNTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2018

20. SUBSIDIARY UNDERTAKINGS (Continued)

International Kroob CA	Ciudad Industrial la Union, Sector Fundo la Union - Autopisa Regional del Centro, Parcela L-23, Galpones G38, G39 and G40, San Diego District, Valencia - Estado Carabobo, Venezuela	8,778 Ordinary shares
Coats Phong Phu Limited Liability Company	Tang Nhon Phu B Ward, District 9, Ho Chi Minh City, Vietnam	9,065,143 Ordinary shares (64%)
Coats Industrial Scandinavia AB	Box 109, SE-516 22 Dalsjofors, Sweden	100 Bearer shares
Joint Ventures:		
ACS Nominees Pty Limited	Level 7 409 St Kilda Road, Melbourne VIC 3004, Australia	9,000,000 Ordinary shares (50%)
Guangying Spinning Company Limited	2 Yuan Cun Xi Jie Guangzhou, 510655, China	320,000 Ordinary shares (50%)
Tianjin Jinying Spinning Co Ltd	Jinlai Road Liqizhuang, Xi Qing District, Tianjin, 300381, China	10,250,000 Ordinary shares (50%)
S&P Threads Pvt Limited	Delite Theatre Building, III Floor, Asaf Ali Road, New Delhi, 110 002, India	300,000 Ordinary shares (50%)
Coats VTT Limited	1 The Square, Stockley Park, Uxbridge, UB11 1TD, UK	10,000 Ordinary shares (50%)