Brown Shipley Holdings Limited

Annual Report and Financial Statements

for the year ended 31 December 2015

Registered number
653955

Brown Shipley Holdings Limited
Directors' Report

The directors submit their report and audited financial statements for the year ended 31 December 2015.

This report has been prepared in accordance with the special provisions relating to companies entitled to the small companies exemption under Section 414A(2) and Section 415 of the Companies Act 2006, therefore a Strategic Report has not been prepared.

Principal activities and review of the business

With effect from 1 December 2005, the Company took over responsibility for the Brunel Holdings Pension Scheme (the "Scheme") and became its sole sponsoring employer. The Scheme is a UK funded defined benefit scheme with assets held under a separate Trust from those of the Company. Further details are outlined in note 10.

Details of the principal subsidiary undertakings at 31 December 2015 are given in note 7.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. This conclusion has been reached after taking into account the investigation being carried out into the Coats Group plc ('CG') group by the UK Pensions Regulator ("tPR") as referred to below under Principal risks and uncertainties. Thus they continue to adopt the going concern basis in preparing the financial statements. Further details regarding the adoption of the going concern basis can be found in note 1 of the financial statements.

Results and dividends

The loss for the year after taxation amounted to £1,761,000 (2014: loss of £1,172,000). The directors do not recommend the payment of a dividend for 2015 (2014: £nil).

Principal risks and uncertainties

As previously announced on 23 December 2013 by Coats Group plc (formerly known as Guinness Peat Group plc), the UK Pensions Regulator ("tPR") has issued warning notices in connection with the Brunel Holdings Pension Scheme and the Staveley Industries Retirement Benefits Scheme (together the "Schemes"). Each of the warning notices sets out the view of tPR's case team that it may be reasonable for the Determinations Panel of tPR to issue a Financial Support Direction against specific targets. The companies named as targets in respect of the Brunel Scheme warning notice are Coats Group plc and GPG (UK) Holdings plc.

As previously announced on 19 December 2014 by Coats Group plc, tPR also sent a warning notice to Coats Group plc, GPG (UK) Holdings plc and Coats plc, in connection with the Coats Pension Plan. The warning notice explains that tPR's case team is of the view that each of the three sponsoring employers of the Coats Pension Plan was insufficiently resourced at the relevant date (31 December 2012), which is a prerequisite for it to use its statutory powers. Further, the case team considers it may be reasonable for the Determinations Panel of tPR to issue a Financial Support Direction in relation to the Coats Pension Plan. This could result in Coats Group plc, GPG (UK) Holdings plc and/or Coats plc being required to put in place financial support for the Coats plan.

If a settlement cannot be reached in respect of all of the schemes and the investigations proceed, tPR has previously indicated that it believes it would be appropriate for the Determinations Panel ('DP') of tPR to hear the cases for the Brunel and Staveley pension schemes at the same time as the Coats Plan, which means that any hearing is unlikely before the fourth quarter of 2016 at the earliest.

Coats has initiated settlement discussions with the Trustee of the Schemes as well as Trustee of the Coats Plan, to resolve the ongoing pensions investigations, agreement from tPR will also be needed.

As part of the discussions Coats Group has committed to all parties to retain the entire parent group cash balance of £342 million within the Group to support the schemes and not return this cash to shareholders. The cash balance is the proceeds generated from Guinness Peat Group's ('GPG's'), as the company was known at the time, asset realisation programme between 2011-2013 when it sold its share in approximately 50 businesses leaving Coats plc as the only remaining operating business. GPG's Directors had envisaged returning the proceeds of the programme to shareholders, and distributions were made in the form of capital returns and share buybacks between 2011 and the first quarter of 2013. However, GPG's Directors decided to stop returns in the second quarter of 2013 when tPR began its investigations, initially into the Coats Plan and Brunel scheme in April 2013 and then later that year into the Staveley scheme.

Coats Group's commitment to retain the entire parent group cash balance within the Group, and any settlement agreement, is based on a number of principles and conditions. These include tPR withdrawing the Warning Notices on the three schemes, thereby ending the investigations, and for Coats to have the ability to commence the payment of normal course dividends to its shareholders and have sufficient cash to invest in growth opportunities.

The support structure could be any of, or a combination of, cash directly paid into the schemes, contingent cash earmarked for the schemes, if subsequently required, and/or cash retained within the Group.

At this stage the level of ongoing annual deficit recovery payments following any settlement is not known.

If a settlement cannot be reached in respect of all of the schemes and the investigations proceed, tPR has previously indicated that it believes it would be appropriate for the Determinations Panel ('DP') of tPR to hear the cases for the Brunel and Staveley pension schemes at the same time as the Coats Plan, which means that any hearing is unlikely before the fourth quarter of 2016 at the earliest.

The March 2013 triennial funding valuation for the Brunel Scheme was agreed with the trustee in November 2015. This revealed a Technical Provisions deficit of £94 million. Details of the recovery plan agreed are set out in Note 10 of the financial statements.

The Company had a balance receivable as at 31 December 2015 from GPG (UK) Holdings plc of £50,840,000 (2014: £55,487,000). GPG (UK) Holdings plc is a named target of the two Warning Notices received to date by the Coats group. During the year ended 31 December 2015 the board kept the outstanding balance under review. Subsequent to the year end this receivable balance was settled in full.

Financial Risk Management

Financial risks are monitored on an ongoing basis but the Company does not enter into any hedging activity and does not use financial instruments in this regard.

Directors and Officers

Directors and officers who served during the year and subsequently were as follows:

RD Howes (Director, resigned 6 April 2016)
Allied Mutual Insurance Services Limited (Director and Company Secretary)
JS Lovell (Director, appointed 29 March 2016)

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 judgements 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' Indemnity
Coats Group plc provides certain protection for directors of companies within the group against personal financial exposure that they might incur in the course of their professional duties.

Auditor
In the case of each of the persons who is a director at the date when this report is approved:
- so far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditor is unaware; and
- each director has taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information (as defined) and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

By order of the Board

Lovell

JS Lovell
Director
24 September 2016
1 The Square, Stockley Park, Uxbridge UB11 1TD

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BROWN SHIPLEY HOLDINGS LIMITED

We have audited the financial statements of Brown Shipley Holdings Limited for the year ended 31 December 2015 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Comprehensive Income, the Statement of Changes in Equity, and the related notes 1 to 13. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption from preparing a Strategic Report or in preparing the Directors' Report.

Georgina Robb (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London
28 September 2016

Brown Shipley Holdings Limited
Profit and Loss Account
for the year ended 31 December 2015

	Notes	2015 £000	2014* £000
Administrative expenses		**(1,174)**	(1,512)
Operating loss		**(1,174)**	(1,512)
Loss before taxation before finance charges		**(1,174)**	(1,512)
Net interest payable	5	**(587)**	(19)
Loss on ordinary activities before taxation		**(1,761)**	(1,531)
Tax on loss on ordinary activities	6	**-**	-
Loss for the year		**(1,761)**	(1,531)

* Restated for adoption of FRS102 (see note 13)

The accompanying notes form part of these financial statements.

Brown Shipley Holdings Limited
Statement of Comprehensive Income

Year ended 31 December 2015	**2015**	2014*
	£000	£000
Loss for the financial year	**(1,761)**	(1,531)
Other comprehensive income:		
Items that will not be reclassified subsequently to profit or loss:		
Actuarial gains/(losses) on retirement benefit schemes	**3,038**	(23,784)
Total comprehensive income/(loss) for the year	**1,277**	(25,315)
Total comprehensive income/(loss) for the year attributable to equity shareholders of the Company	**1,277**	(25,315)

* Restated for adoption of FRS102 (see note 13)

The accompanying notes form part of these financial statements.

Brown Shipley Holdings Limited
Balance Sheet
as at 31 December 2015

	Notes	2015 £000	2014 £000
Fixed assets			
Investments in subsidiary undertakings	7	**5,520**	5,520
		5,520	5,520
Current assets			
Trade and other receivables	8	**51,002**	55,524
		51,002	55,524
Creditors: amounts falling due within one year	9	**(11,035)**	(5,536)
Net current assets		**39,967**	49,988
Total assets less current liabilities		**45,487**	55,508
Creditors: amounts falling due after more than one year			
Retirement benefit obligations	10	**(42,986)**	(54,284)
Net assets		**2,501**	1,224
Capital and reserves			
Called up share capital	11	**51,044**	51,044
Share premium account		**7,030**	7,030
Profit and loss account		**(55,573)**	(56,850)
Shareholder's funds		**2,501**	1,224

These financial statements were approved by the Board of Directors on 28 September 2016 and signed on its behalf by:

JS Lovell
Director
Brown Shipley Holdings Limited
Registered company number 653955

The accompanying notes form part of these financial statements.

Brown Shipley Holdings Limited
Statement of Changes in Equity

Year ended 31 December 2015

	Share capital £000	Capital reserve £000	Profit and loss account £000	Total £000
At 1 January 2014	51,044	7,030	(31,535)	26,539
Total comprehensive loss for the year	-	-	(25,315)	(25,315)
At 31 December 2014	51,044	7,030	(56,850)	1,224
Total comprehensive income for the year	-	-	1,277	1,277
At 31 December 2015	**51,044**	**7,030**	**(55,573)**	**2,501**

Brown Shipley Holdings Limited
Notes to the Accounts
for the year ended 31 December 2015

1 Accounting policies

Accounting convention

The financial statements have been prepared under the historical cost convention (except for pensions) and in accordance with with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. A summary of the particular accounting policies adopted, which have been applied consistently throughout the current and prior year, is set out below.

This is the first year that the Company has presented its financial statements under FRS 102. The last financial statements under previous UK GAAP were for the year ended 31 December 2014 and the date of transition to FRS 102 was therefore 1 January 2014.

The prior year financial statements were restated for material adjustments on adoption of FRS 102 in the current year. For more information see note 13.

Brown Shipley Holdings 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. Brown Shipley Holdings 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 12. 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.

Taxation

Corporation tax payable is provided on taxable profits using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date, except to the extent that the losses are transferred from another group company under the group relief provisions, without corresponding payment by the claimant company.

Deferred taxation

Deferred taxation is provided in full 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. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Investments

Investments acquired with the intention of being held for the long term (excluding investments in subsidiary undertakings and associated undertakings, joint ventures and joint arrangements) are recorded as fixed asset investments and are stated at cost or, where there has been a permanent diminution in value, at market value.

Profit on the disposal of fixed asset investments is recognised on the trade date.

Investments in subsidiaries are valued at cost less impairment provisions. Impairment provisions are determined by comparing the carrying value of the investment with its recoverable amount. The recoverable amount is the higher of the amount that can be obtained from selling the investment or the value of expected cash flows arising from holding the investment, discounted at the rate of return that the market woul(expect from an investment with a similar risk profile.

Provisions

Provision is made on the basis of the present value of future cash flows whenever unavoidable losses are expected to arise from obligations which exist at the balance sheet date

1 Statement of accounting policies - continued

Pension obligations

For retirement benefit obligations, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period by independent actuaries. Remeasurement comprising actuarial gains and losses and the return on scheme assets (excluding interest) are recognised immediately in the balance sheet with a charge or credit to the statement of comprehensive income in the period in which they occur. Remeasurement recorded in the statement of comprehensive income i not recycled. Past service cost is recognised in profit or loss in the period of scheme amendment. Net interest is calculated by applying a discount rate to the net defined benefit liability or asset. Defined benefit costs are split into three categories:

• current service cost, past service cost and gains and losses on curtailments and settlements (if applicable);
• net interest expense or income; and
• actuarial gains and losses.

The Company presents current and past service costs within administrative expenses in its income statement. Curtailment gains and losses are accounted for as past service cost.
Net interest expense or income is recognised within finance costs.
Actuarial gains and losses are recognised in the statement of comprehensive income.
In addition, pension scheme administrative expenses including the PPF (Pension Protection Fund) levy and actuary, audit, legal and trustee charges are recognised as administrative expenses.
The retirement benefit obligations recognised in the balance sheet represents the deficit or surplus in the Company's defined benefit scheme. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the schemes or reductions in future contributions to the schemes.

Financial Instruments:

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 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.

1 Statement of accounting policies - continued

Going concern

In determining whether or not the Company remains a going concern the directors have paid particular attention to the recoverability of the balance due from GPG (UK) Holdings plc which stood at £50,840,000 (2014: £55,487,000) at the year end and the possible impact of the investigations being carried out by tPR. The board monitored this receivable throughout the year ended 31 December 2015 and subsequent to the year end this receivable balance was settled in full.

After having given due consideration to the recoverability of the company's principal asset, being a loan and other amounts due from to its parent company and associated accrued interest, and the likely requirements to provide funding to BHPS, the directors have a reasonable expectation that the Company has adequate resources to continue in existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

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.

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.

Employee benefit obligations
The Brunel Pension Plan retirement benefit obligations recognised in the Company's balance sheet are the present values of the defined benefit obligations at the year end less the fair value of any associated assets. Key assumptions involved in the determination of the present values of the defined benefit obligations include discount rates, beneficiary mortality and benefits in payment inflation rates. Changes in any or all of these assumptions could materially change the employee benefit obligations recognised in the statement of financial position.

A sensitivity analysis relating to the Company's major defined benefit pension arrangements is included in note 10 of the financial statements.

3 Auditor's remuneration

Audit fees of £6,000 (2014: £6,000) in respect of the audit of the Company's Financial Statements are borne by the Company's parent undertaking. There are no non-audit fees for the current year or prior year.

4 Employee information and directors' emoluments

The Company had nil employees (excluding directors) during the year (2014: nil)

None of the directors received emoluments in respect of their services to the Company for the year ended 31 December 2015 (2014: £nil).

5 Net interest payable

	2015 £000	2014 £000
Group interest receivable (see note 8)	1,201	1,264
Net interest on pension scheme assets (note 10)	(1,788)	(1,283)
	(587)	(19)

Brown Shipley Holdings Limited
Notes to the Accounts (continued)
for the year ended 31 December 2015

6 Taxation

	2015 £000	2014 £000
UK Corporation tax	-	-

The current taxation is lower than the standard rate of corporation tax in the UK of 20.25% (2014: 21.5%). The differences are explained below:

	2015	2014
Loss on ordinary activities before taxation	(1,761)	(1,531)
Loss on ordinary activities multiplied by standard rate of tax in the UK of 20.25% (2014: 21.5%)	(357)	(329)
Short term timing differences	(278)	-
Permanent differences	490	503
Effect of group relief surrendered/(claimed) without charge	145	(251)
Current tax charge for the year	-	-

There were unrecognised capital losses of £1.1 million (2014: £1.1 million) at 31 December 2015. These losses have not been recognised as it is not anticipated that they will be utilised in the foreseeable future.

A deferred tax asset of £8.7 million (2014: £10.9 milion) has not been recognised in respect of the deficit on the Brunel Holdings Pension Scheme given the uncertainty over whether a corresponding tax deduction would be available on payment.

With effect from 26 October 2015 Finance (No.2) Act 2015 was substantively enacted to reduce the UK corporation tax rate to 18%, as follows:

Year to 31 March	2016	2017	2018	2019	2020	2021
Corporation Tax Rate	20%	20%	19%	19%	19%	18%

In March 2016 the UK government announced its intention to further reduce the main rate of corporation tax to 17% from 1 April 2020. The proposed reduction was not enacted or substantively enacted at the balance sheet date.

7 Fixed assets - investments in subsidiary undertakings

	£000
Cost	
At 1 January 2015 and at 31 December 2015	6,500
Provision	
At 1 January 2015 and at 31 December 2015	980
Net book value at 31 December 2015	**5,520**
Net book value at 31 December 2014	5,520

The Company's subsidiary undertakings, all of which are wholly-owned and were incorporated in Great Britain, are:

Direct subsidiaries:
BSH Acquisition Limited
Brown Shipley Asset Management Limited - dormant
Brunel Pension Trustees Limited - dormant

Group accounts have not been prepared as the Company is a wholly-owned subsidiary of a company incorporated in Great Britain. Accordingly these financial statements present information about the Company as an individual undertaking and not about its group. In the opinion of the directors, the value of the Company's investments is not less than the amount at which they are stated in the balance sheet.

8 Trade and other receivables

	2015 £000	2014 £000
Due from parent undertaking:		
Loan	**35,000**	35,000
Other amounts due from parent undertaking	**15,840**	20,487
Other debtors	**162**	37
	51,002	55,524

The loan is repayable on demand and bears interest at UK base rate plus 1.75% (2014: 1.75%). From 1st January 2014 the other amounts due from parent undertaking also bore interest at the UK base rate plus 1.75% (2014: 1.75%). All amounts are repayable on demand.

9 Creditors: amounts falling due within one year

	2015 £000	2014 £000
Trade creditors	**-**	1
Retirement benefit obligations	**5,500**	-
Due to group undertakings	**5,535**	5,535
	11,035	5,536

Brown Shipley Holdings Limited
Notes to the Accounts (continued)
for the year ended 31 December 2015

10 Creditors: amounts falling due after more than one year
Retirement benefit obligations

With effect from 1 December 2005, the Company took over responsibility for the Brunel Scheme and became its sole employer. The Brunel Scheme is a UK funded defined benefit scheme with the assets held under a separate Trust from those of the Company.

The Company has accounted for the Brunel Scheme as if it became their obligation as at 31 December 2005.
The Company is exposed to actuarial risks including:

Interest rate risk - the present value of the defined benefit plan liabilities is calculated using a discount rate determined by reference to high quality corporate bond yields. A decrease in bond yield rates will increase defined benefit obligations;

Longevity risk - the present value of the defined benefit plan liability is calculated by reference to the best estimate of member life expectancies. An increase in life expectancy will increase liabilities;

Inflation - the present value of the defined benefit liabilities are calculated by reference to assumed future inflation rates. An increase in inflation rates will increase defined benefit obligations; and

Salary risk - This is not an applicable risk to the Company.

Pension costs in respect of these plans are assessed in accordance with the advice of independent, professionally qualified actuaries.

The major assumptions used by the actuary were (in nominal terms):

	2015	2014
Discount rate	3.60%	3.35%
Inflation assumption (RPI)	2.95%	2.95%
Rate of increase in salaries	N/A	N/A
LPI pension increases	Various	Various

The last valuation of the Brunel Scheme was as at 31 March 2013 and this was updated to 31 December 2015 by a qualified independent actuary. The actuary used a discount rate of 3.60% per annum (2014: 3.35%), a price inflation assumption of 2.95% per annum (2014: 2.95%), and various pension increases are assumed dependent on the nature of benefits payable to groups of members in preparing the financial statements.

Amounts recognised in income in respect of these defined benefit schemes are as follows (both continuing and discontinued operations):

	2015 £000	2014 £000
Current service cost	-	-
Administrative expenses	1,174	1,512
	1,174	1,512

Analysis of net finance costs	**2015 £000**	**2014 £000**
Net interest on pension scheme liabilities	(1,788)	(1,283)

10 Creditors: amounts falling due after more than one year
Retirement benefit obligations (continued)

The amounts included in the balance sheet arising from the Company's defined benefit arrangements are as follows:

	2015 £000	2014 £000
Cash and cash equivalents	1,530	2,132
Equity instruments:		
UK	30,195	54,740
Debt instruments:		
Corporate bonds	32,569	37,163
Government/sovereign instruments	23,056	18,499
Assets held by insurance company:		
Insurance contracts	492	520
Diversified investment fund	21,913	-
Total market value of assets	109,755	113,054
Actuarial value of scheme liabilities	(158,241)	(167,338)
Net retirement benefit obligation	(48,486)	(54,284)

This amount is presented in the balance sheet as follows:	2015 £000	2014 £000
Current liabilities		
Retirement benefit obligations	(5,500)	-
Non-current liabilities		
Retirement benefit obligations	(42,986)	(54,284)
Total retirement benefit obligations	(48,486)	(54,284)

Included in the tables above are £30.2 million (2014: £54.7 million) of UK equity instruments, £32.6 million (2014: £37.2 million) of corporate bonds, £23.1 million (2014: £18.4 million) of government/sovereign instruments, £21.9 million of diversified investment funds (2014: £Nil) and £0.5million (2014: £0.5 million) of insurance contracts without a quoted price in an active market.

The Brunel scheme is a funded arrangement.

Movement in the present value of defined benefit obligations during the year

	2015 £000	2014 £000
At 1 January	167,338	147,200
Movement in year:		
Interest cost - unwinding of discount	5,456	6,427
Actuarial (gain)/loss	(5,608)	22,606
Benefits paid	(8,945)	(8,895)
At 31 December	158,241	167,338

10 Creditors: amounts falling due after more than one year (continued)
Retirement benefit obligations (continued)

Movement in the present value of scheme assets during the year	**2015**	**2014**
	£000	**£000**
At 1 January	**113,054**	119,400
Movement in year:		
Expected return on scheme assets	**3,673**	5,138
Actuarial loss	**(2,570)**	(1,178)
Contribution from sponsoring companies	**5,500**	-
Benefits paid	**(8,945)**	(8,895)
Administration expenses paid from the scheme	**(957)**	(1,411)
At 31 December	**109,755**	113,054

Analysis of amount included in the Statement of Comprehensive Income	**2015**	**2014**
	£000	**£000**
Actuarial gain/(loss)	**3,038**	(23,784)

Assumed life expectancies on retirement at age 65 are:

		2015	**2014**
Retiring today	Males	21.5	21.7
	Females	23.9	24.2
Retiring in 25 years time	Males	23.7	24.0
	Females	26.4	26.6

Sensitivities regarding the discount rate, inflation (which also impacts the rate of increases in salaries and rate of increase for pension in payments assumptions for the scheme) and mortality assumptions used to measure the liabilities of the scheme, along with the impact they would have on the scheme liabilities, are set out below. Interrelationships between assumptions might exist and the analysis below does not take the effect of these interrelationships into account:

		Year ended 31 December 2015		Year ended 31 December 2014
	+ 0.1%	**- 0.1%**	+ 0.1%	- 0.1%
	£000	**£000**	£000	£000
Discount rate	(2,246)	1,754	(2,135)	1,865
Inflation rate	754	(1,246)	665	(935)

If members of the Brunel scheme live one year longer scheme liabilities will increase by £4.8 million (2014: £7.7 million) respectively.

In presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the balance sheet. There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

The March 2013 triennial funding valuation for the Brunel Scheme was agreed with the trustee in November 2015. This revealed a Technical provisions deficit of £94 million, which equated to a funding level of 56%. A recovery plan was agreed, comprising of an initial payment of £5.5 million followed by quarterly payments commencing from January 2016 amounting to £5.5 million per annum for nine years. Subsequent to the year end, it was agreed that an advance payment of £15 million would be made to the Brunel scheme on or before 30 September 2016, and that from 1 October 2016 quartery recovery payments would be £3.7 million per annum for eight years.

The total estimated amount to be paid in respect of the Company's retirement and other post-employment benefit arrangements during the 2016 financial year is £18.75 million.

The weighted average duration of benefit obligations is 12 years (2014: 12 years) for the Brunel scheme.

11 Share capital	**2015**	**2014**	**2015**	**2014**
	No.	**No.**	**£000**	**£000**
Called up, allotted and fully paid:				
Ordinary shares of £1 each	51,043,575	51,043,575	51,044	51,044

12 Ultimate parent company and controlling party

The Company is controlled by GPG (UK) Holdings plc, a company incorporated in Great Britain and registered in England and Wales, which owns 100% of the issued share capital. Coats Group plc is the parent company of GPG (UK) Holdings plc and the ultimate holding company of the Company. Copies of the accounts of Coats Group Plc for the year ended 31 December 2015 are available from The Company Secretary, 1 The Square, Stockley Park, Uxbridge UB11 1TD.

Coats Group plc is the parent undertaking of the only group to consolidate the Company's financial statements.

13 Explanation of transition to FRS 102

This is the first year that the Company has presented its financial statements under Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The following disclosures are required in the year of transition. The last financial statements under previous UK GAAP were for the year ended 31 December 2014 and the date of transition to FRS 102 was therefore 1 January 2014. As a consequence of adopting FRS 102, accounting policies have changed to comply with that standard.

Defined benefit pension obligations
FRS 102 has impacted the accounting for the Company's defined benefit schemes by replacing the interest cost and expected return on plan assets with a net interest amount on net defined benefit assets and liabilities. In addition, pension scheme administrative expenses including actuary, audit, legal and trustee charges are recognised as administrative expenses. There have been no changes to the Company's total defined benefit obligations recognised in the balance sheet or to cash flows.

Reconciliation of profit or loss for 2014:	**£000**
Profit for the financial year under previous UK GAAP	1,945
Administrative expenses	(1,058)
Net interest on pension scheme liabilities	(2,059)
Loss for the financial year under FRS 102	(1,172)