

Registered No: SC035975

COATS PATONS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015



DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 December 2015.

The Directors' Report has been prepared in accordance with the provisions applicable to companies entitled to the small companies' exemption and consequently no Strategic Report is presented.

PRINCIPAL ACTIVITY

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

DIRECTORS

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

P A Forman
R D Howes (Resigned 6 April 2016)
G Fitch
R C Reade (Appointed 8 January 2015)
T P Saunt (Resigned 8 January 2015)
K Taylor (Appointed 11 May 2015)

SECRETARY

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

AUDITOR

Elective resolutions to dispense with holding annual general meetings, the laying of accounts before the Company in general meeting and the appointment of auditors annually are currently in force. The auditor, Deloitte LLP, will therefore be deemed to have been reappointed at the end of the period of 28 days beginning with the day on which copies of this report and accounts are sent to members unless a resolution is passed to the effect that their appointment be brought to an end.

**DIRECTORS'
RESPONSIBILITIES
STATEMENT**

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the United Kingdom and Ireland".

DIRECTORS' REPORT (continued)

**DIRECTORS'
RESPONSIBILITIES
STATEMENT (continued)**

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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.

**DISCLOSURE OF
INFORMATION
TO AUDITOR**

Each of the persons who is a director at the date of approval of this Report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

DIRECTORS' REPORT (continued)

**DISCLOSURE OF
INFORMATION
TO AUDITOR (continued)**

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

By order of the Board



G Fitch
Director

19 August 2016

Registered office:

Cornerstone
107 West Regent Street
Glasgow
G2 2BA

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

We have audited the financial statements of Coats Patons Limited for the year ended 31 December 2015 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 11. 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 profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

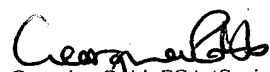
Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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 in preparing the Directors' Report or from the requirement to prepare a Strategic Report.



Georgina Robb FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

19 August 2016

PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 DECEMBER 2015

	Notes	2015 \$'000	2014 \$'000
Interest receivable and similar income	4	5,661	6,013
Profit on ordinary activities before taxation		5,661	6,013
Taxation	5	-	-
Profit for the financial year		5,661	6,013

All results derive solely from continuing operations.

The notes on pages 9 to 13 form part of these accounts.

**STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 31 DECEMBER 2015**

	2015 \$'000	2014 \$'000
Profit for the financial year	<u>5,661</u>	<u>6,013</u>
Total comprehensive income for the year attributable to equity shareholders of the Company	<u><u>5,661</u></u>	<u><u>6,013</u></u>

The notes on pages 9 to 13 form part of these accounts.

BALANCE SHEET
At 31 DECEMBER 2015

	Notes	2015 \$'000	2014 \$'000
CURRENT ASSETS			
Debtors – Amounts falling due within one year	7	2,868	2,872
– Amounts falling due after more than one year	7	274,888	274,884
TOTAL ASSETS		<u>277,756</u>	<u>277,756</u>
CAPITAL AND RESERVES			
Share capital	9	-	-
Profit and loss account		277,756	277,756
TOTAL SHAREHOLDERS' FUNDS		<u>277,756</u>	<u>277,756</u>

The financial statements of Coats Patons Limited, registered number SC035975, were approved by the Board of Directors and authorised for issue on 19 August 2016.



 G Fitch
 Director

The notes on pages 9 to 13 form part of these accounts.

STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 DECEMBER 2015

	Share capital \$'000	Profit and loss account \$'000	Total \$'000
At 1 January 2014	-	277,756	277,756
Profit for the year	-	6,013	6,013
Total comprehensive income for the year	-	6,013	6,013
Dividends paid	-	(6,013)	(6,013)
At 31 December 2014	-	277,756	277,756
Profit for the year	-	5,661	5,661
Total comprehensive income for the year	-	5,661	5,661
Dividends paid	-	(5,661)	(5,661)
At 31 December 2015	-	277,756	277,756

The notes on pages 9 to 13 form part of these accounts.

**NOTES TO THE ACCOUNTS
YEAR ENDED 31 DECEMBER 2015****1. STATEMENT OF ACCOUNTING POLICIES****General information and basis of accounting**

Coats Patons Limited is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 3. The nature of the Company's operations and its principal activities are set out in the Directors' report on page 1.

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

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.

No accounting policies were changed as a consequence of adopting FRS 102 and no adjustments were required to the prior year financial statements on adoption of FRS 102 in the current year.

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

Coats Patons Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. Coats Patons Limited is consolidated in the financial statements of its ultimate parent, Coats Group plc. The address of the registered office of Coats Group plc is set out in note 11. Disclosure exemptions have been taken in these separate Company financial statements in relation to financial instruments, the presentation of a cash flow statement and remuneration of key management personnel.

Going concern basis

The accounts have been prepared on a going concern basis as the directors have, after making enquiries, a reasonable expectation that the Company will have adequate resources to continue in operational existence for the foreseeable future.

Taxation

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

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

NOTES TO THE ACCOUNTS (Continued)
YEAR ENDED 31 DECEMBER 2015

1. STATEMENT OF ACCOUNTING POLICIES (Continued)

Foreign currencies

Transactions denominated in foreign currencies are translated into US dollars at the rates of exchange ruling at the date of the transaction. Assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rate of exchange ruling at the balance sheet date. Exchange gains or losses are included in the profit and loss account.

At 31 December 2015, the closing exchange rate to sterling was \$1/£0.68 (2014: \$1/£0.64) and the average exchange rate to sterling for the year ended 31 December 2015 was \$1/£0.65 (2014: \$1/£0.61).

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 assets

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

3. DIRECTORS, EMPLOYEES AND AUDITOR'S REMUNERATION

The directors received no remuneration for their services to the Company (2014: \$nil). There were no other employees (2014: nil) and consequently employee costs for the year were \$nil (2014: \$nil).

Auditor's remuneration for the audit of the Company's annual accounts of \$3,000 (2014: \$3,000) was borne by a fellow group company.

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	2015	2014
	\$'000	\$'000
Interest due from a fellow group undertaking	<u>5,661</u>	<u>6,013</u>

NOTES TO THE ACCOUNTS (Continued)
YEAR ENDED 31 DECEMBER 2015

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

The standard rate of current tax for the year, based on UK standard rate of corporation tax, is 20.25% (2014: 21.5%). The current tax charge for the year is lower than 20.25% for the reasons set out in the following reconciliation:

	2015	2014
	\$'000	\$'000
Profit on ordinary activities before tax	<u>5,661</u>	<u>6,013</u>
Tax on profit on ordinary activities at standard rate	1,146	1,293
Adjusted for the effects of:		
Group relief claimed for nil consideration	<u>(1,146)</u>	<u>(1,293)</u>
Current tax charge for the year	<u>-</u>	<u>-</u>

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

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.

6. DIVIDENDS

	2015	2014
	\$'000	\$'000
Interim dividend paid of \$56,610 (2014: \$60,130) per share	<u>5,661</u>	<u>6,013</u>

7. DEBTORS

	2015	2014
	\$'000	\$'000
Debtors due within one year:		
Amounts owed by a fellow subsidiary undertaking	<u>2,868</u>	<u>2,872</u>
Debtors due after one year:		
Amounts owed by a fellow subsidiary undertaking	<u>274,888</u>	<u>274,884</u>

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

NOTES TO THE ACCOUNTS (Continued)
YEAR ENDED 31 DECEMBER 2015

8. DEFERRED TAXATION

The amount of deferred tax assets unrecognised at 18% (2014: 20%) was as follows:

	2015	2014
	\$'000	\$'000
Capital losses	<u>6,249</u>	<u>7,332</u>
Unprovided deferred tax asset	<u>6,249</u>	<u>7,332</u>

9. CALLED UP SHARE CAPITAL

	2015	2014
	\$'000	\$'000
AUTHORISED		
100 (2014:100) Ordinary shares of 25p each	-	-
100 (2014: 100) Unclassified shares of 25p each	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
CALLED UP, ALLOTTED AND FULLY PAID		
100 (2014: 100) Ordinary shares of 25p each	<u>-</u>	<u>-</u>

10. CONTINGENT LIABILITIES

Coats plc banking facilities

At 31 December 2015, \$680.0 million (2014: \$720.0 million) of banking facilities of the Company's parent company, Coats plc, were subject to guarantees issued by certain of its principal subsidiaries, including Coats Patons Limited. At 31 December 2015, \$457.4 million (2014: \$472.9 million) of these banking facilities had been drawn down.

UK pension plan

The Company's ultimate holding company, Coats Group plc received correspondence in April 2013 from the UK Pensions Regulator ("tPR") explaining that tPR is undertaking an investigation into whether financial support should be provided to the Coats Pension Plan (the "Coats Plan") by Coats Group plc or by one or more entities connected or associated with the Plan's respective sponsoring employers under the provisions of the Pensions Act 2004.

NOTES TO THE ACCOUNTS (Continued)
YEAR ENDED 31 DECEMBER 2015**10. CONTINGENT LIABILITIES (Continued)**

In December 2014 Coats Group plc, GPG (UK) Holdings plc and Coats plc received a Warning Notice ('WN') from tPR in relation to the Coats Plan. The WN explains that tPR's case team is of the view that each of the three sponsoring employers of the Coats 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 is reasonable for the Determinations Panel ('DP') of tPR to issue a Financial Support Direction ('FSD') in relation to the Coats 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.

Settlement discussions continue with the Trustee of the Coats Plan as well as the Trustees of the Group's two other UK schemes, which also form part of tPR's investigation (Brunel and Staveley). These discussions have been constructive and progress is being made. Agreement to any settlement will also be required from tPR. To that end Coats Group plc is not only actively engaging with the Trustees but also now with tPR.

As part of the discussions Coats Group plc has committed to all parties to retain the entire parent group cash balance of \$505 million (£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 plc'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 schemes, thereby ending the investigations, and for Coats Group plc to have the ability to commence the payment of normal course dividends to its shareholders and have sufficient cash to invest in growth opportunities.

At this stage the level of annual deficit recovery payments to meet any Technical Provisions deficit remaining, after the support provided by the parent group cash, is not certain. If a settlement cannot be reached and the investigation process continues, the Group believes any hearing is unlikely before the fourth quarter of 2016 at the earliest.

11. ULTIMATE PARENT COMPANY

The Company's ultimate parent company and controlling party is Coats Group plc, a company incorporated in Great Britain and registered in England and Wales. The smallest and largest group for which consolidated accounts are prepared is Coats Group plc. The consolidated accounts of Coats Group plc can be obtained from its registered office at 1 The Square, Stockley Park, Uxbridge, Middlesex UB11 1TD.

The Company's immediate parent company is J. & P. Coats Limited.