

Registered No: 2591134

COATS FINANCE CO. LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

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COATS FINANCE CO. LIMITED

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 ACTIVITIES

The principal activity of the Company during the year continued to be that of a financial trading company.

No changes in the business are expected in the foreseeable future.

DIRECTORS

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

R Howes	(Resigned 6 April 2016)
C Barlow	
Coats Patons Limited	

SECRETARY

At the date of this report, the company secretary is Coats Patons Limited.

GOING CONCERN

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 and the uncertainties that exist in the current economic environment, the Directors believe it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

FINANCIAL RISK MANAGEMENT

The Coats plc group's treasury policy, which is determined by the Board of Directors of Coats plc, governs the management of financial risks within the Coats 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 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.

COATS FINANCE CO. LIMITED

DIRECTORS' REPORT (Continued)

INTEREST RATE RISK

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

CURRENCY RISK

The Company's activities expose it to foreign exchange risk in respect of non-USD denominated bank and inter-company balances. Wherever possible the foreign exchange risk is minimised including through the use of foreign exchange forward contracts.

AUDITOR

Elective resolutions to dispense with holding annual general meetings, the laying of accounts before the Company in a 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 is brought to an end.

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing 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.

COATS FINANCE CO. LIMITED

DIRECTORS' REPORT (Continued)

DIRECTORS' INDEMNITIES

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.

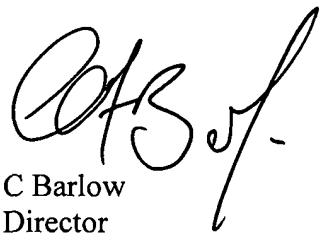
DISCLOSURE OF INFORMATION TO AUDITOR

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.

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



C Barlow
Director

24 September 2016

Registered office:

1 The Square
Stockley Park
Uxbridge
Middlesex
UB11 1TD

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COATS FINANCE CO. LIMITED

We have audited the financial statements of Coats Finance Co. Limited for the year ended 31 December 2015 which comprise the profit and loss account, statement of comprehensive income, the balance sheet, statement of changes in equity and the related notes 1 to 14. 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 FRS102 "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.

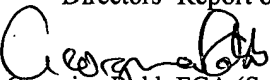
Opinion on other matter prescribed by the Companies Act 2006

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 this 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' 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

29 September 2016

COATS FINANCE CO. LIMITED

PROFIT AND LOSS ACCOUNT
Year ended 31 December 2015

	Notes	2015 \$'000	2014* \$'000
Other operating expense		<u>(65)</u>	<u>(63)</u>
OPERATING LOSS		(65)	(63)
Interest receivable and similar income	4	17,803	19,532
Interest payable and similar charges	5	<u>(9,899)</u>	<u>(10,845)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		7,839	8,624
Tax on profit on ordinary activities	6	<u>-</u>	<u>-</u>
PROFIT FOR THE FINANCIAL YEAR		<u>7,839</u>	<u>8,624</u>

*Restated for adoption of FRS102 (see note 14)

All results derive solely from continuing operations.

The notes on pages 9 to 17 form part of these accounts.

COATS FINANCE CO. LIMITED

STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2015

	2015 \$'000	2014 \$'000
PROFIT FOR THE FINANCIAL YEAR	<u>7,839</u>	<u>8,624</u>
TOTAL COMPREHENSIVE INCOME		
ATTRIBUTABLE TO EQUITY	<u>7,839</u>	<u>8,624</u>
SHAREHOLDERS OF THE COMPANY		

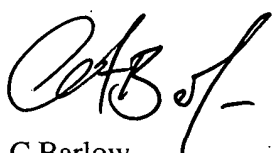
The notes on pages 9 to 17 form part of these financial statements.

COATS FINANCE CO. LIMITED**BALANCE SHEET at 31 December 2015**

	Notes	2015 \$'000	2014* \$'000
CURRENT ASSETS			
Debtors – Amounts falling due within one year	7	52,342	56,882
– Amounts falling due after more than one year	7	703,359	670,000
Cash at bank and in hand		<u>9,782</u>	<u>17,149</u>
		765,483	744,031
CURRENT LIABILITIES			
Creditors – Amounts falling due within one year	8	<u>(292,774)</u>	<u>(279,165)</u>
NET CURRENT ASSETS AND TOTAL ASSETS LESS CURRENT LIABILITIES			
		472,709	464,866
Creditors – Amounts falling due after more than one year	9	<u>(274,887)</u>	<u>(274,883)</u>
NET ASSETS			
		<u>197,822</u>	<u>189,983</u>
CAPITAL AND RESERVES			
Share capital	10	30,430	30,430
Profit and loss account		<u>167,392</u>	<u>159,553</u>
TOTAL SHAREHOLDERS' FUNDS			
		<u>197,822</u>	<u>189,983</u>

*Restated for adoption of FRS102 (see note 14)

The financial statements of Coats Finance Co. Limited, registered number 2591134, were approved by the Board of Directors and authorised for issue on 4 September 2016.



C Barlow
Director

The notes on pages 9 to 17 form part of these accounts.

COATS FINANCE CO. LIMITED**STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2015**

	Called-up share capital \$'000	Profit and loss account \$'000	Total \$'000
At 31 December 2013 as previously stated	30,430	150,924	181,354
Changes on transition to FRS 102 (see note 14)	<u>-</u>	<u>5</u>	<u>5</u>
At 1 January 2014 as restated	30,430	150,929	181,359
Profit for the financial year	-	8,624	8,624
At 31 December 2014	<u>30,430</u>	<u>159,553</u>	<u>189,983</u>
Profit for the financial year	<u>-</u>	<u>7,839</u>	<u>7,839</u>
At 31 December 2015	<u>30,430</u>	<u>167,392</u>	<u>197,822</u>

The notes on pages 9 to 17 form part of these accounts.

COATS FINANCE CO. LIMITED
YEAR ENDED 31 DECEMBER 2015

NOTES TO THE ACCOUNTS

1. STATEMENT OF ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding year.

GENERAL INFORMATION AND BASIS OF PREPARATION

Coats Finance Co. 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 pages 1 to 2.

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

The prior year financial statements were restated for material adjustments on adoption of FRS 102 in the current year. For more information see note 14.

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

Coats Finance Co. 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 Finance Co. Limited is consolidated in the financial statements of its ultimate parent, Coats Group plc, which has the same registered address as Coats Finance Co. 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.

GOING CONCERN BASIS

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

COATS FINANCE CO. LIMITED
YEAR ENDED 31 DECEMBER 2015

NOTES TO THE ACCOUNTS (Continued)

1. STATEMENT OF ACCOUNTING POLICIES (Continued)

FOREIGN CURRENCIES

Assets and liabilities in foreign currencies are translated into sterling at the rate of exchange ruling at the year end. Profits and losses on exchange arising in the normal course of trading are translated at the rate of exchange at the date of the transaction. Realised exchange differences arising on the conversion of foreign currency borrowings are dealt with in the profit and loss account.

FINANCIAL INSTRUMENTS

(i) Financial assets and liabilities

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) Derivative financial instruments

The Company uses 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.

Derivatives are 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.

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. 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.

COATS FINANCE CO. LIMITED
YEAR ENDED 31 DECEMBER 2015

NOTES TO THE ACCOUNTS (Continued)

1. STATEMENT OF ACCOUNTING POLICIES (Continued)

TAXATION (Continued)

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.

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.

Fair value of derivative financial instruments

Coats Finance Co. Limited hedges a significant amount of the Group's currency exposures and therefore has a number of foreign exchange contracts in a variety of different foreign currencies. Determining the fair value of these contracts involves using observable inputs such as quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Therefore, there is an element of judgement involved in determining the fair values.

3. DIRECTORS, EMPLOYEES AND AUDITORS' REMUNERATION

No director received any remuneration for their services to the company (2014: \$nil). There were no other employees (2014: none).

Auditor's remuneration for the audit of the Company's annual accounts of \$13,000 (2014: \$13,000) was borne by a fellow group company.

COATS FINANCE CO. LIMITED
YEAR ENDED 31 DECEMBER 2015

NOTES TO THE ACCOUNTS (Continued)

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	2015	2014
	\$'000	\$'000
Interest on amounts due from Group undertakings	14,283	16,119
Bank interest receivable	3,392	2,898
Foreign currency gains	<u>128</u>	<u>515</u>
	<u>17,803</u>	<u>19,532</u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2015	2014
	\$'000	\$'000
Interest on amounts due to Group undertakings	6,314	7,891
Bank and loan interest payable	<u>3,585</u>	<u>2,954</u>
	<u>9,899</u>	<u>10,845</u>

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2015	2014
	\$'000	\$'000
UK Corporation tax at 20.25% (2014: 21.5%)	-	-
Tax on profit on ordinary activities	<u>-</u>	<u>-</u>

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>7,839</u>	<u>8,624</u>
Tax on profit on ordinary activities at standard rate	1,587	1,854
Adjusted for:		
Impact of FRS 102 adoption	-	(10)
Non-deductible expenses	11	-
Group relief received from group companies for nil consideration	<u>(1,598)</u>	<u>(1,844)</u>
	<u>-</u>	<u>-</u>

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

COATS FINANCE CO. LIMITED
YEAR ENDED 31 DECEMBER 2015

NOTES TO THE ACCOUNTS (Continued)

6. TAX ON PROFIT ON ORDINARY ACTIVITIES (Continued)

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.

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

	2015	2014
	\$'000	\$'000
Temporary difference arising on financial instruments	<u>75</u>	<u>186</u>

The deferred tax asset is unprovided as there is uncertainty regarding the generation of future taxable profits of the company.

7. DEBTORS

	2015	2014*
	\$'000	\$'000
Amounts falling due within one year:		
Other debtors	245	240
Amounts owed by group undertakings	45,856	47,097
Derivative financial assets	<u>6,241</u>	<u>9,545</u>
	<u>52,342</u>	<u>56,882</u>
Amounts falling due after more than one year:		
Amounts owed by group undertakings	<u>703,359</u>	<u>670,000</u>

*Restated for adoption of FRS102 (see note 14)

The amount owed by fellow subsidiary undertakings bear interest at the margin on the Group's revolving credit facility plus 25 basis points. Specific rates also apply to some loan balances. This results in various rates being charged between 1.8% and 2.25%. The amounts receivable in greater than one year are not repayable without 12 months' notice.

COATS FINANCE CO. LIMITED
YEAR ENDED 31 DECEMBER 2015

NOTES TO THE ACCOUNTS (Continued)

8. CREDITORS: Amounts falling due within one year

	2015	2014*
	\$'000	\$'000
Bank loans and overdrafts	89,654	61,406
Amounts owed to group undertakings	196,452	207,284
Other creditors	9	-
Derivative financial liabilities	<u>6,659</u>	<u>10,475</u>
	<u>292,774</u>	<u>279,165</u>

*Restated for adoption of FRS102 (see note 14)

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

	2015	2014
	\$'000	\$'000
Amounts owed to group undertakings	<u>274,887</u>	<u>274,883</u>

The amounts owing to group undertakings have no specified dates of repayment but are only repayable on receipt of twelve months' notice.

10. SHARE CAPITAL

	2015	2014	2015	2014
	Number	Number	\$'000	\$'000
Authorised				
Ordinary shares of £1 each	<u>17,000,000</u>	<u>17,000,000</u>	<u>30,430</u>	<u>30,430</u>
Issued				
Ordinary shares of £1 each	<u>17,000,000</u>	<u>17,000,000</u>	<u>30,430</u>	<u>30,430</u>

11. COMMITMENTS AND CONTINGENT LIABILITIES

Coats plc banking facilities

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

NOTES TO THE ACCOUNTS (Continued)

11. COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

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 UK 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.

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 the tPR 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 three 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.

COATS FINANCE CO. LIMITED
YEAR ENDED 31 DECEMBER 2015

NOTES TO THE ACCOUNTS (Continued)

12. FINANCIAL INSTRUMENTS

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

	2015	2014
	\$'000	\$'000
Financial assets at fair value		
Derivative financial assets measured at fair value through profit or loss:		
• Forward currency contracts	<u>6,241</u>	<u>9,545</u>
Financial liabilities at fair value		
Derivative financial liabilities measured at fair value through profit or loss:		
• Forward currency contracts	<u>6,659</u>	<u>10,475</u>

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

13. ULTIMATE PARENT COMPANY

The Company's ultimate parent company and controlling party is Coats Group plc (formerly Guinness Peat 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 Coats Holdings Ltd, a company incorporated in Great Britain and registered in England and Wales.

COATS FINANCE CO. LIMITED
YEAR ENDED 31 DECEMBER 2015

NOTES TO THE ACCOUNTS (Continued)

14. 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.

Derivative financial instruments

FRS 102 requires derivatives financial instruments to be recognised at the balance sheet at fair value. Under UK GAAP derivatives were not recognised at fair value. This has also resulted in a change to the 31 December 2014 balance sheet classifications. Amounts owed by group undertakings and other creditors have both reduced as amounts relating to derivatives previously included in these balances are now separately disclosed.

Reconciliation of equity:

Note	At 1 January 2014 \$'000	At 31 December 2014 \$'000
Equity reported under previous UK GAAP	<u>181,354</u>	<u>189,931</u>
Adjustments to equity on transition to FRS 102:		
12 Derivatives recognised at fair value	5	52
Equity reported under FRS 102	<u>181,359</u>	<u>189,983</u>

Reconciliation of profit or loss for 2014:

Note	\$'000
Profit for the financial year under previous UK GAAP	<u>8,577</u>
12 Derivatives recognised at fair value	47
Profit for the financial year under FRS 102	<u>8,624</u>