Enhancing the essential products of life

Coats Group plc Annual Report 2015

About Coats

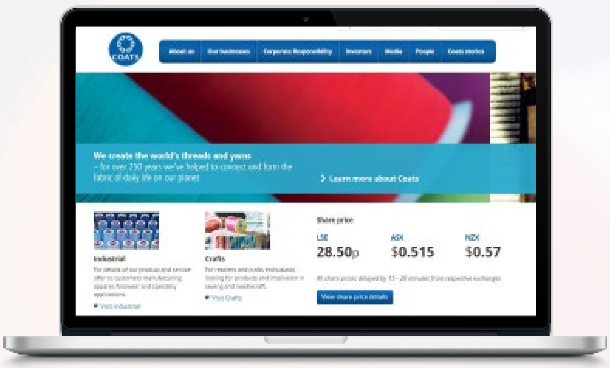
Coats is the world's leading industrial thread manufacturer serving the apparel and footwear industries and Speciality markets such as automotive and fibre optics. We are also a major player in the Americas textile crafts market, and have operations in the UK.

Enhancing the essential products of life

Every day we use our industry knowledge and global expertise to design and deliver products and services that enhance life's essentials.

See more on pages 6, 14, 17 and 18.

For more on latest news and products, history and heritage, business operations, financial performance and Corporate Responsibility:
www.coats.com



Highlights

2015 highlights[1]

Revenue

+3% $1,490m

(2014: $1,445m)

Pre-exceptional operating profit

+19% $139m

(2014: $117m)

Operating profit

+7% $111m

(2014: $103m)

Adjusted earnings per share

+38% 3.96c

(2014: 2.88 cents)

Adjusted free cash flow

$74m

(2014: $88m)

Net working capital % sales

10%

(2014: 12%)

On 4 March 2016, the United States Environmental Protection Agency announced a final Record of Decision for the remediation of the lower 8 miles of the Lower Passaic River (see note 28). The implications of this announcement have been reflected in the Annual Report and audited financial statements. Consequently, the results presented in the Annual Report supersede the Group's unaudited results announced on 25 February 2016.

Strong operating performance and improved quality of earnings

- Pre-exceptional operating profit up 19% like-for-like; operating margins up 130bps
- Adjusted earnings per share up 38% like-for-like; reported loss ($51m) due to discontinued items
- Adjusted free cash flow of $74m (2014: $88m)
- Return on capital employed increased to 33% (2014: 24%)

Strategic progress

- Disposed of loss-making EMEA Crafts business and completed first acquisition (GSD)
- Good market share gains in Industrial

Highly engaged and safe workforce

- Recordable accident rate down 12%; overall employee engagement score up to 83% (global top 10%)

Normalising as a UK plc

- Change of name, combined Board, UK focused share register, intention to delist from NZX and ASX
- Pensions investigations: initiated settlement discussions with Trustees of the three UK schemes

1 2014 figures restated to reflect the change in accounting policies for presentation currency, operating profit and exceptional items and the results of EMEA Crafts business as a discontinued operation. See note 1 to the accounts for further details. Revenue, pre-exceptional operating profit and adjusted earnings per share (EPS) are stated on a like-for-like (constant currency) basis that restates 2014 figures at 2015 exchange rates. Exceptional items excluded from pre-exceptional operating profit are set out in note 4. Adjusted EPS is before exceptional items and foreign exchange gains/losses on Parent Group cash balance. Adjusted free cash flow is adjusted for exceptional and discontinued items, acquisitions, purchase of own shares for the Employee Benefits Trust and UK pension recovery payments, as set out in note 36. ROCE – pre-exceptional operating profit divided by capital employed, 24% in 2014 includes EMEA Crafts (27% excluding) as set out in note 36.

Contents

Group at a glance

Overview

Coats is the world's leading industrial thread manufacturer and a major player in the Americas textile crafts market. Headquartered in the UK, we employ 19,000 people and in 2015 generated revenues of $1.5 billion.

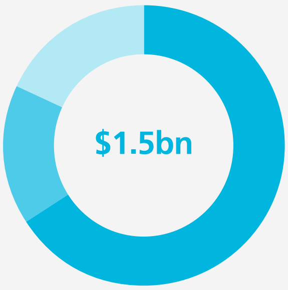
No.1
world's leading thread producer for the apparel and footwear industries

Leading position
in Speciality – high performance threads and yarns

No.2
supplier of zips to global brands

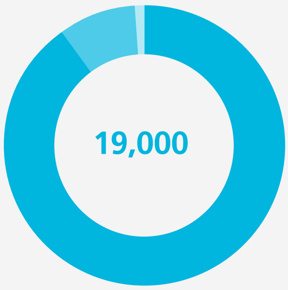
Largest player
in North America textile crafts market

Revenue (2015)



Apparel and Footwear	66%
Speciality	16%
Crafts	18%

Employees (2015)



Industrial	90%
Crafts	9%
Other	1%

Organisation

Industrial

Revenue (2015)

Read more on page 15

$1,213m

Apparel and Footwear

- Apparel, footwear and accessories threads
- Zips and trims products
- Coats Global Services

Speciality

- High technology threads and yarns from performance materials for non-apparel and footwear uses

Crafts

Revenue (2015)

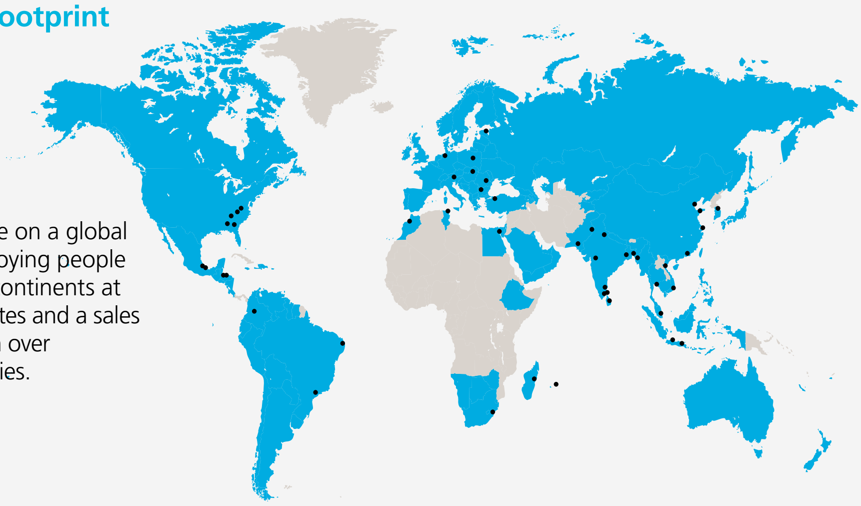
Read more on page 19

$277m

- Foundation and fashion handknitting products
- Needlecrafting – includes consumer sewing and lifestyle fabrics

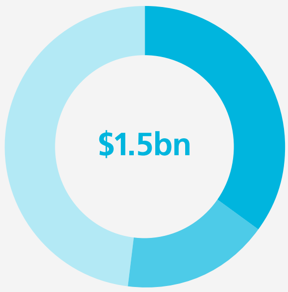
Global footprint

We operate on a global basis employing people across six continents at some 50 sites and a sales presence in over 100 countries.



Presence
Manufacturing sites

Revenue by region (2015)



Americas	35%
EMEA	17%
Asia	48%

Our vision, principles and goals

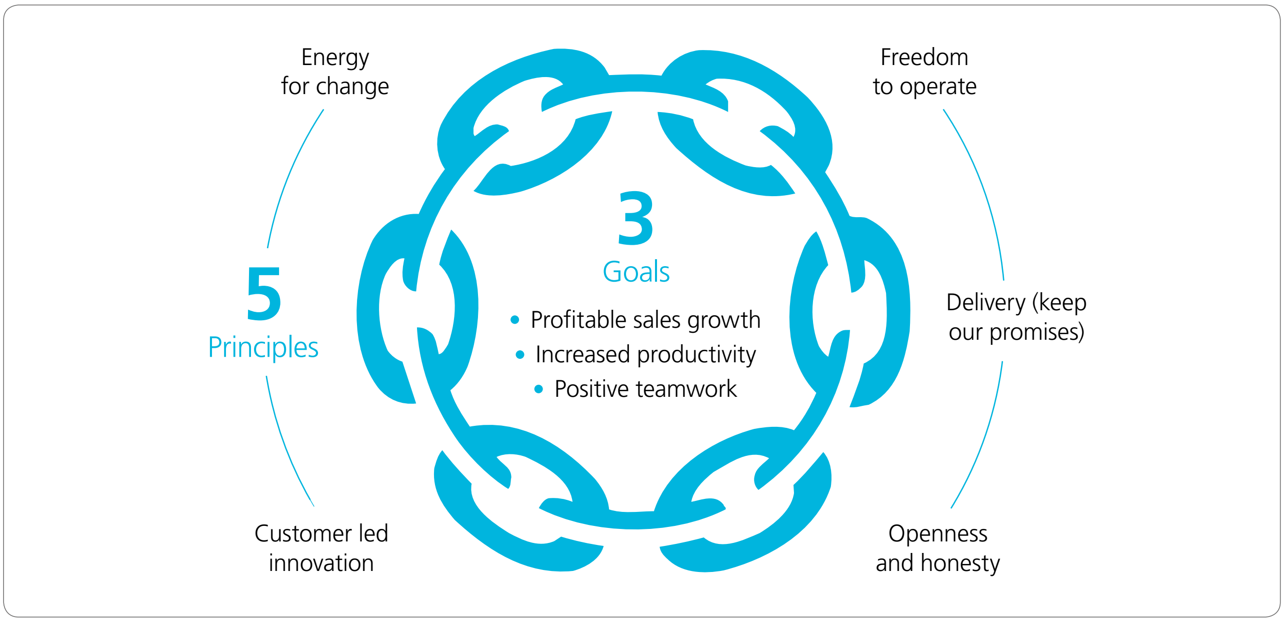
At Coats we have a clearly defined vision and a way of working that is guided by our core principles and goals and supported by our business model and investment case.

Vision

'We will be the world leader in value added engineered yarns and threads for industrial and consumer use. We will develop and supply highly complementary products and services, where they add significant value to customers. We will achieve success through customer-focused innovation and winning propositions driven by motivated people and global teamwork.'

Principles and goals

The way we work to achieve our vision is guided by five principles and three goals.



Key differentiators

Our business model and the five elements to our investment case give us the confidence we can achieve the above.

Business model

Read more on page 8

Core strengths	Operational and commercial expertise	Leading products and services	Benefits for stakeholders

Five elements to our investment case

Read more on page 11

Global market leader with robust fundamentals	Global presence and capabilities	Defined growth strategy	Experienced management team	Cash generative: consistent growth
Strong and defendable core business	Key differentiators that provide a platform for growth	Targeting known markets through organic and acquisitive growth	Leadership, people and systems to deliver growth	Focus on sales, earnings and free cash flow growth

Chairman's statement

The past year has been one of significant progress, even for a company with a heritage as long as ours.

Mike Clasper
Chairman

Dear shareholder

The past year has been one of significant progress, even for a company with a heritage as long as ours.

In February 2015, we established Coats Group plc as a standalone, listed entity. All major investments apart from the Coats business have been sold, culminating in the Company changing name from Guinness Peat Group to Coats Group. We are now a UK-headquartered, global industrial manufacturing business with a new role and direction as a publicly traded company with FTSE 250 ambitions.

Board and governance

In March 2015, we established the Coats Group plc Board, with Directors chosen for their FTSE, geographic, industry and functional talents. David Gosnell and Alan Rosling both became Independent Non-Executive Directors – joining Mike Allen, Ruth Anderson and me – while Paul Forman, Group Chief Executive, Richard Howes, Chief Financial Officer, and Rajiv Sharma, Global CEO Industrial, became Executive Directors.

In April, Nicholas Bull was appointed as Senior Independent Director (SID). Nicholas – a chartered accountant with over 30 years of global banking experience – has also joined both our Audit and Risk, and Nomination Committees. Part of his role as SID is to act as a sounding board for me as the Chairman and to serve as an intermediary for the other stakeholders when necessary.

Drawing on the varied talents of our Non-Executive Directors is important to the success of the business and we will continue to monitor the Board's composition, so that we maintain the best possible mix of skills and industry knowledge to support our strategy and ambitions. In line with best practice, Directors will stand for re-election on an annual basis. For more detail, see the corporate governance section of this report.

Delisting announcement

Our re-emergence as a UK-headquartered global industrial manufacturing business has resulted in a change in the regional diversity of our shareholder base. Over 70% of our shareholders are now UK-based (mainly institutional investors), with fewer than 12% in New Zealand and Australia. In light of this, in November we announced our intention to delist from the New Zealand and Australia stock exchanges.

We have no material operations or Executive Directors in New Zealand or Australia and, during the year, both Sir Ron Brierley and Blake Nixon ended their long associations with the company by stepping down from the Board. This delisting move – approved in principle by both the NZX and ASX authorities – will also eliminate the costs and complexities arising from a triple listing and share register structure.

A resolution will be put to shareholders for approval at the Annual General Meeting in May.

Performance in 2015

During the year we delivered a strong operating performance and improved quality of earnings. The core Apparel and Footwear business continued to gain market share and in Speciality we maintained growth through product innovation and geographic expansion, despite tough conditions in certain key markets.

In our Americas Crafts business we delivered an encouraging second half profit, while across the Group margins increased due to volume growth, lower input prices and procurement and productivity savings.

Overall these factors contributed to pre-exceptional operating profit increasing by 19% on a constant currency basis to $139 million. However, discontinued losses related to the sale of our loss-making EMEA Crafts business, negatively impacted reported earnings.

As a Group we enter 2016 on a solid footing with improving returns and quality of earnings and a stronger business portfolio. More details on performance during the year can be found in the Group Chief Executive's statement on page 10 and Operating review on page 15.

Pensions

Another matter of significance for the Group is pensions – namely the investigations by the UK Pensions Regulator ('tPR') that have been ongoing for the past two years.

We have recently initiated settlement discussions with all three sets of Trustees and have stated we would like to conclude the pension investigations with a solution that is in the interests of all parties. To that end we have committed not to return to shareholders any of the cash balance held by the parent group, currently $505 million (£342 million).

Whilst we are committed to finding a solution, it must be one that enables us to reward our investors with a dividend flow from our successful operational performance. If such a settlement cannot be reached in respect of all the schemes on this basis and the investigations proceed a hearing in front of the 'Determinations Panel' would be unlikely before the second half of 2016 at the earliest. For full detail of the pension schemes and tPR investigations see page 26.

Personal highlights of 2015

For me there were two particular aspects to our performance in the year that I would like to highlight. One is **innovation** – our approach to new product development – the other is the **recognition** of the quality of our people and products.

Innovation During 2015 we launched more new products than ever, in part thanks to the agility of our Research and Development (R&D) model. This model's foundations are our customer understanding and our manufacturing base and dedicated R&D managers who interact with our customer teams to look for innovation opportunities. They create teams from employees as and when needed – enabling us to use existing talent, machinery and operational time to test new ideas within the heart of the business – on the factory floor and with the customer. In 2015, this led to major breakthroughs such as Signal, our retro-reflective sewing and embroidery thread; and a new conductive thread developed for a major supplier to secure its wireless tracking tags to fabrics.

Recognition It was also another year in which both our people and products were publicly recognised. Our Red Heart brand was awarded the Women's Choice Award in the United States; in Bangladesh, brand retailer Decathlon gave us a sustainable development award; our Footwear division received an adidas Quality award for Tier 2 suppliers; and, in Vietnam, our Managing Director Bill Watson received a Certificate of Merit from the office of the Prime Minister.

People

In a year of transition and change, our employees have remained committed and focused and I would like to thank them for their steadfast efforts as we settle into this new phase in our history.

Coats is proud of its strong global presence. We employ 19,000 people in over 60 countries worldwide and we recognise it is their talent and commitment that sets us apart as a business, ensuring that we remain leaders in our sector. We will therefore continue to focus on diversity and inclusion (cultural and gender) across the organisation to ensure that we make the most of that considerable talent.

One of the ways we benchmark our culture is through our employee engagement survey and, in 2015, our engagement score (which shows how proud people are to work at Coats and how willing they are to work toward achieving common goals) is up to 83% (compared with 81% in 2014), strengthening our position in the top 10% of companies globally.

Our Health and Safety figures also continued in the right direction. During 2015, our recordable accident rate was 0.29 work-related injuries and illnesses per 100 Full Time Employees – well below industry average figures reported by the US Occupational Safety and Health Administration.

Looking ahead

In the year ahead we will continue the process of 'normalisation' as a UK-listed, global manufacturing company, while increasing the pace of product and service development and acquisitions – exploring ways in which we can translate our successes into greater value for shareholders.

Mike Clasper
Chairman

10 March 2016

London Stock Exchange opening
To mark the 125th anniversary year of our initial listing, in June members of the Board and employees were invited to open the day's trading on the Main Market of the London Stock Exchange (LSE).

Coats delisting from the New Zealand and Australia stock exchanges:
Key dates

18 May 2016	Annual General Meeting – shareholder approval sought to delist from NZX
21 June 2016	Coats shares and CDIs to be suspended from trading on NZX and ASX respectively (at close of trading)
24 June 2016	Closing date of Share Sale Facility*
24 June 2016	Coats to be delisted from NZX and ASX

* (unless extended by notice released to the LSE)

See page 136 for Registrar contact details and information on delisting

Enhancing the essential products of life

Satisfying global demand

Our unrivalled global footprint and longstanding local presence in places such as Bangladesh, China, India, Sri Lanka and Vietnam puts us right at the heart of the rapidly growing Asia Pacific region.

Global reach

Our global capability comes from years of working locally – all around the world. In Bangladesh and Vietnam we recently celebrated 25 years of successful partnership.

The world's favourite thread

Coats Epic is the world's leading premium sewing thread – popular with brands because of its high quality, wide product range and global availability.

GSD
Part of Coats Global Services

Improving industry performance

In May we acquired GSD. As part of Coats Global Services, GSD offers solutions that analyse time, cost and production capability in the sewn products sector, to maximise productivity and costs.

Market trends

Coats is a global leader in growing markets and well positioned to take advantage of global socio-economic trends and specific factors affecting the environment in which we operate.

Global socio-economic trend

The continued growth of the urban middle class in Asia is fundamentally changing our world (see map).

What it means for us:

- Increasing global demand for apparel and footwear;
- Increasing demand for consumer products with Speciality thread and yarn;
- Asia Pacific moving from production base to world's largest consumer market;
- Asia Pacific will challenge developed economies in the production of high-end consumer goods.

Middle class growth projections in emerging markets

(Source: Standard Chartered Bank)

Apparel and Footwear thread

Consumer demand for clothes and shoes tends to grow faster than overall economic growth. Historically, there is a strong link between clothing retail sales and GDP growth.

Thread is a critical component to the performance of a garment and, as the world's leader in **Apparel and Footwear** (A&F) thread, we are a key supplier to the global $1.5 trillion apparel industry. Globally, the industry is expected to grow by 2% per year over the medium term, but this will be double in Asia as – not only will more consumers demand more garments – but more affluent consumers will demand higher-end garments. The global footwear industry is c$350 billion in size and has similar growth prospects.

Garment production has been highly mobile; with the flight from West to East at the end of the 20th century and more recently between developing economies. The supply chain to the industry has had to follow and is highly fragmented.

Within these demand and supply dynamics, Coats has not only remained the global market leader (we are almost double the size of our nearest competitor) but has also gained market share.

The garment industry is currently facing a number of pressures, to which brands, garment manufacturers and component suppliers are having to respond:

- Speed (to market, in sampling, in sourcing);
- Productivity (low-cost locations scarcer due to inflationary pressures);
- Innovation (product, process and consumer experience);
- Quality (as a differentiator);
- Compliance (environmental, labour, sourcing)

Coats is leading the industry in meeting these needs. We are positioning ourselves as the leading value added partner to the global apparel and footwear industries.

Speciality threads and yarns

Coats defines **Speciality** as thread and yarn not used in apparel and footwear. This ranges from thread used in traditional markets such bedding and air bags, emerging applications such as tea bags, and fibre optics cables and value added engineered yarns used in composites and conductive products.

Demand for Speciality thread is increasing due to growing consumer and government demand, and tends to grow in excess of economic growth. The main drivers currently are:

- Pace of urbanisation in developing countries (for example, the rollout of fibre optic cables);
- Economic growth, which means consumers purchase more products with Speciality thread (for example, leisure goods, cars with airbags, tea bags);
- Consumers demanding more innovative products which can use smart thread to enhance their functionality (for example, wearable technology);
- Increasing public sector spending and safety compliance in developing countries (for example, utility infrastructure, flame retardant protective clothing for military and industrial uses).

Coats estimates the addressable market (in to which we currently or could realistically serve in the near term) is currently $1.8 billion in size and likely to grow over time. Speciality customers are demanding manufacturing localisation and global supply solutions, with ways to apply threads and yarns both in enhancing existing products and in creating new ones.

Coats is the leader in its addressable market and is gaining market share by leveraging its core global capabilities:

- We have leading innovative brands;
- Our size means we can out-invest in new technologies;
- Our global customer relationships;
- We can leverage our global, world class A&F asset base to develop centres of excellence beyond the US and Europe;
- As the market leader we are in a position to use bolt-on acquisitions to access new geographies and adjacent end-markets.

Crafts

Coats is the market leader in the ~$1.8 billion Americas textile crafting industry. Growth in **Crafts** is driven by inspiring our customers and consumers to spend more time crafting.

In the North American market we are leaders in handknittings, which can be split into 'foundation' and 'fashion' yarns. Foundation yarns tend to be longstanding, value products characterised by steady growth, and our market-leading brand Red Heart has made share gains over the last few years. Demand for fashion yarns tends to more transitory and unpredictable and follows consumer trends which are driven by a variety of on and offline media sources.

In Latin America Coats has a market leading presence in both needlecrafts and handknittings. Here the dynamics of the region are different with the needlecrafts market the largest.

Business model

How Coats creates value

Our business model is driven by our ability to design, manufacture, market and deliver high quality products and services.

It is underpinned by our principles and goals, our commitment to operating responsibly, a robust risk management framework, our financial strength and our ability and commitment to continually reinvest.

Core strengths

- Global assets
- Strong customer relationships
- R&D network
- Global, engaged workforce
- Financial strength
- Leading brands

Operational and commercial expertise

- Manufacturing excellence
- Technical capabilities
- Digital services
- Colour management
- Product and process innovation
- Marketing expertise
- Supply chain

Reinvestment (organic and inorganic)

Risk management/Corporate Responsibility/Health and Safety

Principles and goals

Our resources

Led by an experienced Board with a breadth of geographic and functional experience we have an international workforce that is both highly engaged and committed.

In addition to our corporate brand reputation, which is based on a long heritage, we have market leading brands recognised for excellence in the market place. Through our global R&D network we are also at the forefront of innovation in the industries in which we operate.

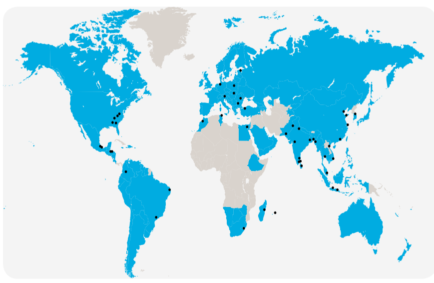
This provides us with access to the widest range of garment manufacturers and brands in the world from which we gather deep market insight. This is all supported by a strong balance sheet allowing us to reinvest and continually upgrade.

Our skills

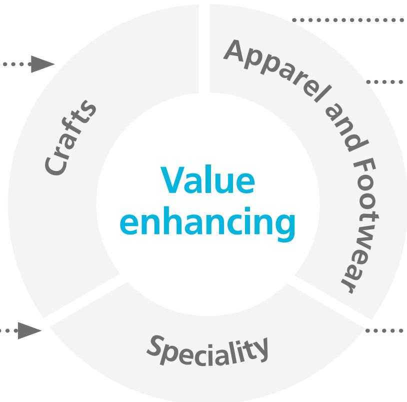
We are able to service our customers on a short-lead time, with a globally consistent quality and colour that has been manufactured to high employment, ethical and environmental standards.

We use our expertise to create new products and applications for existing products, as well as supporting our customers by making thousands of technical interventions on the shop floor every year.

We offer leading digital services such as colour sampling, online training and ecommerce, making it easier to do business with us and offering greater value and time benefits to customers.



Leading products and services



Benefits for stakeholders

Customers

Brands and retailers

Consumers

> Safe, respectful workplace
> Shareholders
> Communities
> Pension schemes
> Profitable, cash generative operating business

Reinvestment (organic and inorganic)

Our products and services

We leverage our market leading resources and skills to provide innovative value adding products and services to our customers.

Whether it's manufacturing Epic thread for fashion apparel, delivering leading cost benchmarking tools to garment manufacturers, developing conductive thread for use with a revolutionary RFID tag, or producing America's leading handknitting yarn, we make the most of our resources and knowhow to maintain a competitive edge.

Our outputs

Delivering innovative products and services directly benefits our customers and brands. If we do this successfully, and use our resources and skills productively and efficiently, we will deliver profitable sales growth and generate cash.

In turn this allows us to generate value and returns for our shareholders and enables us to reinvest in the business, through organic or acquisitive means.

This creates a virtuous circle of being able to attract, retain and motivate employees with the necessary skills and talent across the Group.

Group Chief Executive's statement

In 2015 we delivered a strong performance with like-for-like operating profit growth of 19%.

Paul Forman
Group Chief Executive

2015 performance

Key performance indicators

Revenue
$1,490m +3%

Pre-exceptional operating profit
$139m +19%

Adjusted earnings per share
3.96c +38%

Adjusted free cash flow
$74m
(2014: $88m)

Return on capital employed
33% +900bps

Recordable accident rate (injuries per 100 FTE per year)
0.29
12% improvement on 2014

Employee engagement
83% +200bps

For more information see key performance indicators on page 27.

Dear shareholder,
I am pleased to report that in 2015 – our first year of reporting as Coats Group plc – we delivered a strong performance.

2015 performance[1]
Coats' revenues increased 3% to $1,490 million in 2015 from $1,445 million. Industrial sales growth of 5% was driven by a strong performance in the Apparel and Footwear business, almost wholly driven by volumes given a challenging pricing environment, and product innovation and geographic expansion in the Speciality business despite tough conditions in the global oil and gas sector. Crafts sales fell 6% to $277 million (2014: $295 million), reflecting tough comparators in the first half (impact of the decline in fashion handknittings demand) and the mild North American autumn/winter in 2015 which impacted consumer demand.

Pre-exceptional operating profit increased 19% year-on-year to $139.4 million (2014: $117.0 million). Industrial profit grew 20% and margins were up 130 basis points (bps) to 11.1% due to strong volume growth, lower input prices, productivity and non-raw material procurement improvements (which more than offset labour and energy inflation). The 14% increase in Crafts profit was primarily due to lower input prices and cost reduction initiatives. Margins also benefited from lower Group costs year-on-year and initial cost savings from an overhead reduction programme that resulted from a review of our cost base following the disposal of the EMEA Crafts business. Operating profit, post-exceptional items, on a reported (actual currency) basis increased 7% to $111 million (2014: $103.4 million).

Currency movements continued to impact results on both a translational and transactional basis throughout 2015. As we report in US Dollars and given that our global footprint generates significant revenues and expenses in a number of other currencies, a translational currency impact can arise. In 2015 a decline in Group sales of 5% on a reported (actual currency) basis reflected the strengthening of the US Dollar against a number of currencies, particularly the Euro and Brazilian Real.

Financial summary
Adjusted earnings per share attributable to equity shareholders on a like-for-like basis increased by 38% to 3.96 cents (2014: 2.88 cents). This was achieved by higher operating profit and a reduction in the underlying tax rate. We generated a reported attributable loss of $50.6 million (2014: $15.0 million profit), due to a significant loss ($75.5 million) from discontinued items related to the disposal of the loss-making EMEA Crafts business, as well as a higher level of exceptional charges.

The disposal of EMEA Crafts, which generated a trading loss of $12.7 million in 2015, has improved the Group's quality of earnings and returns and allowed management to better focus on the high performing global Industrial and strong Americas Crafts businesses.

In 2015, Coats generated an adjusted free cash inflow of $73.9 million compared to $87.8 million in 2014. Higher operating profits, lower interest and tax paid were more than offset by the implementation of a revised supplier payment approach that negatively impacted working capital (see financial review section for more details). Total net cash at 31 December 2015 was $241 million, a year-on-year decline of $80 million, primarily due to foreign exchange losses on the parent group balance and the cash outflow related to EMEA Crafts and its disposal (although the cash cost was significantly lower than the impact on the income statement).

Return on capital employed ('ROCE') increased to 33% from 24% in 2014, driven by higher profitability and the disposal of EMEA Crafts, underpinning the rationale for disposing the loss-making business (2014: 27% excluding EMEA Crafts). Over the last three years, ROCE increased 13 percentage points from 20% in 2013.

[1] In the following commentary, all comparisons with 2014 are on a like-for-like currency basis (restates 2014 figures at 2015 exchange rates) and all references to operating profit are on a pre-exceptional basis.

Investment case

Five elements to our value

The five elements to our investment case work alongside our business model to sustain and build Coats' market leadership and deliver cash generative, consistent growth to our shareholders.

For more go online www.coats.com/investors

For a more detailed breakdown of performance, see the Operating review from page 15 and the Financial review from page 24.

Strategic highlights

Acquisition of GSD

I am delighted to be able to report that, in a year of change and consolidation, we also achieved our first acquisition in over ten years. In May we acquired 100% of GSD Corporate Limited, a UK-based consultancy that supplies the garment industry with methods of analysis and productivity improvement solutions. GSD, which has customers in over 60 countries and a strong Asian presence, is now part of Coats Global Services. This acquisition is a strong fit with our existing business and an example of the type of M&A transaction which we see as delivering future growth for the business.

Crafts: Refocus

During the year we disposed of the non-UK part of EMEA Crafts to Aurelius, a German private equity firm. This followed a comprehensive review of the business and its strategic fit within Coats, and it is a decision that will better position Coats for future profitable growth. It will also enable management to focus its attention on our high-performing global Industrial and strong Americas and UK Crafts businesses where we have seen good margin improvement overall.

Five elements to our value

I believe that our success as a company is underpinned by five core elements. These work together to sustain and build Coats' market leadership and to deliver cash generative, consistent growth. Each element is a strength in itself but, together, they combine to set us apart from our competitors, giving us a solid platform from which to innovate and grow.

I would like to take this opportunity to talk about them in more detail and provide pertinent examples.

Group Chief Executive's statement
continued

First metallized thread antenna
In 2015 we launched a metallized thread antenna specifically for use with a revolutionary radio frequency identification (RFID) tag for tracking applications in the industrial laundry, leather, textile and uniform sectors.

Coats Match digital colour reader
Coats Match is a highly portable, digital colour reading device that can significantly reduce time and costs for customers at design and approval stages.

1 2

Global market leader with robust fundamentals and capabilities

Our global footprint – some 50 manufacturing sites across the world and a sales presence in over 100 countries – means we maintain market positions that are several times larger than our competition. It also enables us to satisfy customer demand wherever it occurs globally and to pursue global growth in Speciality. This is a key differentiator and one that provides a sound basis for our growth.

In addition, we have our strong corporate brand reputation, which is based on a deep heritage stretching back over 200 years, and market leading brands that stand for excellence in the market place. These provide the basis for strong relationships with the widest range of brands and manufacturers in the world from which we constantly gather in depth market insight. This unique combination of relationships, resources and reach, when coupled with our agile global R&D network, provide us with an unrivalled leadership position in the market.

We maintain that position with a comprehensive range of products and services, sustained by a culture of continual product and service innovation. This enables us to lead the industry in anticipating and meeting the changing needs of our customers and consumers. Over the past five years we have launched over 200 new products. In 2015 these included:

- **Signal thread** Our new premium reflective thread which couples an extraordinarily high level of retro-reflectance with good sewability (intended for mainly decorative use, though it also helps enhance visibility at night time and in difficult weather conditions);
- **Secura thread** A heat-activated fusible thread that we developed in response to feedback from our customers to help secure buttons and decorative applications such as sequins and beads;
- **Conductive thread** Developed by us for a major supplier to secure its wireless tracking tags to fabrics (the thread acts as an antenna, introducing the possibility of incorporating intelligence into sewing processes; thus opening up a whole range of new product markets);
- **Opti LUX Trio zips** These have been specifically created for high-end goods, with a longer, more complex manufacturing process, which results in features such as individually polished teeth, smooth slider running and a wide range of finishes.

We are also innovators in the field of digital, creating products to meet and pre-empt a diverse range of industry needs.

- **eCommerce** A real-time online system designed to make thread ordering as quick and easy as possible for customers, allowing them to check things such as thread orders, stock availability and payment status from a mobile device.
- **Coats Colour Express** A web-based application, using Coats Colour Capsure (our electronic shade card), backed up by Coats colour experts, which allows customers to accurately match, sample and order thread quickly and easily.
- **Coats Match** A highly portable and user-friendly colour-reading device that connects via Bluetooth to two mobile Apps, Coats Colour Select and Coats Colour Compare, allowing customers to share measured colour standards; set tolerances within which a colour is acceptable; and compare physical fabric with their chosen colour for accuracy. This reduces lead times and the high costs associated with traditional colour design and approval processes.
- **Redheart.com** A website for Red Heart customers worldwide, with an ordering system that allows users to shop for Red Heart products with a one-click function that gathers all the required supplies, and incorporating tutorial, blog and community sections.

3

Defined growth strategy

Our defined growth strategy is well established and targets known markets through organic and acquisitive growth. We have Market Goals in place to guide us right through to 2018.

Apparel and Footwear (A&F) We aim to be the leading value added partner to the apparel, footwear and accessories industries and will achieve this with share gains garnered from innovation in products and services – for instance, anticipating trends in the increasing demand for A&F driven by a growing middle class in Asia Pacific. We will continue to make strategic choices in areas such as digital, innovation and partnership, utilising the excellence of our marketing, sales, enhanced products and transformative services. This, combined with the skills of our workforce; the agility and responsiveness of our systems; our operational excellence; and compliance, gives us the leading edge we need to compete as an industry leader.

Speciality To remain the leading global player in Speciality threads and yarns we must increase our global reach – accessing new geographies and end-markets and seizing appropriate merger and acquisition opportunities as they arise – while continuing to bring innovative products to market. This means a move away from our traditional segments into value added engineered yarns, which we are achieving through product innovation, performance materials and best in class service.

Crafts To be the leading global player in textile crafts means focusing on our strong and profitable Americas and UK businesses. There is much opportunity within the ~$1.8 billion Americas textile crafting industry, and a smaller – but expanding – presence in Latin America. In North America our strategy is two pronged – firstly, deliver digital inspiration by establishing direct relationships with consumers, via our redheart.com and makeitcoats.com web sites; secondly, deliver best in class category management and customer service to major retailers such as Walmart.

4

Experienced management team and people

At Coats we are led by an experienced Board and management team who are supported by a highly motivated workforce. We have made great strides during 2015 to ensure that the composition of our Board of Directors possess the right breadth of geographic, industry and functional experience to ensure our success as a global manufacturing business. Alongside this we have continued to uphold and embed the values and behaviours that ensure we have an engaged workforce and a healthy working environment. Our commitment to both is reflected in us formally adopting these measures as non-financial key performance indicators for the Group. For more on this, see page 27.

Commitment to Health and Safety
A safe and healthy working environment is our number one priority – and everyone has a part to play in contributing to our safety culture. 2015 was a year of continued improvement and significant highlights – for example, in Pakistan we achieved 4 million accident-free hours. There is, of course, always more work to be done and we are targeting a reduction from our already low base while at the same time extending our reporting to cover any commuting accidents our employees may experience getting to and from work.

Employee engagement In 2015, 98% of our employees took part in our employee engagement survey and we were pleased to see that our employee engagement score has risen by two percentage points to 83%, keeping us in the top 10% of all global surveyed companies.

People We currently have over 70 nationalities among our employees, and more than 20 (out of ~100 people) in our global leadership team, and we recognise that we must retain the best talent from the widest possible pool to ensure the ongoing success and relevance of the business. In 2015, we launched a diversity and inclusion (D&I) programme, which will address the number of women in leadership positions, and our ongoing Management Capability Development Programme has now been completed by more than 400 people from over 40 countries. For more details, go to the People section on page 20.

5

Cash generative, consistent growth

The four elements outlined above allow us to generate improving financial returns and quality of earnings. A continued focus on sales and earnings growth and free cash flow generation gives us a strong base for the future, and we continue to focus on working capital management and capital discipline, with internal initiatives such as a recent review of all fixed costs, as well as our annual operational productivity and purchasing programmes (saving approx. $15 million per annum) and the implementation of new operational structures.

Operating responsibly

We pride ourselves on being a responsible company and recognise the increasing importance of compliance in all the markets in which we operate. Two elements that are essential for us as a Group maintaining our reputation within the industry are our approach to Corporate Responsibility (CR) and managing risk.

Corporate Responsibility Our CR programme is integrated with our business strategy and helps us build and maintain both our reputation and our relationships with key stakeholders. It is structured around our seven strategic themes which we review on a bi-annual basis to ensure they remain appropriate and relevant. This year we held workshops with over 70 key suppliers in China to ensure that they are meeting the standards set out in our supplier code of practice, maintaining those high environmental and social standards that we demand from all our industry partners. For more detail see Corporate Responsibility on page 22.

Managing risk We take a robust approach to risk management, which underpins our operations and ensures that we have the necessary systems in place to identify risk appropriate for a global manufacturer. During the year we put in place a three-level risk programme, and sought advice from global risk consultants on how best to protect ourselves as we conduct business in new and existing markets. We have continued to invest in facilities through our capex programme and also established a dedicated risk function at a Group level. For more detail see Principal risks and uncertainties on page 28.

Our outlook

We delivered a strong performance in 2015 supported by market share gains, product innovation, lower input prices and productivity and procurement gains. These factors have put the business on a solid footing for the year ahead.

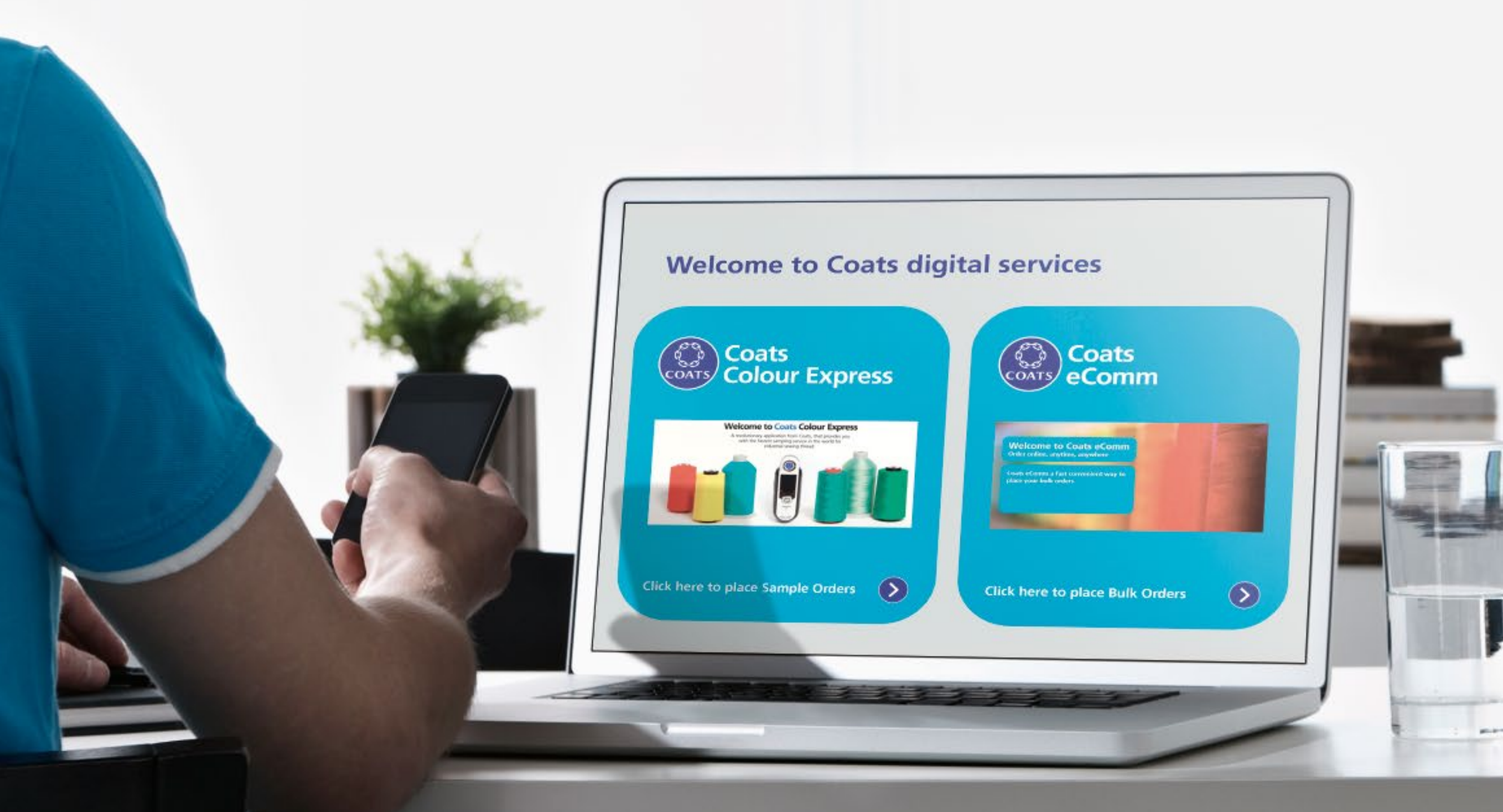
Additionally, we will realise incremental savings from our overhead reduction programme, which aims to reduce costs following the disposal of EMEA Crafts. However, as we continue to grow there is a need to reinvest into the business to support our growth ambitions. Furthermore, against a backdrop of mixed economic conditions with uncertainties on consumer demand in the US and Western Europe, demand from the oil and gas industry and the potential for the US Dollar to further strengthen, Group performance could be adversely impacted. On balance, we expect to deliver modest year-on-year growth in Group pre-exceptional operating profit with improvements to non-operating items further benefiting adjusted EPS.

Paul Forman
Group Chief Executive

10 March 2016

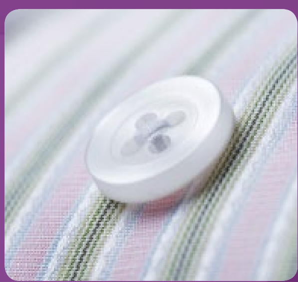
Experts in developing better products and services

We constantly draw on our expertise to explore new ideas. This allows us to identify areas for growth and to create products and services that give us a competitive edge.



Coats eComm

A mobile real-time, online ordering service making thread ordering easier and faster than ever. Now live in 25 markets, Coats eComm accounts for over 50% of total thread orders.



Coats Secura

During the year we launched Coats Secura, a fusible polyester corespun thread, which helps to secure items such as buttons and decorative applications like sequins.

Operating review
Industrial

Rajiv Sharma
Global CEO, Industrial

Our core Apparel and Footwear business continued to gain market share, and in Speciality we continue to grow through product innovation and geographic expansion.

Revenue in 2015 (year on year)

Apparel and Footwear	$979m	+5%
Speciality	$233m	+8%

Revenue in 2015
$1,213m +5%

Segment profit
$135m +20%

Segment margin
11.1% +130bps

In the following commentary, all comparisons with 2014 are on a like-for-like currency basis (restates 2014 figures at 2015 exchange rates) and all references to segment profit are to pre-exceptional segment profit.

Despite a challenging pricing environment, Industrial revenue rose 5% year-on-year from $1,150 million in 2014 to $1,213 million in 2015 due to good levels of volume growth. This was driven by underlying market growth and market share gains, the latter based on product and digital service innovation and excellent service levels.

Revenue in **Apparel and Footwear** (which includes accessories, zips and trims and global services) grew 5% year-on-year, almost wholly due to volume growth. This included double-digit sales growth in key markets such as Bangladesh, Colombia, Mexico and Vietnam. Coats increased its market share, with the increasing adoption of Coats' digital services being a key driver. For instance, in Q1 2015 the Company rolled out an eCommerce platform: within one year it is already live in 25 countries; is used by approximately 7,500 customers; and accounts for over 50% of total thread orders. In a general deflationary environment, pricing was relatively flat in 2015, although there were regional variations.

	2015	2014			Like-for-like increase/(decrease)		
	Reported $m	Reported[1] $m	Reported increase %	Like-for-like[1,2] $m	Full year %	First half %	Second half %
Revenue by business							
Apparel and Footwear[3]	979.3	1008.1	(3)%	934.4	5%	4%	5%
Speciality	233.2	235.0	(1)%	216.0	8%	13%	3%
Total	**1,212.5**	**1,243.1**	**(2)%**	**1,150.4**	**5%**	**6%**	**5%**
Revenue by region							
Asia	714.9	679.8	5%	665.6	7%	8%	7%
Americas	266.4	288.6	(8)%	253.0	5%	8%	3%
EMEA	231.2	274.7	(16)%	231.8	0%	(1)%	1%
Total	**1,212.5**	**1,243.1**	**(2)%**	**1,150.4**	**5%**	**6%**	**5%**
Segment profit[4]	135.2	**117.9**	**15%**	**112.2**	**20%**	**15%**	**26%**
Segment margin[4]	11.1%	**9.5%**	**160bps**	**9.8%**	**130bps**	**90bps**	**190bps**

1 Restated to reflect the change in accounting policies for presentation currency, operating profit and exceptional items. See note 1 to the accounts for further details.
2 2014 like-for-like restates 2014 figures at 2015 exchange rates.
3 Includes accessories, zips and trims and global services.
4 Pre-exceptional items (see note 2 to the accounts).

Operating review
Industrial continued

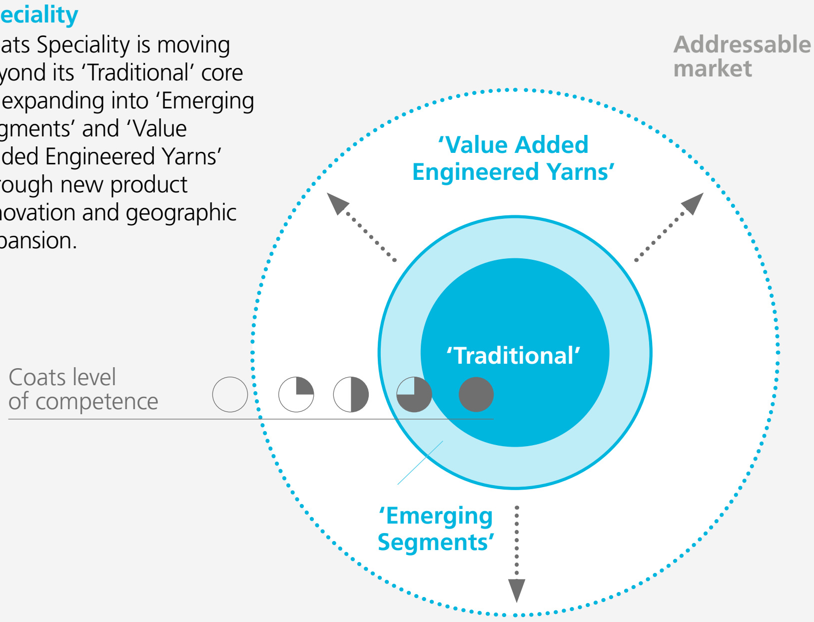
Speciality revenue grew 8% year-on-year, in line with recent guidance, through geographic expansion of existing products, such as furniture and upholstery in Asia, and new product innovation, notably a strong uptake in demand within the engineered performance fabrics and wire and cable markets. As previously announced, overall growth slowed between July and October due to the slowdown in the global oil and gas sector and tough year-on-year comparators. The oil and gas sector represented 15-20% of Specialty sales in 2015 through the supply of components for thermoplastic pipes and protective wear. Speciality growth improved in the last two months of 2015, demonstrating the diversification of the end markets in which the business operates. Given its relative importance, a continued slowdown in the oil and gas sector may marginally impact growth in 2016.

Revenue in Asia increased by 7% year-on-year, with good levels of growth across most countries driven by both domestic and export demand in Apparel and Footwear, as well as Speciality growth. The Americas delivered a 5% increase, primarily due to Speciality sales growth in North America, while Latin America delivered good Apparel and Footwear growth. However, weak market conditions adversely impacted performance in the loss-making Brazilian business and these are expected to continue in 2016. Sales were marginally lower in EMEA for the full year, primarily due to weak zip demand in H1 2015, especially in Italy. However, sales improved in the second half supported by growth in key Apparel and Footwear markets and Speciality, and a better performance in zips.

Industrial operating profit increased 20% to $135.2 million (2014: $112.2 million) and margins increased 130bps to 11.1% (2014: 9.8%) reflecting good volume growth. In addition, there were cost benefits in a general deflationary environment, however this did lead to a challenging pricing environment, and the business also continued to deliver productivity and non-raw material procurement improvements.

Apparel and Footwear
Factors that make Coats Apparel and Footwear well placed to extend its market leading position.

Speciality
Coats Speciality is moving beyond its 'Traditional' core by expanding into 'Emerging Segments' and 'Value Added Engineered Yarns' through new product innovation and geographic expansion.



Acquisition of GSD
As previously reported, in May 2015 Coats acquired GSD Corporate Ltd ('GSD'), a UK based company, for a total consideration of $5.5 million. GSD supplies expert management solutions that analyse time, cost and production capability in the sewn products sector with a focus on maximising productivity and controlling costs. Strategically it is a good fit within Coats Global Services' end-to-end Operational Excellence offering, which provides practical, industry-specific technical services, training, technology solutions, quality assurance and compliance. GSD is performing in line with management expectations.

Coats Ultrabloc

A unique swellable yarn that protects fibre optic cables from water damage. Its flexible and lightweight properties means the cable industry can repair and install quicker than ever before.

Aptan Xtru

A high temperature resistant yarn created to function in extreme environments and applied to wire harnesses used in industries such as emergency, construction and military.

Coats Synergex

In our state of the art carbon room we create composite yarns that can be custom moulded into lighter, more flexible parts for the automotive and aerospace industries.

Enhancing the essential products of life

Pioneering clever thin lines

We have a proven track record of applying innovative technologies to threads and yarns to improve their performance and create high value added products that go into new end uses.

America's best loved brand

Red Heart has been voted America's most recommended yarn brand in 2015 and 2016 by the Women's Choice Award. Consumers appreciate the combination of its rich heritage and our digital platform which offers one-click ordering and a range of tools and resources for its online community.

Focused on customers

We manage our relationships with the world's leading brands and retailers through our Global Accounts programme offering customers an integrated, end to end global sales experience.

Enhancing the essential products of life

Understanding customer and consumer needs

Our deep industry understanding and supply chain management means we provide customers and consumers with the right products, in the right place, at the right time and in a way that works best for them.

Operating review
Crafts

Michael Schofer
Global CEO, Crafts

The disposal of EMEA Crafts has allowed management to better focus on the Americas and UK Crafts businesses.

Revenue in 2015 (year on year)

Needlecrafts	$127m	(3)%
Handknittings	$150m	(9)%

Revenue in 2015
$277m (6)%

Segment profit
$14m +14%

Segment margin
5.2% +90bps

	2015	2014			Like-for-like (decrease)		
	Reported $m	Reported[1] $m	Reported (decrease) %	Like-for-like[1,2] $m	Full year %	First half %	Second half %
Revenue							
Handknittings	149.5	169.7	(12)%	163.7	(9)%	(9)%	(8)%
Needlecrafts[3]	127.5	148.6	(14)%	130.8	(3)%	(3)%	(2)%
Total	**277.0**	**318.3**	**(13)%**	**294.5**	**(6)%**	**(7)%**	**(5)%**
Segment profit[4]	**14.4**	**13.8**	**4%**	**12.6**	**14%**	**(55)%**	**84%**
Segment margin[4]	**5.2%**	**4.3%**	**90bps**	**4.3%**	**90bps**	**(230)bps**	**400bps**

1 Restated to reflect the change in accounting policies for presentation currency, operating profit and exceptional items and the results of EMEA Crafts business as a discontinued operation. See note 1 to the accounts for further details.
2 2014 like-for-like restates 2014 figures at 2015 exchange rates.
3 Includes other textile craft products such as consumer sewings and lifestyle fabrics.
4 Pre-exceptional items (see note 2 to the accounts).

In the following commentary, all comparisons with 2014 are on a like-for-like currency basis (restates 2014 figures at 2015 exchange rates) and exclude EMEA Crafts; and all references to profit are to pre-exceptional segment profit.

Crafts revenues declined 6% year-on-year from $295 million in 2014 to $277 million in 2015. Handknitting sales declined 9%, predominantly due to tough comparators following the strong demand for fashion handknitting products in H1 2014. This more than offset sales growth in foundation handknitting products, in both North America and Latin America. The mild autumn/winter in North America in 2015 negatively impacted sales in the final quarter and signs of continued softness in the handknittings market have persisted in early 2016. Needlecrafts sales declined 3%, reflecting the continued decline in the Americas needlecrafts market, however this was partly offset by strong sales in the smaller but growing lifestyle fabrics business.

Crafts made a profit for the period of $14.4 million (2014: $12.6 million). The 14% increase was mainly due to lower input prices and a focus on reducing operating costs, which more than offset the decline in sales. This resulted in 90bps improvement in segment margin to 5.2% in 2015 (2014: 4.3%). The increase in profitability from H1 2015 ($2.8 million) to H2 2015 ($11.6 million) was driven by increased sales, operational gearing, a greater benefit from lower input prices and cost reduction initiatives.

Disposal of EMEA Crafts

As previously reported, Coats completed the disposal of its loss-making EMEA Crafts business in July 2015. The sale has improved the Group's quality of earnings and returns and allowed management to better focus on the high performing global Industrial and strong Americas Crafts businesses. The business generated a loss of $12.7 million in 2015, which is recognised within discontinued items. See page 25, Financial review for further information.

People

Our employees are the core of our business. Their leadership, talent and commitment ensure we remain leaders in our sector.

A diverse workforce:

Gender diversity at Coats

Male	59%
Female	41%

Senior management[1] (excl. Coats Group plc Board Directors)

Male	81%
Female	19%

We value our workforce highly and employ nearly 19,000 people in over 60 countries. Our employees are the core of our business. Their leadership, talent and commitment ensure we remain leaders in our sector, are competitive in the marketplace and operate our businesses effectively and efficiently. In return, we offer a safe, respectful and inclusive environment in which our employees can thrive.

We are especially committed to maintaining high standards of employee safety and engaging with our workforce on issues that matter to them. Reflecting our commitment to reporting performance in these areas, we have formally adopted our annual recordable accident rate and employee engagement score as two non-financial key performance indicators for the Group. More details can be found on page 27.

Maintaining a safe environment

Providing a safe and healthy working environment is our number one priority. We ask everyone to contribute to our safety culture by taking care of themselves and looking out for those around them. They do this by reporting problems, hazards or unsafe conditions immediately so that they can be resolved, preventing the risk of injury.

Our 2015 recordable accident rate was 0.29 work related injuries and illnesses per 100 Full Time Employees (FTEs) compared to 0.33 in 2014 and 0.37 in 2013. See chart right. This is well below the average of 3.2 for US textile mills[2] and has been dropping steadily since 2011. We are also pleased that our recordable accident rates are 70% lower than the UK average data for the manufacture of textiles, as reported by the Health and Safety Executive for 2014/15.

Employee engagement survey

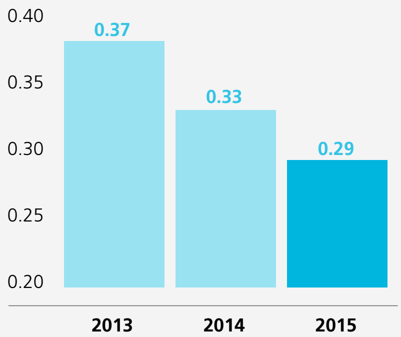
To achieve our business goals, we rely on our employees being engaged and driving our business forward. For the past five years we have conducted employee engagement surveys, to make sure we are on the right track. These surveys benchmark our workplace culture, assess how people feel about working at Coats and help us identify areas that need attention.

With a high participation rate of 98% in the 2015 survey, we were pleased to see that our employee engagement score has increased to 83% (two percentage points higher than last year and three percentage points higher than 2013). This positions Coats in the top 10% of all global surveyed companies[3].

83%

2015 employee engagement score top 10% globally

Recordable accident rate – no. of injuries per 100 FTEs per year



1 Senior management: Coats employees Grade 12 and above
2 Reported by the US Occupational Safety and Health Administration (OSHA), October 2015
3 As benchmarked by IBM's specialist survey organisation
4 Available on www.coats.com

Global diversity and inclusion

We need to attract and retain the best talent from the widest pool to ensure the ongoing success and relevance of our business. Our aim is to be a meritocracy where everyone has an equal opportunity to succeed. A truly diverse workforce has many benefits – it brings different perspectives, ideas, skills and experience to an organisation and has a proven positive impact on employee engagement and business performance. We want our employees to feel valued, respected and supported, and for the right conditions to be in place for everyone to reach their potential.

We are aiming to increase the diversity of our workforce through a range of activities. In January 2015 we launched a global diversity and inclusion (D&I) initiative, initially focused on increasing the number of women in senior positions across the company. We carried out a spot survey of 500 employees exploring the subject of gender diversity; we are tracking responses by gender to equal opportunity questions in our annual engagement survey; and we have reviewed our approach to recruitment and development.

Our new global D&I network holds regular virtual meetings, featuring guest speakers, which are open to everyone across the business – at least 150 of our employees regularly join the calls – and we have a dedicated intranet microsite which holds key diversity resources and materials, accessible by some 7,500 employees. In addition, the proportion of women enrolled on our management development programmes is increasing and we have invested in unconscious bias training which is being rolled out across our senior teams and the business more widely. We will report on our progress next year as these initiatives develop.

Human rights and employment standards

Our worldwide employment standards set out the principles which are observed across our global operations[4]. These standards state our approach to human rights and recognise the requirements of the UN Declaration of Human Rights and the Convention on the Rights of the Child, the core ILO Conventions, and the OECD Guidelines for Multinational Enterprises.

Coats Turkey is one of the many operations that has recently launched a local diversity and inclusion programme.

Case study: Making Coats an employer of choice in a highly mobile market

Maintaining a skilled and motivated workforce is a key driver for our business. During 2015 we began working on a new global employee value proposition and carried out a survey across our businesses and functions involving over 2,000 people. The results of the survey helped us understand what makes Coats an employer of choice in the markets where we operate.

We tested our thinking with a pilot project in China where we ran focus groups with our employees to try to understand what motivates them to work for Coats and what they value in their daily working lives. Some of the themes raised included respect, work-life balance, health benefits, development opportunities and compensation. We are now working with the local management team to ensure Coats remains an attractive employer in the highly mobile Chinese employment market.

Corporate Responsibility

We behave responsibly wherever we operate. Our Corporate Responsibility (CR) programme is integrated with our business strategy and helps us build and maintain both our reputation and our relationships with key stakeholders.

Our global scale enables us to build close relationships with our customers wherever they are located, leverage our expertise from around the world and develop local market opportunities. But the diversity and complexity of our operations bring many social and environmental challenges. Some of these are unique to a particular country or location; others apply globally. It is important that we understand these and our impact on society, so we can manage our business responsibly wherever we operate.

Assessing what's important

The values and standards that we subscribe to as a company are at the core of our CR programme. They are embodied in the five principles that describe the way we work: openness and honesty, energy for change, freedom to operate, customer led innovation and keeping our promises.

To supplement these, we have developed a robust approach to materiality assessment. This assessment helps us to identify and prioritise what are the important CR issues for the business and provides a focus for the future CR programme. We review our materiality analysis on a regular basis, as a minimum every two years.

Identifying and prioritising the issues

We began our analysis by identifying a long list of CR issues of potential relevance to Coats. The topics were gathered using a range of benchmarks including the Dow Jones Sustainability Indices and the Global Reporting Initiative (GRI) framework. This was supplemented by the interests of our peers and key stakeholders, especially our employees, the brands and our customers. Fifty-three issues were highlighted during the 2015 review and grouped according to our seven strategic themes shown opposite.

An assessment framework measured the relative importance of the 53 issues and helped focus our thinking. In considering each area we asked ourselves two questions:

- Does addressing the issue help us meet our company goals?
- Is the issue of importance to our key stakeholders, and hence to Coats?

Ranking each of the issues against these questions enabled us to identify the list of priorities for our CR programme. Our top 10 material CR issues are illustrated in the chart below, but our CR programme extends beyond this into all areas that support and contribute to the achievement of our business goals.

For more information on our approach to CR and our seven strategic themes, go to our website. **www.coats.com/corporateresponsibility**

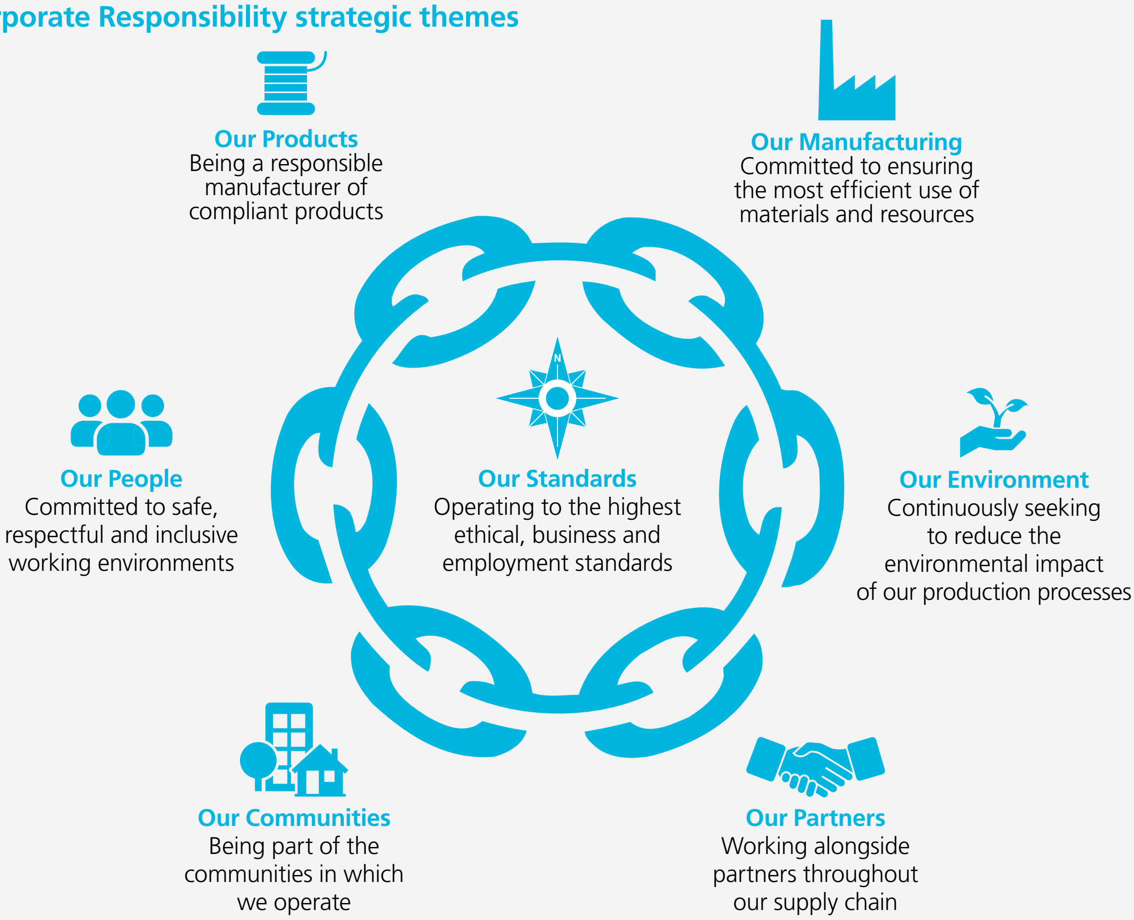
Identifying our key priorities

The chart to the right illustrates the top 10 material CR issues that we have identified for our CR programme. This is the minimum that we aim to address. Having said that, our CR programme extends beyond this and relates both to our own operations and the wider impact we have on the environment, the communities in which we operate, and the markets we serve.

For each of our CR issues we have established relevant policies and programmes, and have identified actions to manage our impacts. Our activities are co-ordinated by the Head of CR and monitored by a CR Advisory Group which is chaired by the Chief Human Resources Officer.

Our top 10 material CR issues

Our Corporate Responsibility strategic themes



Here are some of the highlights and achievements from our CR programme in 2015. More details of our activities can be found at www.coats.com/corporateresponsibility

Our Standards

- All 4,000+ senior employees and those with external facing roles have now been trained in ethics, anti-bribery and corruption, and competition policies and laws.

Our People

- Our health, safety and welfare programmes have been successful in keeping our recordable accident rates nearly 91% lower than the latest average reported by OSHA for US textile mills.
- Almost 250 new starters were enrolled on our award-winning Management Capability Development programme, bringing us to a total of over 500 employees currently working their way through the 18-month course.
- Our global diversity and inclusion (D&I) initiative was launched in January 2015 and over 7,500 employees now have access to our global D&I network.
- In 2015 we continued to receive awards from a wide range of organisations.

Our Products

- We believe our Restricted Substances List (RSL) is the most comprehensive in the industry and incorporates the requirements of all the major internationally recognised environmental standards (eg REACH, Oeko-Tex, CPSIA).

Our Manufacturing

- Through a combination of ongoing efficiency programmes and investment in energy reduction projects and new technology, we have managed to reduce our energy consumption per unit of production by 8% compared to 2014.

Our Environment

- Greenhouse gas as measured in kilos per kilo of dyed product went down by 11% in the last year (4.6 kg CO_2e per kg of dyed product compared to 5.1 in 2014).
- In 2015, the total carbon footprint of our manufacturing operations (Scope 1 and Scope 2[1]) was 319,000 tonnes, down 7% compared to the previous year.

Our Partners

- Our new supplier code of practice is currently being rolled out across 70 markets.
- During 2015, we held four successful supplier engagement workshops in China involving 75 of our key local suppliers.

Our Communities

- Last year our local managers implemented over 120 community engagement plans – an increase of nearly 40% over the previous year. These activities took place in almost 50 different operating units and helped lay the foundations for exciting community projects in the future.

1 www.ghgprotocol.org/calculation-tools/faq

Financial review

Return on capital employed increased to 33% in 2015. A 13 percentage point increase from 2013.

Richard Howes
Chief Financial Officer

Financial highlights

- Successfully refinanced $680m revolving debt facility; facility oversubscribed, margin reduced and changed group of international banks to better reflects Coats' global footprint
- Commenced overhead reduction programme following disposal of loss-making EMEA Crafts business
- Ongoing improvement in underlying tax rate which is benefiting both earnings and cashflow
- Net working capital as a percentage of sales fell by 200bps to 10% at the end of 2015
- Leverage ratio of operating business of 1.4x, comfortably within 1-2x range we aim to operate in

Overhead reduction programme

As previously reported, with the sale of EMEA Crafts Coats commenced a review of elements of its cost base, including costs previously allocated to that business, to establish the appropriate cost structure for a smaller and less complex Group. During the first half of 2015, the review identified savings within specific support services, resulting in $2.6 million of restructuring costs. With the sale of the business completed in July, the review identified further areas of savings during the second half. As a result, additional restructuring costs were incurred in H2 2015, leading to $14.1 million of restructuring costs for the full year. The programme has delivered initial savings of approximately $4 million in 2015, supporting the improvements in Industrial and Crafts margins. Savings will continue to be realised in 2016 and H1 2017; although, as the Company continues to grow, some of these savings will be reinvested to support growth plans in 2016.

Exceptional items

Net exceptional costs before taxation and discontinued items totalled $29.9 million in 2015 (2014: $20.0 million). This included $13.2 million for US environmental costs, which included a provision for remedial work on the Lower Passaic River, New Jersey, USA (see page 26 for further details). There was also a charge of $3.3 million related to the consolidation of Coats' Mexican operations from three sites to two, which will increase utilisation and efficiency while reducing operational costs. In December, the property was sold resulting in a gain on disposal of $9.2 million, thereby generating an overall positive contribution of $5.9 million. Coats has provided for an additional $5.7 million in 2015 in relation to the expected costs of the ongoing tPR investigations. As mentioned above, $14.1 million of costs were incurred in relation to the overhead reduction programme; no further charges are expected in 2016. A $1.5 million loss on disposal was recognised on the sale of Coats' share in a Philippines joint venture in November 2015.

Non-operating results

Finance costs, net of investment income, were $31.2 million in 2015, up from $8.0 million in 2014. The increase was mainly driven by full year foreign exchange losses of $3.2 million (2014: $18.9 million gain) on the parent group cash balance in relation to movements between the British Pound, New Zealand Dollar and Australian Dollar. Following a gain of $9.1 million in H2 2015, the Company moved substantially all of the cash to Pound Sterling. IAS19 pensions interest charges increased from $11.3 million to $17.1 million as a function of the higher pensions accounting deficit at the end of 2014. Based on the deficit at the end of December 2015, the Company estimates the charge in 2016 will be approximately $15 million (subject to any pensions investigations settlement and additional support to the schemes). In addition there was a decrease in investment income from $11.5 million in 2014 to $10.5 million in 2015, despite compensation ($3.2 million) received in respect of a compulsory state financing arrangement in Latin America in the 1980s and 1990s, and a reduction in interest on borrowings from $20.2 million to $16.8 million in 2015. The decrease was largely a result of a lower cost of local financing and fixed interest rate swaps coming to an end.

The taxation charge for 2015 was $43.7 million (2014: $45.1 million) resulting in a reported tax rate of 55% (2014: 47%). Excluding exceptional items, the impact of IAS19 finance charges and foreign exchange gains/losses on the parent group cash balance, the underlying effective rate on pre-tax profits reduced 600bps to 35% (2014: 41%). This was driven by a reduction in unrelieved losses and withholding tax suffered, together with a favourable change in profit mix for the period. Profit attributable to minority interests increased to $11.2 million (2014: $9.6 million) and is predominantly related to Coats' operations in Vietnam and Bangladesh (in which it has controlling interests).

Adjusted EPS increased by 38%, on a like-for-like basis, to 3.96 cents (2014: 2.88 cents). This was generated through the higher operating profit and improvements in the underlying tax rate. Reported EPS for continuing operations declined from 2.99 cents in 2014 to 1.78 cents in 2015 due to foreign exchange losses on the parent group cash balance, a $22 million negative year-on-year movement, and a higher level of exceptional costs. The company generated a reported loss from continuing and discontinued operations of $50.6 million (2014: $15.0 million profit) primarily due to the disposal of the loss-making EMEA Crafts business.

Discontinued items

There was a loss from discontinued operations of $75.5 million in 2015 related to the sale of the loss-making EMEA Crafts business. This comprised trading losses of $12.7 million, a loss on disposal of $55.8 million and net exchange losses of $7.0 million. The loss on disposal comprised $17.0 million of cash retained in the business and $37.3 million of net working capital left in the EMEA Crafts business and $13.5 million of other assets and liabilities (including disposal related costs and completion adjustments), which were partly offset by $11.5 million of pensions and other liabilities transferred to the buyer. The $23.8 million loss from discontinued operations recognised in the second half of 2015 (H1 2015: $51.7 million) included additional trading losses, disposal related costs, completion adjustments and the net exchange loss.

Investment

In 2015 capital expenditure amounted to $44.3 million (2014: $46.0 million) and was 1.0 times depreciation, in line with previous guidance. Key investment areas during the year were digital services, such as the roll-out of the eCommerce platform, which has enabled market share gains and reduced operating costs, and spend on environmental projects, such as effluent treatment plants, which help ensure Coats maintains its leading corporate responsibility credentials in the industry. It is expected that capital expenditure will remain around 1.0 times depreciation in the medium term, with the key investment areas in 2016 being new product/process development, capacity expansion and ongoing environmental spend.

Cash flow

Coats generated a $73.9 million adjusted free cash inflow in 2015, compared to $87.8 million in 2014 (excluding EMEA Crafts). The basis for this measure has changed from 2014 to exclude UK pension recovery payments which totalled $25.8 million in 2014 (2015: $33.8 million). The year-on-year variance was mainly due to the implementation of a revised supplier payment approach, which negatively impacted working capital.

EBITDA (defined as pre-exceptional operating profit before depreciation and amortisation) was $183.0 million, up from $170.0 million in 2014 (on a reported basis) due to the factors that contributed to the increase in pre-exceptional operating profit outlined earlier in the report.

There was a $15.2 million net working capital outflow in 2015 (2014: $27.5 million inflow). The outflow was mainly due to the implementation of a revised payment approach to suppliers, which is in keeping with Coats' commitment to treating all of its partners along the supply chain in an ethical and sustainable way. This led to a material trade payable outflow. With the year-on-year increase in trading activity there was also an outflow related to inventories and trade receivables; however this was somewhat offset by an ongoing improvement in inventory management through a reduction in stock days.

Interest paid decreased to $15.3 million (2014: $21.6 million) as a result of a reduction in interest rates achieved on borrowings. Tax paid reduced year-on-year from $55.1 million to $49.3 million in 2015 and as a percentage of pre-exceptional profit before tax the rate fell in line with the continued reduction in the underlying effective tax rate of the Group. Payments to minority interests increased year-on-year to $10.1 million (2014: $6.7 million).

There was a $21.4 million free cash outflow in 2015 (2014: $46.5 million inflow). This included UK pension recovery payments of $33.8 million (2014: $25.8 million), of which approximately $21 million was paid to the Coats Plan and $3 million to the Staveley scheme, the same as in 2014 in Pound Sterling terms, and $9 million was paid to the Brunel scheme (2014: nil) following agreement of its triennial funding valuation and deficit recovery plan in November 2015 (see pensions section below). There was a $37.0 million outflow (2014: $2.2 million) related to the disposed loss-making EMEA Crafts business, comprising $14.7 million on trading performance and $22.3 million of disposal charges. A $7.6 million outflow (2014: nil) related to the establishment and purchase of own shares for an Employee Benefits Trust. This was to cover the requirements for a share-based long term incentive scheme (in line with the standards of a FTSE 250 company) for senior employees, that more clearly aligns their interests with those of shareholders. Exceptional items included $8.9 million spent on the pensions investigation (2014: $12.2 million), $5.3 million on the overhead reduction programme and a net inflow of $5.1 million related to the restructuring and subsequent property disposal of a Mexican operation. In addition, $5.5 million was spent on the acquisition of GSD (2014: no acquisitions).

Balance sheet

The Group had a net cash position of $241 million at 31 December 2015 (31 December 2014: $321 million). This included a parent group cash balance of $505 million (£342 million), compared to $584 million (£375 million) at the end of 2014. The decline was primarily related to foreign exchange losses, due to the strengthening of the US dollar, spend on the UK pensions investigations and recovery payments to the Brunel and Staveley pensions schemes.

The Coats operating business maintained its year end net debt position (31 December 2015: $264 million, end 2014: $263 million), see note 30. An important metric for the Company is the leverage ratio of net debt (excluding parent group cash) to EBITDA. At the end of 2015, it stood at 1.4 times, well within the 3x covenant limit of the Company's $680 million trade finance facility, comfortably within the 1-2x range Management aim to operate within and lower than 31 December 2014 (1.5 times).

Pensions and other post-employment benefits

The net obligation for the Group's retirement and other post-employment defined benefit liabilities, on an IAS19 financial reporting basis, was $469 million as at 31 December 2015, down from $584 million at 31 December 2014 ($526 million at 30 June 2015). The deficits in the Group's UK defined benefit schemes, namely the Coats Plan, Brunel and Staveley schemes, decreased to $423 million (£286 million) from the position at 31 December 2014 ($508 million, £326 million). This was primarily due to a decrease in liabilities largely driven by a 25bps increase in the discount rate to 3.60% (derived using a yield curve approach, based on Sterling AA corporate bonds), while the inflation rate remained flat at 2.95% (based on a market implied long term rate). See table on page 26 for more detail.

Financial review
continued

Other

Pensions – triennial funding valuations

As previously announced, 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 is to be repaired by a deficit recovery plan of £5.5 million per annum (approximately $8 million at 31 December 2015 rates) over 10 years. The payment in November 2015 was made from the Company's parent group cash balance.

Coats continues to have constructive discussions with the Trustee of the Staveley scheme in respect of the December 2013 triennial funding valuation, which management believe will reveal a Technical Provisions deficit of approximately £100 million, and expects to reach agreement on the details of the recovery plan during the first half of 2016.

The Coats UK Plan valuation, as at 1 April 2015 is ongoing and due to be agreed by the end of H1 2016. It is anticipated that agreement on the Coats triennial valuation will coincide with any agreed settlement. Coats currently pays £14 million per annum (approximately $21 million at 31 December 2015 rates) on the basis of the last agreed triennial valuation in October 2013 to repair a deficit of £215 million. The technical provisions approach for valuing pension liabilities is used for agreeing triennial valuations and recovery plans and will need to be more prudent than the IAS19 accounting basis, Coats anticipates that the technical provisions deficit for the Coats UK Plan will therefore follow a similar pattern to that of the Brunel and Staveley schemes.

Pensions – investigations

As mentioned earlier in the report, Coats has initiated settlement discussions with the three sets of Trustees of the Brunel, Staveley and Coats UK pension schemes to resolve the ongoing pensions investigations, agreement from tPR will also be needed.

As part of the discussions Coats 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 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 UK and Brunel schemes in April 2013 and then later that year into the Staveley scheme.

Coats' 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 second half of 2016 at the earliest.

Lower Passaic River

As previously reported, the US Environmental Protection Agency ('EPA') notified Coats and Clark Inc. ('CC'), a subsidiary of Coats, and many other companies, of potential responsibility for certain historical environmental costs for the Lower Passaic River ('LPR'), New Jersey, USA. In April 2014, the EPA released a Focused Feasibility Study ('FFS') for the lower eight miles of the LPR with an estimated cost of its preferred remedy of approximately $1.7 billion, on a net present value basis. Coats, and certain other companies, submitted a petition in Q1 2015 to the EPA asserting that it is a de minimis party and is seeking resolution on that basis.

A Cooperating Parties Group ('CPG'), of which Coats is one of approximately 55 members, submitted a remedial investigation and feasibility study ('RI/FS') in H1 2015 with an estimated cost of between $518 million and $772 million, on an undiscounted basis. Consequently Coats, as reported in its half year results, recorded a $6.0 million charge, net of insurance, that will cover a proportion of incurred and expected legal and remediation costs, based on the mid-point of the RI/FS range (as a de minimis party). Following a 4 March 2016 remedial decision by the EPA, this provision (reflecting the same de minimis share of the larger remedy) was increased by $6.8 million as at 31 December 2015. See note 28 for further details.

Coats believes that CC's predecessors did not generate any of the contaminants which are driving the current and anticipated remedial actions in the LPR, that it has valid legal defences which are based on its own analysis of the relevant facts, that it is a de minimis party, and that additional parties not currently in the CPG will be responsible for a significant share of its ultimate costs of remediation. Negotiations among parties and with the EPA, remedial design and implementation of remedial action are expected to take more than 10 years. Additional revisions may be appropriate depending on future developments.

IAS19 deficit

	31 Dec 2015 US$m	31 Dec 2014 US$m	31 Dec 2015 £m	31 Dec 2014 £m
Coats Plan	**264**	334	**179**	214
Brunel	**72**	84	**48**	54
Staveley	**87**	90	**59**	58
UK defined benefit schemes	**423**	**508**	**286**	**326**
Other Coats net employee benefit obligations	**46**	76		
Total	**469**	**584**		

Key performance indicators
How we measure performance

Our key performance indicators (KPIs) have been chosen by the Board to measure the Group's progress, development and ongoing performance.

The KPIs below replace the two measures formerly reported, namely Net Asset Value per Share and Shareholder Returns. While these were appropriate for an investment firm such as GPG, one of whose assets was Coats, they are no longer appropriate for Coats Group plc, a standalone global industrial manufacturing company.

What we measure	Definition	3 year performance			Comment
Financial		2013	2014	2015	
Revenue growth[1]	Annual growth in sales at like-for-like exchange rates.	5%	3%	**3%**	Strong performance in A&F business, almost wholly driven by volumes given a challenging pricing environment, and product innovation and geographic expansion in Speciality business.
Pre-exceptional operating profit growth[2, 3]	Annual growth in operating profit, adjusted for exceptional items, at like-for-like exchange rates.	14%	0%	**19%**	Strong volume growth, lower input prices, productivity and non-raw material procurement improvements in Industrial, and lower input prices and cost reduction initiatives in Crafts.
Adjusted earnings per share growth[3, 4]	Annual growth in reported EPS from continuing activities, excluding exceptional charges and foreign exchange movements on parent group cash balances.	56%	73%	**38%**	EPS growth in 2015 at like-for-like exchange rates was 38 per cent driven by higher operating profit and a reduction in the underlying tax rate. Prior year growth rates stated at reported rates, on the same basis 2015 growth was 29%.
Adjusted free cash flow	Cash generated from continuing activities less capital expenditure, interest, tax, dividends to minority interests and other items, and excluding exceptional and discontinued items, acquisitions, purchase of own shares for Employee Benefits Trust and UK pension recovery payments (see note 36).	$60m	$88m	**$74m**	Generated good level of free cash, higher year-on-year operating profits, lower interest and tax paid were more than offset by implementation of a revised supplier payment approach that negatively impacted working capital.
Return on capital employed[4]	Pre-exceptional operating profit from continuing operations for the year divided by capital employed (property, plant and equipment plus net working capital) at year end.	20%	24%	**33%**	Higher profitability and disposal of EMEA Crafts, underpinning the rationale for disposing the loss-making business.
Non financial					
Recordable accident rate (RAR)	Number of work-related injuries and illnesses per 100 Full Time Employees per year that are considered recordable by the US Occupational Safety and Health Administration ('OSHA').	0.37	0.33	**0.29**	Providing a safe and healthy working environment is our number one priority. We ask everyone to contribute to our safety culture by taking care of themselves and others by reporting problems, hazards or unsafe conditions immediately so that they can be resolved, preventing the risk of injury.
Employee engagement	Annual global survey with results benchmarked by IBM Kenexa, a leading specialist survey organisation.	80%	81%	**83%**	Continued to benchmark our workplace culture, assessed how people feel about working at Coats, identified areas that need attention and implemented actions plans to maintain Coats' position in the top 10% of all global companies surveyed by IBM Kenexa.

1 Revenue growth excludes EMEA Crafts from all years
2 Pre-exceptional operating profit growth in 2014 and 2013 includes EMEA Crafts
3 Parent group costs and cash outflow during 2013 and 2012 are assumed to be in line with 2014
4 EPS growth in 2014 and 2013 is stated at reported rates and EMEA Crafts is excluded from all years
5 Return on capital employed in 2014 and 2013 includes EMEA Crafts

Principal risks and uncertainties
Balancing risk and rewards

The effective management of our risks and uncertainties is essential in creating and protecting value for our shareholders, employees, customers and communities.

Overview
Timely identification of risks, combined with their appropriate management, mitigation and escalation, enables us effectively to run our business and deliver our strategy in the knowledge that the likelihood and/or impact associated with such risks is understood and managed within our risk appetite.

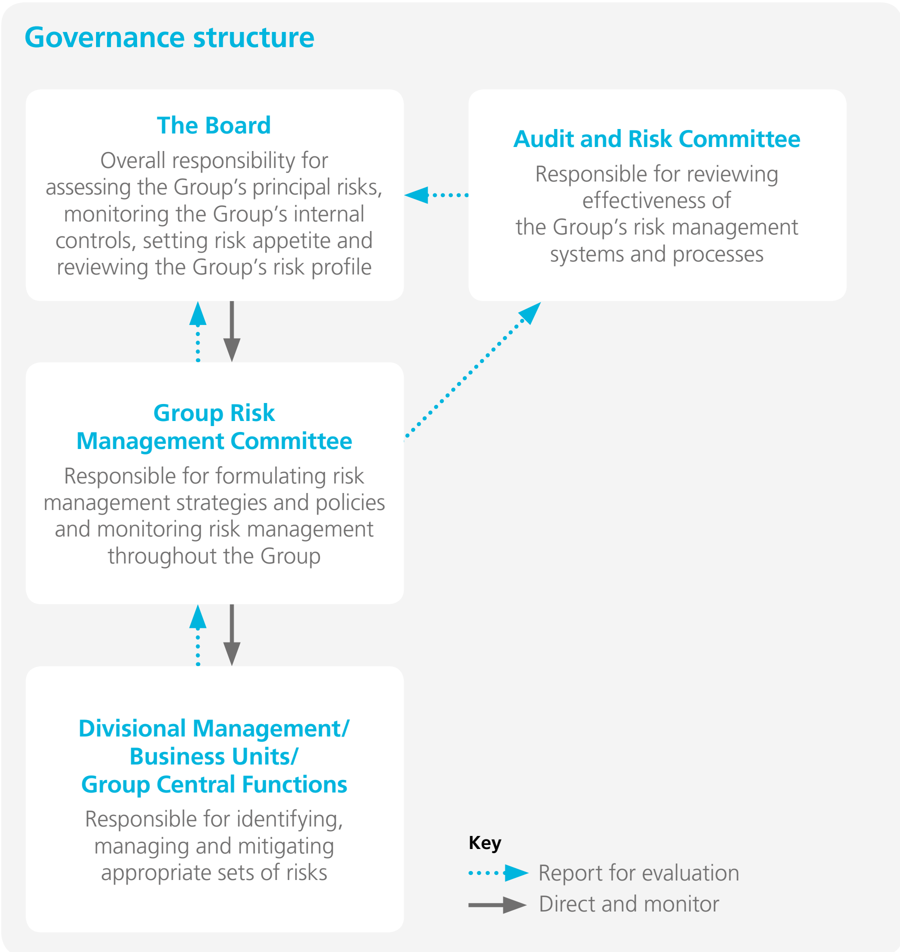
As a global industrial manufacturer, we recognise that risk is inherent within our geographical footprint and activities, and, with our transition to Coats Group plc in early 2015 and the ongoing development of our business and the internal and external operating environment, we have remained focused on working to ensure that our risk management framework and processes continue to evolve accordingly.

Governance structure
We operate a formal governance structure to manage risk across the Group. The roles and responsibilities of the main stakeholders involved in this structure are set out below:

- **Board** – The Board has overall responsibility for assessing the Group's principal risks, monitoring the Group's risk management and internal controls and setting the level of risk which the Group is willing to take in order to achieve its strategic objectives. Discussion and determination of these matters forms a regular part of Board meetings.

  Audit and Risk Committee – The Audit and Risk Committee's principal role in relation to risk management is to review the effectiveness of the Group's risk management systems and processes and to report to the Board if it is not satisfied with any key aspect of those systems and processes.

  More details about the work and responsibilities of the Audit and Risk Committee can be found in its report on pages 43 to 46.



- **Group Risk Management Committee** – The Group Risk Management Committee is responsible for formulating risk management strategies and policies and monitoring risk management throughout the Group. Its specific responsibilities include reviewing risk management activities across the Group; reviewing the Group Risk Register which includes the principal risks determined by the Board along with a number of additional material risks; supervising the management of the key risks in the Group Risk Register and monitoring the progress and effectiveness of related mitigating actions and controls; receiving reports on such risks and activities from relevant business areas, functions and individuals; and making reports and recommendations to the Board and the Audit and Risk Committee as appropriate. The Group Risk Management Committee meets on a quarterly basis and its membership includes representatives from across the Group's business areas and enabling functions, drawing together the risk management activities across the Group, divisions, business units and functions and facilitating a streamlined business risk and control environment.

During the year, we have focused on further strengthening this governance structure by enhancing the individual country/function-level and division-level risk management and assurance systems and processes, with supporting tools and training, and will continue to reinforce this going forward.

Culture

The Board is keenly aware that the effectiveness of our risk management is dependent not only on systems and processes but also on behaviours. During 2015 we continued to review and reinforce our Ethics Code and supporting ethics and risk policies, training, communications and compliance activities, and through those our required values and behaviours, all of which were actively supported, endorsed and championed by the Board and senior executive management and which all help to strengthen our risk culture.

How we manage risk

Our approach to risk management is based around an ongoing cycle of **identifying** risks; **setting** risk appetite levels for those risks; **testing** those risks and risk appetite levels through deep dive analysis into likelihood of occurrence, impacts, mitigation plans and resource and capital expenditure implications; then **reviewing** those risks and risk appetite levels accordingly. This continuous process helps to ensure that we remain focused on the appropriate risks and that we are taking the appropriate actions to manage and mitigate those risks and to deliver our business strategy and objectives within agreed risk parameters.

We are committed to continuing to review and, as appropriate, refine our risk management and reporting processes and activities, in order to enhance our ability to identify issues promptly and in turn proactively to manage risks.

How we manage risk

How we identify risk

Our approach to identifying risks follows a dual approach, using:

- A **top-down approach** based on regular input and insights from the Board and the Group Risk Management Committee, drawing on a broad range of internal and external operational, commercial, economic and other perspectives and helping to establish the key risks, and potential future risks, which could threaten the Group and its ability to deliver its strategy. This gives colleagues throughout the Group a clear direction and set of priorities in their ongoing discharge of their own risk management responsibilities.

- A **bottom-up approach** based on regular individual country/function-level input which helps to identify the risks which could threaten local business or functional activities. While these risks are managed at the local level, they are also consolidated and escalated as appropriate to the Group Risk Management Committee and the Board to help in the ongoing cycle of identification, testing and reviewing described above.

Our risk assessment and risk appetite

We assess risks through a standardised process which includes measuring likelihood and impact levels, with and without controls, against a pre-defined scoring matrix. This assessment process assists the Board in prioritising risks and determining its level of risk appetite for each of the principal risks, as well as helping to evaluate the adequacy of existing controls and mitigating actions and the cost-benefit analysis of potential further such controls and actions.

Principal risks and uncertainties
Balancing risk and rewards continued

Principal risks
During the year the Board, supported by the Group Risk Management Committee, has continued to consider a broad range of risks and uncertainties and has carried out a robust assessment of the principal risks facing the Group along with the current levels of risk appetite for each of those risks.

Currently, the Board has identified 12 principal risks, which fall into one of the following three categories:

- **High impact operational risks** – risks inherent in our ongoing commercial operations and geographic footprint, which, if not effectively managed, would be liable to cause significant commercial disruption.
- **Material legacy risks** – risks relating to the Group's past operations and activities, including through historical mergers and acquisitions, which could create material financial exposure for the Group in its present form.
- **Risks to strategy delivery** – risks that could adversely impact the Group's ability to achieve its defined strategic objectives.

These principal risks, along with a summary of the measures in place to manage and mitigate them, are set out in the table below.

As stated above, the Board will continue to keep these principal risks, as well as the appropriateness of this list and the ever evolving broader risk environment, under ongoing review.

Principal risk	Risk nature/potential impact	Change*	Action/mitigation
High impact operational risks			
Product liability	Our expanding product range, in particular in our growing Speciality business, could potentially create more product liability exposure for the Group.	Up	Products are tested and measured against stringent quality standards. Controls in the Speciality area specifically have been strengthened with enhanced batch by batch testing of safety critical products. Coats' global insurance programme includes product liability cover.
Environmental non-performance	Potential non-compliance with environmental control procedures and/or local requirements could lead to a discharge of pollution resulting in legal and regulatory action, financial penalties, damage to reputation and an adverse impact on ongoing operations.	Flat	Coats' Environmental Policy applies across the Group and effluent discharge quality of all dyeing operations is monitored against a pre-determined schedule.
Failure of critical infrastructure	Key information systems and data stores could malfunction; and/or key manufacturing and distribution centres could be adversely affected as a result of a number of different scenarios. Disproportionate reliance on such systems and plants could have a significant impact on profitability in the event of such disruption.	Flat	The Group's manufacturing and supply chain function monitors and reviews internal supply chains, fire protection and other systems and creates and tests disaster recovery plans. Rolling property risk surveys are conducted and acted upon in respect of all Coats' critical supply chain nodes. Actions in relation to information systems and data stores are set out in 'Data controls and security'. Coats' global insurance programme includes property destruction and business interruption cover.

***Risk exposure trend vs previous year**

Up Flat Down

Principal risk	Risk nature/potential impact	Change*	Action/mitigation
High impact operational risks continued			
Data controls and security	As a data controller of personal data and a processor of third party data, failure by the Group to comply with ever-more stringent data protection laws in different countries could lead to significant financial and other penalties and adverse relationship and reputational consequences. The Group also maintains other business critical electronic information, and inappropriate access to and use of such information, including through cyber-attack, could again create significant financial and commercial exposure.		Coats coordinates its technology infrastructure on a global basis and has a number of cyber security controls in place. Internal data networks are monitored on a 24/7 basis by a central team. External internet access is controlled by policy-based web filtering and access management tools. Other technologies, including data encryption, are deployed to protect data assets hosted at its data centres and on mobile devices. Further controls are being progressively added as part of an ongoing cyber security risk management process. Coats ensures all internal users have appropriate access rights and permissions for their roles and has a global data protection policy in place. Provisions are underway to ensure compliance with the EU General Data Protection Regulation expected to be enforced in 2018.
Bribery and anti-competitive behaviour	Non-compliance with applicable bribery and corruption and/or competition/anti-trust laws, regulations and standards by the Group or one of its partners could result in material civil or criminal penalties, exclusion from future contract bidding processes and reputational damage.		The Group has clear and well publicised ethics policies including in relation to partners, contractors and suppliers which are reinforced through the ongoing implementation of a comprehensive Supplier Code. There is extensive online and face-to-face training and regular communications through a range of channels. A sub-committee of the Group Risk Management Committee comprising key business and functional leaders meets quarterly to consider risks, legislative and regulatory developments and mitigation plans. The Group actively maintains a whistle blower system, enabling employees and others who are aware of or suspect unethical behaviour to report it confidentially.
Material legacy risks			
Pensions investigation and pension scheme deficit funding	The UK Pensions Regulator's investigations could lead to a Financial Support Direction being imposed on one or more of the three UK Schemes. Additionally, the UK pension scheme triennial valuations could lead to increased and/or accelerated cash contributions. These potential scenarios could impact one or more of the cash held from divestments, free cash flow targets and dividend payments.		The strategy relating to the ongoing investigations, and the schemes' funding position more generally, are regularly reviewed by the Board in light of recommendations from the Pensions Committee. The funded pension schemes are overseen by their Trustees, who are required to have the appropriate knowledge and understanding in this area and who take professional and actuarial investment advice as necessary. Where appropriate independent professional trustees are appointed to schemes to provide additional expertise. The Group and the scheme trustees routinely review de-risking of the schemes through liability management and investment strategies.

Principal risks and uncertainties
Balancing risk and rewards continued

Principal risk	Risk nature/potential impact	Change*	Action/mitigation
Material legacy risks continued			
Legacy environmental risks	Under the laws of certain countries, Coats' subsidiaries could potentially be responsible for investigating and/or remediating conditions alleged to be associated in whole or in part with former operations.	−	The Board continues to monitor the strategy and developments in relation to the Lower Passaic River proceedings, more detail of which can be found in note 28. Beyond that the Group continues to refine its policies and procedures for managing and mitigating potential legacy risks associated with former operations.
Risks to strategy delivery			
Mergers and acquisitions (M&A) programme – execution and integration	Given the important role of inorganic growth in the Group's strategic plans, failure properly to execute, integrate and capitalise on the potential ongoing value in M&A projects could pose a material risk to the Group's ability successfully to deliver its strategy.	↑	All M&A projects are overseen and closely monitored by the Board and by senior executive management. Clear processes including specified roles and responsibilities for all aspects of M&A projects exist along with focused project management resources during both execution and integration phases. Post-completion/integration reviews are conducted to ensure that learnings are identified and built into subsequent projects as part of a continuous enhancement process.
Appropriate capability development	Failure to identify and retain key staff and/or continue to develop key skill sets among them could result in an inability to execute the Group's growth strategy.	↓	The Board and senior management remain very focused on talent and capability development, as well as retention and succession planning. 2015 capability development actions have included record numbers of new cohorts on a range of sales force, management and senior management development programmes and individual coaching for selective senior managers. In addition, our annual Talent Management and Succession Planning process reviews talent in the top 300 roles.
Joint ventures/minority shareholder relationships	Failure to ensure that appropriate governance and risk management arrangements are maintained for all of the Group's joint ventures and with all minority shareholding partners could cause significant disruption to the Group's operations, financial performance and strategic plans.	−	We conduct appropriate due diligence on all our joint venture partners and take steps to ensure that the same standards of risk management that exist in our subsidiaries are applied throughout our joint venture partnerships. In 2015 we completed an exit from our only minority stakeholding joint venture (in the Philippines).

***Risk exposure trend vs previous year**

↑ Up − Flat ↓ Down

Principal risk	Risk nature/potential impact	Change*	Action/mitigation
Risks to strategy delivery continued			
Supply and supplier risk	The availability of key resources (energy, water, labour, etc.) and/or the inability or unwillingness of one or more major external suppliers to supply raw materials, dye stuffs and/or finished goods could cause major disruption to the Group's supply chain, leading to lost revenue and long term impact on customer relations. Furthermore, actions by suppliers and other agents of the Group inconsistent with legal and regulatory requirements and/or the Group's own ethical standards could create significant legal and reputational exposure for the Group.	−	Supplier relationships and external resource and supply chains are actively monitored and managed, with multiple sourcing of materials and strategic inventories. Risk is spread by dealing with multiple suppliers of key materials and continuous scrutiny to identify new supply sources. Ethics and compliance obligations are reinforced and enforced through the ongoing implementation of a comprehensive Supplier Code (see above). Coats' global insurance programme includes supplier dependency cover.
Emergence of disruptive competitor behaviour in core markets	Planned or irrational strategies or behaviours by one or more industry competitors in relation to the Group's core markets could adversely impact its position, profitability and strategic goals.	−	We strongly believe in the importance of healthy competition and the benefits that brings to both our customers and ourselves. We maintain a deep understanding of emerging industry trends through our relationships and contacts with customers and global brands and through our R&D activities with university and specialist led research projects. Outputs and insights from these allow us to undertake ongoing 'horizon scanning' and planning strategies.

Long term viability statement

In accordance with provision C.2.2 of the 2014 revision of the Corporate Governance Code, the Directors have assessed the longer term viability of the Group over the period to December 2018. The Directors' assessment has been made with reference to the Group's current position and prospects, the Group's existing committed finance facilities, the Group's strategy and the potential impact of the principal risks and how these are managed, as detailed in this strategic report.

The Group's strategic objectives and associated principal risks are underpinned by a set of market goals for the next three years and an annual Medium Term Plan process which comprises a financial forecast for the current year and financial projections for the next three years. The Medium Term Plan represents a common process with standard outputs and requirements at the Group level.

The Medium Term Plan is reviewed by the Board annually as part of its strategy review process. Although this period provides less certainty of outcome, the underlying methodology is considered to provide a robust planning tool against which strategic decisions can be made. For these reasons, the Directors have determined that a three year time horizon to December 2018 is an appropriate period over which to provide its viability assessment.

The Directors have considered the impact of the principal risks facing the business in severe but plausible scenarios (by modelling sensitivities applied to the base case Medium Term Plan), and the effectiveness of any mitigating actions, including, but not limited to, an evaluation of:

- the possible outcomes of the current investigations into the Group's three UK pension schemes by tPR, including severe but plausible scenarios which take into account the current status of the investigations, the strength of the company's defences and the timescales for resolution. See page 26 for an update on the investigation;
- the range of possible outcomes in respect of legacy environmental matters as described in note 28, to the financial statements; and
- a range of strategic, operational and external risks which could affect the group's ability to achieve its strategy.

Based on this assessment, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to December 2018.

The strategic report was approved by the Board and signed on its behalf by the Group Chief Executive.

Paul Forman
Group Chief Executive, 10 March 2016

Board of Directors

1. Mike Clasper, CBE
Chairman

N

Mike has over 35 years' experience in general management and marketing for global companies, with a particular focus on brands and business services.

He is currently Chairman of Which? Ltd., is the Senior Independent Director at Serco Group plc and was Senior Independent Non-Executive Director of ITV plc. Mike is also President of The Chartered Management Institute.

Mike has served as Chief Executive Officer of BAA plc, Chairman of HM Revenue & Customs, Operational Managing Director at Terra Firma, and also held a number of senior management positions at Procter & Gamble.

He holds an MA in Engineering, St John's College, Cambridge.

Appointed: February 2014 (previously appointed to Coats plc Board, August 2013).

2. Paul Forman
Group Chief Executive

N

Paul joined Coats in November 2009 and became Group Chief Executive on 31 December 2009.

Paul has wide experience in global manufacturing, as well as strategy consultancy and M&A advisory services.

Before joining Coats he was Group Chief Executive of Low & Bonar PLC, a global performance materials group, quoted on the London Stock Exchange, and, prior to that, was MD at Unipart International, the leading European automotive aftermarket supplier.

Paul has served as a Non-Executive Director at Brammer PLC from 2006 to 2010 and is a Non-Executive Director at Tate & Lyle plc.

Paul holds an MA in English from Fitzwilliam College, Cambridge.

Appointed: March 2015 (previously appointed to Coats plc Board, December 2009).

3. Richard Howes[1]
Chief Financial Officer

Richard joined Coats as Chief Financial Officer in February 2012. Previously he held the equivalent position at Topaz Energy and Marine, an oil field services company.

Richard also worked for FTSE 250 company Geest plc, an international food manufacturer, and was made CFO following its takeover by the Bakkavor Group. Richard qualified as a chartered accountant with Ernst & Young before joining Dresdner Kleinwort Benson's Corporate Finance team.

His experience encompasses a broad range of financial and commercial responsibilities including debt and equity capital market transactions and M&A, as well as leading senior management functions.

Richard holds a BSc (Hons) in Geography from Loughborough University.

Appointed: March 2015 (previously appointed to Coats plc Board, February 2012).

1 Richard will remain Chief Financial Officer and a Director of Coats until 6 April 2016 after which he will leave the Board.

4. Rajiv Sharma
Global CEO, Industrial

Rajiv joined Coats in November 2010 to lead the Industrial business and is responsible for its global operations.

Prior to joining Coats, Rajiv worked at companies such as Westinghouse, Saab, Honeywell, GE and Shell, and his experience spans sales, marketing, M&A, business development and operations. The majority of his career has been dedicated to growing or turning around businesses.

Rajiv has a degree in Mechanical Engineering, as well as an MBA from the University of Pittsburgh, USA. He has lived in many different countries and covered all continents during his career.

Appointed: March 2015 (previously appointed to Coats plc Board, December 2014).

5. Nicholas Bull
Senior Independent Non-Executive Director

A N

Nicholas has over 30 years' experience in global banking and, until the completion of its asset disposal programme in early 2015, was Chairman of De Vere, the hotel and leisure group.

A qualified chartered accountant, Nicholas has worked at Morgan Grenfell (subsequently Deutsche Bank), Société Générale and ABN AMRO in London, Hong Kong, Singapore and Sydney.

He is currently Senior Independent Director of Fidelity China Special Situations plc and was previously Chairman of the Advisory Board of City stockbroker, Westhouse Securities, and Smith's Corporate Advisory Limited. Nicholas is a trustee of the Design Museum and the Conran Foundation and a member of the Council of the University of Exeter.

Nicholas has a BSc in Chemistry from the University of Exeter and is a Fellow of the Institute of Chartered Accountants in England and Wales.

Appointed: April 2015.

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Committee memberships

A Audit and Risk

R Remuneration

N Nomination

Committee Chairman

6. Mike Allen

Independent Non-Executive Director

N R

Mike has over 25 years' experience in investment banking and general management, both in New Zealand and the UK.

He is a Deputy Chairman of Watercare Services Ltd, Godfrey Hirst NZ Ltd and Tainui Group Holdings Ltd and an Independent Non-Executive Director at China Construction Bank (New Zealand) Ltd.

Mike was previously Chairman of PGG Wrightson Finance and held various senior roles at Southpac Corporation and Westpac in New Zealand.

Appointed: September 2010.

7. Ruth Anderson

Independent Non-Executive Director

A N

Ruth joined KPMG, the global accounting firm, as a student accountant and retired from the firm 33 years later in 2009 as a Partner and UK Vice Chairman.

She is currently a Non-Executive Director and Chairman of the audit committee at Ocado Group plc and at Travis Perkins plc, both of which are UK listed companies. Ruth is also a director of The Royal Parks, which manages London's eight royal parks. She is also a Trustee and Director of the Duke of Edinburgh's Award.

Ruth is a Fellow of the Institute of Chartered Accountants in England and Wales, a member of the Chartered Institute of Taxation and holds a degree in French and Spanish from the University of Bradford.

Appointed: April 2014 (previously appointed to Coats plc Board, January 2014).

8. David Gosnell

Independent Non-Executive Director

A N R

David has over 30 years' experience in supply and procurement strategy and execution.

In December 2014, he retired from Diageo plc where he had most recently held the role of President of Global Supply and Procurement. He led a team of 9,000 people around the world across manufacturing, logistics and technical operations as well as managing Diageo's global procurement budget.

Prior to joining Diageo, David spent 25 years at HJ Heinz in various operational roles. David is also currently Non-Executive Director of Brambles Ltd, the supply chain solutions provider and Chairman of Old Bushmills Distillery Company Ltd.

He holds a BSc (Hons) in Electrical and Electronic Engineering from Middlesex University and has completed Supply Chain Manufacturing – Drive Operational Excellence at INSEAD (Singapore).

Appointed: March 2015 (previously appointed to Coats plc Board, February 2015).

9. Alan Rosling, CBE

Independent Non-Executive Director

A N R

Alan has wide international business, experience, especially in emerging markets, and has worked in diverse sectors including energy, branded goods, distribution, Government and banking.

Alan chairs Griffin Growth Partners, a specialist strategic advisory firm that assists clients in developing and implementing winning strategies in India.

He is also co-founder of Kiran Energy, a solar power developer based in Mumbai a Director of Vyome Biosciences and a Senior Advisor to both Navam Capital and Apex Avalon Consulting Pte. Ltd. He was previously an Executive Director of Tata Sons, where his responsibility was internationalisation of the Tata Group.

Earlier in his career Alan's positions included Chairman of the Jardine Matheson Group in India; Special Advisor to the British Prime Minister, The Rt. Hon. John Major MP; Strategy Development Director, United Distillers plc; Chief Executive, Piersons (a division of Courtaulds Textiles plc); and an investment banker with S.G. Warburg & Co Ltd.

Alan was educated at Downing College, Cambridge, and the Harvard Business School. He was made an OBE in 1994 and a CBE in 2014.

Appointed: March 2015 (previously appointed to Coats plc Board, October 2011).

Management Board


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1. Paul Forman

Group Chief Executive

Paul provides business, operational and strategic leadership to the Group.

He has wide experience in global manufacturing, as well as strategy consultancy and M&A advisory services.

Before joining Coats he was Group Chief Executive of Low & Bonar PLC, a global performance materials group, quoted on the London Stock Exchange, and, prior to that, was MD at Unipart International, the leading European automotive aftermarket supplier.

Joined: December 2009.

2. Richard Cammish

Chief Information Officer

Richard has global responsibility for Technology within the organisation.

Over the last 20 years he has worked in a number of international businesses including Cadbury, BAT, Heineken and Mars, as well as being involved in a technology start up. He has a Manufacturing Engineering degree from Manchester University and in his career has held roles in Asia, Europe and North America.

His experience with Information Technology includes delivering global transformation programmes in Sales & Marketing, Supply Chain, HR and Finance.

Joined: March 2011.

3. Richard Howes*

Chief Financial Officer

Richard leads the Group's global finance function and has responsibility for its financial management.

His experience encompasses a broad range of financial and commercial responsibilities including debt and equity capital market transactions and M&A, as well as leading senior management functions.

Previously, he held an equivalent position at Topaz Energy and Marine, an oil field services company, and he also worked for FTSE 250 company Geest plc, an international food manufacturer, where he was made CFO following its takeover by the Bakkavor Group.

Joined: February 2012.

* Richard will remain Chief Financial Officer and a Director of Coats until 6 April 2016 after which he will leave the Board.

4. Stuart Morgan

Chief Legal & Risk Officer and Group Company Secretary

Stuart is responsible for legal and compliance, governance, risk management and company secretarial matters.

He was previously General Counsel, Global Retail and Wealth with Lloyds Banking Group where he led international teams and provided legal and regulatory advice, risk management guidance and strategic support.

Prior to working at Lloyds Banking Group, Stuart was Executive Director, Law and Compliance, at Morgan Stanley and before that was a solicitor and mediator at Freshfields Bruckhaus Deringer LLP.

Joined: September 2014.

5. Michael Schofer

Global CEO, Crafts

Michael leads the Crafts business globally and has more than 20 years of management experience.

Prior to this current role he was Chief Operating Officer, Crafts Division, and has also served as Chief Supply Chain Officer for Coats. Michael has over 20 years of experience in supply chain management and IT, and has lived and worked in South America, North America, Europe and Asia.

He has a degree in Business and Production Management from Reutlingen University and completed the Harvard General Manager Program.

Joined: July 1990.

6. Rajiv Sharma

Global CEO, Industrial

Rajiv leads the Group's Industrial business and is responsible for its global operations.

Prior to joining Coats, Rajiv worked at companies such as Westinghouse, Saab, Honeywell, GE and Shell.

His experience spans sales, marketing, M&A, business development and operations and the majority of his career has been dedicated to growing or turning around businesses.

Joined: November 2010.

7. Andy Speak

Chief Human Resources Officer

Andy directs global human resources for Coats and is based in the UK. Prior to his appointment Andy worked for BP Lubricants, where he held the role of Global Head of Human Resources.

He brings over 30 years of HR experience to Coats, having worked for blue-chip companies including Bristol-Myers Squibb Pharmaceuticals, Kellogg, PepsiCo and Unilever.

Andy has lived and worked in many countries including the Czech Republic, Poland, Russia, France and the US and has a first class Biochemistry degree from the University of Leeds.

Joined: March 2013.

Chairman's introduction

Good governance is essential in supporting the development of a sustainable and successful business such as Coats.

Mike Clasper
Chairman

Key areas of this corporate governance section:

Leadership
The Directors believe that the Board has an appropriate balance of skills, experience, knowledge and independence to satisfy the requirements of good corporate governance.

Compliance
Significant time and resource is given to governance matters by the Board and within the everyday operations of the Group. This ensures compliance within the framework of regulations but is also central to delivering sustainable business success.

Effectiveness
The Board understand that an effective corporate governance framework is an inherent part of running a business.

Accountability
A key element of ensuring sound governance is guaranteeing an appropriate system of controls and accountability.

Dear shareholder,
I am pleased to introduce our corporate governance report for the year. As a Board, we are responsible for ensuring that an appropriate governance structure is in place. I believe that the framework we have established (and which is set out on page 38) is appropriate for a Company of our size and nature, and supports the delivery of the Group's strategic objectives whilst also ensuring accountability, transparency and fairness in our dealings with all of our stakeholders, in particular our shareholders, customers, employees and suppliers.

The Board is fully committed to the principles of best practice in corporate governance, and collectively believes that good governance is essential in supporting the development of a sustainable and successful business.

Activity in the year
2015 has been an extremely busy year for the Board and the evolution of the Group as a whole. We have overseen the change of name from Guinness Peat Group plc and the consolidation of the previous dual board structure into a single Board to lead the Group. There have also been a number of changes to the composition of our Board. In the latter part of the year we announced our intention to de-list from both the Australian Stock Exchange and the New Zealand Stock Exchange during 2016, subject to shareholder approval. All of these changes are intended to focus the Board and the Group to deliver long term value for our shareholders.

Governance
The Company is subject to the provisions of the UK Corporate Governance Code (the Code) which is published and regularly updated by the Financial Reporting Council (FRC) and its equivalent in Australia. It should be noted that the Code may materially differ from the corporate governance rules of NZX Limited (NZX) and the principles of NZX's Corporate Governance Best Practice Code – but the Company is not obliged to comply with these.

The Company has complied with the main and supporting principles of the Code and where this has not been possible an explanation has been provided.

Committees
As part of our transition at both a Board and Group level, we have separated into two Committees, the Remuneration Committee and the Nomination Committee, so facilitating a clearer separation of responsibilities for each. Terms of reference are available at www.coats.com/governance.

Evaluation
Given this period of transition at both Board and Group level, we decided not to carry out a formal evaluation of the Board and Committees during 2015 and have determined that such an evaluation will be conducted during 2016.

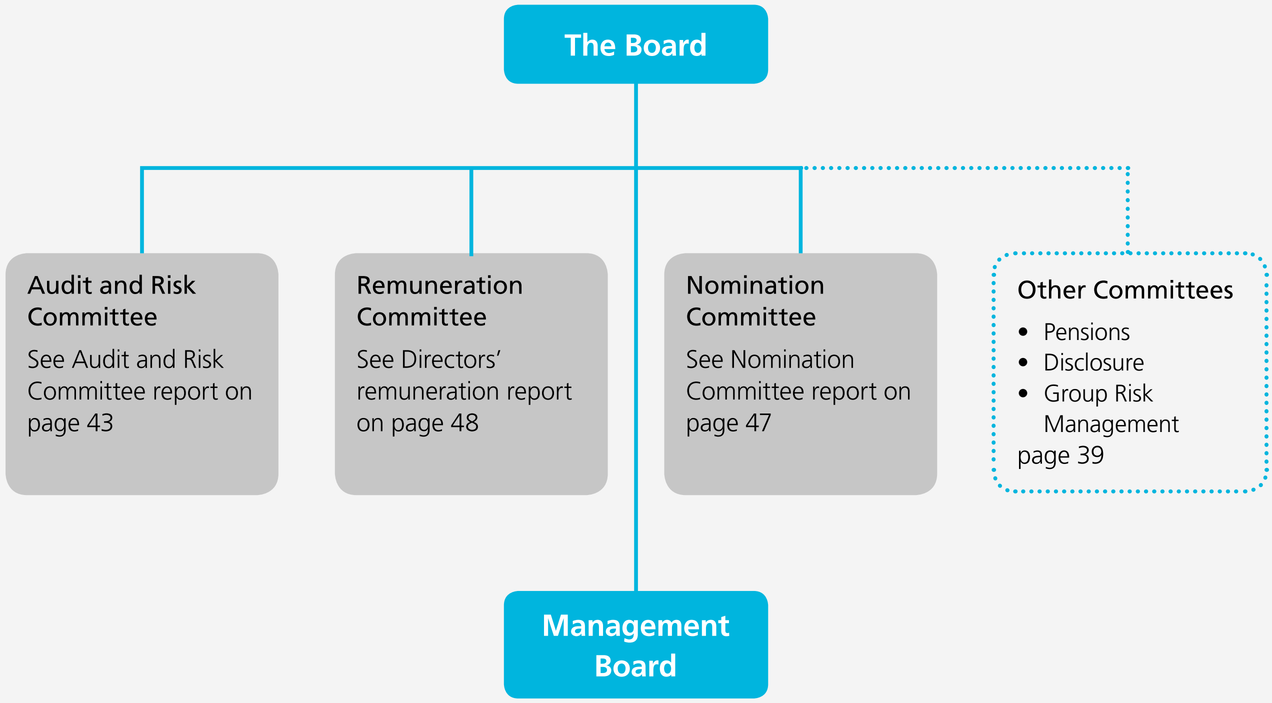
Mike Clasper
Chairman

10 March 2016

Corporate governance report

Leadership

Governance structure



Responsibilities:

The Board

The Board's role is to provide leadership of the Company, and it is responsible to the shareholders for the long term success of the Company. All matters are reserved for the Board unless specifically listed in the terms of reference for Committees of the Board or where the Board has delegated authority. These can be seen in the governance structure chart above. A schedule of delegated authorities is reviewed by the Board annually.

Until March 2015, the Company (then named GPG) was an investment holding company which had no Executive Directors. On the appointment of Paul Forman to the Board as Group Chief Executive on 2 March 2015, the separate roles of Chairman and Chief Executive were documented in writing and approved by the Board.

Chairman

Mike Clasper, the Chairman, leads the Board, and is responsible for its effectiveness and governance. He sets the tone for the Company and ensures that the links between the Board and management and between the Board and shareholders are strong. He sets the Board agenda and ensures that sufficient time is allocated to important matters.

Chief Executive

Paul Forman was appointed to the Board on 2 March 2015, having been Group Chief Executive of Coats plc since 31 December 2009. Paul is responsible for the day-to-day management of the Group's operations, for recommending the Group's strategy to the Board and for implementing the strategy agreed by the Board. He is supported in decision making by a Management Board comprised of senior managers, biographical details of whom can be found on page 36.

Senior Independent Director

As noted above, the Board of the Company comprised only Non-Executive Directors until the name change to Coats Group plc in March 2015 and the appointment of a single Board to lead the Group. Nicholas Bull was appointed as a Non-Executive Director and as the Senior Independent Director ('SID') on 10 April 2015, bringing the Company into compliance with Code provision A.3.1.

In his role as SID, Nicholas provides a sounding board for the Chairman and serves as an intermediary for the other Directors when necessary. Nicholas is available to shareholders if they have concerns which contact through the normal channels of Chairman, Chief Executive or other Executive Directors have failed to resolve, or for which such contact is inappropriate.

Non-Executive Directors

The Non-Executive Directors provide constructive challenge to executive management, and bring experience and objectivity to the Board's discussions and decision making. They monitor the delivery of the Group's strategy against the governance, risk and control framework established by the Board. The Non-Executive Directors, led by the SID, are also responsible for evaluating the performance of the Chairman.

The Company Secretary

Stuart Morgan joined the Group as Chief Legal & Risk Officer and Group Company Secretary in 2014. In his role as Company Secretary, Stuart is responsible for working with the Chairman to develop Board and Committee agendas and to ensure that all Board procedures are complied with. Stuart also advises the Board on corporate governance, legal, regulatory and compliance matters and developments.

Other Committees

Pensions

The Committee is an ad hoc committee of the Board which has been formed specifically to provide advice and make recommendations to the Board on the Group's strategy in relation to the ongoing pension scheme investigations and the robustness of the operating systems around those schemes. The Committee is chaired by Mike Allen and, from 2 March 2015, its other members are Ruth Anderson, David Gosnell, Blake Nixon and Richard Howes. Nicholas Bull joined the Committee following his appointment on 10 April 2015. Blake Nixon left the Committee, when he left the Company on 31 December 2015.

Disclosure

The Committee's primary duty is to determine whether, what and when any Group information needs to be disclosed to the market and to verify such information ahead of its disclosure to the market via a Regulatory Information Service in accordance with the Financial Conduct Authority's Disclosure Rules and Transparency Rules. This includes providing appropriate reassurances to the Board and, as required, individual Directors.

The Committee is chaired by Paul Forman and its other members are Richard Howes and Stuart Morgan.

Group Risk Management

This Committee is responsible for formulating risk management strategies and policies and monitoring risk management throughout the Group. Further details on this Committee can be found on page 28.

The Committee is chaired by Paul Forman and includes the Group's Executive Directors Richard Howes and Rajiv Sharma. It also includes other senior executives including the Chief Legal & Risk Officer and Group Company Secretary, Group Head of Internal Audit and others who collectively have the skills and experience to discharge the Committee's duties.

Composition of the Board and independence

As at the date of this report, the Board comprises the Chairman, five Non-Executive Directors (all of whom are considered to be independent) and three Executive Directors. The Board is therefore in compliance with the requirements of the Code that, excluding the Chairman, at least half the Board comprises independent Non-Executive Directors.

Balance of independence, tenure, skills and experience

Independence (excl. Chairman)

Independent NEDs	63%
Exec Directors	37%

Non-Executive Director tenure

0 - 3 yrs	83%
3 - 6 yrs	17%

UK Corporate Governance Code Compliance Statement

Coats Group plc is a premium listed issuer on the London Stock Exchange and its shares are also quoted on the Australian Securities Exchange ('ASX') in CDI form. In addition it is an Overseas Listed Issuer on the New Zealand Stock Exchange.

Except as noted below, the Company has complied in full with the provisions of the 2014 UK Corporate Governance Code (the Code) during the year. Compliance with and deviation from the Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd edition) (the ASX Governance Principles) have been disclosed in accordance with ASX rules.

Non-Compliance with the Code:

Code provision	Explanation
A.3.1	Page 38
B.3.2	Page 41
Main Principle B6	Page 41

The Code can be found at www.frc.org.uk. More information on the ASX Governance Principles can be found at www.asx.com.au. The Company is not obliged to comply with the principles of NZX's Corporate Governance Best Practice Code.

Corporate governance report
continued

Directors' attendance at meetings of the Board during the year:

Director	Date appointed or resigned in the year	Board[1] Meetings attended/ Maximum number of meetings to attend
Mike Clasper (Chairman)		12/12
Paul Forman	appointed 02.03.15	9/9
Mike Allen		12/12
Ruth Anderson		12/12
Nicholas Bull	appointed 10.04.15	8/9
David Gosnell	appointed 02.03.15	8/9
Richard Howes[2]	appointed 02.03.15	9/9
Alan Rosling	appointed 02.03.15	9/9
Rajiv Sharma	appointed 02.03.15	9/9
Sir Ronald Brierley	resigned 20.04.15	0/3
Rob Campbell	resigned 02.03.15	1/3
Scott Malcolm	resigned 02.03.15	1/3
Blake Nixon	resigned 31.12.15	9/12
Waldemar Szlezak	resigned 02.03.15	2/3

1 Includes meetings of Guinness Peat Group plc prior to name change on 26 February 2015.
2 Richard Howes will step down from the Board on 6 April 2016.

The Board's standard agenda covers standing items, such as Health & Safety, a revolving review of principal risks, pensions and financial matters. When relevant, M&A and specific strategic and financial projects were considered. The below list shows some of the other matters considered by the Board in the year:

Noteworthy matters considered by the Board in 2015

- General M&A approach
- Refinancing
- Year end and half year results
- Medium Term Plan
- Purchasing transformation plan
- IT transformation plan
- General risk review
- Senior executive succession planning and talent pipeline
- Annual Report and Accounts planning
- Future business plans
- Currency exposure
- 2016 budget
- Gender diversity
- Review of 2018 Market Goals

In addition, several Board meetings were devoted exclusively to discussions on the Group's strategy.

Effectiveness

Board meetings in 2015

The Board met regularly throughout the period. There were 12 scheduled meetings in 2015. The overall number of meetings includes those called to manage the transition of the Company.

Directors are expected to attend all meetings of the Board, and the Committees on which they sit, and to devote sufficient time to the Company's affairs to enable them to fulfil their duties as Directors. The Directors were located in the UK, Australia, New Zealand and Hong Kong and this geographical diversity meant that it was not always possible for every Director to attend all Board and Committee meetings in person. In the event that Directors were unable to attend a meeting, they were given time to comment on papers to be considered at the meeting and discussions were held in advance with the Chairman so that their contribution could be included in the wider Board discussion.

Board activity in 2015

Each year the Board agrees a schedule of regular business, financial and operational matters to be addressed by the Board and its Committees during the course of the year and this ensures that all areas for which the Board has responsibility are reviewed, as shown in the adjacent list.

In addition to the formal Board meetings, the Chairman seeks to ensure that he meets on a periodic basis with the Non-Executive Directors without the Executive Directors present. These meetings support the constructive contribution of the Non-Executive Directors, and allow the Chairman to ensure that all views are taken into account and aired, as appropriate, at full Board meetings. All Directors are aware that should they have concerns about the way the Board operates these are recorded in the minutes. No such concerns were raised during the reporting period.

Induction of new Directors

On joining the Board, all Directors are offered a thorough and tailored induction programme, the key elements of which comprise meetings with Executive Directors and senior management across the Group, site visits, specific training relating to current issues affecting the Group (including from external advisers as appropriate), meetings with advisers, and the provision of Group training manuals and other written information relevant to their role.

In June 2015 the Board reviewed and standardised the Non-Executive Directors' letters of appointment. The changes were made to reflect the new Company structure. In accordance with good governance, the letters of appointment were amended to require all Non-Executive Directors to stand for election at every AGM and to set out more explicitly Non-Executive Directors' duties and expectations, along with the treatment of conflicts of interest.

Given the demands that have arisen out of the transition process, together with the ongoing demands in relation to tPR's investigations, it has not been possible to quantify the time commitment required from Directors, nor the commitment which will be required going forward. Consequently, the letters of appointment of Non-Executive Directors do not set out their expected time commitment, and the Company does not therefore comply with Code provision B.3.2 in this respect. However all Directors have undertaken to provide sufficient time to meet their obligations, and the Board is satisfied that each of the Non-Executive Directors has been able to devote sufficient time to the Company's business during the year.

It is the Board's intention to keep the time requirement for Non-Executive Directors under review, and to seek to formalise a time requirement for the purposes of Non-Executive appointment letters at an appropriate time in the future.

Training and development

The Chairman is responsible for reviewing the training needs of each Director, and for ensuring that the Directors continually update their skills, and knowledge of the Company. All Directors are advised of changes in relevant legislation and regulations and changing risks, with the assistance of the Company's advisers where appropriate. The Directors are also provided with regular corporate governance updates to highlight changes in governance regulations and best practice.

It is intended that individual training and development needs will be further reviewed as part of the formal evaluation process to be carried out in 2016.

Information and support

In conjunction with the Company Secretary, the Chairman ensures that all Directors receive papers and other information relevant to matters to be discussed at Board meetings at least one week before the meeting. As Directors were during the reporting period situated in the UK, Australia, New Zealand, Hong Kong, Singapore and the US, suitable communication and reporting systems have been established which enable them to monitor, on a timely basis, the Group's activities.

Senior management and professional advisers are invited to attend Board and Committee meetings. Where appropriate, they contribute to discussions and advise members of the Board or its Committees on particular matters. The involvement of the senior management at Board and Committee discussions strengthens the relationship between the Board and its operating business and helps to provide the Board with a greater understanding of operations and strategy.

All Directors have access to independent professional advice at the Company's expense. In addition, they have access to the advice and services of the Group Company Secretary who is responsible for providing advice on corporate governance matters to the Board.

Evaluation

As we have been in a period of transition during 2015, and given the significant changes to the composition of the Board during the year, it was not considered appropriate to conduct a formal and rigorous evaluation process during the year and, consequently, the Company has not complied with Main Principle B6 of the Code. The effectiveness of the Board has been discussed informally by the Chairman and Non-Executive Directors and no issues have been identified. A formal evaluation process will be undertaken during 2016.

Directors' interests and conflicts

The interests of the Directors (including interests of their connected persons) in the share capital of the Company and its subsidiaries are set out in the Directors' remuneration report on pages 48 to 61.

There is an established process to capture details of any interests that a Director may have which conflict with, or could potentially conflict with, the interests of the Company. The Company's Articles of Association permit the Board to authorise any actual or potential conflicts of interest if considered appropriate. At each meeting the Board considers Directors' conflicts of interest, and Directors are reminded of their duty to disclose any conflicts and potential conflicts, as well as any interests in the matters to be discussed at the meeting.

No Director, either during or since the end of the year under review, was or has become interested in any material contract (not being a contract of employment) with the Company or any of its subsidiaries.

Corporate governance report
continued

Relations with shareholders
The Group has a dedicated Investor Relations function and a website focused on information and updates relevant to public shareholders (www.coats.com/investors).

The Board receives regular updates on investor communication activity, changes to the shareholder register and analysis of share price performance, and the Chairman ensures that any views expressed by shareholders are communicated to the Board at the earliest opportunity.

The Board considers transparency and openness to be a key feature of its stated strategy and endeavours to ensure that both shareholders and the market remain appropriately informed and that regular updates are released to the market.

Presentations are made to analysts and shareholders covering the Company's Preliminary Results and its half year results each year. These have been attended by the Chairman, and will in future include the Senior Independent Director.

Annual General Meeting
The Board considers the Annual General Meeting (AGM) to be a useful forum to develop an understanding of the views of its shareholders. At its 2015 AGM the Chairman provided an additional report to shareholders.

Copies of these presentations and reports and the results of proxy voting at the 2015 AGM were released to the markets and can be found on the Company's website www.coats.com.

This year's AGM will be held on 18 May 2016 in London.

Mike Clasper
Chairman

10 March 2016

Audit and Risk Committee report

We now have a Committee which provides a strong combination of longstanding knowledge of the business with fresh perspectives.

Ruth Anderson
Chairman, Audit and Risk Committee

Dear shareholder,
As Chairman of the Audit and Risk Committee ('the Committee'), I am pleased to report on the Committee's activities during the year.

The combining of the Boards of Coats plc and Coats Group plc and the transition of the listed company from an investment holding company to a UK headquartered global manufacturing business have brought significant changes to the membership of the Committee.

During the year three new members joined – Alan Rosling (who had been a Director of Coats plc), David Gosnell and Nicholas Bull, each of whose biographies can be found on page 34 and 35. Blake Nixon was a member of the Committee until he stepped down on 20 May 2015.

We now have a Committee which provides a strong combination of longstanding knowledge of the business with fresh perspectives to deal with a very full agenda. As required by the UK Corporate Governance Code, Nicholas Bull and I are considered to have recent and relevant financial experience.

The Committee has an annual work plan framed around the Group's financial reporting cycle, which ensures that it considers all matters as delegated to it by the Board and covers significant accounting estimates and judgments – which are set out in the table on page 45.

Inevitably there are also 'one-off' matters which require the Committee's attention and which this year included the disposal of EMEA Crafts; the Committee scrutinised the accounting implications for this major transaction, which has also been reviewed by the external auditors.

In 2014 the Company instigated the Finance Review, an important internal project which is establishing centres of excellence in management reporting, treasury and tax, with the implementation of standard and consistent global processes leveraging the use of technology. During the year. the Committee has maintained its focus on the progress of this project, receiving regular reports on the roll-out to different countries and monitoring how lessons learned early on are helping the implementation at later stages.

I will be available at the Annual General Meeting to answer any questions about our work.

Ruth Anderson
Chairman, Audit and Risk Committee

10 March 2016

Audit and Risk Committee report
continued

Accountability

Membership and meetings

The composition of the Committee changed significantly during the year as set out below, together with details of Committee members' attendance at meetings:

	Date joined or stepped down from the Committee in the year	Meetings attended/ Maximum number of meetings to attend
Ruth Anderson		6/6
Nicholas Bull	Joined 10.04.15	3/3
David Gosnell	Joined 02.03.15	3/4
Alan Rosling	Joined 02.03.15	4/4
Blake Nixon	Left 20.05.15	1/3
David Wadsworth	Left 25.02.15	2/2

Committee responsibilities

The Committee is responsible on behalf of the Board for monitoring, amongst other things

- the financial reporting process, the integrity of the financial statements of the Group, and any other formal announcements relating to its financial performance and reviewing significant financial reporting judgments contained in them;
- the effectiveness of the internal financial controls and the internal control and risk management systems of the Company;
- the terms of engagement of the external auditor, its remuneration, its independence and objectivity and the effectiveness of the external audit process;
- developing and implementing the Company's policy on the supply of non-audit services by the external auditor.

The Committee meets as required in advance of and during the annual audit process and to consider the final output, as well as to consider the half year announcement.

The Committee's terms of reference, which were updated during 2014 and are reviewed annually, can be found at www.coats.com/governance.

All Committee members are now considered to be independent and Nicholas Bull and I are considered by the Board to have the recent and relevant financial experience required under the Code.

Regular attendees at Committee Meetings in the year included the Group Chief Financial Officer, Head of Financial Control, Group Head of Internal Audit, and the Chief Legal & Risk Officer and Group Company Secretary, together with the external auditor. At most meetings the Group Chairman and Group Chief Executive were also in attendance.

The Committee met regularly with the Group Head of Internal Audit and the external auditor without management present.

The Deputy Company Secretary is the Committee's secretary.

Key areas of focus for the Committee

The key matters considered by the Committee during the year are set out on page 45.

The financial statements and reporting

The Committee monitored the integrity of the financial statements of the Company, including its annual and half yearly reports and any informal reports, such as preliminary yearly financial statements and analyst presentations, reviewing and reporting to the Board on significant financial reporting issues and judgments and any issues raised by the external auditor.

Significant accounting judgments and estimates:
Significant financial and reporting issues considered by the Committee in the year, in no particular order, are set out in the table below. The Committee reached its conclusions having considered the explanations given by management, discussed and challenged each matter, and asked for further information where it thought appropriate.

Significant financial and reporting issue	How the Committee addressed the issue
Disposal of EMEA Crafts	The Committee reviewed the accounting implications of the sale including the validity of any judgments and estimates which included the calculation of the loss on sale within discontinued operations.
Pension matters – valuation of obligations and disclosure	The Committee reviewed the methodology for determining key assumptions underpinning the valuation of liabilities of the Group's most significant pension schemes under International Accounting Standards. The Committee also reviewed in detail the various aspects of the continuing obligation to the Group's ongoing schemes, including the potential impact of tPR's investigation, and the appropriateness of provisions for costs associated with defending the Company's position. The Committee is satisfied that the disclosure relating to these provides an appropriate balance.
The carrying value of intangible assets	The Group has significant balance sheet values relating to intangible assets with indefinite lives (brands). During the year management presented a detailed paper setting out the approach to impairment assessment measurements and how key judgments and assumptions applied. Following input from executive management, the Committee has considered these carrying values and impairment adjustments where necessary.
The carrying value of tangible assets	The Committee also reviewed evidence presented by management of impairment of tangible assets based on identifying loss making business activities and interrogating the related business plans.
US environment provision	The Committee has considered at length management's position on the accounting and disclosure implications surrounding the Lower Passaic River following the submission of the Remedial Investigation and Feasibility Study by the Cooperating Parties Group, of which the Group is a member. The Committee has also been briefed by management on the very recent remedial decisions taken by the EPA with respect to the lower 8 miles of the river and how this has been reflected in the calculation of the increased provision.
Other provisions	The Committee considered the various judgments made by management in setting other provisions, the main areas being in respect of property and costs associated with the Pension Regulator's investigation.
Taxation	The Group operates in numerous jurisdictions around the world, with different regulations applying in different territories. This complexity together with intra-group cross-border transactions give rise to inherent risks. The Committee has reviewed management's reports on tax risks and, in addition, during the year the Group Head of Tax outlined to the Committee the Group's approach to managing its global tax affairs and the key judgments being taken, resulting in a formal tax strategy being approved by the Board.

The external auditor also reviewed the accounting treatment of all significant accounting judgments and estimates.

Going concern
The Committee reviewed a detailed paper presented by management setting out the assumptions underlying the going concern statement. The paper covered the Group's current financing, budgets and forecasts, and assessments of principal risks and uncertainties. The Committee considered this report, and discussed it with the external auditor. The Committee also considered, in particular, issues relating to tPR's investigations and possible outcomes of the Lower Passaic River environmental matter, and satisfied itself that there is a reasonable expectation that the Company and the Group will have adequate resources to continue in operational existence for the period of assessment of twelve months from the date of signing the accounts. The Committee reported accordingly to the Board, which also considered Going Concern in detail.

Internal audit
The Group Head of Internal Audit agrees the department's programme of work annually in advance with the Committee, and at each Committee meeting the progress of Internal Audit's activity is reviewed and progress against agreed actions by management is monitored.

In assessing the performance of Group Internal Audit, the Committee considered whether it provided timely assurance and practical recommendations to management to ensure the effectiveness of the Group's internal control and risk management systems whilst mitigating control deficiencies. The views of the external auditor were also sought.

The Committee is satisfied that the Internal Audit Function is sufficiently resourced to carry out its role, and that there is an effective relationship between Internal Audit and executive management.

Audit and Risk Committee report
continued

Internal control and risk management
The Board has overall responsibility for determining the nature and extent of its principal risks and the extent of the Group's risk appetite, and for monitoring and reviewing the effectiveness of the Group's systems of risk management and internal control. The principal risks and uncertainties facing the Company are addressed in the Strategic report and in the table on pages 30 to 33 of this report. The Board has delegated to the Committee within its terms of reference the responsibility for monitoring the effectiveness of the risk management and internal control systems.

The Committee receives regular reports from management, Internal Audit and the external auditor relating to the effectiveness of the control environment. The reporting process ensures that all significant business units regularly report on their internal control. Group systems are reviewed annually with results reported to the Committee and to the Board.

During 2015 a controllership function was established to provide greater focus on the key decisions and operational effectiveness of internal controls.

The Committee and the Board are satisfied that these systems operate effectively in all material respects and that this process provides appropriate assurance regarding the Group's financial condition, operational results, risk management and internal compliance and control systems.

Whistleblowing procedure
Whistleblowing is a standing item on the Committee's agenda. The Company has a whistleblowing procedure which enables employees who are aware of, or suspect, misconduct, illegal activities, fraud, abuse of assets or violations of any Company policy to report these confidentially. There were 31 incidents of whistleblowing during the year, all of which were investigated appropriately, with disciplinary action taken where there was any evidence of misdemeanour.

External audit
Independence
The Committee is responsible for reviewing the independence of the Company's auditor, Deloitte LLP and making a recommendation to the Board on its engagement. Deloitte has a policy of partner rotation, which complies with regulatory standards, and the audit engagement partner changed with effect from the beginning of the 2014 financial year in line with this requirement. In addition, Deloitte has a structure of peer reviews for its engagements which is aimed at ensuring that its independence is maintained.

Maintaining an independent relationship with the Company's auditor is a critical part of assessing the effectiveness of the audit process. The Committee regularly reviews the level of audit and non-audit fees paid to Deloitte and also has in place a policy for ensuring significant assignments are not awarded to the auditor without first being subject to the scrutiny of the Committee. The key principles of the policy on non-audit services are:

Summary of non-audit services policy

(i) Prohibited services include services remunerated on a success fee or participation in activities normally undertaken by management.

(ii) The Committee approved a list of all permitted non-audit services. These include audit-related reviews of the Group's interim results or any other review of accounts for regulatory purposes. It also includes certain tax compliance and advisory services for Group subsidiaries incorporated outside the European Union.

During 2015 the external auditor provided services in relation to the Group's interim results and tax compliance.

(iii) The Committee maintains a list of prohibited services which is aligned to 'black-list' services set out in the EU Audit Regulations and Directives.

(iv) Any service that is not on the list of permitted or prohibited services if in excess of US$15,000 requires the approval of the audit and risk committee.

The Committee confirms that no prohibited services were provided by the external auditors and it is satisfied that the policy on the supply of non-audit services could not lead to audit objectivity and independence being compromised.

Audit tender
Deloitte LLP was appointed the Company's auditor in 2003. During the year the Company established the policy that the external audit contract be put out to competitive tender at least every ten years. However, the transitional provisions under the EU Statutory Audit Directive (which will be brought into force in the UK with effect from 17 June 2016) permit the Company to put the external audit contract out to tender no later than in 2023. The Company has not yet made a decision as to the timing of the audit tender.

There are no contractual obligations that restrict the Company's choice of external audit firm.

Assessment of audit process effectiveness
The scope of the external audit is formally documented by the auditor. They discuss the draft proposal with management before it is referred to the Committee who reviews its adequacy and holds further discussions with management and the auditor before final approval.

The Committee also reviewed the effectiveness of the audit process based on its own experience and by seeking feedback, via a questionnaire, from others in the Company involved in the audit.

The Committee then considered overall performance of the auditor, their independence and objectivity, and reported to the Board that it should recommend to the Shareholders the reappointment of Deloitte LLP as auditor for the year ending 31 December 2016.

Committee performance
The Committee has undertaken a review of its own performance, seeking input from the members, regular attendees at the Committee and from the external auditor. Time has been scheduled at the May Committee meeting to analyse the results of the survey. This will enable the Committee to continue to improve the way in which it operates.

The Audit and Risk Committee report was approved by the Board of Directors on 10 March 2016 and signed on its behalf by:

Ruth Anderson
Chairman, Audit and Risk Committee

10 March 2016

Nomination Committee report

The Committee is responsible for ensuring that appropriate succession and development plans are in place.

Mike Clasper
Chairman

Dear shareholder,
I'm pleased to present the first annual report of the Nomination Committee following the separation of the previous combined Remuneration and Nominations Committee, with effect from 2 March 2015, in line with the establishment of a single, combined Board of Directors under Coats Group plc.

Although there have been many Board changes during the year, the majority of these resulted from the internal restructuring of the previous Guinness Peat Group plc and Coats plc Board to form the single, combined Board referred to above. The Committee did, however, recommend to the Board the appointment of Nicholas Bull, who we were delighted to welcome as a new Non-Executive Director with effect from April 2015.

The Committee's primary focus has been on Board succession and development plans. As part of a Group focus on these matters we have also considered plans for the continued development of key personnel within the business to ensure a pipeline of executive talent, and have worked with the Chief Human Resources Officer to monitor the implementation of these plans. We are satisfied that the plans in place will position us well to deal with succession at Board and senior management levels in the future, but will continue to keep succession planning and talent development under close review.

Mike Clasper
Chairman

10 March 2016

	Date joined or stepped down from the Committee in the year	Meetings attended/Maximum number of meetings to attend
Mike Clasper (Chairman)		2/2
Mike Allen		2/2
Ruth Anderson		2/2
Nicholas Bull	Joined 10.04.15	2/2
Paul Forman		2/2
David Gosnell	Joined 02.03.15	2/2
Alan Rosling		2/2
Blake Nixon	Left 31.12.15	1/2

The Committee's written terms of reference are available via www.coats.com/governance.

Composition and meetings
The Nomination Committee is chaired by Mike Clasper (the Chairman of the Group) and its members comprise all of the Non-Executive Directors along with the Group Chief Executive. The Nomination Committee met on 2 occasions during 2015 to discuss proposed appointments, succession and development and to evaluate the balance of skills, experience, independence and knowledge on the Board.

Appointments
The Committee members recommended the appointment of Nicholas Bull as a Non-Executive Director and SID of the Company during the year. The appointment process involved the services of an executive search agency, the Inzito Partnership, which has no other connection with the Company. The Inzito Partnership provided a shortlist of candidates who were interviewed by members of the Nomination Committee, following which the recommendation to appoint Nicholas Bull was submitted to and approved by the Board.

The Committee is currently coordinating a search for a new Chief Financial Officer following the resignation of Richard Howes with effect from 6 April 2016.

Diversity
When searching for candidates for Board appointments, the Nomination Committee takes into account a number of factors, including the benefits of diversity, including gender diversity, and the balance of the composition of the Board. The overriding requirement is to ensure that recommendations for appointments are made on merit against objective criteria, and that the best candidates are put forward for Board appointments.

Succession planning
The Committee is responsible for ensuring that appropriate succession and development plans are in place for appointments to the Board. We are satisfied that the succession planning structure in place is appropriate for a Company of the size and nature of the Group, and accords with our FTSE 250 ambitions. Succession planning arrangements will be kept under regular review in the future.

Election of Directors
In accordance with provision B.7.1 of the Code and the Company's Articles of Association, all Directors will offer themselves for re-election by shareholders at the 2016 Annual General Meeting.

Directors’ remuneration report
for the year ended 31 December 2015

I am pleased to present the Directors’ remuneration report for the year ended 31 December 2015.

David Gosnell
Chairman, Remuneration Committee

Annual statement by the Chairman of the Remuneration Committee

Dear Shareholder,
On behalf of the Remuneration Committee (the ‘Committee’) I am pleased to present the Directors’ remuneration report for the year ended 31 December 2015.

This report consists of two main sections following my introduction here. The first section contains the Annual Report on Remuneration for 2015 and the second section is a Remuneration Policy Summary which sets out the terms of the policy approved by shareholders at the 2014 AGM.

Following the change of the Company’s name to Coats Group plc, three Executive Directors were appointed to the Board in March 2015. The remuneration arrangements for the new Executive Directors are in accordance with the remuneration policy that was approved by shareholders at the 2014 AGM. This policy had been developed and proposed on the basis that the Company would complete the transition from being an investment company with only Non-Executive Directors to a UK headquartered global manufacturing business with a Board consisting of Executive and Non-Executive Directors.

The incentive compensation structure for Executive Directors aims to incentivise and reward the achievement of demanding targets that underpin the operational performance and growth of the Coats business. These measures are critical to the creation of future value for shareholders. A significant proportion of annual and long term remuneration for Executive Directors is directly linked to the value of the company’s shares to ensure that there is an alignment with the interests of shareholders.

The bonus outcome for 2015, which does not apply to any Non-Executive Director, reflects the strong operational performance and focus on cash management by Coats. A significant amount of executive time and focus remains, of course, on dealing with the on-going investigations by the UK pensions regulator. However, it is important and in the interests of all shareholders and stakeholders that the continuing Coats business continues to grow profitably and produce strong cash flows.

During the year, the Committee approved the grants of awards under the Group’s Long Term Incentive Plan and Deferred Annual Bonus Plan, approved the remuneration terms for each Executive Director and considered the impact on existing incentive targets and arrangements of the disposal of the EMEA Crafts business.

Director	Date joined the Committee in the year	Meetings attended/ Maximum number of meetings to attend
Mike Allen		5/5
David Gosnell	Joined 02.03.15	5/5
Alan Rosling	Joined 02.03.15	5/5

Details of members that left the Committee in the year can be found on page 55 of this report.

The Committee also approved the key elements of the 2016 annual bonus and 2016 Long Term Incentive award including the setting of targets.

The level of fees for the Chairman and Non-Executive Directors was reviewed during the year but no changes were made.

During 2015 an Employee Benefit Trust was established and mechanisms were put in place to enable the Trustee to buy the Company’s shares in the market that may be used for any future vested share awards.

The Annual Report on Remuneration also contains a statement on how the policy will be implemented in 2016. I am pleased to confirm that all incentive measures are directly linked to the performance of Coats Group plc. In particular, the profit element of the 2016 Long Term Incentive grant will be based on compound annual growth in Coats Group plc earnings per share and free cash flow.

The Committee remains focused on ensuring that the remuneration policy enables the Company to attract and retain the calibre of people it needs to meet its strategic objectives while at the same time adopting incentive targets that are challenging and directly linked to measures that will create shareholder value.

David Gosnell
Chairman, Remuneration Committee

10 March 2016

Annual Remuneration Report for 2015

A summary of the Remuneration Policy as approved by shareholders on 22 May 2014 follows after this section of the report. This Annual Report on Remuneration has been prepared in accordance with the relevant provisions of the Companies Act 2006 and as prescribed in The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in 2013 (the Regulations). Where indicated data has been audited by Deloitte LLP.

The Annual Report on Remuneration will be subject to an advisory vote at the AGM on 18 May 2016.

Executive Directors

On 2 March 2015 three Executive Directors were appointed to the Board. These appointments reflected the Company's planned transition from being an investment company to a global manufacturing business. All of the Executive Directors were employed by one of the Coats group of companies prior to their appointment. In accordance with the Remuneration Policy approved by shareholders on 22 May 2014 any existing legacy terms and conditions of existing service contracts or remuneration terms continue to apply after their appointment.

Single total figure for Executive Directors' remuneration for 2015 (audited information)

	Base Salary £000		Benefits £000		Annual incentive (cash & shares) £000		LTIP £000		Pension £000		Total £000	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Paul Forman	450.1	–	21.2	–	395.7	–	–	–	150.0	–	1,017.0	–
Richard Howes	301.2	–	13.3	–	276.9	–	–	–	60.2	–	651.6	–
Rajiv Sharma	389.9	–	216.6	–	352.5	–	–	–	77.4	–	1,036.4	–
Total	1,141.2	–	251.1	–	1,025.1	–	–	–	287.6	–	2,705.0	–

The figures in the table above have been calculated on the basis of the following:

- The figures for Mr Rajiv Sharma include the value of additional benefits that were provided to him following his relocation and secondment from Singapore to Dubai which commenced in June 2015. The contractual terms of the secondment were confirmed by his employer in December 2014 prior to his appointment as an Executive Director. The benefits figure for Mr Sharma includes an international allowance of $100,000 per annum which is paid as cash and the full cost of paying in advance a one year lease and utilities cost of $219,126 per annum on his accommodation in Dubai. Mr Sharma's remuneration arrangements are determined and paid in US dollars and have been converted to UK currency in the table above at an average exchange rate of $1 = £0.6543.
- Base salaries: represent the actual base salaries paid in the period from the date of appointment as an Executive Director on 2 March 2015 to 31 December 2015.
- Benefits: is the value of all taxable benefits in kind including a company car allowance, private medical insurance and life insurance. In the case of Mr Sharma this also reflects the additional benefits provided in connection with his secondment to Dubai as described above.
- Annual bonus (cash and shares): the total value of the annual incentive that is attributable to the time spent during 2015 as an Executive Director is shown in the table. One quarter of any bonus outcome is compulsorily awarded in shares under the terms of the Deferred Annual Bonus Plan that was approved by shareholders at the AGM in May 2014.
- Long Term Incentive Plan (LTIP): the value of any awards that were granted during a period as an Executive Director or which contained a performance period that ended during 2015 would be reflected in this table. As the Directors were only appointed in March 2015 no awards have yet vested.
- Pension: represents the value of all employer contributions to any pension plan or cash payments paid in lieu of a pension benefit. No Executive Director participates in any defined benefit pension arrangement.
- Paul Forman is a Non-Executive Director of Tate & Lyle plc. He received total fees of £52,375 (not included in the table above) during the year to 31 December 2015. The policy of the Board is that he is entitled to retain any fee in respect of this appointment.

Annual bonus outcome 2015 (audited information)

The annual bonus for 2015 was determined in accordance with the details provided in the 2014 Directors' remuneration report.

Details of the bonus measures and opportunities are provided in the table below.

All figures are as a % of salary

Annual bonus 2015	Weighting	Bonus opportunity			Performance achieved in 2015		
Performance Measure		Threshold	Target	Maximum	Paul Forman	Richard Howes	Rajiv Sharma
Attributable Profit (AP)	25.0%	1.75%	12.5%	25.0%	25.0%	25.0%	25.0%
Earnings Before Interest and Taxation (EBIT)	25.0%	3.0%	12.5%	25.0%	22.3%	22.3%	22.3%
Net Working Capital as % of Sales (NWC)	30.0%	0%	15.0%	30.0%	24.0%	24.0%	24.0%
Individual objectives	20.0%	0%	10.0%	20.0%	15.8%	18.8%	18.3%
Total	100.0%	4.75%	50.0%	100.0%	87.1%	90.1%	89.6%

Directors' remuneration report
for the year ended 31 December 2015
continued

Annual Report on Remuneration

The measures were selected to incentivise a balance of outcomes that reflected the strategic priorities for the Group. In particular these were to increase the attributable profit (profit after tax) that was available for shareholders, to achieve strong growth in trading profit through continued efficiency and growth in EBIT performance, ensure consistent and increasing level of cash generation from operations through working capital management, and achieve certain key strategic objectives that were specific for each Executive Director.

Annual bonus 2015	Weighting			Bonus targets	Performance achieved in 2015
Performance targets		Threshold $m	Target $m	Maximum $m	% bonus opportunity received
AP	25.0%	46.4	53.3	61.3	25.0%
EBIT	25.0%	126.6	137.1	150.8	22.3%
NWC	30.0%	15.9%	15.4%	14.9%	24.0%
Individual objectives	20.0%	Strategic objective			See table above

During the year the Committee adjusted the annual bonus targets in order to reflect the disposal of the EMEA Crafts business. Targets are set in relation to Budget for the upcoming financial year, and were adjusted so that they reflected continuing businesses only, excluding Budget for the disposed EMEA Crafts business and any exceptional costs relating to the disposal. As the EMEA Crafts business was expected to make a loss and to increase the level of NWC for 2015, performance ranges were consequently increased.

Long Term Incentive award outcome

No awards vested in 2015 that were either previously granted to an Executive Director or arose from a performance period that ended during the current financial year.

Share awards granted in 2015

The following share awards were granted to Executive Directors during the financial year ended 31 December 2015.

The targets for achieving minimum performance for each measure are shown in the tables on the following pages.

Executive Director	Date of grant	Number of options awarded	Face value at award date	Award value as a % of salary	Share price to calculate no of shares	Number of options for achieving minimum performance	Performance period	Vesting date
Coats Group plc Long Term Incentive Plan								
Paul Forman	07-Apr-15	3,160,396	£798,000	150%	£0.2525	790,099	1 Jan 2015 to 31 Dec 2017	07-Apr-18
Richard Howes	07-Apr-15	2,079,207	£525,000	150%	£0.2525	519,801	1 Jan 2015 to 31 Dec 2017	07-Apr-18
Rajiv Sharma	07-Apr-15	2,687,266	£678,535	150%	£0.2525	671,816	1 Jan 2015 to 31 Dec 2017	07-Apr-18

Executive Director	Date of conversion	Number of options awarded	Face value at award date	Award value as a % of salary	Share price to calculate no of shares	Number of options for achieving minimum performance	Performance period	Vesting date
Coats plc Interim Long Term Incentive Plan								
Paul Forman	26-Feb-15	2,313,043	£798,000	150%	£0.345	578,260	1 Jan 2014 to 31 Dec 2016	09-Feb-17
Richard Howes	26-Feb-15	1,521,739	£525,000	150%	£0.345	380,434	1 Jan 2014 to 31 Dec 2016	09-Feb-17
Rajiv Sharma	26-Feb-15	1,719,682	£593,291	150%	£0.345	429,920	1 Jan 2014 to 31 Dec 2016	09-Feb-17

Executive Director	Date of award	Number of options awarded	Face value at award date	Award deferred cash value as a % of salary	Share price to calculate no of shares	Performance period	Vesting date
Coats Group plc Deferred Bonus Plan							
Paul Forman	07-Apr-15	438,241	£110,656	21%	£0.2525	None	07-Apr-18
Richard Howes	07-Apr-15	279,651	£70,612	20%	£0.2525	None	07-Apr-18
Rajiv Sharma	07-Apr-15	482,925	£121,939	27%	£0.2525	None	07-Apr-18

The share price used to calculate the number of options awarded under the terms of the Coats Group plc Long Term Incentive Plan and the Coats Group plc Deferred Annual Bonus Plan is based on the mid-market closing price for the day immediately preceding the grant date, which was £0.2525. For awards under the Coats plc Interim Long Term Incentive Plan a share price of £0.345 was used in order to reduce the number of shares awarded as described on the following page.

Coats Group plc Long Term Incentive Plan

Awards were granted on 7 April 2015 as nil cost options under the terms of the Coats Group plc Long Term Incentive Plan that was approved by shareholders on 22 May 2014. The LTIP awards will vest, subject to the achievement of performance conditions, on the third anniversary of the date of grant. The notional value of any dividends paid on any vested share during the period from grant to vesting is payable as a cash sum. Details of the performance measures are provided in the table below.

Coats plc Interim Long Term Incentive Plan

All of the Executive Directors were employed by Coats prior to 1 January 2015 and participated in the Coats plc Interim Long Term Incentive Plan at a time when they were not Executive Directors. Awards were granted during 2014 as deferred cash awards that were conditional on achieving three year performance targets over the performance period 1 January 2014 to 31 December 2016. Under the terms of the awards the Company had the right to convert the deferred cash award into an award over the Company's shares in the form of nil cost options. In order to ensure a greater alignment of the 2014 Long Term Incentive award with the interests of shareholders the maximum deferred cash award was converted to an award over a maximum number of shares on 26 February 2015. The share price used to determine the maximum number of shares awarded was £0.345 which was the mid-market price on the date of the AGM on 22 May 2014. The mid-market price on the date of the conversion was £0.223. The higher share price was applied in order to reduce the maximum number of share options awarded than if the share price on the date of conversion had been applied. The performance measures and targets that applied to the original deferred cash award were not changed and the original terms and conditions remain the same. The earliest date that the award will vest is the date of the public announcement of the financial results for 2016. Any vested shares can only be settled by using market purchased shares. The Company has the right to make a cash payment in lieu of providing any shares.

Coats Group plc Deferred Annual Bonus Plan

For all Executive Directors one quarter of the bonus outcome relating to the financial year 2014 was awarded in the form of nil cost options during the year. The annual bonus arrangements for 2014 were in respect of a financial performance period prior to their appointment as Executive Directors. The awards were granted on 7 April 2015 under the terms of the Deferred Annual Bonus Plan that was approved by shareholders on 22 May 2014. Awards are not subject to additional performance conditions but are subject to clawback in certain circumstances such as gross misconduct, a material misstatement of results and malus.

Corporate governance

Long Term Incentive awards performance measures

The performance conditions applicable to awards granted in respect of the three year performance periods that commenced on 1 January 2014 (2014 Interim LTIP) and 1 January 2015 (2015 LTIP) are shown below.

2014 Interim LTIP

Measure	Weighting	Threshold	Mid	Maximum
Compound Annual Growth (CAGR) in Attributable Profit	20%	17.4%	20.8%	27.2%
Vesting % of total award		5%	10%	20%
Cumulative Free Cash Flow over 3 years	40%	$185m	$210m	$230m
Vesting % of total award		10%	25%	40%
Total Shareholder Return versus the FTSE250 excluding investment trusts	40%	Median	62.5 Percentile	Upper Quartile
Vesting % of total award		10%	25%	40%
Total	100%	25%	60%	100%

2015 LTIP

Measure	Weighting	Threshold	Mid	Maximum
Compound Annual Growth (CAGR) in Attributable Profit	40%	5%	15%	20%
Vesting % of total award		10%	25%	40%
Cumulative Free Cash Flow over 3 years	40%	$210m	$231m	$250m
Vesting % of total award		10%	25%	40%
Total Shareholder Return versus the FTSE250 excluding investment trusts	20%	Median	62.5 Percentile	Upper Quartile
Vesting % of total award		5%	12.5%	20%
Total	100%	25%	62.5%	100%

For this purpose Attributable Profit growth is defined as the Cumulative Compound Annual Growth in Attributable Profit in the performance period. The Board will consider the growth in normalised Attributable Profit which is Profit After Tax, adjusted to exclude the impact of exceptional costs such as property gains or losses and the impact of IAS19 (pensions finance charges). Attributable Profit is defined as retained profit after tax and post minority interests.

Free Cash Flow targets are based on cumulative Free Cash Flow generated for each year of the performance period after maintaining the Company's asset base ie operating cash flow minus capital expenditure, adjusted to reflect any disposals, acquisitions or property gains or losses.

Directors' remuneration report

for the year ended 31 December 2015
continued

Total Shareholder Return is the total returns to shareholders which includes share price growth and ordinary dividend payments. The performance condition is measured against a comparator group consisting of the FTSE250, excluding investment trusts.

The targets and measures that refer to Attributable Profit Growth and Cumulative Free Cash Flow in the above table are based on the performance of Coats plc, a subsidiary of Coats Group plc. Awards from 2016 onwards are based on the performance of Coats Group plc. The performance assessment for the Attributable Profit Growth measure is calculated on the basis that removes the impact from any variation in the IAS19 pension finance charge. The Committee reviewed the impact of the sale of the EMEA Crafts business during 2015 and determined that the original targets would be maintained. The Committee retains the discretion to consider whatever adjustments it considers are fair and reasonable when considering the performance against the targets shown. The Committee may adjust the level of vesting if it considers that the performance measures do not reflect the overall performance of the Company during the performance period or if there has been a material event such as an acquisition or disposal during the course of the performance period.

Non-Executive Directors

The membership of the Coats Group plc Board has changed considerably during 2015 as a consequence of the planned transition of the company from an investment company to a global manufacturing business. Three new Non-Executive Directors were appointed to the Board and five Non-Executive Directors resigned. All fees paid to Non-Executive Directors during 2015 were paid in accordance with the Remuneration Policy approved by shareholders on 22 May 2014. In July 2015 the fee levels for the Chairman were reviewed by the Remuneration Committee and for the Non-Executive Directors by a sub-committee consisting of the Chairman and the Executive Directors. No changes were proposed to any of the fees and they have remained at the same level since 1 October 2013.

Single total figure for Non-Executive Directors' remuneration for 2015 (audited information)

	Base fee £000		Supplementary fee £000		Benefits £000		Other fee[1] £000		Total £000		Comment
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	
Mike Clasper	**225.0**	131.2	**0**	0	**2.1**	0	**3.3**	86.7	**230.4**	217.9	
Mike Allen	**60.0**	60.0	**20.0**	11.7	**0**	0	**3.3**	32.5	**83.3**	104.2	
Ruth Anderson	**60.0**	35.0	**10.0**	5.8	**0**	0	**3.3**	21.7	**73.3**	62.5	
Sir Ron Brierley	**0**	0	**0**	0	**0**	0	**0**	0	**0**	0	Resigned 20 April 2015
Nicholas Bull	**43.5**	0	**7.2**	0	**0**	0	**0**	0	**50.7**	0	Appointed 10 April 2015
Rob Campbell	**10.0**	80.0	**0**	0	**0**	0	**0**	0	**10.0**	80.0	Resigned 2 March 2015
David Gosnell	**50.0**	0	**8.3**	0	**0**	0	**0**	0	**58.3**	0	Appointed 2 March 2015
Scott Malcolm	**10.0**	60.0	**1.6**	5.8	**0**	0	**0**	0	**11.6**	65.8	Resigned 2 March 2015
Blake Nixon	**60.0**	60.0	**0**	0	**0**	0	**0**	0	**60.0**	60.0	Resigned 31 December 2015
Alan Rosling	**50.0**	0	**0**	0	**0**	0	**0**	0	**50.0**	0	Appointed 2 March 2015
Waldemar Szlezak	**0**	0	**0**	0	**0**	0	**0**	0	**0**	0	Resigned 2 March 2015
Total	**568.5**	426.2	**47.1**	23.3	**2.1**	0	**9.9**	140.9	**627.6**	590.4	

1 Mike Clasper, Mike Allen and Ruth Anderson were also Non-Executive Directors of the Board of Coats plc. A fee of £20,000 per annum was payable by Coats plc in connection with the additional time commitment involved for being a member of two Boards at the same time. The fee payable by Coats plc is shown under 'Other fee' in the table above. No fee was paid to any Director by Coats plc with effect from 1 March 2015.
The figure under benefits for M Clasper relates to business expense re-imbursements which are deemed to be taxable in the UK and include the tax paid by the Company directly to HMRC.

The figure for base fees represents the fee paid by Coats Group plc. A supplementary fee is paid to the Senior Independent Director and Chairs of the Audit Committee and Remuneration Committee (£10,000 per annum). Mike Allen receives a supplementary fee of £20,000 per annum as Chair of the Pensions Committee. Alan Rosling's services are provided through Griffin Growth Partners.

Payments to past Directors

There have been no payments made to past Directors during the financial year.

Payments for loss of office

There have been no payments made to past Directors for loss of office during the year and no Director who resigned from the Board during 2015 received any payment for loss of office.

Statement of Directors' shareholding and share interests

The interests of the Directors who held office during the year, and their connected persons (if any), in the shares, options and listed securities of Coats Group plc and its subsidiaries as at 31 December 2015, are set out below. The Executive Directors' condition must be met by 2 March 2020.

	Shareholding requirement in 2015			Shares beneficially owned[1]		Deferred bonus shares subject to vesting period		LTIP share options (subject to performance conditions)		Share options (no performance conditions)	
	Shares	Equivalent % of 2015 Salary	Condition Met?	01-Jan-15[1]	31-Dec-15[2]	01-Jan-15[1]	31-Dec-15[2]	01-Jan-15[1]	31-Dec-15[2]	01-Jan-15[1]	31-Dec-15[2]
Executive Directors											
Paul Forman	2,000,000	100%	No	310,000	**535,933**	–	**438,241**	2,313,043	**5,473,439**	–	**–**
Richard Howes	1,300,000	100%	No	200,000	**490,000**	–	**279,651**	1,521,739	**3,600,946**	–	**–**
Rajiv Sharma	1,700,000	100%	No	–	**–**		**482,925**	1,719,682	**4,406,948**	–	
Chairman and Non-Executive Directors											
Mike Clasper				1,490,000	**1,490,000**	–	**–**	–	**–**	–	**–**
Mike Allen				200,000	**200,000**	–	**–**	–	**–**	–	**–**
Ruth Anderson				100,000	**100,000**	–	**–**	–	**–**	–	**–**
Sir Ron Brierley				16,882,765	**16,882,765**	–	**–**	–	**–**	1,888,369	**794,572**
Nicholas Bull				–	**250,000**	–	**–**	–	**–**	–	**–**
Rob Campbell				525,043	**525,043**	–	**–**	–	**–**	–	**–**
David Gosnell				386,475	**786,475**	–	**–**	–	**–**	–	**–**
Scott Malcolm				570,000	**570,000**	–	**–**	–	**–**	–	**–**
Blake Nixon				17,815,623	**14,286,406**	–	**–**	–	**–**	7,863,560	**3,702,350**
Alan Rosling				–	**–**	–	**–**	–	**–**	–	**–**
Waldemar Szlezak				–	**–**	–	**–**	–	**–**	–	**–**

1. Or date of appointment, if later.
2. Or date of resignation, if earlier.

On 26 February 2016, Executive Directors were awarded the following nil cost options as part of their deferred bonus for 2015; P Forman 470,154 shares, R Howes 328,994 shares, R Sharma 449,386 shares. The options are exercisable after a period of three years. In addition, the following nil cost options were awarded in respect of awards under the LTIP, P Forman 3,240,594 shares, R Sharma 2,908,071 shares. On 3 March 2016 P Forman purchased an additional 500,000 shares.

No other Directors have entered into any transactions since the year end.

Options under the Group's share option schemes

The previous sections of this report detail the awards granted to Executive Directors during 2015. No share option awards were granted to the Executive Directors prior to 26 February 2015 and there are no other share option awards that are outstanding.

Options under the terms of the Guinness Peat Group plc 2002 Executive Share Option Scheme remain outstanding and capable of exercise and are not subject to performance conditions. All of the options were granted with an exercise price which represented the market value at the date of grant. The outstanding awards that are currently retained by Sir Ron Brierley and Blake Nixon are shown below.

Ordinary 5p shares	31-Dec-14	Lapsed during year	31-Dec-15	Exercise price (per share)	Exercise period
Sir Ron Brierley	Number				
Ordinary 5p shares					
Ordinary	697,495	697,495	**0**	£0.48229	9 Mar 08 to 9 Mar 15
Ordinary	396,302	396,302	**0**	£0.51097	24 Oct 08 to 24 Oct 15
Ordinary	237,779		**237,779**	£0.566480	15 Mar 09 to 15 Mar 16
Ordinary	360,278		**360,278**	£0.565534	9 Mar 10 to 9 Mar 17
Ordinary	196,515		**196,515**	£0.499961	10 Apr 11 to 10 Apr 18
Blake Nixon					
Ordinary	2,179,682	2,179,682	**0**	£0.48229	9 Mar 08 to 9 Mar 15
Ordinary	1,981,528	1,981,528	**0**	£0.51097	24 Oct 08 to 24 Oct 15
Ordinary	951,131		**951,131**	£0.566480	15 Mar 09 to 15 Mar 16
Ordinary	1,441,115		**1,441,115**	£0.565534	9 Mar 10 to 9 Mar 17
Ordinary	1,310,104		**1,310,104**	£0.499961	10 Apr 11 to 10 Apr 18

No options were exercised by Directors during the year. The table above reflects options that lapsed during the year.

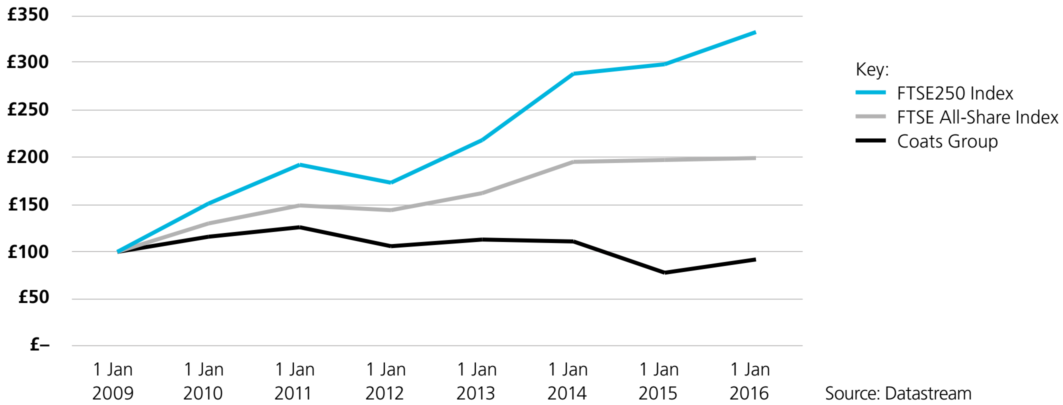
Directors' remuneration report
for the year ended 31 December 2015
continued

No options have been exercised and no options have lapsed since the year end.

The middle market price of Coats Group plc shares at 31 December 2015 was 24.92 pence and the range during the year was 20.975 pence to 30.061 pence.

Review of performance

The graph shows the difference between investing £100 in the Company and the constituents of the FTSE All Share Index and FTSE250 from 1 January 2009 to 31 December 2015. It is assumed dividends are reinvested over that period. The Board feels the FTSE All Share Index and the FTSE250 each provide an appropriate comparator given the Company's market capitalisation and its presence on the London Stock Exchange.



Source: Datastream

	2009	2010	2011	2012	2013	2014	2015
CEO single figure of remuneration (£k)							**1,017.0**
Annual Bonus as a % of maximum opportunity			n/a				**87.1%**
LTIP award as a % of maximum opportunity							**–**

Chief Executive total remuneration

The Company did not have any Executive Director who performed the Role as Chief Executive until 2 March 2015 and so no table of historic CEO data is provided.

	% change in remuneration between 2014 and 2015
	CEO[1]
Salary	n/a
Benefits	n/a
Annual bonus	n/a

1 The company did not have an Executive Director who performed the role of CEO until 2 March 2015, when the company completed its transition from Guinness Peat Group plc to Coats Group plc. There is therefore no preceding financial year with which to provide a comparison for either the CEO or for an average Group company employees as a whole. The % change in remuneration will therefore not be available until next year's annual report on remuneration, when we will be able to compare 2 years of data for the CEO.

Relative importance of spend on pay

The table below shows the total pay for all of the Company's employees compared to other key financial indicators.

	Year to 31 December 2015	Year to 31 December 2014	% change
Employee costs ($m)	**343.1**	399.8	(14)%
Distributions to shareholders[1] ($m)	**Nil**	Nil	–%
Average number of employees	**19,397**	19,756	(2)%
Revenues from continuing operations ($m) – like-for-like	**1,490**	1,445	3%
Operating profit pre-exceptional ($m) – like-for-like	**139**	117	19%

1 By way of dividends and share buybacks.

Additional information on number of employees, total revenues and profit has been provided for context. The figures for employee costs and average number of employees in 2015 and 2014 have been stated on the basis of continuing operations only. The figures have been amended from prior years to reflect the revenue and profit on the basis of like-for-like comparison and to reflect Coats Group reporting currency of US dollars.

Statement of implementation of Remuneration Policy for 2016
Base salaries for Executive Directors will be reviewed on 1 July 2016. The fee levels for the Chairman and Non-Executive Directors will also be reviewed.

No changes are expected to the provision of retirement or other benefits during 2016.

The 2016 annual bonus incentive opportunities and Long Term Incentive award grants will be unchanged from 2015 and will be implemented in accordance with the Remuneration Policy.

For Long Term Incentive awards to be granted in 2016 the key changes will be to reflect the performance of Coats Group plc rather than the subsidiary Coats plc. The material changes relating to 2016 will be that the Profit measure for Long Term Incentive awards will no longer be the Compound Annual Growth Rate (CAGR) in Attributable Profit but will be the CAGR in Earnings Per Share. Cumulative Free Cash Flow targets will also be on the basis of a measure that is calculated before any UK pension scheme deficit repair contributions.

Performance measures and weightings – annual bonus and LTIP

Annual bonus		Long Term Incentive	
Measure	Weighting	Measure	Weighting
Attributable Profit	25%	Earnings Per Share CAGR	40%
Earnings Before Interest and Taxation	25%		
Net Working Capital	30%	Free Cash Flow	40%
Individual objectives	20%	Total Shareholder Return	20%

The targets for the Long Term Incentive awards to be granted in 2016 are expected to made with following targets.

Measure	Threshold	Maximum
EPS CAGR over three years	5%	20%
Cumulative Free Cash Flow ($m) over three years	$220m	$260m
Total Shareholder Return vs FTSE250 excluding investment trusts	Median	Upper Quartile
Vesting % of each measure for Threshold and Maximum performance	25%	100%

Straight line vesting occurs between Threshold and Maximum.

The cumulative Free Cash Flow target is subject to adjustment and is before dividends and before any deficit repair contributions to UK pension schemes.

Consideration by the Directors of matters relating to Directors' remuneration
The members of the Committee were: S L Malcolm (Chairman), R Anderson, R J Campbell, M Allen, Sir Ron Brierley, M Clasper, B A Nixon and W R Szlezak from the start of the year until 2 March 2015. There were no meetings held in this period. From 2 March 2015, and the transition to Coats Group plc, the Committee members were: D Gosnell (Chairman), M Allen and A Rosling.

The responsibilities of the Committee are set out in the Corporate governance section of the Annual Report. The Committee also received assistance from S Morgan (who also acted as Secretary to the Committee), A Speak (HR Director) and B Fahey (Reward Director). No Directors are involved in deciding their own remuneration.

The Company received advice from Herbert Smith Freehills LLP in relation to legal matters relating to the Group's incentive plans and considered the recommendations from the Remuneration Committee of Coats plc during the year ended 31 December 2015. Kepler, a brand of Mercer, provided independent advice to the company principally in relation to the design and performance targets set for the Group's incentive plans. Kepler were paid fees of £43,000 for time spent and materials used in providing advice to the Company during the period to 31 December 2015. Kepler previously provided advice to the Remuneration Committee of Coats plc. Kepler provide no other advice to the Company and the Committee is satisfied that the advice provided was fair and objective.

Statement of voting at general meeting
At the Annual General Meeting of the Company on 21 May 2015 the results of the vote regarding Resolution 2 (to approve the Remuneration Report) were:

VOTES FOR		VOTES AGAINST			
Number	%	Number	%	Votes Total	Votes Withheld
800,774,198	91.25	76,809,864	8.75	877,584,062	441,138

The Remuneration report was approved by the Board of Directors on 10 March 2016 and signed on its behalf by:

David Gosnell
Chairman, Remuneration Committee 10 March 2016

Directors’ remuneration report

for the year ended 31 December 2015
continued

Remuneration Policy Summary

The Remuneration Policy was approved by shareholders at the Annual General Meeting on 22 May 2014. The policy applies for a period of three years from the date of approval. This section of the Annual Report is not subject to any shareholder resolution at the AGM in May 2016 and is provided for reference only.

The policy table below has been updated for context only. No changes were made to the policy since its approval and the policy continues to apply. A copy of the Remuneration Policy, as approved by shareholders at the AGM in 2014, is available at www.coats.com.

Directors’ Remuneration Policy

The Committee has responsibility for determining remuneration for the Company’s Directors including the Chairman. The Committee takes into account the need to recruit and retain Directors who have the suitable skills and experience to perform in the interests of the Company and its shareholders, while paying no more than is necessary.

It will need to ensure that any incentive compensation for Executive Directors is suitably motivational and will encourage any such Executive Directors to meet stretching performance targets within an acceptable degree of risk.

The Committee’s policy is that remuneration and benefit levels should be sufficiently competitive, having regard to remuneration practice in the industry and the countries in which the Group operates, to attract, incentivise, reward and retain Directors and senior executives.

The Remuneration Policy set out below applies to all Executive Directors who are appointed to the Board during the life of this policy.

Non-Executive Directors

The Chairman and Non-Executive Directors receive an annual fee (paid in monthly instalments). The fee for the Chairman is set by the Committee and the fees for the Non-Executive Directors are approved by the Board, on the recommendation of the Chairman. In determining the appropriate level of fees the Committee and the Chairman consider advice from external sources and data on the fee levels in other similar companies. No individual is present when his or her own level of remuneration is discussed.

Legacy matters

Two of the Non-Executive Directors hold share options granted under the Guinness Peat Group plc 2002 Executive Share Option Scheme (‘the Scheme’). Details of share options granted to existing Non-Executive Directors are set out in the Annual Report on Remuneration.

These remain eligible to vest based on their original award terms. The share options were not granted subject to performance targets, although as the options were granted with an exercise price equal to the share price at the date of grant, the options are subject to an inherent share price target. All such options are fully vested and are capable of exercise in full.

The Scheme contains limited discretions including determining the treatment of leavers based on the rules of the relevant plan and whether adjustments are required in certain circumstances (eg rights issues, corporate restructuring events and special dividends). Any exercise of these discretions would, where relevant, be explained in the Annual Report on Remuneration.

Approach to recruitment remuneration

When recruiting Non-Executive Directors, the remuneration arrangements offered will be in line with those set out in the relevant Section below.

Non-Executive Directors’ Remuneration Policy table

Element	Purpose and link to strategy	Operation
Fees		
	To attract and retain a high-calibre Chairman and Non-Executive Directors by offering market competitive fee levels.	The Chairman is paid an all-inclusive fee for all Board responsibilities. The other Non-Executive Directors receive a basic Board fee, with supplementary fees payable for additional Board responsibilities (if appropriate). The fee levels are reviewed on a periodic basis and may be increased taking into account factors such as the time commitment of the role and market levels in companies of comparable size and complexity. Additional payments may be made above the basic Board fee if duties significantly exceed expectations.
	Supplementary fees.	Supplementary fees may be payable to the Senior Independent Director, Chair of the Audit and Risk Committee, and Chair of the Remuneration Committee.
No benefits or other remuneration will be provided to Non-Executive Directors.		

In determining the level of fees for a new Non-Executive Director, the Committee will take into account all factors it determines to be relevant, including the skills and experience of the individual and the need to attract Non-Executive Directors of the appropriate calibre. The Committee will also take into account the level of fees offered by equivalent companies.

Terms of appointment

Fees

Under their respective Non-Executive Director appointment letters, all of the Non-Executive Directors other than Waldemar Szlezak are entitled to receive an annual fee. Waldemar Szlezak's appointment letter reflected his agreement not to receive any fee.

Sir Ron Brierley elected not to receive any fee as from 1 October 2013.

Term and termination provisions

None of the appointment letters contains a set term of office.

None of the appointment letters (other than for Sir Ron Brierley) contains a notice period. Removal of the Non-Executive Directors would be governed by the Articles of Association of the Company.

Sir Ron Brierley's appointment was terminable by the Company on giving 18 months' written notice or by Sir Ron Brierley giving 12 months' written notice. In case of early termination by the Company other than for cause, Sir Ron Brierley was entitled to receive a payment in respect of any annual bonus for the period to the date on which the notice period would expire, based either (at Sir Ron Brierley's election) on the average bonus paid in the preceding two financial years or on the bonus actually declared (or which would have been declared but for the cessation of office) for the relevant financial years. If Sir Ron Brierley is removed as a director within two years of a change in control of the Company, other than for cause, he is entitled to compensation equal to two times the average bonus received in the preceding two financial years. As referred to above, there is no current or future intention to award Sir Ron Brierley any bonus under the staff bonus scheme and he did not receive any compensation for loss of office following his resignation from the Board on 20 April 2015.

All Non-Executive Director letters of appointment are available for inspection at 1 The Square, Stockley Park, Uxbridge, Middlesex UB11 1TD during normal hours of business, and will also be available at the Company's AGM.

Policy on payment for loss of office

Save in respect of Sir Ron Brierley, there are no provisions in the Non-Executive Directors' letters of appointment that would give rise to any compensation payments for loss of office. Sir Ron Brierley's entitlements on termination of appointment are set out above.

Share options

In respect of the share options granted under the Scheme and held by certain Non-Executive Directors, on a cessation of office on grounds of gross misconduct or on-going breach of the terms of appointment following a written warning, options will lapse. In all other cases options would remain capable of exercise.

Executive Directors

The policy that applies following the appointments of any Executive Directors is shown below. A similar policy applies to other senior executives to the extent applicable.

Recruitment

In order to appoint an Executive Director, including a promotion to the Board of an executive from within the Group, the Committee will offer the recruit a remuneration package that it believes is appropriate, taking into account the skills and experience of the individual and the need to attract, retain and motivate individuals of the appropriate calibre. In determining the remuneration package that may be offered to a new Executive Director, the Committee may also take into account external and internal comparisons and relevant market factors, as well as any other factors which the Board determines to be relevant.

The remuneration package offered may include the components of remuneration described below in the Executive Directors' Remuneration Policy table subject to the relevant limits as set out in the following tables.

For external appointments, the Committee may determine that there may be exceptional circumstances where it would be appropriate, in order to secure the right candidate, to compensate for lost awards incurred by an individual as a result of leaving their former employer. In the case of any long term incentive awards, save where such awards are close to vesting, any such award on appointment would normally be granted as a share based award, subject to such vesting and/or performance conditions as the Committee determined to be appropriate, either under a one-off arrangement or under the terms of the Long Term Incentive Plan (as described below). In determining the terms of any such awards, the Committee would take account of the vesting schedule and conditions attached to the forfeited awards, but also other factors that it determined to be relevant, including the need to suitably incentivise and retain the individual during the initial years of their appointment.

Directors' remuneration report

for the year ended 31 December 2015
continued

Executive Directors' Remuneration Policy table — Fixed remuneration

Salary

Purpose and link to strategy	Operation and opportunity
To attract and retain the key talent that the Company needs to achieve its objectives.	Salaries for new Executive Directors will be set by the Board taking into account such factors as it determines to be necessary, as discussed above. Following recruitment, salaries will be reviewed annually with effect from 1 July. Salary reviews take account of factors including the market competitive level of pay in other companies, average salary increases applied elsewhere across the Group, the performance of the Company, the relative skills, performance and talent of the individual and any increase in the scope and/or responsibility of the individual's role. The Committee's approach will consider the median level of salary of similar positions in the FTSE250 (excluding financial services) for UK based roles to reflect the global scope and dimensions of the Group's operations and the sector in which it operates. External benchmark data is considered only as a reference point and the median figure will not be regarded as a target level of remuneration.

Pension

Purpose and link to strategy	Operation and opportunity
To provide a market competitive level of retirement provision.	In the case of an external appointment, the Executive Director will either be entitled to participate in a defined contribution scheme, on a non-contributory basis, with an employer contribution of up to 20% of salary, or will be provided with a cash alternative in lieu of any pension benefits of up to 20% of salary. In the case of promotion of an executive of the Group to the role of Executive Director, the individual will be entitled to continue to participate in any pension arrangements (including any cash alternative arrangements) in which they participate at the time of promotion or to participate in a new arrangement on the same terms as may be offered to an external appointment (as described above).

Benefits

Purpose and link to strategy	Operation and opportunity
To provide a market competitive level of benefits.	Benefit provision to Executive Directors will be determined by the Committee taking into account such factors as it determines to be necessary, with the aim of creating a competitive overall package. Benefits may include the provision of private medical insurance, ill-health protection and/or life insurance and a cash-for-car-allowance. In addition, the Company may provide assistance in connection with the relocation of an Executive Director and, in the event of an international transfer, may provide tax equalisation arrangements. Executive Directors may also participate in any all-employee incentive plan operated by the Company from time to time, up to the same limit for participation as applies for other employees.

Variable remuneration

Annual bonus, Cash bonus and deferral into shares under the rules of the Deferred Bonus Plan

Purpose and link to strategy	Operation and opportunity	Performance
Annual bonus incentivises key individuals to achieve the objectives of the annual business plan. The metrics are designed to incentivise key individuals to achieve the objectives and targets that result in an increase in profit growth, strong cash flow generation for the Group and individual key objectives that will contribute to the growth of the Group. The deferred element ensures that the final value of the annual incentive is linked to the longer term value of the Group.	Annual bonuses will be determined by reference to performance, in the normal course measured over one financial year. The maximum annual bonus that may be awarded will be 100% of salary. Any bonuses awarded will be subject to a mandatory 25% deferral into shares, to be held for a three year retention period, under the terms of the Deferred Bonus Plan. Deferral may operate so that shares will be held beneficially by the Executive Director during this period, in which case dividends will be payable on shares during such period. The deferral may alternatively be achieved by the grant of a share award or nil cost option in lieu of the deferred portion of the bonus, in which case an additional payment in cash or shares may be made to reflect dividends that may have been earned during the period from grant to vesting. The deferred element of the bonus may be subject to clawback (via the forfeiture of the deferred shares) in cases of personal misconduct or a restatement of results that mean the annual bonus awarded was greater than it should have been. The Deferred Bonus Plan was approved by shareholders at the 2014 AGM.	The performance measures, weightings and targets for the annual bonus will be set by the Committee on an annual basis. Performance measures will normally include tests of both business and individual performance. As an indication, the business objectives will include a profit-based measure and a measure that reflects cash generation. The weighting for each business objective will be between 20% and 50% and the weighting for the personal objectives will be up to a maximum of 20%. The Target or Budget level of performance will result in a payment of between 40% to 60% of the maximum award. The Committee will determine the Target/Budget level of remuneration on a basis that it feels is stretching and challenging. The Committee will be able to reduce vesting levels if it determines the result of the performance targets does not accurately reflect the financial health of the Company. All annual bonus payments and awards are made at the discretion of the Committee and the terms of the awards may be amended by the Committee at any time provided that they remain within the terms of this policy.

Long Term Incentive Plan

Purpose and link to strategy	Operation and opportunity	Performance
To incentivise key individuals to achieve key long term objectives. Principally, the objectives are to achieve profit growth; sustained cash generation and superior performance in Total Shareholder Return relative to the FTSE250. Targets are established considering the sector in which the Group operates and the acceptable risk profile of the Group. To create alignment between executives and shareholders. To retain key individuals.	Awards will be made annually, conditional on the achievement of three year performance conditions. Award levels for a Chief Executive Officer or a Chief Financial Officer will be up to 150% of salary, with lower award levels for any other Executive Director. Awards may be made to other senior executives within the Group. Larger awards may be made in exceptional circumstances, but in no case to exceed 250% of salary. Awards will normally be made in the form of nil cost options, exercisable following vesting until the tenth anniversary of grant, although awards may be made in other forms. An additional payment in cash or shares may be made to reflect dividends that may have been earned on the proportion of the award that vests during the period from grant to vesting. Awards will be subject to malus and clawback provisions. The malus provisions give the Committee discretion to reduce the level of an award prior to vesting in the event of personal misconduct or if events have happened that caused the Committee to determine the grant level was not appropriate. The Committee will have discretion to claw back vested awards in the event that personal misconduct prior to vesting is discovered or if within three years of vesting there is a restatement of results that means awards vested at too high a level. The Long Term Incentive Plan was approved by shareholders at the 2014 AGM.	Performance will be assessed over a period of not less than three years. The performance measures will consist of a profitability measure, a cash generation measure and a total shareholder return measure. The weighting for each measure will be between 20% and 50%. The weighting for each specific award, the definition of the precise measure and the targets will be determined by the Committee considering the balance of strategic priorities for the Company for each three year performance period. In addition, the Committee may consider setting an underpin condition which must be satisfied prior to vesting of an award. The Committee will be able to reduce vesting levels if it determines the result of the performance targets does not accurately reflect the financial health of the Company. Following grant of an award, the Committee will have power to amend performance measures and targets if events happen that mean they are no longer a fair test of performance, but not so as to make the assessment of performance materially less onerous.

Directors' remuneration report

for the year ended 31 December 2015
continued

Legacy matters in respect of future Executive Directors

In the event that an executive of the Group is promoted to the Board, the Company retains power to honour any existing remuneration commitments. In particular, any long term awards, both cash and share awards, will continue to be capable of vesting on their existing terms. This would include awards previously granted under legacy Group incentive plans. This would also include any awards granted under the Long Term Incentive Plan or Deferred Bonus Plan prior to the individual being appointed as a director (although it would be intended that any such awards would in any event comply with the Policy as set out above).

Shareholding target

Executive Directors will be required to attain a shareholding, over a five year period, equivalent to 100% of salary.

Service contracts of future Executive Directors

The Committee's policy is for service contracts for Executive Directors to reflect the Committee's understanding of best corporate practice for listed companies. However, in the event that an executive of the Group is promoted to the Board, the Committee may include terms in any new service contract which are consistent with that individual's existing service contract and legacy arrangements.

Service contracts offered to non-UK based, external appointments will generally be in line with the provisions set out above, subject to any local law requirements.

Executive Directors will be able to accept non-executive appointments outside the Company (as long as this does not lead to a conflict of interest) with the consent of the Board, as such appointments can enhance their experience and add value to the Company. Any fees received (excluding positions where the Executive Director is appointed as the Company's representative) may be retained by the Executive Director.

Policy on payment for loss of office of future Executive Directors

In the case of an executive of the Group who is promoted to the Board, the terms on cessation of office or employment would be governed by the terms of the individual's existing employment agreement. In addition, the terms of any incentive awards made to the individual prior to being appointed as an Executive Director, and the terms of any pre-existing participation in a pension scheme, would govern the treatment of such arrangements.

Subject to this, the key elements of a service contract offered to a UK based Executive Director appointment will be:

Notice period	The notice period will be no more than 12 months (in the case of notice being given by the Company or the Executive Director). An Executive Director may be placed on garden leave during some or all of the notice period.
Payment in lieu of notice ('PILON')	Save in circumstances justifying summary termination, employment may be terminated without notice by paying a PILON comprising basic salary and contractual benefits. Subject to any legacy terms, the Company will have discretion to pay on a phased basis, which will normally be subject to mitigation.
Pension	The service contract may include entitlement to pension benefits, subject to the provisions and any limits set out in this Policy and the pension scheme rules or an annual allowance. The entitlement to pension benefits may continue during any notice period.
Benefits	The service contract may include entitlement to other benefits, subject to the provisions and limits set out in this Policy. The entitlement to benefits may continue during any notice period.
Incentive plans	The Executive Director will be eligible to be considered (at the Committee's discretion) to participate in the annual bonus and long term incentive arrangements operated from time to time, subject to the provisions and limits set out in this Policy. The terms of such arrangements would apply in the event of a cessation of office or employment, as set out below.

Notice periods, salary and contractual rights

The notice periods and contractual rights on termination that would be included in a service contract offered to an external recruit are set out above. In addition, the Executive Director would be entitled to accrued but untaken holiday.

In respect of any awards made to an Executive Director under any all-employee share plan, the same leaver conditions will apply as apply in respect of employees generally.

Discretions

In considering the exercise of its discretions under the incentive arrangements, as referred to above, or otherwise in connection with the cessation of office or employment of an Executive Director, the Committee will take into account all relevant circumstances, having regard to their duties as Directors.

In doing so, factors that the Committee may take into account shall include, but not be limited to, considering the best interests of the Company, whether the Executive Director has presided over an orderly handover, the contribution of the Executive Director to the success of the Company during their tenure, the need to ensure continuity, the need to compromise any claims that the Executive Director may have, whether the Executive Director received a PILON and whether, had the Executive Director served out their notice, a greater proportion of the outstanding award may have vested.

Other

The Company may enter into new contractual and financial arrangements with a departing Executive Director in connection with the cessation of office or employment, including (but not limited to) in respect of settlement of claims, confidentiality, restrictive covenants and/or consultancy arrangements, where the Committee determines it necessary or appropriate to do so. Appropriate disclosure of any such arrangement would be made.

Corporate actions

On a corporate action affecting the Company, the rules of the Long Term Incentive Plan and Deferred Bonus Plan will apply. In summary, on a change of control awards will vest, subject to the performance conditions and, unless the Committee determines otherwise, time pro-rating. Deferred shares awarded under the terms of the Deferred Bonus Plan, which represent deferrals of previously earned bonus, will vest in full. Under the Long Term Incentive Plan and Deferred Bonus Plan, the Committee may determine that a demerger or similar event shall constitute a corporate action.

On a variation of share capital or similar event, the Committee may make such adjustment to awards under the Long Term Incentive Plan and the Deferred Bonus Plan as the Committee considers appropriate.

Incentive plans

	Good leavers	Other leavers
Annual bonus	The Company does not consider it appropriate to set defined 'good leaver' and 'bad leaver' conditions in respect of the annual bonus arrangements. Instead, where an Executive Director has ceased to hold office or employment with the Group, or is under notice, other than due to personal misconduct, the Committee will determine whether or not the individual will be eligible to receive any annual bonus. If the Committee determines that a departing Executive Director is eligible to receive a bonus, the amount of the bonus will be assessed by reference to the performance targets set for that financial year. The deferral requirement in respect of 25% of the amount of any bonus awarded will apply if the Committee so determines. The amount of any bonus will be pro-rated for time, provided that the Committee has discretion to waive time pro-rating.	Where the reason for cessation of office or employment is personal misconduct no bonus will be payable. In other cases, unless the Committee determines that the departing Executive Director is eligible to receive a bonus, no bonus will be payable.
Long Term Incentive Plan	A departing Executive Director will be a 'good leaver' on ceasing employment due to retirement, injury, disability, ill-health, death, redundancy or the sale of a business or subsidiary out of the Group. Awards held by 'good leavers' will normally vest on the normal vesting date (ie the third anniversary of grant) to the extent that the performance conditions are met, and be pro-rated for time. The Committee will have discretion to accelerate vesting to the date of cessation. The Committee also will have discretion to waive the time pro-rating requirement.	Unvested awards will lapse in full where the cessation of office or employment is on grounds of personal misconduct. In other cases, the Committee will have discretion to determine that unvested awards will vest (in which case the terms applicable to 'good leavers' will apply). Unless this discretion is exercised, unvested awards lapse in full.
Deferred Bonus Plan	Unvested deferred shares (which represent deferrals of earned bonus) will vest in full on the normal vesting date (ie the third anniversary of grant), provided that the Committee will have discretion to accelerate vesting to the date of cessation.	Where the reason for cessation of office or employment is personal misconduct unvested deferred shares will lapse in full.

Development of this policy

Statement of consideration of employment conditions elsewhere in the Company

The Committee does not consult with employees when determining remuneration policy.

Statement of consideration of shareholder views

The Committee remains committed to shareholder dialogue and takes an active interest in voting outcomes. The Committee sought the views of our major shareholders before submitting this Policy for shareholder approval at the 2014 AGM.

The Committee may, without seeking shareholder approval, make minor changes to this Policy that do not have a material advantage to Directors.

A copy of the Remuneration Policy, as approved by shareholders at the AGM on 22 May 2014, is available at www.coats.com.

Directors' report

The Directors present their annual report and audited financial statements for the year ended 31 December 2015.

Corporate Governance Statement
The strategic report and corporate governance report found on pages 1 to 61 and, together with this report of which it forms part, fulfils section 414C of the Companies Act 2006 and the Financial Conduct Authority's Disclosure Rules and Transparency Rules requirements by including, by cross reference, details of the Group's financial risk management objectives and policies, business review, future prospects and environmental policy.

Results and dividends
The results of the Group are shown on page 76 and movements in reserves are set out in note 27 to the financial statements.

The Company paid no interim dividend in respect of the year ended 31 December 2015 (2014: £Nil). The Directors do not propose a final dividend (2014: £Nil).

Environment matters
On 4 March 2016, the United States Environmental Protection Agency announced a final record of decision for the remediation of the lower 8 miles of the Lower Passaic River. Further details can be found in note 28 to the financial statements.

Going concern
The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's statement.

In addition, note 34 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk. The Directors believe that the Group is well placed to manage its business risks successfully.

At the year end the Group had cash totalling $649.9 million (2014: $739.0 million). The Board expects to be able to meet any actual and contingent liabilities from existing resources. Further information on the net cash position of the Group is set out in note 30(g).

Giving due consideration to the nature of the Group's business and underlying investments, taking account of the following matters – the ability of the Group to realise its liquid investments and to manage the timing of such liquidations; the Group's foreign currency exposures; the potential requirement to provide financial support to the Group's UK pension schemes; the appropriate capital structure to be adopted in the future; and also taking into consideration the cash flow forecasts prepared by the Group and the sensitivity analysis associated therewith – the Directors consider that the Group is a going concern and these financial statements are prepared on that basis.

Directors
The names and biographical details of the current Directors are shown on pages 34 and 35. Particulars of their emoluments and interests in shares are given on pages 49 and 50. Changes to the composition of the Board since 1 January 2015 up to the date of this report are shown in the table below:

	Joined the Board	Left the Board
Paul Forman	2 March 2015	
Richard Howes[1]	2 March 2015	
Rajiv Sharma	2 March 2015	
Nicholas Bull	10 April 2015	
David Gosnell	2 March 2015	
Alan Rosling	2 March 2015	
Sir Ronald Brierley		20 April 2015
Rob Campbell		2 March 2015
Scott Malcolm		2 March 2015
Blake Nixon		31 December 2015
Waldemar Szlezak		2 March 2015

[1] Richard Howes will leave the Board and the Group on 6 April 2016.

Appointment and retirement of Directors
The appointment of Directors is governed by the Company's Articles of Association, the UK Corporate Governance Code and the Companies Act 2006. The Directors may, from time to time, appoint one or more directors.

In the interests of good governance and in accordance with the provisions of the UK Corporate Governance Code, all Directors will retire and submit themselves for re-election at the forthcoming Annual General Meeting.

Share capital

Details of the Company's issued share capital, together with details of the movements in the Company's issued share capital during the year, are shown in note 26. The Company has one class of Ordinary Shares, which does not carry the right to receive a fixed income. Each share carries the right to one vote at general meetings of the Company. There are no restrictions or agreements known to the Company that may result in restrictions on share transfers or voting rights in the Company. There are no specific restrictions on the size of a holding, on the transfer of shares, or on voting rights, all of which are governed by the provisions of the Articles of Association and prevailing legislation.

Shareholder authority for the Company to purchase up to 210,944,275 (15%) of its own shares was granted at the 2015 Annual General Meeting. No shares were purchased pursuant to this authority during the year.

Shareholder authority for the Company to allot shares up to an aggregate nominal amount of £23,460,260 was granted at the 2015 Annual General Meeting. No shares were allotted pursuant to this authority during the year. However, taking into account allotments during the year following the exercise of options by the Company's share option scheme participants, the issued share capital of the Company at 31 December 2015 was £70,380,614 divided into 1,407,612,282 ordinary shares of 5 pence each. The Company's Ordinary Shares are listed on the London Stock Exchange, the Main Board equity security market operated by NZX Limited (the New Zealand Stock Exchange) and on the Australian Securities Exchange in CDI form. The principal register is held in the UK. Branch registers are maintained in New Zealand and Australia.

In the latter part of 2015, the Company announced its intention to de-list from both the Australian Stock Exchange and the New Zealand Stock Exchange subject to shareholder approval. This decision is to be put to the Company's shareholders at the Annual General Meeting in May.

Substantial interests

As at 31 December 2015 the Company had been notified, in accordance with Chapter 5 of the Disclosure Rules and Transparency Rules, of the following voting rights as a shareholder of the Company (see table below).

Substantial interests

Name of shareholder	Shares	%
Invesco Limited	155,070,757	11.01
Prudential plc group of companies (M&G)	140,851,167	10.00
FIL Limited	140,761,228	9.99
Quantum Strategic Partners*	133,201,970	9.01
MSD Capital	79,606,443	5.66
Odey Asset Management LLP	70,631,886	5.02

* Soros Fund Management LLC is the principal investment advisor to Quantum Strategic Partners.

As required by Chapter 5 of the Disclosure Rules and Transparency Rules, there have been no changes since the year end.

Property, plant and equipment

Details of property, plant and equipment are set out in note 14 to the financial statements.

Research and Development (R&D) and future development

The Group has a number of ongoing R&D projects focused on developing added value products aimed at the industrial market segments, as well as continuing to develop its proprietary colour management systems. Further information on future development initiatives can be found in note 5.

Employee issues

A description of the Company's employee policies applied during the year and details of our employee engagement survey can be found on page 20 of this Annual Report.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and that appropriate arrangements are made. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Directors' indemnities

The Directors of the Company, including former Directors who retired during the year, have entered into individual deeds of indemnity with the Company which constituted 'qualifying third party indemnity provisions' for the purposes of the Companies Act 2006. The deeds indemnify the Directors, and the directors of the Company's subsidiary companies, to the maximum extent permitted by law. The deeds were in force for the whole of the year, or from the date of appointment for those appointed in the year. In addition the Company had Directors' and Officers' liability insurance cover in place.

Auditor

A resolution to re-appoint Deloitte LLP as auditor will be proposed at the 2016 Annual General Meeting. A statement in respect of the auditor, in accordance with Section 418 of the Companies Act 2006, has been included in the Directors' responsibilities statement on page 65.

Directors' report
continued

Branches and financial risk management objectives and policies
The Company operates in over 60 countries, through branches and offices in the UK and overseas. Information about internal control and financial risk management objectives and policies in relation to the use of financial instruments can be found in note 34 to the financial statements, which are incorporated into this report by reference. Further information on risk management more generally can be found on page 28.

Financial instruments
Disclosure of the use of financial instruments by the Group can be found in note 34 to the financial statements.

Disclosures required under Listing Rule 9.8.4R
Additional information required to be disclosed by Listing Rule 9.8.4R, where applicable to the Group, can be found in the following pages of the Annual Report:

	Page
Amount of interest capitalised	n/a
Publication of unaudited financial information	n/a
Details of Long Term Incentive schemes	50
Allotment of equity securities	n/a
Significant contracts	n/a

Change of control
The Company is not party to any significant agreements that would take effect, alter or terminate upon a change of control of the Company following a takeover bid. However, the Group's Revolving Credit Facility Agreement would terminate upon a change of control of the Company. The Company does not have agreements with any director or employee providing compensation for loss of office or employment that occurs because of a takeover bid, except for provisions in the rules of the Company's share schemes which result in options or awards granted to employees vesting on a takeover.

Political donations
No contributions were made to political parties during the year (2014: £Nil).

Directors and their responsibilities
The current Directors who served during the year and up to the date of this report are detailed on page 62.

Details of those Directors seeking election or re-election at the forthcoming Annual General Meeting of the Company will be included in the Notice of that meeting to be sent to shareholders in due course.

Further discussion of the Board's activities, powers and responsibilities appears within the corporate governance section on pages 37 to 42. Information on compensation for loss of office is contained in the Directors' remuneration report on pages 48 to 61.

Greenhouse gas emissions
For the year ended 31 December 2015[1], Coats reported the following emissions:

Global tonnes of $CO_2e^{a,b}$	2015	2014
Direct (Gas, coal, oil)	**74.6**	93.1
Indirect (Electricity)	**244.5**	251.5

1 Calendar year 2015, all units, (incl. EMEA Crafts (7 months) and Coats Manila Bay, Inc. (11 months)).

a Based on 2015 and 2014 UK DEFRA GHG reporting guidance respectively. Includes Scope 1 direct emissions from the combustion of fuel (gas, coal and oil) and Scope 2 indirect emissions from the purchase of electricity.

b Emissions reported are from energy consumption in global operations.

This represents a decrease of 7% versus 2014 total emissions.

The methodology for Scope 1 direct emissions is to convert fuel consumed in kWh to GHG equivalent using the DEFRA published global conversion factors. The methodology for Scope 2 indirect emissions is to convert the electricity or other purchased energy in each country from KWh to GHG equivalent using the country level conversion factors published by DEFRA. The resultant figures are then consolidated globally.

Greenhouse gases emitted per unit of production (kg per kg of dyed product).

2015	2014	2013	2012	2011
4.6	5.1	5.3	5.6	5.7

Further details can be found on page 23 of this report.

This Directors' report was approved by order of the Board.

On behalf of the Board
Stuart Morgan
Company Secretary

10 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 are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the parent Company 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 accounts 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 the parent Company 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.

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

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 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.

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

This responsibility statement was approved by the Board of Directors and is signed on its behalf by:

Mike Clasper
Chairman

10 March 2016

Independent auditor's report to the Members of Coats Group plc

Opinion on financial statements of Coats Group plc

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2015 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The financial statements comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the related Group notes 1 to 36 the Company Balance Sheet, the Company Statement of Changes in Equity, the Company Cash Flow Statement and the related Company notes 1 to 8. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements 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".

Separate opinion in relation to IFRSs as issued by the IASB

As explained in note 1 to the Group financial statements, in addition to complying with its legal obligation to apply IFRSs as adopted by the European Union, the Group has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the Group financial statements comply with IFRSs as issued by the IASB.

Going concern and the directors' assessment of the principal risks that would threaten the solvency or liquidity of the Group

As required by the Listing Rules we have reviewed the directors' statement regarding the appropriateness of the going concern basis of accounting contained within note 1 to the financial statements and the Directors' statement on the longer-term viability of the Group contained within the strategic report on page 33.

We have nothing material to add or draw attention to in relation to:

- the Directors' confirmation on page 30 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures on pages 30 to 33 that describe those risks and explain how they are being managed or mitigated;
- the Directors' statement in note 1 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- the Directors' explanation on page 33 as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We agreed with the Directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

Independence	We are required to comply with the Financial Reporting Council's Ethical Standards for Auditors and we confirm that we are independent of the Group and we have fulfilled our other ethical responsibilities in accordance with those standards. We also confirm we have not provided any of the prohibited non-audit services referred to in those standards.
Our assessment of risks of material misstatement	The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team:

Risk	How the scope of our audit responded to the risk
Revenue recognition As discussed in the Annual Report and financial statements, from early 2015 the Coats Group plc activities were reviewed by the Board as that of a UK-headquartered, global industrial manufacturing business. We have considered the risk of fraud in revenue recognition to be more relevant in 2015 due to this transition. This risk is primarily focused on appropriateness of cut-off due to the volume and lead times of sales made over the year-end and the judgement in respect of the point of transfer of risks and rewards of goods to customers. The revenue recognition policy is disclosed in note 1 (K) and the classification of revenue in note 3 of the financial statements.	We have considered the revenue recognition policies of the Group, challenged the basis of significant adjustments to revenue and considered the cut-off of sales around the year-end to assess the appropriate transfer of risks and rewards of goods to customers.
Disposal of EMEA Crafts The disposal of the EMEA Crafts business was a significant one-off transaction with a material impact on the results of the Group, as explained in the Group Chief Executive's Statement on page 10 of the Annual Report. The loss on disposal has been calculated by management to be $76.0 million, see note 32 in the financial statements. This results from operating losses in the EMEA Crafts business of $12.7 million, loss on the assets and liabilities disposed of $55.8 million and exchange losses of $7.5 million recycled to the consolidated income statement.	We have audited the closing balance sheet of the disposal Group, reviewed the contractual commitments and challenged key inputs in the calculation determining the loss on disposal. We have audited the $7.5 million exchange loss recycled to the consolidated income statement upon completion of the transaction and confirmed the reduction in consideration from $10 million to a nominal amount.
Going concern and the impact of the Pensions Regulator's investigations Significant judgement is required to assess the impact of the Pensions Regulator's investigations on the going concern basis of the Group, this includes assessing the impact of the Pensions Regulator's investigations into the funding gap of the existing UK defined benefit schemes. The Director's evaluation of the business as a going concern is given on page 79 of the financial statements and their consideration of the long term viability of the Company on page 33. Further details of the Pension Regulator's investigation is given in the Chairman's Statement on page 4 of the Strategic Report and in note 24 of the financial statements.	The Pensions Regulator's investigation impacts the Brunel, Staveley and Coats UK schemes operated by the Group. We considered the appropriateness of management's assumptions and estimates used in their cash flow model, challenging those assumptions and considering supporting forecasts, estimates and sensitivities. We considered the appropriateness of management's conclusions over the impact of the Pensions Regulator's investigations through reviewing board minutes, correspondence with the pension trustees and met with the legal advisers.

Independent auditor's report to the Members of Coats Group plc
continued

Material assumptions underlying retirement benefit obligations The net defined benefit liability of Coats Group plc is \$3,249.1 million (2014: \$3,679.1 million) which represents an area of significant judgement for the financial statements, particularly in relation to the assumptions adopted such as discount, inflation and mortality rates. The key assumptions underlying the valuation of the retirement benefit obligations are presented in note 10 of the financial statements. This is also identified as a critical accounting judgement in note 1 of the financial statements.	We worked with our own actuarial experts to test the assumptions such as discount, inflation and mortality rates underlying management's calculation of the Group defined benefit schemes. We have compared these assumptions to industry benchmarks and prior year rates.
Lower Passaic River The Lower Passaic River provision requires significant management judgement, including assessing the likely outcome of the US Environmental Protection Agency's ('EPA') investigation. Management has set out their considerations in respect of the Lower Passaic River Study Area litigation in note 28 of the financial statements. During 2015 the Cooperating Parties Group submitted their Remedial Investigation Report and Focused Feasibility Study to the US Environmental Protection Agency, providing a reliable basis for management to make an initial provision. Subsequent to the year end, and considered an adjusting post balance sheet event, the EPA issued their Record of Decision ('ROD') in respect of this matter and management updated the basis for their estimate, resulting in an additional charge to the income statement of \$6.8 million from the recognition of the provision together with the related insurance reimbursement asset. The provision is currently considered by management to be the best estimate of a future liability under accounting standards based on the EPA's decision and current information available. Management identify provisions as a critical accounting judgement in note 1 of the financial statements.	We challenged management's assumptions used in determining the provision for the Lower Passaic River, including: a review of relevant correspondence with management's experts, consultation with independent experts and carrying out testing on movements in the provision. We considered information provided by outside legal counsel in relation to the investigation and held calls with key legal advisers. We considered the implications of the EPA releasing their ROD and concluded it was an adjusting post-balance sheet event. We audited the insurance policies held against the potential liabilities and considered the accounting adopted by management and specifically the implications of using the EPA's ROD in the calculation of the provision.
Carrying value of intangible assets and tangible assets The Group holds \$239.6 million of brands (2014: \$239.6 million) and \$5.5 million of goodwill (2014: \$2.2 million) shown in note 13 of the financial statements. The Group also holds tangible fixed assets of \$273.0 million (2014: \$298.2 million) as shown in note 14 of the financial statements. Management is required to assess whether the carrying value has been impaired where assets have an indefinite life or where there are indications of impairment. The impairment test requires significant management judgement and is based on assumptions about future profitability, cost of equity and cost of debt. This is also identified as a critical judgement in note 1 of the financial statements.	We considered indicators of impairment in respect of the tangible fixed assets, focusing on the performance of the various components of the Group where material tangible fixed assets are held. We tested management's assumptions used in the impairment model for intangible assets and tangible assets, where indicators of impairment were found, including cash flow projections, discount rate and sensitivities used. We considered the historical accuracy of management's forecasts, challenged the assumptions used in management's models by comparing to industry data sources, reviewed supporting evidence and applied further sensitivities.

Taxation Due to the nature and complexity of tax legislation in the multiple jurisdictions in which the Group operates, management are required to exercise a degree of judgement as to the application of corporation tax laws and the recoverability of deferred tax assets. The Group effective tax rate is 54.8% (2014: 46.6%), with deferred tax assets of $12.5 million and deferred tax liabilities of $33.0 million recognised in the statement of financial position. Management make a number of judgements on the future profitability of key components of the Group when recognising deferred tax assets on brought forward trading losses. The tax reconciliation is included in note 9 and the deferred tax in notes 16 and 23 of the financial statements.	We worked with our tax specialists in key jurisdictions to evaluate the appropriateness of judgements and assumptions made by management with respect to their assessment and valuation of tax risks, including a review of applicable third party evidence and correspondence with tax authorities. We evaluated management's forecasts and assessed management's conclusions on the sufficiency and availability of future profits to support the recognition of deferred tax assets.

The description of risks above should be read in conjunction with the significant issues considered by the Audit and Risk Committee discussed on page 45. We have reported two new risks in 2015: revenue recognition and the disposal of EMEA Crafts. We have reported revenue recognition due to the re-positioning of the Group as a UK-headquartered manufacturing business in 2015 and EMEA Crafts as a significant one-off transaction. We have refined the risk on provisions to be specific to the Lower Passaic River provision in 2015.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the Group to be $7.9 million, which is approximately 8% of adjusted profit before tax; determined as forecast profit adjusted for exceptional costs related to the disposal of EMEA Crafts, Lower Passaic River provision and the impact of restructuring in Mexico. In 2014 materiality was determined to be £6.3 million (equivalent to $9.8 million), which was below 1% of net assets adjusted for the deemed pension liabilities. We have changed the basis of materiality from adjusted net assets to an adjusted profit measure, subsequent to the merger of the Coats Group plc and Coats plc Boards and the change of focus from an investment company to a UK-headquartered, global industrial manufacturing business.

We agreed with the Audit and Risk Committee that we would report to the Committee all audit differences in excess of $560,000 (2014: $545,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit and Risk Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

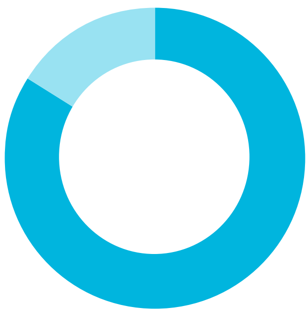
Independent auditor's report to the Members of Coats Group plc
continued

An overview of the scope of our audit

Coats Group plc and all head office entities were subject to full statutory audit by the Group auditor. Due to the geographically widespread nature of the Group, the audit is subject to scoping decisions on overseas components; we also regularly rotate countries in and out of scope to ensure an element of unpredictability in our scoping. In 2015 we brought Tunisia into audit scope in place of a German entity. Our involvement in the audit of the overseas components is as follows: the senior members of the audit team and Senior Statutory Auditor follow a programme of planned site visits, planning calls and closing meetings. The Group auditor also reviews the work of overseas component auditors.

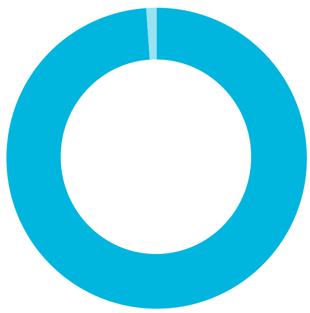
The components were selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. Our audit work at the components identified above was executed at levels of materiality which were lower than Group materiality. We included 17 entities in scope in 2015 (2014: 17) which included entities across all major geographic regions operated in by the Group, including key markets USA, Mexico, Brazil, China, Vietnam, India, Bangladesh and significant entities in Europe, including the head office companies in the UK.

Revenue



Audit scope	84%
Non-audit scope	16%

Adjusted profit



Audit scope	99%
Non-audit scope	1%

Our audit provided coverage of 99% (2014: 81%) of the Group's profit before tax and 84% (2014: 85%) of the Group's revenue is subject to full scope audit or audit of specified account balances.

At the parent entity level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or
- returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration	Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns. We have nothing to report arising from these matters.
Corporate Governance Statement	Under the Listing Rules we are also required to review part of the Corporate Governance Statement relating to the company's compliance with certain provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.
Our duty to read other information in the Annual Report	Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is: • materially inconsistent with the information in the audited financial statements; or • apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or • otherwise misleading. In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the Annual Report is fair, balanced and understandable and whether the Annual Report appropriately discloses those matters that we communicated to the Audit and Risk Committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.
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). We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews. 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.
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 Group's and the parent 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.

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

10 March 2016

Consolidated income statement

For the year ended 31 December	Notes	2015 Before exceptional items US$m	2015 Exceptional items US$m	2015 Total US$m	2014* Before exceptional items US$m	2014* Exceptional items US$m	2014* Total US$m
Continuing operations							
Revenue	2,3	**1,489.5**	**–**	**1,489.5**	1,561.4	–	1,561.4
Cost of sales		**(930.1)**	**(16.5)**	**(946.6)**	(993.4)	–	(993.4)
Gross profit		**559.4**	**(16.5)**	**542.9**	568.0	–	568.0
Distribution costs		**(202.9)**	**–**	**(202.9)**	(221.4)	–	(221.4)
Administrative expenses		**(217.8)**	**(21.1)**	**(238.9)**	(224.2)	(23.1)	(247.3)
Other operating income		**0.7**	**9.2**	**9.9**	1.0	3.1	4.1
Operating profit	2,4	**139.4**	**(28.4)**	**111.0**	123.4	(20.0)	103.4
Share of profits of joint ventures	15	**1.5**	**(1.5)**	**–**	1.5	–	1.5
Investment income	6	**10.5**	**–**	**10.5**	11.5	–	11.5
Finance costs	7	**(41.7)**	**–**	**(41.7)**	(19.5)	–	(19.5)
Profit before taxation	5	**109.7**	**(29.9)**	**79.8**	116.9	(20.0)	96.9
Taxation	9	**(46.2)**	**2.5**	**(43.7)**	(45.0)	(0.1)	(45.1)
Profit from continuing operations		**63.5**	**(27.4)**	**36.1**	71.9	(20.1)	51.8
Discontinued operations							
Loss from discontinued operations	32	**(12.7)**	**(62.8)**	**(75.5)**	(8.4)	(18.8)	(27.2)
Profit/(loss) for the year		**50.8**	**(90.2)**	**(39.4)**	63.5	(38.9)	24.6
Attributable to:							
Equity shareholders of the company		**39.6**	**(90.2)**	**(50.6)**	53.9	(38.9)	15.0
Non-controlling interests		**11.2**	**–**	**11.2**	9.6	–	9.6
		50.8	**(90.2)**	**(39.4)**	63.5	(38.9)	24.6
Earnings per ordinary share from continuing operations:							
Basic and diluted (cents)	11			**1.78**			2.99
(Loss)/earnings per ordinary share from continuing and discontinued operations:							
Basic and diluted (cents)	11			**(3.61)**			1.06
Adjusted earnings per share (cents)	36(a)			**3.96**			3.08

* Restated to reflect the change in accounting policies for presentation currency, operating profit and exceptional items and the results of EMEA Crafts business as a discontinued operation (see note 1).

Notes on pages 78 to 127 form part of these financial statements.

Consolidated statement of comprehensive income

Year ended 31 December	2015 US$m	2014* US$m
(Loss)/profit for the year	**(39.4)**	24.6
Items that will not be reclassified subsequently to profit or loss:		
Actuarial gains/(losses) on retirement benefit schemes	**67.2**	(330.9)
Tax on items that will not be reclassified	**(3.4)**	(1.7)
	63.8	(332.6)
Items that may be reclassified subsequently to profit or loss:		
Losses on cash flow hedges arising during the year	**(1.7)**	(1.5)
Transferred to profit or loss on cash flow hedges	**3.0**	3.7
Exchange differences on translation of foreign operations	**(66.2)**	(44.7)
Exchange differences transferred to profit or loss on sale of businesses	**7.5**	–
Exchange differences transferred to profit or loss on sale of investment	**(0.5)**	–
Transferred to profit or loss on sale of fixed asset investment	**–**	0.2
	(57.9)	(42.3)
Other comprehensive income and expense for the year	**5.9**	(374.9)
Net comprehensive income and expense for the year	**(33.5)**	(350.3)
Attributable to:		
Equity holders of the parent	**(44.0)**	(359.7)
Non-controlling interests	**10.5**	9.4
	(33.5)	(350.3)

* Restated to reflect the change in presentation currency (see note 1).

Notes on pages 78 to 127 form part of these financial statements.

Consolidated statement of financial position

31 December	Notes	2015 US$m	2014* US$m	2013* US$m
Non-current assets				
Intangible assets	13	**261.2**	256.7	256.1
Property, plant and equipment	14	**273.0**	298.2	341.3
Investments in joint ventures	15	**10.8**	13.7	13.7
Available-for-sale investments	15	**1.5**	3.0	3.5
Deferred tax assets	16	**12.5**	15.3	13.6
Pension surpluses	10	**52.5**	51.0	44.6
Trade and other receivables	18	**16.4**	16.0	20.1
		627.9	653.9	692.9
Current assets				
Inventories	17	**204.0**	257.8	281.0
Trade and other receivables	18	**261.9**	304.1	343.0
Available-for-sale investments	15	**0.2**	0.4	0.6
Pension surpluses	10	**6.6**	5.6	4.7
Cash and cash equivalents	30(g)	**649.9**	739.0	758.7
Non-current assets classified as held for sale	32(c)	**–**	1.5	0.9
		1,122.6	1,308.4	1,388.9
Total assets		**1,750.5**	1,962.3	2,081.8
Current liabilities				
Trade and other payables	20	**(320.7)**	(374.0)	(383.0)
Current income tax liabilities		**(12.5)**	(10.8)	(19.1)
Bank overdrafts and other borrowings	22	**(20.2)**	(113.5)	(82.4)
Retirement benefit obligations:				
– Funded schemes	10	**(33.9)**	(27.7)	(28.8)
– Unfunded schemes	10	**(6.2)**	(7.7)	(7.3)
Provisions	24	**(44.4)**	(42.9)	(42.4)
		(437.9)	(576.6)	(563.0)
Net current assets		**684.7**	731.8	825.9
Non-current liabilities				
Trade and other payables	20	**(12.4)**	(13.6)	(19.1)
Deferred tax liabilities	23	**(33.0)**	(39.2)	(36.8)
Borrowings	22	**(389.1)**	(304.6)	(371.7)
Retirement benefit obligations:				
– Funded schemes	10	**(394.1)**	(485.9)	(195.8)
– Unfunded schemes	10	**(94.2)**	(119.3)	(112.6)
Provisions	24	**(35.8)**	(22.5)	(26.7)
		(958.6)	(985.1)	(762.7)
Total liabilities		**(1,396.5)**	(1,561.7)	(1,325.7)
Net assets		**354.0**	400.6	756.1

* Restated to reflect the change in presentation currency (see note 1).

31 December	Notes	2015 US$m	2014* US$m	2013* US$m
Equity				
Share capital	26	**127.0**	127.0	127.0
Share premium account	27	**11.6**	11.6	11.4
Own shares	26,27	**(7.6)**	–	–
Translation reserve	27	**(123.1)**	(64.6)	(20.1)
Capital reduction reserve	27	**85.2**	85.2	85.2
Other reserves	27	**250.5**	249.2	246.8
Retained (loss)/profit	27	**(14.3)**	(32.1)	284.2
Equity shareholders' funds		**329.3**	376.3	734.5
Non-controlling interests	27	**24.7**	24.3	21.6
Total equity		**354.0**	400.6	756.1

* Restated to reflect the change in presentation currency (see note 1).

Paul Forman, Group Chief Executive

Richard Howes, Chief Financial Officer

Approved by the Board on 10 March 2016

Company Registration No. 103548

Notes on pages 78 to 127 form part of these financial statements.

Consolidated statement of changes in equity

	Share capital US$m	Share premium account US$m	Own shares US$m	Translation reserve US$m	Capital reduction reserve US$m	Other reserves US$m	Retained (loss)/profit US$m	Total US$m	Non-controlling interests US$m
Balance as at 1 January 2014*	127.0	11.4	–	(20.1)	85.2	246.8	284.2	734.5	21.6
Net comprehensive income and expense for the year	–	–	–	(44.5)	–	2.4	(317.6)	(359.7)	9.4
Dividends	–	–	–	–	–	–	–	–	(6.7)
Share issues	–	0.2	–	–	–	–	–	0.2	–
Share based payments	–	–	–	–	–	–	1.3	1.3	–
Balance as at 31 December 2014	127.0	11.6	–	(64.6)	85.2	249.2	(32.1)	376.3	24.3
Net comprehensive income and expense for the year	**–**	**–**	**–**	**(58.5)**	**–**	**1.3**	**13.2**	**(44.0)**	**10.5**
Dividends	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(10.1)**
Purchase of own shares	**–**	**–**	**(7.6)**	**–**	**–**	**–**	**–**	**(7.6)**	**–**
Share based payments	**–**	**–**	**–**	**–**	**–**	**–**	**4.6**	**4.6**	**–**
Balance as at 31 December 2015	**127.0**	**11.6**	**(7.6)**	**(123.1)**	**85.2**	**250.5**	**(14.3)**	**329.3**	**24.7**

* Restated to reflect the change in presentation currency (see note 1).

Notes on pages 78 to 127 form part of these financial statements.

Consolidated statement of cash flows

For the year ended 31 December	Notes	2015 US$m	2014* US$m
Cash inflow from operating activities			
Net cash inflow from operations	30(a)	**108.9**	158.4
Interest paid	30(b)	**(15.3)**	(21.8)
Taxation paid	30(c)	**(49.3)**	(55.7)
Net cash generated by operating activities		**44.3**	80.9
Cash outflow from investing activities			
Investment income	30(d)	**10.0**	9.8
Net capital expenditure and financial investment	30(e)	**(31.9)**	(37.7)
Acquisitions and disposals	30(f)	**(26.1)**	–
Net cash absorbed in investing activities		**(48.0)**	(27.9)
Cash outflow from financing activities			
Proceeds on issue of shares		**–**	0.2
Purchase of own shares		**(7.6)**	–
Dividends paid to non-controlling interests		**(10.1)**	(6.7)
Net increase/(decrease) in debt and finance leasing		**1.3**	(44.0)
Net cash absorbed in financing activities		**(16.4)**	(50.5)
Net (decrease)/increase in cash and cash equivalents		**(20.1)**	2.5
Net cash and cash equivalents at beginning of the year		**710.4**	740.7
Foreign exchange losses on cash and cash equivalents		**(58.9)**	(32.8)
Net cash and cash equivalents at end of the year	30(g)	**631.4**	710.4
Reconciliation of net cash flow to movement in net cash			
Net (decrease)/increase in cash and cash equivalents		**(20.1)**	2.5
Net (increase)/decrease in debt and lease financing		**(1.3)**	44.0
Change in net debt resulting from cash flows (free cash flow)		**(21.4)**	46.5
Other non-cash movements		**(3.1)**	(2.3)
Foreign exchange losses		**(55.8)**	(27.9)
(Decrease)/increase in net cash		**(80.3)**	16.3
Net cash at start of year		**320.9**	304.6
Net cash at end of year	30(g)	**240.6**	320.9

* Restated to reflect the change in presentation currency and operating profit accounting policy (see note 1).

Notes on pages 78 to 127 form part of these financial statements.

Notes to the financial statements

1 Principal accounting policies

The following are the principal accounting policies adopted in preparing the financial statements.

Critical accounting policies

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

- Pension and other employee benefit obligations

  The retirement benefit obligations recognised in the statement of financial position in respect of defined employee benefits 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 Group's major defined benefit pension arrangements is included in note 10.

- Carrying value of intangible assets and tangible assets

  The carrying value of intangible assets and tangible assets is dependent on the calculation of discounted cash flows arising from the cash-generating units to which those assets relate. Changes in either the discount rates applied or the estimated cash flows could materially change the carrying values of these assets.

- Provisions

  In determining the level of provisions held at year end the Board takes advice from external experts as appropriate. The nature of the estimates adopted is such that the final liability that crystallises may differ from these estimates.

A) Accounting convention and format

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union, which comprise standards and interpretations approved by the International Accounting Standards Board ('IASB') and International Accounting Standards and Standing Interpretations Committee interpretations approved by the predecessor International Accounting Standards Committee that have been subsequently authorised by the IASB and remain in effect.

Except as set out below the same accounting policies, presentation and methods of computation have been followed in these consolidated financial statements as applied in the Group's annual financial statements for the year ended 31 December 2014.

B) Changes in the Group's accounting policies

Following the change in the name of the Company to Coats Group plc and its focus as a global manufacturing business a number of the Group's accounting policies have been changed:

- presentation currency changed from Great Britain pounds sterling ('Sterling') to United States Dollars ('USD');
- operating profit accounting policy changed to exclude interest income and foreign exchange gains and losses on cash and cash equivalents used in investing activities;
- exceptional items accounting policy adopted; and
- operating segments changed to Industrial and Crafts.

In addition to the above changes, following the sale of the EMEA Crafts business which was completed on 31 July 2015, the results of that business are presented as a discontinued operation. Accordingly, prior period amounts in the consolidated income statement have been reclassified to discontinued operations.

C) Basis of preparation

Subsidiaries

Subsidiaries are listed on pages 134 to 135. Subsidiaries are consolidated from the effective date of acquisition or up to the effective date of disposal, as appropriate, or the subsidiary meets the criteria to be classified as held for sale. The effective date is when control passes to or from the Group. Control is achieved when the Group has the power over the investee and is exposed, or has the rights to variable returns from its involvement with the investee and has the ability to use its power to affect its returns. The existence and effect of potential voting rights that are currently exercisable or convertible are considered in determining the existence or otherwise of control. Where necessary, adjustments are made to the financial statements of subsidiaries to align their accounting policies with those used by the Group.

Where subsidiaries are not 100% owned by the Group, the share attributable to outside shareholders is reflected in non-controlling interests. Non-controlling interests are identified separately from the Group's equity, and may initially be measured at either fair value or at the non-controlling interests' share of the fair value of the subsidiary's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Changes in the Group's interests in subsidiaries, that do not result in a loss of control, are accounted for as equity transactions. Where control is lost, a gain or loss on disposal is recognised through the consolidated income statement, calculated as the difference between the fair value of consideration received (plus the fair value of any retained interest) and the Group's previous share of the former subsidiary's net assets. Amounts previously recognised in other comprehensive income in relation to that subsidiary are reclassified and recognised through the income statement as part of the gain or loss on disposal.

Joint ventures

Joint ventures are entities in which the Group has joint control, shared with a party outside the Group. The Group reports its interests in joint ventures using the equity method.

Going concern
Giving due consideration to the nature of the Group's business and underlying investments, taking account of the following matters: the ability of the Group to realise its liquid investments and to manage the timing of such liquidations; the Group's foreign currency exposures; the potential requirement to provide financial support to the Group's UK pension schemes, including the appropriate capital structure to be adopted by the Group in the future; and also taking into consideration the cash flow forecasts prepared by the Group and the sensitivity analysis associated therewith, the directors consider that the Company and the Group are going concerns and these financial statements are prepared on that basis. Further detail is contained in the corporate governance section on page 62.

D) Foreign currencies

Foreign currency translation
Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the period end. All currency differences on monetary items are taken to the consolidated income statement with the exception of differences on receivables and payables that represent a net investment in a foreign operation, which are taken directly to equity until disposal of the net investment, at which time they are recycled through the consolidated income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of initial transaction.

Presentation currency
The financial statements of Coats Group plc have previously been presented in Sterling. Following the change in focus of the Group to a global manufacturing business and the change in name of the Company to Coats Group plc, the currency in which the Group presents its financial results has been changed from Sterling to USD. Accordingly, the Board determined that, with effect from 1 January 2015, Coats Group plc will present its results in USD. The Board believes that this change will help to provide a clearer understanding of the Group's financial performance by more closely reflecting the profile of its operations.

In order to satisfy the requirements of IAS 21 'The Effects of Changes in Foreign Exchange Rates' with respect to a change in presentation currency, the financial information previously reported has been restated from Sterling into USD using the procedures outlined below:

- assets and liabilities were translated into USD at the relevant closing rates of exchange;
- income and expenses were translated into USD at the average exchange rate for the relevant period;
- differences arising from the retranslation of the opening net assets and the income and expenses for the period have been taken to the translation reserve; and
- the cumulative foreign currency translation reserve was set to nil at 1 January 2004, the date of transition to IFRS. All subsequent movements comprising differences on the retranslation of the opening net assets of non-USD subsidiaries have been taken to the translation reserve. Share capital, share premium and other reserves were translated at the historic rates prevailing at the dates of transactions.

The change in presentation currency represents a change in accounting policy which is accounted for retrospectively. The comparative year has been restated from Sterling into USD using the following exchange rates:

	December 2014
Average	0.61
Year end	0.64

Assets and liabilities of subsidiaries whose presentation currency is not US Dollars are translated into the Group's presentation currency at the rates of exchange ruling at the period end and their income statements are translated at the average exchange rates for the year. The exchange differences arising on the retranslation since 1 January 2004 are taken to a separate component of equity. On disposal of such an entity, the deferred cumulative amount recognised in equity since 1 January 2004 relating to that particular operation is recycled through the consolidated income statement.

Translation differences that arose before the date of transition to IFRS in respect of all such entities are not presented as a separate component of equity.

Goodwill and fair value adjustments arising on acquisition of such operations are regarded as assets and liabilities of the particular operation, expressed in the currency of the operation and recorded at the exchange rate at the date of the transaction and subsequently retranslated at the applicable closing rates.

E) Operating segments
Following the change in focus of the Coats Group plc Board to that of leading a global manufacturing business the format of the segmental reporting has changed to reflect the information viewed by the Board to allocate resources. As such the Group's reportable segments under IFRS 8 are now Industrial and Crafts. The results of the operating segments are set out in note 2; the change has been applied retrospectively with comparative information restated on a consistent basis.

F) Operating profit
The Group has adopted a new policy for operating profit following the change in focus of the Group to a global manufacturing business. The new policy is as follows:

Operating profit is stated before the share of results of joint ventures, investment and interest income, finance costs and foreign exchange gains and losses from cash and cash equivalents used in investing activities.

The new policy has been applied retrospectively with restatement of comparative numbers in the consolidated income statement. The impact of the change in the policy on the results for the year ended 31 December 2014 is as follows:

- interest and other income – Parent Group of $9.2 million is now classified below operating profit as part of investment income;
- foreign exchange gains and losses on cash and cash equivalents used in investing activities of $18.9 million gain are now reported as part of finance costs rather than administrative expenses; and
- profit on sale of property of $3.1 million is now reported as part of other operating income rather than administrative expenses.

Notes to the financial statements
continued

The impact of the change in operating profit policy on the results for the year ended 31 December 2014 is summarised below:

	US$m
Consolidated income statement:	
Interest and other income	
– Parent Group	(9.2)
Administrative expenses	(22.0)
Other operating income	3.1
Operating profit	(28.1)
Investment income	9.2
Finance costs	18.9
Consolidated cash flow statement:	
Net cash (absorbed in)/generated by operating activities	(8.6)
Net cash absorbed in investing activities	8.6

There was no impact on profit before taxation from continuing operations or equity shareholders' funds.

G) Exceptional items

The consolidated income statement format has been changed to include results both before and after exceptional items. The Group's accounting policy for exceptional items is as follows:

The Group has adopted an income statement format which seeks to highlight significant non-recurring items within the Group results for the year. Such items may include significant restructuring associated with a business or property disposal, litigation costs and settlements, profit or loss on disposal of property, plant and equipment, acquisition related costs, gains or losses arising from de-risking of defined benefit pension obligations, regulatory investigation costs, adjustments to deferred and contingent consideration and impairment of assets.

Judgement is used by the Group in assessing the particular items, which by virtue of their scale and nature, should be presented in the income statement and disclosed in the related notes as exceptional items. In determining whether an event or transaction is exceptional, quantitative as well as qualitative factors such as frequency or predictability of occurrence are considered. This is consistent with the way financial performance is measured by management and reported to the Board.

The new policy has been applied retrospectively with restatement of comparative numbers in the consolidated income statement. The exceptional items for the prior year are set out in note 4.

H) Property, plant and equipment

Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairments.

Leased assets

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

Subsequent expenditure

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditure, is capitalised. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is recognised in the income statement as an expense as incurred.

Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of property, plant and equipment, and major components that are accounted for separately. Land is not depreciated. The estimated useful lives are as follows:

Freehold buildings	– 50 years to 100 years
Leasehold buildings	– 10 years to 50 years or over the term of the lease if shorter
Plant and equipment	– 3 years to 20 years
Vehicles and office equipment	– 2 years to 10 years

Assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each period end.

I) Intangible assets

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition. Goodwill is recognised as an asset and reviewed for impairment at least annually. Any impairment is recognised immediately in the income statement. On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Goodwill is allocated to cash-generating units ('CGUs') for the purpose of impairment testing. CGUs represent the Group's investment in each of its business segments.

In respect of acquisitions prior to 1 January 2004, goodwill is included on the basis of its deemed cost, which represents the amount recorded previously under UK GAAP.

Negative goodwill is recognised immediately in the income statement.

Brands

Brands with finite useful lives are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over their useful lives of up to 20 years. Brands with indefinite useful lives are carried at cost less any accumulated impairment charges.

Other intangibles

Acquired computer software licences and computer software development costs are capitalised on the basis of the costs incurred to acquire and bring to use the specific software and are amortised over their estimated useful lives of up to 5 years.

Intellectual property, comprising trademarks, designs, patents and product development which have a finite useful life, are carried at cost less accumulated amortisation and impairment charges. Amortisation is calculated using the straight-line method to allocate the cost over the assets' useful lives, which vary from 5 to 10 years.

Impairment of assets
Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment charge is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. For the purposes of assessing impairment, assets are measured at the CGU level.

Research and development
All research costs are expensed as incurred.

An internally-generated intangible asset arising from development is recognised only if all of the following conditions are met:

- an asset is created that can be separately identified;
- it is probable that the asset created will generate future economic benefits; and
- the development costs can be measured reliably.

Internally-generated intangible assets are amortised on a straight-line basis over their useful lives.

Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

J) Financial instruments
Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the relevant financial instrument.

Financial assets
(i) Available for sale investments
Available for sale investments are recognised and derecognised on a trade date basis and are initially measured at fair value, plus directly attributable transaction costs and are remeasured at subsequent reporting dates at fair value. Listed investments are stated at market value. Unlisted investments are stated at fair value based on directors' valuation, which is supported by external experts' advice or other external evidence.

(ii) Cash and cash equivalents
Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits. For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(iii) Trade and other receivables
Trade receivables are recognised and carried at original invoice amount less an allowance for any uncollectable amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

Financial liabilities
(i) Trade payables
Trade payables are not interest-bearing and are stated at nominal value.

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

(iii) Compound instruments
The component parts of compound instruments are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument, and this amount is recorded as a liability at amortised cost. The equity component is the fair value of the compound instrument as a whole less the amount of the liability component, and is recognised in equity, net of income tax effect, without subsequent remeasurement.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts, and the host contracts are not measured at fair value with changes in fair value being recognised in the income statement.

(iv) Derivative financial instruments and hedge accounting
The Group's activities expose it to the financial risks of changes in foreign exchange rates and interest rates.

The use of financial derivatives is regulated by the Board or that of the relevant operating subsidiary in accordance with their respective risk management strategies. Changes in values of all derivatives of a financing nature are included within investment income and finance costs in the income statement.

Derivative financial instruments are initially measured at fair value at contract date and are remeasured at each reporting date.

The Group designates hedging instruments as either fair value hedges, cash flow hedges or hedges of net investments in foreign operations. Hedges of interest rate risk are accounted for as cash flow hedges.

At the inception of each hedge transaction the issuing entity documents the relationship between the hedging instrument and the hedged item and the anticipated effectiveness of the hedge transaction, and monitors the ongoing effectiveness over the period of the hedge. Hedge accounting is discontinued when the issuing entity revokes the hedging relationship, the hedge instrument expires, is sold, exercised or otherwise terminated, and the adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised through the income statement from that date.

(v) Fair value hedges
Changes in the fair values of derivatives that are designated and qualify as fair value hedges are recognised immediately through the income statement, together with any changes in the fair value of the related hedged items due to changes in the hedged risks. On discontinuation of the hedge the adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised through the consolidated income statement from that date.

(vi) Cash flow hedges
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is deferred in equity. Once the related hedged item is recognised in the income statement, the amounts deferred in equity are recycled through the consolidated income statement. The gain or loss arising from

Notes to the financial statements
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any ineffective portion of the hedge is recognised immediately through the consolidated income statement.

(vii) Hedges of net investments in foreign operations
Gains and losses on hedging instruments relating to the effective portion of such hedges are recognised through the translation reserve, and recycled through the consolidated income statement on disposal of the respective foreign operations. The gain or loss arising from any ineffective portion of such hedges is recognised immediately through the consolidated income statement.

K) Revenue
Revenue comprises the fair value of the sale of goods and services, net of sales tax and discounts, and after eliminating sales within the Group. Revenue is recognised as follows:

(i) Sales of goods
Sales of goods are recognised in revenue when the associated risks and rewards of ownership of the goods have been transferred to the buyer.

(ii) Sales of services
Sales of services are recognised in the period in which the services are rendered, by reference to the stage of completion of those services at the period end.

(iii) Income from sales of property
Income from sales of property is recognised on completion when legal title of the property passes to the buyer.

L) Inventories
Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Raw materials are valued at cost on a first-in, first-out basis.

The costs of finished goods and work in progress include direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Provision is made for obsolete, slow-moving and defective inventories.

M) Employee benefits
(i) Retirement and other post employment obligations
For retirement and other post-employment 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, the effect of the asset ceiling (if applicable) and the return on scheme assets (excluding interest) are recognised immediately in the consolidated statement of financial position with a charge or credit to the consolidated statement of comprehensive income in the period in which they occur. Remeasurement recorded in the consolidated statement of comprehensive income is 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;
- net interest expense or income; and
- actuarial gains and losses.

The Group presents current and past service costs within cost of sales and administrative expenses in its consolidated 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 consolidated 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 and other post employment benefit obligations recognised in the consolidated statement of financial position represents the deficit or surplus in the Group's defined benefit schemes. 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.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension plans on a mandatory, contractual or voluntary basis. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(ii) Share-based compensation
Cash-settled
The Group operates a cash-settled share-based compensation plan for the benefit of certain employees. Cash-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at each reporting date. The fair value is expensed on a straight-line basis over the vesting period, with a corresponding increase in liabilities.

Equity-settled
The Group operates an equity-settled Long Term Incentive Plan for executives and senior management. Awards under this plan are subject to both market-based and non market-based vesting criteria.

The fair value at the date of grant is established by using an appropriate simulation method to reflect the likelihood of market-based performance conditions being met. The fair value is charged to the consolidated income statement on a straight-line basis over the vesting period, with appropriate adjustments being made during this period to reflect expected vesting for non market-based performance conditions and forfeitures. The corresponding credit is to equity shareholders' funds.

The shares awarded under this plan are purchased in the market by the Employee Benefit Trusts over the vesting period.

(iii) Non-share-based long term incentive schemes
The anticipated present value cost of non-share-based incentive schemes is charged to the consolidated income statement on a straight-line basis over the period the benefit is earned, based on remuneration rates that are expected to be payable.

(iv) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the period end are discounted to present value.

N) Taxation

The tax expense represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the consolidated income statement because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the period end.

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred taxation is measured on a non-discounted basis. The following temporary differences are not provided for: goodwill not deducted for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the period end. A deferred tax asset is recognised only to the extent that it is probable that future profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying values of deferred tax assets are reviewed at each period end.

Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is also dealt with in other comprehensive income or equity.

O) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs, except where otherwise stated, are recognised in the income statement in the period in which they are incurred.

P) Provisions

A provision is recognised in the consolidated statement of financial position when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, a provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

Q) Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

R) Restructuring

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly. Future operating costs are not provided for.

S) Assets held for sale and discontinued operations

Non-current assets and businesses which are to be sold ('disposal groups') classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets (and disposal groups) are classified as held for sale if their carrying amount is expected to be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when such a sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets are classified as held for sale from the date these conditions are met, and such assets are no longer depreciated.

Discontinued operations are classified as held for sale and are either a separate business segment or a geographical area of operations that is part of a single coordinated plan to sell. Once an operation has been identified as discontinued, or is reclassified as discontinued, the comparative information in the Income Statement is restated.

Notes to the financial statements
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New IFRS accounting standards and interpretations adopted in the year
During the year, the Group has adopted the following standards and interpretations:

- IFRIC 21 ('Levies'); and

- Annual Improvements to IFRSs 2011–2013 Cycle.

The adoption of these standards and interpretations has had no significant impact on these consolidated financial statements.

New IFRS accounting standards and interpretations not yet adopted
The following published standards and amendments to existing standards, which have not yet all been endorsed by the EU, are expected to be effective as follows:

From the year beginning 1 January 2016:

- IFRS 14 ('Regulatory Deferral Accounts'); Amendments to IAS 1 ('Disclosure Initiative');

- Amendments to IAS 1 ('Disclosure Initiative');

- Amendments to IAS 16 and IAS 38 ('Clarification of Acceptable Methods of Depreciation and Amortisation');

- Amendments to IAS 19 ('Defined Benefit Plans: Employee Contributions');

- Amendments to IFRS 10, IFRS 12 and IAS 28 ('Investment Entities: Applying the Consolidation Exception');

- Amendments to IFRS 10 and IAS 28 ('Sale or Contribution of Assets between an Investor and its Associate or Joint Venture');

- Amendments to IFRS 11 ('Accounting for Acquisitions of Interests in Joint Operations');

- Annual Improvements to IFRSs 2010–2012 Cycle; and

- Annual Improvements to IFRSs 2012–2014 Cycle.

From the year beginning 1 January 2017:

- Amendments to IAS 12 ('Recognition of Deferred Tax Assets for Unrealised Losses'); and

- Amendments to IAS 7 ('Disclosure Initiative').

From the year beginning 1 January 2018:

- IFRS 9 ('Financial instruments'); and

- IFRS 15 ('Revenue from Contracts with Customers').

From the year beginning 1 January 2019:

- IFRS 16 ('Leases').

Other than IFRS 9, 15 and 16 the directors do not expect that the adoption of the Standards and Interpretations listed above will have a material impact on the financial statements of the Group in future periods. IFRS 9 'Financial Instruments' will impact both the measurement and disclosure of financial instruments. IFRS 15 'Revenue from Contracts with Customers' may change the timing of revenue recognition. IFRS 16 'Leases' will change how the Group recognises, measures, presents and discloses leases. The standard requires the Group to recognise assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value.

2 Segmental analysis

The Group has two reportable segments: Industrial and Crafts. Both segments include businesses with similar operating and market characteristics. These segments are consistent with the internal reporting as reviewed by the Coats Group plc Board (the 'Chief Operating Decision Maker').

The reportable segments have changed in the year and therefore comparative results have been restated on the same basis. The previous operating segments of Coats Group plc were Thread manufacturing and Investment activities.

a) Segment revenue and results

2015	Industrial US$m	Crafts US$m	Total US$m
Revenue	**1,212.5**	**277.0**	**1,489.5**
Segment profit	**135.2**	**14.4**	**149.6**
UK pension scheme administrative expenses			**(10.2)**
Pre-exceptional operating profit			**139.4**
Exceptional items			**(28.4)**
Operating profit			**111.0**
Share of profit of joint ventures			**–**
Investment income			**10.5**
Finance costs			**(41.7)**
Profit before taxation from continuing operations			**79.8**

2014 (Restated)	Industrial US$m	Crafts US$m	Total US$m
Revenue	1,243.1	318.3	1,561.4
Segment profit	117.9	13.8	131.7
UK pension scheme administrative expenses			(8.3)
Pre-exceptional operating profit			123.4
Exceptional items			(20.0)
Operating profit			103.4
Share of profit of joint ventures			1.5
Investment income			11.5
Finance costs			(19.5)
Profit before taxation from continuing operations			96.9

The accounting policies of the reportable operating segments are the same as the Group's accounting policies described in note 1. Operating profit is the measure reported to the Company's directors for the purpose of resource allocation and assessment of segment performance for continuing operations.

b) Assets and liabilities

	Industrial US$m	Crafts US$m	Adjustments, eliminations and unallocated assets and liabilities US$m	Total US$m
Assets				
31 December 2015	**366.1**	**105.8**	**2.7**	**474.6**
31 December 2014 (Restated)	388.4	176.5	2.6	567.5
Liabilities				
31 December 2015	**(231.9)**	**(42.4)**	**(44.7)**	**(319.0)**
31 December 2014 (Restated)	(256.7)	(70.6)	(41.2)	(368.5)

Segmental assets includes trade and other receivables (excluding derivative financial instruments and current income tax assets) and inventories. Segmental liabilities includes trade and other payables (excluding derivative financial instruments and current income tax payables of $9.6 million (2014: $10.0 million) within other payables due after one year). Adjustments, eliminations and unallocated assets and liabilities consist of elimination of intra group balances as well as assets and liabilities which have not been allocated to reportable segments.

Notes to the financial statements
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2 Segmental analysis continued

c) Other segment information

	Additions to non-current assets		Depreciation and amortisation	
	2015 US$m	Restated 2014 US$m	2015 US$m	Restated 2014 US$m
Industrial	**31.9**	35.2	**33.0**	37.2
Crafts	**3.3**	3.3	**3.7**	4.1
Unallocated	**7.1**	8.6	**6.9**	5.3
	42.3	47.1	**43.6**	46.6

Additions to non-current assets and depreciation and amortisation excludes EMEA Crafts for both 2015 and 2014.

d) Geographic information

	Revenue by origin		Revenue by destination		Non-current assets	
	2015 US$m	Restated 2014 US$m	2015 US$m	Restated 2014 US$m	2015 US$m	Restated 2014 US$m
Europe, Middle East & Africa (EMEA)						
– UK	**18.4**	22.3	**26.3**	32.0	**267.5**	265.6
– Germany	**43.3**	51.7	**11.8**	20.8	**3.5**	3.7
– Rest of EMEA	**186.7**	223.4	**208.3**	242.2	**44.5**	53.6
Americas						
– USA	**291.2**	298.2	**279.8**	290.2	**42.6**	38.4
– Brazil	**74.2**	110.5	**73.9**	110.1	**16.6**	27.8
– Mexico	**61.9**	64.0	**64.5**	64.5	**16.9**	22.1
– Rest of Americas	**98.9**	111.6	**105.1**	117.7	**10.5**	11.7
Asia & Rest of World						
– India	**169.1**	169.7	**163.2**	164.0	**37.7**	40.7
– China and Hong Kong	**173.9**	164.6	**166.4**	147.1	**38.0**	41.1
– Bangladesh	**77.2**	66.9	**78.3**	68.7	**18.2**	17.4
– Vietnam	**139.4**	123.6	**127.8**	124.2	**27.1**	27.3
– Other	**155.3**	154.9	**184.1**	179.9	**35.4**	37.8
	1,489.5	1,561.4	**1,489.5**	1,561.4	**558.5**	587.2

Non-current assets excludes derivative financial instruments, pension surpluses and deferred tax assets.

e) Information about products and customers
The Group's revenue by product type are as follows:

	2015 US$m	Restated 2014 US$m
Industrial – Apparel and Footwear	**979.3**	1,008.1
Industrial – Speciality	**233.2**	235.0
Crafts – Handknittings	**149.5**	169.8
Crafts – Needlecrafts	**127.5**	148.5
	1,489.5	1,561.4

The Group had no revenue from a single customer, which accounts for more than 10% of the Group's revenue.

3 Revenue

An analysis of the Group's revenue is as follows:

Year ended 31 December	2015 US$m	Restated 2014 US$m
Continuing operations:		
Sales of goods	**1,489.5**	1,561.4
Other operating income	**9.9**	4.1
Investment income	**10.5**	11.5
	1,509.9	1,577.0
Discontinued operations:		
Sales of goods	**47.8**	124.5
Investment income	**0.1**	0.1
	47.9	124.6
Total	**1,557.8**	1,701.6

4 Exceptional items

	2015 US$m	Restated 2014 US$m
Cost of sales:		
US environmental costs (note 28)	**13.2**	–
Reorganisation costs – Mexico	**3.3**	–
	16.5	–
Administrative expenses:		
Capital incentive plan charge	**1.3**	4.2
UK Pensions Regulator ('tPR') investigation costs	**5.7**	18.9
Reorganisation costs – overhead reduction programme	**14.1**	–
	21.1	23.1
Other operating income:		
Profit on the sale of property	**(9.2)**	(3.1)
Share of profits of joint ventures:		
Loss on disposal of joint venture	**1.5**	–
	29.9	20.0

Notes to the financial statements
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5 Profit before taxation from continuing operations

Year ended 31 December	2015 US$m	Restated 2014 US$m
Profit before taxation is stated after charging/(crediting):		
Amortisation of intangible assets	9.0	5.9
Depreciation of property, plant and equipment	34.6	40.7
Fees charged by Deloitte LLP		
Group audit fees:		
– Fees payable for the audit of the Company's annual accounts	0.3	0.3
– Fees payable for the audit of the Company's subsidiaries	1.8	2.1
Other Deloitte services:		
– Taxation services	0.4	0.4
– Other services	0.1	–
Total fees charged by Deloitte LLP	2.6	2.8
Operating lease rentals:		
– Plant and equipment	5.0	5.8
– Other	11.8	13.8
Research and development expenditure	2.1	2.0
Bad and doubtful debts	1.5	2.5
Net foreign exchange losses/(gains)	7.1	(18.9)
Rental income from land and buildings	0.8	1.0
Inventory as a material component of cost of sales	541.5	579.8
Inventory write-downs to net realisable value	0.8	1.0

6 Investment income

	2015 US$m	Restated 2014 US$m
Interest receivable on Parent Group cash*	4.9	9.2
Other interest receivable and similar income	4.9	1.6
Income from other investments	0.7	0.7
	10.5	11.5

* Cash relating to the realisation of investments previously held by Coats Group plc.

7 Finance costs

	2015 US$m	Restated 2014 US$m
Interest on bank and other borrowings	16.8	20.2
Net interest on pension scheme assets and liabilities	17.1	11.3
Foreign exchange losses/(gains) on Parent Group cash*	3.2	(18.9)
Other	4.6	6.9
	41.7	19.5

* Cash relating to the realisation of investments previously held by Coats Group plc.

8 Staff costs

The average monthly number of employees was:

Year ended 31 December	2015 Number	Restated 2014 Number
Continuing operations:		
Direct	12,408	12,333
Indirect	2,267	2,189
Other staff	4,722	5,234
	19,397	19,756
Discontinued operations	601	823
Total number of employees	19,998	20,579
Comprising:		
UK	232	258
Overseas	19,766	20,321
	19,998	20,579
The total numbers employed at the end of the year were:		
UK	194	267
Overseas	18,776	20,027
	18,970	20,294

Year ended 31 December	2015 US$m	Restated 2014 US$m
Their aggregate remuneration comprised (including directors):		
Continuing operations:		
Wages and salaries	300.6	354.8
Social security costs	27.8	29.5
Other pension costs (note 10)	14.7	15.5
	343.1	399.8
Discontinued operations	12.4	27.2
	355.5	427.0

9 Tax on profit from continuing operations

Year ended 31 December	2015 US$m	Restated 2014 US$m
UK Corporation tax at 20.25% (2014: 21.5%)	–	–
Overseas tax charge	(52.6)	(47.2)
Deferred tax credit	8.9	2.1
Total tax charge	(43.7)	(45.1)

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9 Tax on profit from continuing operations continued
The tax charge for the year can be reconciled as follows:

	2015 Underlying US$m	2015 Exceptional items US$m	2015 Other adjustments* US$m	2015 Total US$m	Restated 2014 Underlying US$m	Restated 2014 Exceptional items US$m	Restated 2014 Other adjustments* US$m	Restated 2014 Total US$m
Profit before taxation	**130.0**	**(29.9)**	**(20.3)**	**79.8**	109.3	(20.0)	7.6	96.9
Tax charge at the UK statutory rate of 20.25% (2014: 21.5%)	**26.3**	**(6.1)**	**(4.1)**	**16.1**	23.5	(4.3)	1.6	20.8
Differences between overseas and UK taxation rate	**8.4**	**(0.7)**	**–**	**7.7**	7.3	(0.5)	–	6.8
Non-deductible expenses	**6.1**	**0.4**	**0.7**	**7.2**	5.5	0.4	–	5.9
Non-taxable income	**(0.6)**	**–**	**–**	**(0.6)**	(0.4)	–	–	(0.4)
Local tax incentives	**(1.1)**	**–**	**–**	**(1.1)**	(1.8)	–	–	(1.8)
Utilisation of unrecognised losses	**(3.7)**	**–**	**–**	**(3.7)**	(7.2)	–	–	(7.2)
Recognition of previously unrecognised deferred tax assets	**(0.4)**	**–**	**–**	**(0.4)**	–	–	–	–
Recognition of previously unrecognised deferred tax assets on losses	**(1.3)**	**–**	**–**	**(1.3)**	–	–	–	–
Potential deferred tax assets not recognised	**0.3**	**0.3**	**3.6**	**4.2**	–	–	–	–
Potential deferred tax assets in respect of losses not recognised	**10.7**	**3.6**	**–**	**14.3**	12.2	4.5	(1.6)	15.1
Impact of changes in tax rates	**0.4**	**–**	**–**	**0.4**	–	–	–	–
Prior year adjustments	**(3.0)**	**–**	**–**	**(3.0)**	(2.0)	–	–	(2.0)
Withholding tax on remittances (net of double tax credits) and other taxes not based on profits	**3.9**	**–**	**–**	**3.9**	8.4	–	–	8.4
Impact of profit from joint ventures recognised net of tax	**–**	**–**	**–**	**–**	(0.5)	–	–	(0.5)
Income tax expense/(credit)	**46.0**	**(2.5)**	**0.2**	**43.7**	45.0	0.1	–	45.1
Effective tax rate	**35.4%**	**8.4%**	**(1.0%)**	**54.8%**	41.2%	(0.5%)	–	46.6%

* Other adjustments consist of net interest on pension scheme assets and liabilities of $17.1 million (2014: $11.3 million) and foreign exchange losses arising on cash relating to the realisation of investments previously held by Coats Group plc of $3.2 million (2014: gain of $18.9 million).

10 Retirement and other post-employment benefit arrangements

(a) Pension and other post-employment costs

Pension and other post-employment costs for the year were (continuing and discontinued operations):

		$m	Year ended 31 December 2015 $m	$m	Restated Year ended 31 December 2014 $m
Defined contribution schemes			**2.2**		3.0
Defined benefit schemes –	Coats UK funded	**4.4**		4.2	
	Coats US funded	**3.8**		2.9	
	Staveley	**–**		–	
	Brunel	**–**		–	
	Other funded and unfunded	**4.6**		5.9	
			12.8		13.0
Administrative expenses for defined benefit schemes			**13.3**		15.7
			28.3		31.7

(b) Defined contribution schemes

The Group operates a number of defined contribution plans around the world to provide pension benefits. The total cost relating to discontinued operations is $0.1 million (2014: $0.2 million).

(c) Defined benefit schemes

The Group operates three significant defined benefit schemes in the UK, namely the Brunel Holdings Pension Scheme ('Brunel'), the Staveley Industries Retirement Benefits Scheme ('Staveley') and the Coats Pension plan ('Coats UK') which offer both pensions in retirement and death benefits to members. In addition, Coats operates the Coats North America Pension Plan ('Coats US') in the US as well as various pension and other post-retirement arrangements around the globe (most significantly in Germany). The assets of the Brunel, Staveley, Coats UK and Coats US plans are held under self-administered trust funds and hence are separate from the Group's assets.

The following disclosures do not include information in respect of schemes operated by joint ventures.

The Group 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 – certain of the Group's employee benefits are linked to salary and, hence, a faster than assumed increase in salaries may adversely impact on the defined benefit liabilities. However, this is not a significant risk to the Group.

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

The information provided below for defined benefit plans has been prepared by independent qualified actuaries based on the most recent actuarial valuations of the schemes, updated to take account of the valuations of assets and liabilities as at 31 December 2015. For the principal schemes, the date of the most recent actuarial valuations were 1 April 2012 for the Coats UK scheme, 31 December 2015 for the Coats US scheme, 5 April 2011 for the Staveley scheme and 31 March 2013 for the Brunel scheme.

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10 Retirement and other post-employment benefit arrangements continued

Principal assumptions at 31 December 2015	Coats UK %	Coats US %	Staveley %	Brunel %	Other %
Rate of increase in salaries	**4.0**	**4.0**	**–**	**–**	**3.8**
Rate of increase for pensions in payment	**2.9**	**–**	**Various**	**Various**	**2.8**
Discount rate	**3.6**	**4.3**	**3.6**	**3.6**	**4.0**
Inflation assumption	**3.0**	**2.5**	**3.0**	**3.0**	**2.7**

Principal assumptions at 31 December 2014	Coats UK %	Coats US %	Staveley %	Brunel %	Other %
Rate of increase in salaries	4.0	4.0	–	–	4.0
Rate of increase for pensions in payment	2.9	–	Various	Various	1.9
Discount rate	3.4	3.9	3.4	3.4	3.8
Inflation assumption	3.0	2.5	3.0	3.0	2.8

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

For the year ended 31 December 2015	Coats UK $m	Coats US $m	Staveley $m	Brunel $m	Other $m	Group $m
Current service cost	**(4.4)**	**(3.8)**	**–**	**–**	**(4.6)**	**(12.8)**
Administrative expenses	**(7.9)**	**(1.0)**	**(2.1)**	**(2.2)**	**(0.1)**	**(13.3)**
	(12.3)	**(4.8)**	**(2.1)**	**(2.2)**	**(4.7)**	**(26.1)**
Interest on defined benefit obligations – unwinding of discount	**(86.7)**	**(6.0)**	**(11.9)**	**(8.4)**	**(4.5)**	**(117.5)**
Expected return on pension scheme assets	**76.0**	**8.9**	**9.0**	**5.6**	**2.0**	**101.5**
Effect of asset cap	**–**	**(0.8)**			**(0.4)**	**(1.2)**
	(10.7)	**2.1**	**(2.9)**	**(2.8)**	**(2.9)**	**(17.2)**

For the year ended 31 December 2014 (Restated)	Coats UK $m	Coats US $m	Staveley $m	Brunel $m	Other $m	Group $m
Current service cost	(4.2)	(2.9)	–	–	(5.9)	(13.0)
Administrative expenses	(7.9)	(0.9)	(3.9)	(2.9)	(0.1)	(15.7)
	(12.1)	(3.8)	(3.9)	(2.9)	(6.0)	(28.7)
Interest on defined benefit obligations – unwinding of discount	(112.9)	(6.3)	(15.5)	(10.6)	(6.2)	(151.5)
Expected return on pension scheme assets	107.6	10.2	13.4	8.5	2.5	142.2
Effect of asset cap	–	(1.7)	–	–	(0.5)	(2.2)
	(5.3)	2.2	(2.1)	(2.1)	(4.2)	(11.5)

Included in the table above are amounts that have been reclassified to discontinued operations following the disposal of the EMEA Crafts business. Total amounts reclassified included service cost of $0.2 million (2014: $0.3 million) and net interest expense of $0.1 million (2014: $0.2 million). No administrative expenses are included in discontinued operations (2014: $Nil). Liabilities of $9.7 million were extinguished and assets of $0.4 million were transferred as a result of the disposal.

The actual return on scheme assets was $15.3 million (2014: $192.7 million) for the Coats UK scheme, $9.3 million fall in asset values (2014: $26.6 million return) for the Coats US scheme, $1.4 million (2014: $8.5 million) for the Staveley scheme, $0.2 million (2014: $4.2 million) for the Brunel scheme and $0.1 million (2014: $3.5 million) for the other schemes.

10 Retirement and other post-employment benefit arrangements continued

The amounts included in the statement of financial position arising from the Group's defined benefit arrangements are as follows:

As at 31 December 2015	Coats UK $m	Coats US $m	Staveley $m	Brunel $m	Other $m	Total $m
Cash and cash equivalents	46.8	3.8	2.9	2.3	2.2	58.0
Equity instruments:						
US	–	37.2	–	–	1.9	39.1
UK	85.7	4.2	–	44.6	–	134.5
Eurozone	–	7.5	–	–	–	7.5
Other regions	646.3	18.1	55.5	–	6.1	726.0
Debt instruments:						
Corporate bonds	1,172.2	111.7	159.7	48.0	8.2	1,499.8
Government/sovereign instruments	59.4	27.8	33.3	34.0	2.6	157.1
Real estate	183.9	–	–	–	0.1	184.0
Derivatives:						
Inflation swap	(58.6)	–	–	–	–	(58.6)
Assets held by insurance company:						
Insurance contracts	2.8	0.5	0.9	0.7	1.3	6.2
Diversified investment fund	–	–	–	32.3	–	32.3
Other	–	1.3	–	–	0.1	1.4
Total market value of assets	2,138.5	212.1	252.3	161.9	22.5	2,787.3
Actuarial value of scheme liabilities	(2,402.5)	(149.3)	(339.3)	(233.4)	(124.6)	(3,249.1)
Net (liability)/asset in the scheme	(264.0)	62.8	(87.0)	(71.5)	(102.1)	(461.8)
Adjustment due to surplus cap	–	(5.0)	–	–	(2.5)	(7.5)
Recoverable net (liability)/asset in the scheme	(264.0)	57.8	(87.0)	(71.5)	(104.6)	(469.3)

This amount is presented in the statement of financial position as follows:

Non-current assets	
Funded	52.5
Current assets	
Funded	6.6
Current liabilities	
Funded	(33.9)
Unfunded	(6.2)
Non-current liabilities	
Funded	(394.1)
Unfunded	(94.2)
	(469.3)

Notes to the financial statements
continued

10 Retirement and other post-employment benefit arrangements continued

As at 31 December 2014 (Restated)	Coats UK $m	Coats US $m	Staveley $m	Brunel $m	Other $m	Total $m
Cash and cash equivalents	62.3	2.7	5.2	3.3	3.8	77.3
Equity instruments:						
US	–	36.7	–	–	1.4	38.1
UK	366.1	4.4	134.8	85.3	–	590.6
Eurozone	–	11.8	–	–	0.3	12.1
Other regions	363.6	16.3	–	–	8.2	388.1
Debt instruments:						
Corporate bonds	1,359.8	124.1	131.4	57.9	10.0	1,683.2
Government/sovereign instruments	63.9	37.9	9.6	28.8	5.3	145.5
Real estate	201.2	–	–	–	0.2	201.4
Derivatives:						
Inflation swap	(31.6)	–	–	–	–	(31.6)
Assets held by insurance company:						
Insurance contracts	3.1	0.5	1.0	0.8	4.9	10.3
Other	–	5.5	–	–	0.1	5.6
Total market value of assets	2,388.4	239.9	282.0	176.1	34.2	3,120.6
Actuarial value of scheme liabilities	(2,722.0)	(163.8)	(371.7)	(260.6)	(161.0)	(3,679.1)
Net (liability)/asset in the scheme	(333.6)	76.1	(89.7)	(84.5)	(126.8)	(558.5)
Adjustment due to surplus cap	–	(21.3)	–	–	(4.2)	(25.5)
Recoverable net (liability)/asset in the scheme	(333.6)	54.8	(89.7)	(84.5)	(131.0)	(584.0)

This amount is presented in the statement of financial position as follows:

Non-current assets:	
Funded	51.0
Current assets:	
Funded	5.6
Current liabilities:	
Funded	(27.7)
Unfunded	(7.7)
Non-current liabilities:	
Funded	(485.9)
Unfunded	(119.3)
	(584.0)

Included in the tables above are $185.8 million (2014: $85.3 million) of UK equity instruments, $234.1 million (2014: $217.7 million) of corporate bonds, $81.9 million (2014: $44.8 million) of government/sovereign instruments, derivative liabilities of $58.6 million (2014: $31.6 million), $32.3 million of diversified investment funds (2014: $Nil), $6.2 million (2014: $10.3 million) of insurance contracts and $0.7 million (2014: $4.9 million) of other assets without a quoted price in an active market. All other assets have a quoted price in an active market.

For the Coats UK Plan the investment policy is centred around establishing a cash flow-matching portfolio ('CFM') and a separate return-seeking asset portfolio ('RSA'). The aim of the proposed investment policy is for the CFM to match a pre-determined number of years' liability cash flows, with additional return being targeted via the RSA portfolio, so that the Plan has a high probability of being able to move to a fully matched position at some point in the future.

The CFM is targeted to be low risk relative to meeting the agreed number of years' cash flows and the focus of the Plan's investment risk will be in respect of the RSA portfolio. The Plan also holds inflation swap contracts to provide hedging against movements in inflation. Market implied inflation inside the CFM period is monitored against an agreed set of inflation triggers with the intention of implementing further inflation hedging should these triggers be breached.

10 Retirement and other post-employment benefit arrangements continued

The US scheme is fully funded and has a significant proportion of fixed income. The fixed income is invested directly to protect the funded status of the scheme. Trustees work with fixed income managers to consider the liabilities (including key period durations, credit spread duration and convexity) and have created a custom fix income benchmark to match the liabilities and protect the funded status.

The recoverable surplus on the US scheme has been recognised in line with the benefit from contribution holidays, plus annual refunds expected from the scheme to fund the US post-retirement medical scheme in accordance with relevant US legislation.

The Coats UK and US schemes as well as the Staveley and Brunel schemes are funded arrangements. Of the other schemes' actuarial liabilities as at 31 December 2015, $100.4 million (2014: $127.0 million) related to wholly unfunded arrangements.

	Year ended 31 December 2015 $m	Restated Year ended 31 December 2014 $m
Movements in the present value of defined benefit obligations were as follows:		
At 1 January	**(3,679.1)**	(3,491.8)
Current service cost	**(12.8)**	(13.0)
Interest on defined benefit obligations – unwinding of discount	**(117.5)**	(151.5)
Actuarial gains/(losses) on obligations	**132.0**	(455.2)
Liabilities extinguished on disposal of business	**9.6**	–
Liabilities extinguished on settlement	**2.6**	–
Contributions from members	**(0.7)**	(0.8)
Benefits paid	**232.0**	209.9
Exchange difference	**184.8**	223.3
At 31 December	**(3,249.1)**	(3,679.1)
Movements in the fair value of scheme assets were as follows:		
At 1 January	**3,120.6**	3,238.3
Expected return on scheme assets	**101.5**	142.2
Actuarial (losses)/gains on assets	**(82.0)**	106.4
Assets distributed on disposal of business	**(0.4)**	–
Assets distributed on settlement	**(2.6)**	–
Contributions from members	**0.7**	0.8
Contribution from sponsoring companies	**45.6**	37.8
Benefits paid	**(232.0)**	(209.9)
Administrative expenses paid from plan assets	**(11.8)**	(13.1)
Exchange difference	**(152.3)**	(181.9)
At 31 December	**2,787.3**	3,120.6
Actuarial gains and losses were as follows:		
Effect of changes in demographic assumptions	**(5.5)**	(7.7)
Effect of changes in financial assumptions	**120.4**	(439.4)
Effect of experience adjustments	**17.1**	(8.1)
(Loss)/return on plan assets (excluding interest income)	**(82.0)**	106.4
Adjustment due to surplus cap	**17.2**	17.9
Included in the statement of comprehensive income	**67.2**	(330.9)

Notes to the financial statements
continued

10 Retirement and other post-employment benefit arrangements continued

For the principal schemes, the assumed life expectancy on retirement is:

	Year ended 31 December 2015				Year ended 31 December 2014			
	Coats UK Years	Coats US Years	Staveley Years	Brunel Years	Coats UK Years	Coats US Years	Staveley Years	Brunel Years
Retiring today at age 60:								
Males	**26.6**	**26.1**	**25.4**	**26.1**	25.7	26.1	25.7	26.3
Females	**28.6**	**28.5**	**28.5**	**28.7**	27.4	28.5	28.7	28.9
Retiring in 20 years at age 60:								
Males	**28.5**	**27.9**	**27.3**	**28.0**	27.6	27.9	27.7	28.4
Females	**30.6**	**30.3**	**30.6**	**30.8**	29.5	30.3	30.8	31.0

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 UK scheme) and mortality assumptions used to measure the liabilities of the principal schemes, 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 + 0.1% $m	Year ended 31 December 2015 – 0.1% $m	Restated Year ended 31 December 2014 + 0.1% $m	Restated Year ended 31 December 2014 – 0.1% $m
Coats UK discount rate	**(36.7)**	**37.1**	(37.8)	40.6
Coats US discount rate	**(1.3)**	**1.3**	(1.4)	1.4
Staveley discount rate	**(4.5)**	**4.3**	(4.2)	4.6
Brunel discount rate	**(3.3)**	**2.6**	(3.3)	2.9
Coats UK inflation rate	**31.2**	**(30.8)**	29.5	(28.8)
Coats US inflation rate	**0.1**	**(0.1)**	–	–
Staveley inflation rate	**4.3**	**(3.1)**	3.3	(2.9)
Brunel inflation rate	**1.1**	**(1.8)**	1.0	(1.5)

If members of the Coats UK scheme live one year longer the scheme liabilities will increase by $72.5 million (2014: $90.6 million). If members of the Coats US scheme live one year longer scheme liabilities will increase by $3.8 million (2014: $4.2 million), however, there would be no overall impact on the recoverable surplus. If members of the Staveley and Brunel schemes live one year longer the scheme liabilities will increase by $11.7 million (2014: $17.6 million) and $7.0 million (2014: $11.9 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 consolidated statement of financial position. There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

	Year ended 31 December 2015 Valuation trend + 1% $m	Year ended 31 December 2015 Valuation trend – 1% $m	Restated Year ended 31 December 2014 Valuation trend + 1% $m	Restated Year ended 31 December 2014 Valuation trend – 1% $m
Sensitivity of medical schemes to medical cost trend rate assumptions:				
Effect on total service cost and interest cost components of other schemes	**0.1**	**(0.1)**	0.1	(0.1)
Effect on defined benefit obligation of other schemes	**2.4**	**(2.1)**	2.6	(2.3)

10 Retirement and other post-employment benefit arrangements continued

The triennial valuation of the Coats UK pension plan as at April 2012 showed an actuarial deficit of £215 million, which equated to a funding level of 87%. A 14 year recovery plan has been agreed with the trustees, under which contributions of £14 million per annum are payable from November 2013 plus £2 million per annum relating to future service. This recovery plan and future service contributions will be reviewed at the next triennial valuation as at April 2015 which is ongoing. A triennial valuation for Staveley was undertaken as at April 2011 and finalised during 2012, resulting in an actuarial funding deficit of £20 million, which equated to a funding level of 90%. A recovery plan was agreed, comprised of an initial payment of £5 million followed by monthly payments commencing from July 2012 amounting to £1.3 million per annum for eight years. The trustee of the Staveley scheme has called for a funding valuation with an effective date of 31 December 2013. The last triennial valuation of the Brunel scheme, as at March 2013, was completed in 2015 resulting in an actuarial funding deficit of £94 million, which equated to a funding level of 56%. A recovery plan was agreed, comprised of an initial payment of £5.5 million followed by quarterly payments commencing from January 2016 amounting to £5.5 million per annum for 9 years.

The total estimated amount to be paid in respect of all of the Group's retirement and other post-employment benefit arrangements during the 2016 financial year is $41.2 million.

The weighted average duration of benefit obligations is 15 years (2014: 15 years) for the Coats UK scheme and 9 years (2014: 9 years) for the Coats US scheme, 13 years (2014: 13 years) for the Staveley scheme and 12 years (2014: 12 years) for the Brunel scheme.

11 Earnings/(loss) per Ordinary Share

Basic (loss)/earnings per share ('EPS') from continuing and discontinued operations is calculated by dividing the (loss)/earnings attributable to equity holders of the parent company of $50.6 million (2014: $15.0 million profit) by the weighted average number of Ordinary Shares in issue during the year, excluding shares held by the Employee Benefit Trust, of 1,400,765,325 (2014: 1,407,431,333).

Basic earnings per share from continuing operations is calculated by dividing the earnings attributable to equity holders of the parent company of $24.9 million (2014: $42.2 million) by the weighted average number of Ordinary Shares in issue during the year. The weighted average number of Ordinary Shares used for the calculation is the same as that used for basic earnings per Ordinary Share from continuing and discontinued operations.

For the calculation of diluted EPS, the weighted average number of Ordinary Shares in issue is adjusted to assume conversion of all dilutive potential Ordinary Shares, being share options granted to employees. There are no differences between the calculated basic (loss)/earnings per share and diluted (loss)/earnings per share for either year.

Year ended 31 December	Loss 2015 $m	Shares 2015 m	Amount per share (cents)
Continuing and discontinued operations:			
Loss attributable to equity holders of the parent company	(50.6)	1,400.8	(3.61)

Year ended 31 December	Restated Profit 2014 $m	Shares 2014 m	Restated Amount per share (cents)
Continuing and discontinued operations:			
Earnings attributable to equity holders of the parent company	15.0	1,407.4	1.06

Year ended 31 December	Profit 2015 $m	Shares 2015 m	Amount per share (cents)
Continuing operations:			
Earnings attributable to equity holders of the parent company	24.9	1,400.8	1.78

Year ended 31 December	Restated Profit 2014 $m	Shares 2014 m	Restated Amount per share (cents)
Continuing operations:			
Earnings attributable to equity holders of the parent company	42.2	1,407.4	2.99

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12 Dividends
No dividend in respect of the year ended 31 December 2015 was paid to Coats Group plc shareholders during the year (2014: $Nil).

13 Intangible assets

Cost	Goodwill US$m	Brands US$m	Computer software US$m	Other intangibles US$m	Total US$m
At 1 January 2014	2.2	245.5	83.9	–	331.6
Currency translation differences	–	–	(4.7)	–	(4.7)
Additions	–	–	8.7	–	8.7
Disposals	–	–	(1.9)	–	(1.9)
At 31 December 2014	2.2	245.5	86.0	–	333.7
Currency translation differences	(0.1)	–	(5.0)	(0.1)	(5.2)
Acquisition of subsidiary	3.4	1.1	–	1.4	5.9
Additions	–	–	9.3	–	9.3
Assets of business sold	–	(3.8)	(9.2)	–	(13.0)
Disposals	–	–	(4.0)	–	(4.0)
At December 2015	5.5	242.8	77.1	1.3	326.7

Cumulative amounts charged	Goodwill US$m	Brands US$m	Computer software US$m	Other intangibles US$m	Total US$m
At 1 January 2014	–	1.8	73.7	–	75.5
Currency translation differences	–	–	(4.6)	–	(4.6)
Impairment charge for the year	–	2.0	0.1	–	2.1
Amortisation charge for the year	–	–	5.9	–	5.9
Disposals	–	–	(1.9)	–	(1.9)
At 31 December 2014	–	3.8	73.2	–	77.0
Currency translation differences	–	–	(4.2)	–	(4.2)
Amortisation charge for the year	–	0.1	8.8	0.1	9.0
Assets of business sold	–	(3.8)	(9.2)	–	(13.0)
Disposals	–	–	(3.3)	–	(3.3)
At 31 December 2015	–	0.1	65.3	0.1	65.5
Net book value at 31 December 2015	5.5	242.7	11.8	1.2	261.2
Net book value at 31 December 2014 (Restated)	2.2	241.7	12.8	–	256.7

Goodwill, brands and other intangible assets were acquired through acquisitions of businesses.

The carrying value of the Coats brands at 31 December 2015 and 31 December 2014 is $239.6 million. There is no foreseeable limit to the net cash inflows from royalties, which are generated from continued sales of thread resulting from the Coats brands, and those brands are therefore assessed as having indefinite useful lives. The recoverable amount of these brands has been estimated using the relief from royalty method to calculate the fair value and is re-assessed annually by reference to the discounted cash flow arising from the royalties generated by those brands. The valuation has been based on the latest budget approved by the Board covering the period to 31 December 2016, applying a pre-tax discount rate of 10% and a terminal value including no growth. An increase in the pre-tax discount rate to 27% would reduce the value in use of these brands to book value.

The acquisition of GSD in May 2015 generated provisional goodwill of $3.4 million. In addition a further $2.5 million intangible assets were also identified (see note 31). GSD forms a single Cash Generating Unit ('CGU') as it generates cash inflows that are largely independent from other CGUs. The carrying value of the GSD CGU of $5.5 million has been tested for impairment during the year by comparing the carrying value of the CGU to its value in use. The value in use calculations were based on projected cash flows, derived from the latest budget approved by the Board, discounted at CGU specific, risk adjusted, discount rates to calculate the net present value.

13 Intangible assets continued

The calculation of 'value in use' is most sensitive to the following assumptions:

- CGU specific operating assumptions that are reflected in the budget period for the financial year to December 2016;
- Discount rates; and
- Growth rates used to extrapolate risk adjusted cash flows beyond the budget period.

CGU specific operating assumptions are applicable to the budgeted cash flows for the year to 31 December 2016 and relate to revenue forecasts, expected project outcomes and forecast operating margins. A short-term growth rate is applied to the December 2016 budget to derive the cash flows arising in 2017 and 2018 and a long term rate is applied to these values for the year to December 2019 and onwards.

The discount rate is based on estimations of the assumptions that market participants operating in similar sectors to Coats would make, using the Group's economic profile as a starting point and adjusting appropriately. Management do not currently expect any significant change in the present base discount rate of 10%. The base discount rate has been adjusted for economic risks that are not already captured in the specific operating assumptions. This results in the impairment testing using a 12.5% pre-tax discount rate.

Management believes that no reasonable potential change in any of the above key assumptions would cause the carrying value of either the GSD CGU or Coats brand to exceed its recoverable amount.

14 Property, plant and equipment

Cost	Land and buildings US$m	Plant and equipment US$m	Vehicles and office equipment US$m	Total US$m
At 1 January 2014	202.2	682.0	149.4	1,033.6
Currency translation differences	(14.1)	(35.2)	(9.0)	(58.3)
Additions	5.3	28.7	5.9	39.9
Transfer to non-current assets held for sale	(9.2)	–	–	(9.2)
Disposals	–	(38.4)	(12.7)	(51.1)
At 31 December 2014	**184.2**	**637.1**	**133.6**	**954.9**
Currency translation differences	**(14.0)**	**(51.8)**	**(9.0)**	**(74.8)**
Additions	**5.7**	**25.1**	**2.8**	**33.6**
Transfer to non-current assets held for sale	**(1.7)**	**–**	**–**	**(1.7)**
Assets of business sold	**(16.1)**	**(15.7)**	**(21.0)**	**(52.8)**
Disposals	**(4.7)**	**(17.6)**	**(7.9)**	**(30.2)**
At December 2015	**153.4**	**577.1**	**98.5**	**829.0**

Accumulated depreciation	Land and buildings US$m	Plant and equipment US$m	Vehicles and office equipment US$m	Total US$m
At 1 January 2014	96.8	472.5	123.0	692.3
Currency translation differences	(6.5)	(26.3)	(7.5)	(40.3)
Depreciation charge for the year	5.7	32.2	4.8	42.7
Impairment charge for the year	9.5	7.2	–	16.7
Transfer to non-current assets held for sale	(5.0)	–	–	(5.0)
Disposals	–	(36.9)	(12.8)	(49.7)
At 31 December 2014	**100.5**	**448.7**	**107.5**	**656.7**
Currency translation differences	**(7.3)**	**(41.4)**	**(5.1)**	**(53.8)**
Depreciation charge for the year	**4.3**	**26.7**	**3.6**	**34.6**
Assets of business sold	**(16.1)**	**(15.1)**	**(21.0)**	**(52.2)**
Disposals	**(5.3)**	**(16.2)**	**(7.8)**	**(29.3)**
At 31 December 2015	**76.1**	**402.7**	**77.2**	**556.0**
Net book value at 31 December 2015	**77.3**	**174.4**	**21.3**	**273.0**
Net book value at 31 December 2014 (Restated)	83.7	188.4	26.1	298.2

Notes to the financial statements
continued

14 Property, plant and equipment continued

Assets charged as security for borrowings	Land and buildings US$m	Plant and equipment US$m	Vehicles and office equipment US$m	Total US$m
31 December 2015	**–**	**1.3**	**–**	**1.3**
31 December 2014 (Restated)	–	2.2	–	2.2

Analysis of net book value of land and buildings 31 December	2015 US$m	Restated 2014 US$m
Freehold	**65.1**	72.8
Leasehold:		
Over 50 years unexpired	**1.2**	1.2
Under 50 years unexpired	**11.0**	9.7
	77.3	83.7

15 Non-current investments

31 December	2015 US$m	Restated 2014 US$m
Interests in joint ventures (see below)	**10.8**	13.7
Available for sale investments		
Listed investments	**1.5**	1.5
Unlisted investments	**–**	1.5
	12.3	16.7

Available for sale investments included within current assets were $0.2 million at 31 December 2015 (2014: $0.4 million).

Interests in joint ventures	US$m
At 1 January 2015	**13.7**
Dividends receivable	**(1.8)**
Share of profit after tax	**1.5**
Disposal	**(2.6)**
At 31 December 2015	**10.8**

31 December	2015 US$m	Restated 2014 US$m
Share of net assets on acquisition	**10.6**	11.9
Share of post-acquisition retained profits	**0.2**	1.8
Share of net assets	**10.8**	13.7

During the year the Group disposed of its joint venture in the Philippines for a consideration net of disposal costs of $1.1 million resulting in a loss on disposal of $1.5 million.

15 Non-current investments continued

The following table provides summarised financial information on the Group's share of its joint ventures, relating to the period during which they were joint ventures, and excludes goodwill:

Year ended 31 December	2015 US$m	Restated 2014 US$m
Summarised income statement information		
Revenue	**37.0**	40.6
Profit before tax	**1.4**	2.1
Taxation	**(1.0)**	(1.0)
Profit after tax	**0.4**	1.1

31 December	2015 US$m	Restated 2014 US$m
Summarised balance sheet information		
Non-current assets	**7.7**	9.8
Current assets	**12.8**	17.1
	20.5	26.9
Liabilities due within one year	**(14.0)**	(13.4)
Net assets	**6.5**	13.5

See note 28 for details of a guarantee provided by the Group in respect of the banking facilities of Australian Country Spinners Ltd.

16 Deferred tax assets

31 December	2015 US$m	Restated 2014 US$m
Deferred tax assets	**12.5**	15.3

The Group's deferred tax assets are included within the analysis in note 23.

The movements in the Group's deferred tax asset during the year were as follows:

	2015 US$m	Restated 2014 US$m
At 1 January	**15.3**	13.6
Currency translation differences	**(1.8)**	(1.8)
Disposal of business	**(1.3)**	–
Reclassified from deferred tax liabilities	**2.4**	–
Transfer to current tax	**(0.1)**	–
(Charged)/credited to the income statement	**(1.9)**	3.0
(Charged)/credited to other comprehensive income and expense	**(0.1)**	0.5
At 31 December	**12.5**	15.3

17 Inventories

31 December	2015 US$m	Restated 2014 US$m
Raw materials and consumables	**75.1**	71.9
Work in progress	**32.8**	46.8
Finished goods and goods for resale	**96.1**	139.1
	204.0	257.8

Notes to the financial statements
continued

18 Trade and other receivables

31 December	2015 US$m	Restated 2014 US$m
Non-current assets		
Trade receivables	0.1	0.2
Income tax assets	0.6	1.4
Other receivables	15.6	14.0
Derivative financial instruments	0.1	0.4
	16.4	16.0
Current assets		
Trade receivables	209.4	245.3
Amounts due from joint ventures	0.3	1.6
Current income tax assets	3.7	4.4
Prepayments and accrued income	8.7	12.4
Derivative financial instruments	3.3	4.2
Other receivables	36.5	36.2
	261.9	304.1

The fair value of trade and other receivables is not materially different to the carrying value.

The average credit period taken on sale of goods is 54 days (2014: 56 days). Interest charged in respect of overdue trade receivables is immaterial.

Credit risk is minimised as the exposure is spread over a large number of customers. An allowance has been made for estimated irrecoverable amounts on trade receivables of $11.3 million (2014: $15.4 million). This allowance has been determined by reference to past default experience, and the movements in the allowance are analysed as follows:

	2015 US$m	Restated 2014 US$m
At 1 January	15.4	13.7
Currency translation differences	(1.6)	(1.4)
Charged to the income statement	1.7	5.2
Amounts written off during the year	(2.6)	(2.1)
Disposal of business	(1.6)	–
At 31 December	11.3	15.4

19 Derivative financial instruments – Assets

Derivative financial instruments within non-current and current assets comprise:

31 December	2015 US$m	Restated 2014 US$m
Fair value through the income statement		
Forward foreign currency contracts	3.1	4.0
Fair value hedges through the statement of comprehensive income:		
Other derivative financial instruments	0.3	0.6
	3.4	4.6
Amounts shown within non-current assets	0.1	0.4
Amounts shown within current assets	3.3	4.2

The fair values of these financial instruments are calculated by discounting the future cash flows to net present values using appropriate market interest and foreign currency rates prevailing at the year end.

20 Trade and other payables

31 December	2015 US$m	Restated 2014 US$m
Current liabilities		
Trade payables	191.6	227.5
Amounts owed to joint ventures	11.7	15.1
Other tax and social security payable	6.6	11.1
Other payables	40.2	37.3
Accruals and deferred income	51.8	51.9
Derivative financial instruments	4.3	9.0
Employee entitlements (excluding pensions)	14.5	22.1
	320.7	374.0
Non-current liabilities		
Other payables	11.2	12.4
Employee entitlements (excluding pensions)	1.0	1.1
Derivative financial instruments	0.2	0.1
	12.4	13.6

The fair value of trade and other payables is not materially different to the carrying value.

Interest paid to suppliers in respect of overdue trade payables is immaterial.

Notes to the financial statements
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21 Derivative financial instruments – liabilities
Derivative financial instruments within non-current and current liabilities comprise:

31 December	2015 US$m	Restated 2014 US$m
Fair value through the income statement		
Forward foreign currency contracts	4.2	6.4
Other derivative financial instruments	–	0.7
Fair value hedges through the statement of comprehensive income:		
Other derivative financial instruments	0.3	2.0
	4.5	9.1
Amounts shown within non-current liabilities	0.2	0.1
Amounts shown within current liabilities	4.3	9.0

The fair values of these financial instruments are calculated by discounting the future cash flows to net present values using appropriate market interest and foreign currency rates prevailing at the year end.

22 Borrowings

31 December	2015 US$m	Restated 2014 US$m
Bank overdrafts	18.5	28.6
Borrowings repayable within 1 year	1.7	84.9
Due within 1 year	20.2	113.5
Borrowings repayable between 1 and 2 years	0.6	304.0
Borrowings repayable between 2 and 5 years	388.5	0.6
Due after more than 1 year	389.1	304.6
Bank overdrafts	18.5	28.6
Bank borrowings	390.8	389.5
	409.3	418.1

At 31 December 2015, the Group's borrowings shown above comprised $406.1 million of secured borrowings (2014: $411.5 million) and $3.2 million of unsecured borrowings (2014: $6.6 million).

The currency and interest rate profile of the Group's borrowings is included in note 34 on page 120.

23 Deferred tax liabilities

31 December	2015 US$m	Restated 2014 US$m
At 1 January	**39.2**	36.8
Currency translation differences	**(1.0)**	(0.7)
Reclassified from deferred tax assets	**2.4**	–
Transfer to current tax	**(0.1)**	–
(Credited)/charged to the income statement	**(10.8)**	0.9
Charged to the other comprehensive income and expense	**3.3**	2.2
At 31 December	**33.0**	39.2

31 December	2015 Provided US$m	2015 Unprovided US$m	Restated 2014 Provided US$m	Restated 2014 Unprovided US$m
The Group's net deferred tax liabilities/(assets) are analysed as follows:				
Accelerated tax depreciation on tangible fixed assets	**20.3**	**(5.3)**	21.0	(5.5)
Other temporary differences	**(11.6)**	**(10.1)**	(14.4)	(7.8)
Revenue losses carried forward	**(8.8)**	**(249.8)**	(10.2)	(285.8)
Capital losses carried forward	**–**	**(294.3)**	–	(347.1)
Investment in subsidiaries	**12.2**	**2.5**	19.4	–
Brands	**41.5**	**–**	46.1	–
Revenue losses offset against brands	**(41.5)**	**–**	(46.1)	–
Retirement benefit obligations	**8.4**	**(52.0)**	8.1	(75.4)
	20.5	**(609.0)**	23.9	(721.6)

Certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2015	2014
Deferred tax assets (note 16)	**(12.5)**	(15.3)
Deferred tax liabilities	**33.0**	39.2
	20.5	23.9

At the year end, the Group had approximately $2.9 billion (2014: $3.1 billion) of unused tax losses available for offset against future profits. A deferred tax asset has been recognised in respect of $260 million (2014: $285 million) of such losses. Of these losses, $230 million (2014: $230 million) have been recognised to offset the potential deferred tax liability recognised on the Group's brands. No deferred tax asset has been recognised in respect of the remaining losses due to lack of certainty regarding the availability of future taxable income. Such losses are only recognised in the financial statements to the extent that it is considered more likely than not that sufficient future taxable profits will be available for offset.

The Group's income tax losses can be analysed as follows:

	2015 $m	Restated 2014 $m
Expiring within 5 years	**31.0**	39.5
Expiring in more than 5 years	**10.9**	40.2
Available indefinitely	**1,292.4**	1,340.9
	1,334.3	1,420.6

At the period end, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised is $2.5 million (2014: $Nil).

Notes to the financial statements
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24 Provisions

Provisions are included as follows:

31 December	2015 US$m	Restated 2014 US$m
Current liabilities	44.4	42.9
Non-current liabilities	35.8	22.5
	80.2	65.4

Provisions are analysed as follows:

31 December	2015 US$m	Restated 2014 US$m
Onerous leases	7.1	8.1
Other provisions	73.1	57.3
Total provisions	80.2	65.4

	Onerous leases US$m	Other provisions US$m	Total US$m
At 1 January 2015	8.1	57.3	65.4
Currency translation differences	(0.5)	(2.9)	(3.4)
Utilised in year	(0.7)	(34.6)	(35.3)
Charged to the income statement	0.2	55.5	55.7
Disposal of business	–	(2.2)	(2.2)
At 31 December 2015	7.1	73.1	80.2

Provisions for onerous leases are held in respect of leasehold properties for which the Group has rent and other commitments in respect of properties which are vacant or sublet. The majority of head leases expire before 2020.

The currency profile of onerous leases is included in note 34 on page 120 and the maturity of onerous leases in included in note 34 on page 122.

Other provisions include the following:

- amounts set aside to cover certain legal and other regulatory claims, including in respect of the Lower Passaic River (see note 28 for further details), which are expected to be substantially utilised within the next 10 years;

- costs expected to be incurred in responding to the Warning Notice received from the UK Pensions Regulator ('tPR') in relation to the Coats UK Pension Plan and for progressing the process around the Staveley and Brunel schemes, for the Company and the trustees of these schemes; and

- amounts provided in respect of certain employee incentive arrangements which are expected to be utilised within the next 2 years.

25 Operating lease commitments

31 December	2015 US$m	Restated 2014 US$m
Outstanding commitments under non-cancellable operating leases:		
Payable within 1 year	**15.3**	17.8
Payable between 1 and 5 years	**28.7**	22.1
Payable after more than 5 years	**9.6**	6.4
	53.6	46.3

At the balance sheet date, the Group had contracted with tenants for receipt of the following minimum lease payments:

31 December	2015 US$m	Restated 2014 US$m
Receivable within 1 year	**0.5**	1.2
Receivable between 1 and 5 years	**0.6**	1.1
Receivable after more than 5 years	**0.1**	0.2
	1.2	2.5

Operating leases relate principally to land and buildings and vehicles.

26 Share capital

	31 December 2015		Restated 31 December 2014	
	Number	US$m	Number	US$m
Ordinary Shares of 5p each	**1,407,612,282**	**127.0**	1,407,612,282	127.0

The own shares reserve of $7.6 million at 31 December 2015 (2014: $Nil) represents the cost of shares in Coats Group plc purchased in the market and held by an Employee Benefit Trust to satisfy awards under the Group's share based incentive plans.

The number of shares held by the Employee Benefit Trust at 31 December 2015 was 17,625,636 (2014: Nil).

Options outstanding under the Group's 2002 share option scheme at 31 December 2015 were as set out below:

Share Option Scheme	Number	Date granted	Exercise price (pence per share)	Exercise period
2002 Share Option Scheme				
Ordinary	9,590,475	15.03.06	56.6480	15.03.09 to 15.03.16
Ordinary	317,034	05.05.06	56.7743	05.05.09 to 05.05.16
Ordinary	3,242,505	11.10.06	58.9820	11.10.09 to 11.10.16
Ordinary	12,105,351	09.03.07	56.5534	09.03.10 to 09.03.17
Ordinary	9,262,417	10.04.08	49.9961	10.04.11 to 10.04.18
Ordinary	3,778,722	30.06.09	25.9529	30.06.12 to 30.06.19

Options exercised during the year comprised nil (2014: 460,159) under the schemes operated by the Group, and 28,679,974 (2014: 16,647,436) options lapsed.

Notes to the financial statements
continued

27 Reserves and non-controlling interests

Cost	Share premium account US$m	Own shares US$m	Translation reserve US$m	Capital reduction reserve US$m	Other reserves US$m	Retained earnings US$m	Non-controlling interests US$m
At 1 January 2015	11.6	–	(64.6)	85.2	249.2	(32.1)	24.3
Dividends	–	–	–	–	–	–	(10.1)
Share based payments	–	–	–	–	–	4.6	–
Currency translation differences	–	–	(65.5)	–	–	–	(0.7)
Foreign exchange recycled to income statement on disposal	–	–	7.0	–	–	–	–
Transfers to income statement	–	–	–	–	1.3	–	–
Actuarial gains on employee benefits	–	–	–	–	–	67.2	–
Tax on actuarial gains and losses	–	–	–	–	–	(3.4)	–
Purchase of own shares	–	(7.6)	–	–	–	–	–
(Loss)/profit for the year	–	–	–	–	–	(50.6)	11.2
At December 2015	11.6	(7.6)	(123.1)	85.2	250.5	(14.3)	24.7

The table below shows financial information of non-wholly owned subsidiaries of the Group that have non-controlling interests:

	Profit allocated to non-controlling interests		Accumulated non-controlling interests	
	Year ended 31 December 2015 $m	Restated Year ended 31 December 2014 $m	31 December 2015 $m	Restated 31 December 2014 $m
Asia	10.8	9.2	22.5	22.0
Rest of world	0.4	0.4	2.2	2.3
	11.2	9.6	24.7	24.3

The proportion of ownership interests and voting rights of non-wholly owned subsidiaries of the Group held by non-controlling interests is set out on pages 134 and 135.

28 Contingent liabilities and environmental matters

Guarantees

The Group has guaranteed the banking facilities of Australian Country Spinners Ltd, on a joint and several basis with the other shareholder. The Group's liability under that guarantee, which is limited to 50% of those facilities, amounts to $1.9 million (2014: $2.1 million).

The Group has guaranteed certain amounts that may become payable in respect of a former subsidiary in Australia. At 31 December 2015, the Group's liability under these guarantees amounted to $1.2 million (2014: $1.4 million). At the time of the sale of that former subsidiary, in 2013 the Group was paid $0.9 million (2014: $1.0 million) by the former subsidiary in support of any potential claims against the guarantee. The Group holds that $0.9 million (2014: $1.0 million) in an interest-bearing bank account on trust for the former subsidiary. On expiry of these guarantees any unutilised balance from the $0.9 million (2014: $1.0 million) bank balance, together with any interest received on that account, will be repaid to the former subsidiary. This liability is fully accrued in these financial statements.

Pensions

As described on page 4 in the Chairman's statement, the Group is dealing with investigations by tPR into its three UK defined benefit pension schemes. The outcome of these investigations remain uncertain, but may result in changes to the current deficit recovery plans for these schemes.

Environmental matters

As noted in previous reports, the US Environmental Protection Agency ('EPA') has notified Coats & Clark, Inc. ('CC') that CC is a 'potentially responsible party' ('PRP') under the US Superfund law for investigation and remediation costs at the 17-mile Lower Passaic River Study Area ('LPR') in New Jersey in respect of alleged operations of a predecessor's former facilities in that area prior to 1950. Approximately 55 PRPs are currently members of a cooperating parties group ('CPG') of companies, formed to fund and conduct a remedial investigation and feasibility study of the area. CC joined the CPG in 2011.

CC has analysed its predecessor's operating history prior to 1950, when it left the LPR, and has concluded that it was not responsible for the contaminants and environmental damage that are the focus of the EPA process. CC also believes that there are many parties that will participate in the LPR's remediation that are not currently funding the study of the river, including those that are the most responsible for its contamination.

28 Contingent liabilities and environmental matters continued

In April 2014, the EPA released a Focused Feasibility Study and Proposed Plan ('FFS') for the lower 8 miles of the LPR. The FFS analyses a series of remedial alternatives. The EPA had estimated the cost of its preferred remedy under the FFS at approximately $1.7 billion on a net present value basis. The CPG submitted extensive comments opposing the FFS during the comment period.

In March 2015, CC and other companies submitted a petition to EPA, asserting that they are de minimis parties and seeking a meeting to commence settlement discussions.

In February and April 2015, respectively, the CPG delivered a draft remedial investigation and a draft feasibility study to the EPA relating to the entire 17 miles of the LPR. The draft feasibility study sets out various alternatives for remediating the LPR with a targeted remedy which would involve removal, treatment and disposal of contaminated sediments from specific locations within the entire 17 miles of the river. The estimated cost for the targeted remedy ranged from approximately $518 million to $772 million on an undiscounted basis. On 4 March 2016 EPA issued a Record of Decision selecting a remedy for the lower 8 miles of the LPR pursuant to its FFS at an estimated cost of $1.38 billion on a net present value basis. The EPA's Record of Decision did not include a remedial decision for the upper 9 miles of the LPR. The EPA may consider the CPG's proposed remedial alternative for the upper 9 miles (for which a reserve has been established), or it may select a different remedy. Discussions with the EPA regarding the nature and timing of such a decision are ongoing.

The EPA is expected to begin negotiations with PRPs in H1 2016 to design the selected remedy for the lower 8 miles of the LPR. In addition to addressing the de minimis petition submitted by CC and other PRPs, these negotiations are likely to involve parties that are not currently in the CPG, including those most responsible for the contamination, as well as other PRPs who have previously been identified by the EPA and others. While the ultimate costs of the remedial design and the final remedy are expected to be shared among hundreds of parties, the allocation of such costs among these parties is not yet known.

As noted in previous reports, Coats has identified a number of insurance policies that could provide coverage for some of the legal and other costs previously incurred and to be incurred in respect of this matter. During the period, CC negotiated a settlement agreement with one insurer under which a proportion of previously incurred and to be incurred legal defence and remediation costs will be reimbursed up to a specified amount. Thereafter, either party could seek to renegotiate the terms of payment.

Based on the mid-point of the range of the estimated costs for targeted remediation under the remedial investigation and feasibility study proposed by the CPG, and CC's estimate of its de minimis share of those costs, a provision of $2.2 million was recorded during the six months ended 30 June 2015. A separate provision of $6.8 million was recorded for associated legal and professional costs in defence of CC's position. Both of these charges to the income statement were net of insurance reimbursements and were stated on a net present value basis. As at 31 December 2015, $1.5 million of this provision has been utilised. Following the EPA's issuance of Record of Decision, an additional charge of $6.8 million has been recorded to reflect CC's estimate of the same de minimis share applied to (a) the EPA's larger selected remedy for the lower 8 miles of the LPR on 4 March 2016 and (b) the Sustainable Remedy proposed by the CPG for the upper 9 miles of the LPR. The total charge to the Income Statement in 2015, net of insurance reimbursements, is $12.8 million. As noted, the process concerning the LPR continues to evolve and these estimates are subject to change based upon the scope of the remedy selected by EPA, the share of remedial costs to be paid by the major polluters on the river, and the share of remaining remedial costs apportioned among CC and other companies.

Coats believes that CC's predecessor did not generate any of the contaminants which are driving the current and anticipated remedial actions in the LPR, that it has valid legal defences which are based on its own analysis of the relevant facts, that it is a de minimis party, and that additional parties not currently in the CPG will be responsible for a significant share of the ultimate costs of remediation. However, as this matter evolves, CC could record additional provisions and such provisions could increase materially based on further decisions by the EPA, negotiations among the parties, and other future events.

29 Capital commitments

As at 31 December 2015, the Group had commitments of $2.0 million in respect of contracts placed for future capital expenditure (2014: $3.9 million).

Notes to the financial statements
continued

30 Notes to the consolidated cash flow statement

a) Reconciliation of operating profit to net cash inflow from operations

31 December	2015 US$m	Restated 2014 US$m
Operating profit	**111.0**	103.4
Depreciation	**34.6**	40.7
Amortisation of intangible assets	**9.0**	5.9
Reorganisation costs – Mexico (see note 4)	**3.3**	–
Reorganisation costs – overhead reduction programme (see note 4)	**14.1**	–
Exceptional profit on sale of property (see note 4)	**(9.2)**	(3.1)
Other operating exceptional items (see note 4)	**20.2**	23.1
Pre-exceptional operating profit before depreciation and amortisation (EBITDA)	**183.0**	170.0
Decrease in inventories	**2.9**	6.0
(Increase)/decrease in debtors	**(11.5)**	11.3
(Decrease)/increase in creditors	**(6.6)**	10.2
Provision movements	**(47.4)**	(40.5)
Currency and other non-cash movements	**3.2**	5.6
Discontinued operations	**(14.7)**	(4.2)
Net cash inflow from operations	**108.9**	158.4

b) Interest paid

31 December	2015 US$m	Restated 2014 US$m
Interest paid	**(15.3)**	(21.6)
Discontinued operations	**–**	(0.2)
	(15.3)	(21.8)

c) Taxation paid

31 December	2015 US$m	Restated 2014 US$m
Overseas tax paid	**(49.3)**	(55.1)
Discontinued operations	**–**	(0.6)
	(49.3)	(55.7)

d) Investment income

31 December	2015 US$m	Restated 2014 US$m
Interest and other income	**8.2**	8.2
Dividends received from joint ventures	**1.8**	1.5
Discontinued operations	**–**	0.1
	10.0	9.8

e) Capital expenditure and financial investment

31 December	2015 US$m	Restated 2014 US$m
Acquisition of property, plant and equipment and intangible assets	**(44.3)**	(46.0)
Disposal of available-for-sale investments	**0.1**	0.4
Disposal of property, plant and equipment	**12.9**	5.2
Discontinued operations	**(0.6)**	2.7
	(31.9)	(37.7)

30 Notes to the consolidated cash flow statement continued

f) Acquisition and disposals

31 December	2015 US$m	Restated 2014 US$m
Acquisition of business	(5.5)	–
Net receipt from sale of joint venture	1.1	–
Discontinued operations	(21.7)	–
	(26.1)	–

g) Summary of net cash

31 December	2015 US$m	Restated 2014 US$m
Parent group cash and cash equivalents*	504.6	583.5
Other Group cash and cash equivalents	145.3	155.5
Total cash and cash equivalents	649.9	739.0
Bank overdrafts	(18.5)	(28.6)
Net cash and cash equivalents	631.4	710.4
Other borrowings	(390.8)	(389.5)
Total net cash	240.6	320.9

* Cash relating to the realisation of investments previously held by Coats Group plc.

31 Acquisition of GSD Holdings Ltd

In May 2015 the Group acquired 100% of the voting equity of GSD Holdings Ltd ('GSD'), a company based in the United Kingdom that specialises in management solutions that analyse time, cost and production capability in the sewn products sector with the focus on maximising productivity and controlling costs. The Group has acquired GSD in order to expand the offerings of Coats Global Services, helping customers realise productivity and supply chain improvements, develop technical skills and enhance corporate responsibility. The acquisition has been accounted for using the acquisition method. The consolidated financial statements include the results of GSD for the period from the acquisition date.

The consideration transferred net of cash and cash equivalents acquired was $5.5 million.

The fair values of the identifiable assets and liabilities of GSD as at the date of acquisition were as follows:

	Provisional fair value recognised on acquisition US$m
Assets	
Intangible assets	2.5
Trade receivables	0.2
Cash and cash equivalents	1.7
	4.4
Liabilities	
Trade and other payables	(0.6)
Total identifiable net assets acquired at fair value	3.8
Goodwill recognised on acquisition (provisional)	3.4
Purchase consideration transferred	7.2

In the provisional accounting, adjustments are made to book values of the net assets of the companies acquired to reflect their provisional fair values to the Group. Previously unrecognised assets and liabilities at acquisition are included and accounting policies are aligned with those of the Group where appropriate. Due to their contractual dates, the fair value of receivables acquired (shown above) approximate to the gross contractual amounts receivable. The amount of gross contractual receivables not expected to be recovered is immaterial. There are no material contingent liabilities recognised in accordance with paragraph 23 of IFRS 3 (revised).

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31 Acquisition of GSD Holdings Ltd continued

The excess of the fair value of the consideration paid over the fair value of the assets acquired is represented by customer related intangibles of $1.0 million, brands and trade names of $1.1 million and technology related intangibles of $0.4 million; with residual goodwill arising of $3.4 million. The goodwill represents:

- the technical expertise of the acquired workforce;
- the opportunity to leverage this expertise across the Coats Global Services business; and
- the ability to exploit the Group's existing customer base.

None of the goodwill arising on the acquisition is expected to be deductible for tax purposes.

From the date of acquisition, GSD has contributed $1.0 million of revenues and a loss of $0.2 million (after amortisation charges) to the profit before tax from the continuing operations of the Group. If the acquisition had taken place at the beginning of the year, revenue from continuing operations for GSD would have been $1.8 million and the profit from continuing operations for GSD for the period would have been $0.1 million.

Transaction costs of $0.2 million have been expensed and are included in administrative expenses in the consolidated income statement and are part of operating cash flows in the consolidated cash flow statement.

32 Sale of EMEA Crafts

As previously announced, in February 2015, Coats agreed to sell its EMEA Crafts business to the Aurelius Group for a consideration of $10 million receivable in cash on completion and adjusted for the net cash in the EMEA Crafts business at the date of disposal.

On 28 July 2015, Coats announced that the finalisation of the sale had been a complex, multi-jurisdictional, transaction and that completion had taken place against a backdrop of increasingly poor market conditions which had affected the trading performance of EMEA Crafts. Accordingly, Coats agreed to a nominal final consideration payable to Coats and adjusted for the net cash in the EMEA Crafts business at the date of disposal, broadly in line with the original terms of the sale.

The results of the EMEA Crafts business have been reclassified as discontinued operations in the income statement, including prior year amounts. The sale was completed on 31 July 2015, the date on which control passed to the acquirer.

a) Discontinued operations

The results of the discontinued operations are presented below. All amounts relate to EMEA Crafts other than where stated.

31 December	2015 US$m	Restated 2014 US$m
Revenue	**47.8**	124.5
Cost of sales	**(23.6)**	(74.8)
Gross profit	**24.2**	49.7
Distribution costs	**(25.5)**	(62.4)
Administrative expenses	**(11.2)**	(13.4)
Operating loss	**(12.5)**	(26.1)
Investment income	**0.1**	0.1
Finance costs	**(0.3)**	(0.5)
Loss before taxation	**(12.7)**	(26.5)
Taxation	**–**	(0.3)
Loss for the year	**(12.7)**	(26.8)
Loss on disposal (note 32(b))	**(55.8)**	–
Loss relating to sale of legacy investments	**–**	(0.4)
Exchange loss transferred to profit or loss on disposal	**(7.5)**	–
Exchange gain transferred to profit or loss on sale of legacy investment	**0.5**	–
Total loss from discontinued operations	**(75.5)**	(27.2)

The EMEA Crafts results for the year to 31 December 2014 includes exceptional impairment of property, plant and equipment and intangible assets of $18.8 million of which $11.8 million is included in cost of sales, $5.3 million is included in distribution costs and $1.7 million is included in administrative expenses.

32 Sale of EMEA Crafts continued

The loss per Ordinary Share from discontinued operations is as follows:

	2015 Cents	Restated 2014 Cents
Loss per Ordinary Share from discontinued operations:		
Basic and diluted	**(5.39)**	(1.93)

The table below sets out the cash flows from discontinued operations:

	2015 US$m	Restated 2014 US$m
Net cash outflow from operating activities	**(14.7)**	(5.0)
Net cash (outflow)/inflow from investing activities	**(22.3)**	2.8
Net cash flows from discontinued operations	**(37.0)**	(2.2)

b) Loss on disposal

The major classes of assets and liabilities disposed relating to EMEA Crafts was as follows:

	US$m
Property, plant and equipment	0.6
Available-for-sale investments	1.5
Deferred tax assets	1.3
Inventories	26.3
Trade and other receivables	34.1
Cash and cash equivalents	14.9
Total assets	**78.7**
Trade and other payables	(23.1)
Provisions	(2.2)
Retirement benefit obligations	(9.3)
Total liabilities	**(34.6)**
Net assets disposed	**44.1**
Consideration received	**–**
Disposal costs and completion adjustments	**11.7**
Loss on disposal	**55.8**

c) Assets held for sale

The major classes of assets and liabilities comprising the operations classified as held for sale are as follows:

31 December	2015 US$m	Restated 2014 US$m
Property, plant and equipment	–	0.8
Other fixed asset investment	–	0.7
Assets held for sale	**–**	1.5

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33 Related party transactions

Remuneration of key management personnel

The remuneration of the directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 — Related Party Disclosures. Further information regarding the remuneration of individual directors is provided on pages 48-61 in the audited part of the Directors' remuneration report.

Year ended 31 December	2015 US$m	Restated 2014 US$m
Short-term employee benefits	5.1	1.0

Trading transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its joint ventures are disclosed below.

During the year, Group companies entered into the following transactions with related parties who are not members of the Group:

	Sale of goods		Purchase of goods		Other income	
	2015 $m	Restated 2014 $m	2015 $m	Restated 2014 $m	2015 $m	Restated 2014 $m
Joint ventures	5.5	5.9	44.1	47.0	0.1	0.3

Transactions with joint ventures are conducted on an arm's length basis.

Amounts owing by/(to) joint ventures at the year end are disclosed in notes 18 and 20.

During the year the Group sold its shareholding in its joint venture in the Philippines to its joint venture partner (see note 15 for further details).

34 Derivatives and other financial instruments

The Group's main financial instruments comprise:

Financial assets:
- cash and cash equivalents;
- trade and other receivables that arise directly from the Group's operations; and
- derivatives, including forward foreign currency contracts and interest rate swaps.

Financial liabilities:
- trade, other payables and certain provisions that arise directly from the Group's operations;
- bank borrowings and overdrafts; and
- derivatives, including forward foreign currency contracts and interest rate swaps.

Financial assets
The Group's financial assets are summarised below:

31 December	2015 $m	Restated 2014 $m
Financial assets carried at amortised cost (loans and receivables):		
Cash and cash equivalents	649.9	739.0
Trade receivables (note 18)	209.5	245.5
Due from joint ventures (note 18)	0.3	1.6
Other receivables (note 18), net of non-financial assets $22.3 million (2014: $18.8 million)	29.8	31.4
	889.5	1,017.5
Financial assets carried at fair value through the income statement:		
Derivative financial instruments (note 19)	3.1	4.0
	3.1	4.0
Other financial assets carried at fair value through the statement of comprehensive income:		
Available-for-sale investments (note 15)	1.7	3.4
Derivative financial instruments (note 19)	0.3	0.6
Other fixed asset investment (held for sale — note 32(c))	–	0.7
	2.0	4.7
Total financial assets	894.6	1,026.2

Financial liabilities
The Group's financial liabilities are summarised below:

31 December	2015 $m	Restated 2014 $m
Financial liabilities carried at amortised cost:		
Trade payables (note 20)	191.6	227.5
Due to joint ventures (note 20)	11.7	15.1
Other financial liabilities	109.5	113.8
Provisions (note 24)	7.1	8.1
Borrowings (note 22)	409.3	418.1
	729.2	782.6
Financial liabilities carried at fair value through the income statement:		
Derivative financial instruments (note 21)	4.2	7.1
Derivatives designated as effective hedging instruments and carried at fair value through the statement of comprehensive income:		
Derivative financial instruments (note 21)	0.3	2.0
Total financial liabilities	733.7	791.7

Other financial liabilities include other payables, other than taxation and other statutory liabilities.

Notes to the financial statements
continued

34 Derivatives and other financial instruments continued

Fair value of financial assets and liabilities

The fair value of the Group's financial assets and liabilities is summarised below:

31 December	2015 Book value $m	2015 Fair value $m	Restated 2014 Book value $m	Restated 2014 Fair value $m
Primary financial instruments:				
Cash and cash equivalents	**649.9**	**649.9**	739.0	739.0
Trade receivables	**209.5**	**209.5**	245.5	245.5
Due from joint ventures	**0.3**	**0.3**	1.6	1.6
Other receivables	**29.8**	**29.8**	31.4	31.4
Available-for-sale investments	**1.7**	**1.7**	3.4	3.4
Other fixed asset investment (held for sale)	**–**	**–**	0.7	0.7
Trade payables	**(191.6)**	**(191.6)**	(227.5)	(227.5)
Due to joint ventures	**(11.7)**	**(11.7)**	(15.1)	(15.1)
Other financial liabilities and provisions	**(116.6)**	**(116.6)**	(121.9)	(121.9)
Borrowings	**(409.3)**	**(409.3)**	(418.1)	(418.1)
Derivative financial instruments:				
Forward foreign currency contracts	**(1.1)**	**(1.1)**	(2.4)	(2.4)
Other net derivative financial instruments	**–**	**–**	(2.1)	(2.1)
Net financial assets	**160.9**	**160.9**	234.5	234.5

Market values have been used as proxies for the fair value of all listed investments. Unlisted investments are stated at fair value. For floating rate financial assets and liabilities, and for fixed rate financial assets and liabilities with a maturity of less than 12 months, it has been assumed that fair values are approximately the same as book values. Fair values for forward foreign currency contracts have been estimated using applicable forward exchange rates at the year end. All other fair values have been calculated by discounting expected cash flows at prevailing interest rates.

Fair value measurements recognised in the statement of financial position

The following tables provide an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques which include inputs for the asset or liability that are not observable market data (unobservable inputs).

34 Derivatives and other financial instruments continued

Financial assets measured at fair value

31 December	Total $m	Level 1 $m	Level 2 $m	Level 3 $m
2015				
Financial assets measured at fair value through the income statement:				
Trading derivatives	**3.1**	**–**	**3.1**	**–**
Financial assets measured at fair value through the statement of comprehensive income:				
Equity investments	**1.7**	**–**	**–**	**1.7**
Derivatives designated as effective hedging instruments	**0.3**	**–**	**0.3**	**–**
Total	**5.1**	**–**	**3.4**	**1.7**
2014 (Restated)				
Financial assets measured at fair value through the income statement:				
Trading derivatives	4.0	–	4.0	–
Financial assets measured at fair value through the statement of comprehensive income:				
Equity investments	1.9	–	–	1.9
Bonds	1.5	1.5	–	–
Derivatives designated as effective hedging instruments	0.6	–	0.6	–
Total	8.0	1.5	4.6	1.9

Financial liabilities measured at fair value

31 December	Total $m	Level 1 $m	Level 2 $m	Level 3 $m
2015				
Financial liabilities measured at fair value through the income statement:				
Trading derivatives	**(4.2)**	**–**	**(4.2)**	**–**
Financial liabilities measured at fair value through the statement of comprehensive income:				
Derivatives designated as effective hedging instruments	**(0.3)**	**–**	**(0.3)**	**–**
Total	**(4.5)**	**–**	**(4.5)**	**–**
2014 (Restated)				
Financial liabilities measured at fair value through the income statement:				
Trading derivatives	(6.4)	–	(6.4)	–
Other financial liabilities	(0.7)	(0.7)	–	–
Financial liabilities measured at fair value through the statement of comprehensive income:				
Derivatives designated as effective hedging instruments	(2.0)	–	(2.0)	–
Total	(9.1)	(0.7)	(8.4)	–

Level 1 financial instruments are valued based on quoted bid prices in an active market. Level 2 financial instruments are measured by discounted cash flow. For interest rate swaps future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted at a rate that reflects the credit risk of the various counterparties. For foreign exchange contracts future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of the various counterparties. For equity instruments that are classified as Level 3 financial instruments the carrying value approximates to fair value.

Notes to the financial statements
continued

34 Derivatives and other financial instruments continued
The main risks arising from the Group's financial instruments are as follows:

- currency risk;
- interest rate risk;
- capital risk;
- market price risk;
- liquidity risk; and
- credit risk.

The Group's policies for managing those risks are described on pages 118 to 124 and, except as noted, have remained unchanged since the beginning of the year to which these financial statements relate.

Currency risk
The income and capital value of the Group's financial instruments can be affected by exchange rate movements as a significant portion of both its financial assets and financial liabilities are denominated in currencies other than US Dollars, which is the Group's presentational currency. The accounting impact of these exposures will vary according to whether or not the Group company holding such financial assets and liabilities reports in the currency in which they are denominated.

The Board recognises that the Group's US Dollar statement of financial position will be affected by short-term movements in exchange rates, particularly the value of the GBP Sterling, the Euro, Indian Rupee and Brazilian Real. The Board takes the view that the major currencies in which the Group is invested move within a relatively stable range and that currency fluctuations should even out over the long term. Cash held by the Parent Group is held in GBP Sterling pending finalisation of the Pension Regulator investigation into the Group's three UK pension schemes.

The Group uses forward foreign currency contracts to mitigate the currency exposure that arises on business transacted in currencies other than its own functional currency. Such foreign currency contracts are only entered into when there is a firm commitment to the underlying transaction. The contracts used to hedge future transactions typically have a maturity of between six months and two years.

Interest rate risk
In 2015, the Group financed its operations through shareholders' funds, bank borrowings and overdrafts. The Group's trading subsidiaries use a mixture of fixed and floating rate debt. The Group also has access to bank facilities amounting to some $680.0 million, of which $457.4 million had been drawn down at year end. This includes facilities negotiated by certain trading subsidiaries to meet their local needs.

Interest rate risk is managed by maintaining an appropriate mix between fixed and floating rate borrowings using interest rate swap contracts. Hedging activities are evaluated regularly to align with interest rate views and risk appetite.

The Group's interest income does not vary significantly from the returns it would generate through investing surplus cash at floating rates of interest since the interest rates are re-set on a regular basis.

A reasonably possible change of one per cent in market interest rates would change profit before tax by approximately $3.7 million (2014: $4.4 million), and would change shareholders' funds by approximately $10.6 million (2014: $6.9 million).

Trade and other receivables and trade and other payables are excluded from the following disclosure (other than the currency disclosures) as there is limited interest rate risk.

Capital risk management
The Group manages its capital so as to ensure that the Company and the Group will be able to continue as a going concern.

The Group's capital structure comprises cash and cash equivalents and borrowings (see Summary of net cash on page 111), and share capital and reserves attributable to the equity shareholders of the Company.

34 Derivatives and other financial instruments continued

Currency exposure

The tables below show the extent to which Group companies have financial assets and liabilities, excluding forward foreign currency contracts, in currencies other than their functional currency. Foreign exchange differences arising on retranslation of these assets and liabilities are taken to the Group income statement. The table excludes loans between Group companies that form part of the net investment in overseas subsidiaries on which the exchange differences are dealt with through reserves, but includes other Group balances that eliminate on consolidation.

	Net foreign currency financial assets/(liabilities)								
Functional currency 2015	Sterling $m	Australian Dollars $m	New Zealand Dollars $m	Euro $m	US Dollars $m	Indian Rupees $m	Brazilian Reals $m	Other $m	Total $m
Sterling	–	0.5	–	(2.0)	0.1	–	–	–	(1.4)
Australian Dollars	–	–	0.1	–	–	–	–	–	0.1
New Zealand Dollars	–	–	–	–	–	–	–	–	–
US Dollars	(16.0)	–	0.1	(6.2)	–	0.9	–	44.3	23.1
Euros	0.6	–	–	–	0.8	–	–	(1.2)	0.2
Indian Rupees	–	–	–	(0.1)	(15.3)	–	–	–	(15.4)
Brazilian Reals	–	–	–	0.1	15.5	–	–	–	15.6
Other currencies	(0.5)	–	–	10.2	6.0	–	–	(16.6)	(0.9)
	(15.9)	0.5	0.2	2.0	7.1	0.9	–	26.5	21.3

	Net foreign currency financial assets/(liabilities)								
Functional currency 2014 (Restated)	Sterling $m	Australian Dollars $m	New Zealand Dollars $m	Euro $m	US Dollars $m	Indian Rupees $m	Brazilian Reals $m	Other $m	Total $m
Sterling	–	3.5	50.6	(34.5)	126.7	–	–	–	146.3
Australian Dollars	–	–	82.0	–	35.4	–	–	–	117.4
New Zealand Dollars	–	–	–	–	–	–	–	–	–
US dollars	(6.3)	–	–	(3.1)	–	0.9	–	(11.9)	(20.4)
Euros	2.5	(0.7)	–	–	(1.8)	–	–	3.0	3.0
Indian Rupees	–	–	–	(0.1)	(1.3)	–	–	–	(1.4)
Brazilian Reals	–	–	–	(0.5)	(27.6)	–	–	–	(28.1)
Other currencies	(1.0)	(0.1)	–	6.4	(9.2)	(1.0)	–	(8.8)	(13.7)
	(4.8)	2.7	132.6	(31.8)	122.2	(0.1)	–	(17.7)	203.1

2015	Sterling $m	Australian Dollars $m	New Zealand Dollars $m	Euro $m	Indian Rupees $m	Brazilian Reals $m
Increase in US Dollar exchange rate	10%	10%	10%	10%	10%	10%
Increase/(decrease) in profit before tax	(1.6)	–	–	(0.7)	1.6	(1.5)
Increase/(decrease) in shareholders' funds	6.6	0.1	–	(3.9)	6.9	2.1

2014 (Restated)	Sterling $m	Australian Dollars $m	New Zealand Dollars $m	Euro $m	Indian Rupees $m	Brazilian Reals $m
Increase in US Dollar exchange rate	10%	10%	10%	10%	10%	10%
Increase/(decrease) in profit before tax	(13.3)	(3.5)	–	(0.1)	0.2	2.8
Increase/(decrease) in shareholders' funds	(19.9)	8.2	–	(1.5)	5.5	8.0

Notes to the financial statements
continued

34 Derivatives and other financial instruments continued

Currency and interest rate profile of financial assets

The currency and interest rate profile of the Group's financial assets was as follows:

31 December					2015					Restated 2014
Currency	Investments $m	Cash and cash equivalents $m	Trade and other receivables $m	Derivative financial instruments $m	Total $m	Investments $m	Cash and cash equivalents $m	Trade and other receivables $m	Derivative financial instruments $m	Total $m
Sterling	–	504.1	6.4	–	510.5	–	284.4	6.3	0.8	291.5
Australian Dollars	–	1.0	0.8	1.0	2.8	–	4.5	0.6	(1.1)	4.0
New Zealand Dollars	–	–	0.2	1.0	1.2	–	132.7	0.2	0.1	133.0
United States Dollars	0.1	52.0	100.2	8.4	160.7	–	212.3	116.7	(47.5)	281.5
Euros	0.1	4.7	19.5	(22.3)	2.0	2.3	7.6	44.8	64.1	118.8
Indian Rupees	1.5	21.8	21.7	20.0	65.0	1.5	32.2	22.4	2.2	58.3
Brazilian Reals	–	3.2	8.7	(1.5)	10.4	–	8.0	15.6	(1.8)	21.8
Other currencies	–	63.1	82.1	(3.2)	142.0	0.3	57.3	71.9	(12.2)	117.3
Total financial assets	1.7	649.9	239.6	3.4	894.6	4.1	739.0	278.5	4.6	1,026.2

The investments included above comprise listed and unlisted investments in shares and bonds.

Currency and interest rate profile of financial liabilities

The currency and interest rate profile of the Group's financial liabilities was as follows:

31 December					2015					Restated 2014
Currency	Floating rate $m	Fixed rate $m	Interest free $m	Derivative financial instruments $m	Total $m	Floating rate $m	Fixed rate $m	Interest free $m	Derivative financial instruments $m	Total $m
Sterling	2.8	–	13.4	(82.9)	(66.7)	0.5	–	14.7	(71.1)	(55.9)
Australian Dollars	0.1	–	1.4	1.5	3.0	–	–	2.4	(0.5)	1.9
New Zealand Dollars	–	–	0.1	0.4	0.5	–	–	0.1	–	0.1
United States Dollars	129.9	215.5	163.5	152.9	661.8	109.3	265.6	172.2	190.2	737.3
Euros	56.4	–	14.8	(55.7)	15.5	38.1	–	35.9	(58.7)	15.3
Indian Rupees	1.3	–	43.0	–	44.3	2.2	0.1	47.5	(20.7)	29.1
Brazilian Reals	1.0	–	9.9	0.7	11.6	–	–	20.1	0.8	20.9
Other currencies	2.3	0.1	73.7	(12.4)	63.7	2.1	0.1	71.7	(30.9)	43.0
Total financial liabilities	193.8	215.6	319.8	4.5	733.7	152.2	265.8	364.6	9.1	791.7

The benchmark for determining floating rate liabilities in the UK is LIBOR for both Sterling and US$ loans.

34 Derivatives and other financial instruments continued

Details of fixed and non interest-bearing liabilities (excluding derivatives and trade and other payables) are provided below:

31 December	2015			Restated 2014		
	Fixed rate financial liabilities		Financial liabilities on which no interest is paid	Fixed rate financial liabilities		Financial liabilities on which no interest is paid
Currency	Weighted average interest rate %	Weighted average period for which rate is fixed (months)	Weighted average period until maturity (months)	Weighted average interest rate %	Weighted average period for which rate is fixed (months)	Weighted average period until maturity (months)
Sterling	–	–	16	–	–	25
United States Dollars	2.80%	30	–	3.40%	20	–
Weighted average	2.80%	30	16	3.40%	20	25

Currency profile of foreign exchange derivatives

The currency profile of the Group's foreign exchange derivatives (on a gross basis), all of which mature in less than one year, was as follows:

	Assets		Liabilities	
31 December	2015 $m	Restated 2014 $m	2015 $m	Restated 2014 $m
Currency				
Sterling	82.8	71.8	–	–
Australian Dollars	1.0	1.5	(1.5)	(1.3)
New Zealand Dollars	1.0	0.6	(0.4)	(0.4)
United States Dollars	64.1	85.2	(35.2)	(58.8)
Euros	68.7	70.1	(208.5)	(210.0)
Indian Rupee	20.0	7.3	–	–
Brazilian Real	–	–	(2.2)	(2.7)
Other currencies	33.9	56.7	(24.8)	(22.4)
	271.5	293.2	(272.6)	(295.6)

The $1.1 million net liability (2014: $2.4 million) in relation to foreign exchange financial instruments in the table above is split $3.1 million (2014: $4.0 million) within assets (note 19) and $4.2 million (2014: $6.4 million) within liabilities (note 21).

Market price risk

The Group has equity and bond available-for-sale investments at 31 December 2015 of $1.7 million ($3.4 million) held for strategic rather than trading purposes. The Group does not actively trade these investments and is not materially exposed to price risk.

The sensitivity analyses below have been determined based on the exposure to reasonably possible price changes for the investments held at the year end.

31 December	2015 $m	Restated 2014 $m
Impact of a 10% increase in prices:		
Increase in pre-tax profit for the year	–	–
Increase in equity shareholders' funds	0.2	0.3

Notes to the financial statements
continued

34 Derivatives and other financial instruments continued

Liquidity risk

The Group typically holds cash balances in deposits with a short maturity. Additional resources can be drawn through committed borrowing facilities at operating subsidiary level. During the year the Group has complied with all externally imposed capital requirements.

The Group had the following undrawn committed borrowing facilities in respect of which all conditions precedent had been met at the year end:

31 December	2015 $m	Restated 2014 $m
Expiring between 1 and 2 years	–	245.6
Expiring between 2 and 5 years	222.6	–
	222.6	245.6

Maturity of undiscounted financial assets (excluding derivatives)

The expected maturity of the Group's financial assets, using undiscounted cash flows, was as follows:

31 December	2015 $m	Restated 2014 $m
In 1 year or less, or on demand	875.5	1,004.8
In more than 1 year but not more than 2 years	8.2	12.6
In more than 2 years but not more than 5 years	2.1	0.5
In more than 5 years	6.5	3.0
	892.3	1,020.9

Maturity of undiscounted financial liabilities (excluding derivatives)

The expected maturity of the Group's financial liabilities, using undiscounted cash flows, was as follows:

31 December	2015 $m	Restated 2014 $m
In 1 year or less, or on demand	335.3	471.2
In more than 1 year but not more than 2 years	7.2	307.3
In more than 2 years but not more than 5 years	388.7	5.8
In more than 5 years	–	0.1
	731.2	784.4

The above table comprises the gross amounts payable in respect of borrowings (including interest thereon), trade and other non-statutory payables and certain provisions, over the period to the maturity of those liabilities.

Maturity of undiscounted financial derivatives

The maturity of the Group's financial derivatives (on a gross basis), which include interest rate and foreign exchange swaps, using undiscounted cash flows, was as follows:

	Assets		Liabilities	
31 December	2015 $m	Restated 2014 $m	2015 $m	Restated 2014 $m
In 1 year or less, or on demand	271.0	295.7	(273.8)	(303.4)
In more than 1 year but not more than 2 years	0.6	0.7	(1.4)	(2.5)
In more than 2 years but not more than 5 years	–	1.1	(0.9)	–
	271.6	297.5	(276.1)	(305.9)

34 Derivatives and other financial instruments continued

Credit risk

31 December	2015 $m	Restated 2014 $m
The Group considers its maximum exposure to credit risk to be as follows:		
Cash and cash equivalents	**649.9**	739.0
Derivative financial instruments	**3.4**	4.6
Trade receivables (net of bad debt provision)	**209.5**	245.5
Due from joint ventures	**0.3**	1.6
Other receivables	**29.8**	31.4
	892.9	1,022.1
Financial assets considered not to have exposure to credit risk:		
Available-for-sale investments	**1.7**	3.4
Other fixed asset investment	**–**	0.7
Total financial assets	**894.6**	1,026.2
Analysis of trade receivables over permitted credit period:		
Trade receivables up to 1 month over permitted credit period	**29.3**	24.3
Trade receivables between 1 and 2 months over permitted credit period	**6.0**	7.2
Trade receivables between 2 and 3 months over permitted credit period	**2.4**	1.5
Trade receivables between 3 and 6 months over permitted credit period	**1.9**	3.4
Trade receivables in excess of 6 months over permitted credit period	**0.1**	0.2
Total gross trade receivables in excess of permitted credit period	**39.7**	36.6
Trade receivables within permitted credit period	**169.8**	208.9
Total net trade receivables	**209.5**	245.5
Analysis of trade receivables impairment provision:		
Trade receivables up to 1 month over permitted credit period	**0.1**	1.2
Trade receivables between 1 and 2 months over permitted credit period	**0.4**	0.3
Trade receivables between 2 and 3 months over permitted credit period	**0.2**	0.7
Trade receivables between 3 and 6 months over permitted credit period	**0.3**	1.6
Trade receivables in excess of 6 months over permitted credit period	**10.3**	11.6
Total impairment provision	**11.3**	15.4

Trade receivables consist of a large number of customers, spread across diverse geographical areas and industries.

Customers requesting credit facilities are subject to a credit quality assessment, which may include a review of their financial strength, previous credit history with the Group, payment record with other suppliers, bank references and credit rating agency reports. All active customers are subject to an annual, or more frequent if appropriate, review of their credit limits and credit periods.

The Group does not have a significant credit risk exposure to any single customer.

Hedges

During 2015, the Group has hedged the following exposures:

– interest rate risk – using interest rate swaps; and
– currency risk – using forward foreign currency contracts.

At 31 December 2015, the fair value of such hedging instruments was a net liability of $1.1 million (2014: $3.8 million).

Notes to the financial statements
continued

34 Derivatives and other financial instruments continued
Cash flow hedges outstanding at 31 December are expected to impact the income statement in the following periods:

	2015 $m Loss	Restated 2014 $m Loss
Within 1 year	–	(1.3)
Within 1 to 2 years	–	(0.1)
	–	(1.4)

The interest rate swaps settle on a quarterly basis. The floating rate on the interest rate swaps is three months' LIBOR.

All interest rate swap contracts exchanging floating rate interest rate amounts for fixed interest rate interest amounts are designated as cash flow hedges to reduce the Group's cash flow exposure resulting from variable interest rates on borrowings. The amount accumulated in equity is reclassified to profit or loss over the period that the floating rate interest payments on debt affect profit or loss.

35 Share-based payments
The total cost recognised in the Consolidated income statement in respect of share-based payment plans was as follows:

	2015			Restated 2014		
	Equity-settled US$m	Cash-settled US$m	Total US$m	Equity-settled US$m	Cash-settled US$m	Total US$m
Capital incentive plan ('CIP')	–	1.3	1.3	–	4.2	4.2
Long term incentive plan ('LTIP')	3.1	1.7	4.8	1.3	5.0	6.3
Deferred bonuses	0.8	–	0.8	0.7	–	0.7
Total	3.9	3.0	6.9	2.0	9.2	11.2

CIP
This scheme was a cash settled share based payment arrangement that has now fully vested.

LTIP
Under the terms of the Coats Group plc LTIP, Executive Directors and key senior executives may be awarded each year conditional entitlements to Ordinary Shares in the Company (in the form of nil cost options). The vesting of awards is subject to the satisfaction of a three year performance condition, which is determined by the Remuneration Committee at the time of grant. The performance condition includes both market and non-market based measures.

Details of options outstanding under equity settled awards:

	2015		Restated 2014	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Outstanding at beginning of year	–	–	–	–
Granted during the year	55,556,769		–	
Lapsed during the year	(1,522,640)	–	–	–
Outstanding at end of year	54,034,129	–	–	–
Exercisable at end of year	–	–	–	–

During 2015 there were 23,047,525 nil cost options (included in the figures above) granted under the terms of the Coats plc Interim LTIP. These options were originally deferred cash bonus awards relating to the 3 year performance period 1 January 2014 to 31 December 2016. Awards were converted to nil cost options on 26 February 2015 and will vest, subject to performance conditions, after the public announcement of results for the year ended 31 December 2016. The performance conditions remained unchanged upon conversion to nil cost options.

The options outstanding at 31 December 2015 had a weighted average remaining contractual life of 1.6 years (2014: Nil years).

35 Share-based payments continued

The fair value of the market-based component of these awards was calculated using the Monte Carlo simulation method to reflect the likelihood of the market-based Total Shareholder Return ('TSR') performance condition, which attach to 20% (2014: 40%) of the award, being met, using the following assumptions:

	2015	Restated 2014
Vesting period	**3 years**	3 years
Share price at valuation date	**25.0p**	34.5p
Exercise price	**Nil**	Nil
Risk free rate	**0.63%**	0.63%
Expected dividend yield	**0.00%**	0.00%
Expected volatility	**26.34%**	26.34%
Average correlation	**20.26%**	20.26%
Fair value per share	**6.8p**	8.6p

Deferred bonuses

Under the terms of the Coats Group Deferred Bonus Plan, any bonuses awarded to executive directors and key senior management will be the subject of a mandatory 25% deferment into shares, to be held for a three year retention period. Annual bonuses will be determined by reference to performance, in the normal course measured over one financial year. Awards are normally exercisable after three years subject to continued employment.

The options outstanding at 31 December 2015 had a weighted average remaining contractual life of 2.5 years (2014: 3.0 years).

Share option scheme

Guinness Peat Group plc granted a number of awards under a share option scheme prior to 2010. All share options under this scheme have fully vested and can be exercised up to 10 years from the date of grant.

Outstanding options granted after November 2002 are as follows:

	2015		Restated 2014	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Outstanding at beginning of year	**66,976,478**	**50.68p**	84,084,073	48.43p
Lapsed during the year	**(28,679,974)**	**48.67p**	(16,647,436)	40.01p
Exercised during the year	**–**	**–**	(460,159)	25.95p
Outstanding at end of year	**38,296,504**	**52.18p**	66,976,478	50.68p
Exercisable at end of year	**38,296,504**	**52.18p**	66,976,478	50.68p

The options outstanding at 31 December 2015 had a weighted average remaining contractual life of 1.4 years (2014: 1.6 years).

Notes to the financial statements
continued

36 Non-GAAP financial measures

The non-Generally Accepted Accounting Practice ('non-GAAP') financial measures included in the Annual Report provide supplementary information to assist with the understanding of the Group's financial results and with the evaluation of operating performance for all the periods presented. Non-GAAP amounts, however, are not a measure of financial performance under IFRS and should not be considered as a substitute for measures determined in accordance with GAAP. A reconciliation of non-GAAP financial measures to the most directly comparable GAAP financial measures is included below.

a) Adjusted earnings per share

The calculation of adjusted earnings per share is based on the profit from continuing operations attributable to equity shareholders before exceptional items and foreign exchange gains and losses arising on cash relating to the realisation of investments previously held by Coats Group plc as set out below.

31 December	2015 US$m	Restated 2014 US$m
Profit from continuing operations	36.1	51.8
Non-controlling interests	(11.2)	(9.6)
Profit from continuing operations attributable to equity shareholders	24.9	42.2
Exceptional items (note 4)	29.9	20.0
Foreign exchange losses/(gains) on Parent Group cash*	3.2	(18.9)
Tax (credit)/charge in respect of exceptional items	(2.5)	0.1
Adjusted profit from continuing operations	55.5	43.4
Weighted average number of Ordinary Shares	1,400,765,325	1,407,431,333
Adjusted earnings per share (cents)	**3.96**	**3.08**

* Cash relating to the realisation of investments previously held by Coats Group plc.

The weighted average number of Ordinary Shares used for the calculation of adjusted earnings per share for the year ended 31 December 2015 is 1,400,765,325 (2014: 1,407,431,333), the same as that used for basic earnings per Ordinary Share from continuing operations (see note 11).

Adjusted earnings per share for the year ended 31 December 2014 on a like-for-like currency basis (restates 2014 figures at 2015 exchange rates) is 2.88 cents and is calculated on a basis consistent with the above. Like-for-like adjusted profit from continuing operations for the year ended 31 December 2014 was $40.4 million. The weighted average number of Ordinary Shares used for the calculation of adjusted earnings per share for the year ended 31 December 2014 on a like-for-like basis is 1,400,765,325 being the weighted average number of Ordinary Shares for the year ended 31 December 2015.

b) Adjusted free cash flow

A reconciliation of the change in net cash resulting from cash flows (free cash flow), the most comparable GAAP measure, to adjusted free cash flow is set out below:

31 December	2015 US$m	Restated 2014 US$m
Change in net cash resulting from cash flows (free cash flow)	(21.4)	46.5
Acquisition of business (note 31)	5.5	–
Net cash flows from discontinued operations (note 32(a))	37.0	2.2
Net cash outflow in respect of reorganisation costs	10.4	2.4
Net cash inflow from property disposals	(9.9)	(4.0)
UK Pensions Regulator ('tPR') investigation costs	8.9	12.2
Payments to UK pensions schemes	33.8	25.8
Net cash flows in respect of other exceptional items	1.3	–
Purchase of own shares by Employee Benefit Trust	7.6	–
Tax outflow in respect of adjusted cash flow items	0.7	2.7
Adjusted free cash flow	**73.9**	**87.8**

Comparative amounts have reported on a basis consistent with amounts presented for the year ended 31 December 2015.

36 Non-GAAP financial measures continued

c) Return on capital employed

Return on capital employed ('ROCE') is defined as pre-exceptional profit divided by capital employed as set out below:

31 December	2015 US$m	Restated 2014 US$m
Pre-exceptional operating profit	**139.4**	123.4
Non-current assets		
Property, plant and equipment	**273.0**	298.2
Trade and other receivables	**16.4**	16.0
Current assets		
Inventories	**204.0**	226.8
Trade and other receivables	**261.9**	263.8
Current liabilities		
Trade and other payables	**(320.7)**	(341.1)
Non-current liabilities		
Trade and other payables	**(12.4)**	(13.6)
Capital employed	**422.2**	450.1
ROCE	**33%**	27%

The amounts shown above for non-current assets, current assets, current liabilities and non-current liabilities at 31 December 2014 exclude the discontinued EMEA Crafts business.

Company balance sheet

31 December	Notes	2015 £m	2014 £m
Fixed assets			
Investments	3	374.1	371.3
		374.1	371.3
Current assets			
Loans to subsidiary undertakings		2.8	2.8
Cash at bank and in hand		2.0	–
		4.8	2.8
Creditors: amounts falling due within one year			
Loans from subsidiary undertakings		(202.2)	(178.9)
		(202.2)	(178.9)
Net current liabilities		(197.4)	(176.1)
Total assets less current liabilities		176.7	195.2
Provisions for liabilities	4	(8.9)	(13.2)
Net assets		167.8	182.0
Capital and reserves			
Share capital	6	70.4	70.4
Share premium account		0.6	0.6
Capital redemption reserve		11.4	11.4
Share options reserve		11.5	8.7
Capital reduction reserve		48.3	48.3
Own shares	6	(4.9)	–
Profit and loss account		30.5	42.6
Shareholders' funds		167.8	182.0

Paul Forman, Group Chief Executive

Richard Howes, Chief Financial Officer

Approved by the Board 10 March 2016

Company Registration No.103548

Company statement of changes in equity

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Share options reserve £m	Capital reduction reserve £m	Own shares £m	Profit and loss account £m	Total
1 January 2014	70.4	0.5	11.4	8.7	48.3	–	50.3	189.6
Loss for the year	–	–	–	–	–	–	(7.7)	(7.7)
Share issues	–	0.1	–	–	–	–	–	0.1
31 December 2014	**70.4**	**0.6**	**11.4**	**8.7**	**48.3**	**–**	**42.6**	**182.0**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(12.1)**	**(12.1)**
Share based payments	**–**	**–**	**–**	**2.8**	**–**	**–**	**–**	**2.8**
Purchase of own shares	**–**	**–**	**–**	**–**	**–**	**(4.9)**	**–**	**(4.9)**
31 December 2015	**70.4**	**0.6**	**11.4**	**11.5**	**48.3**	**(4.9)**	**30.5**	**167.8**

Company cash flow statement

	2015 £m	2014 £m
Net cash flows from operating activities		
Operating loss	**(4.6)**	(10.1)
Decrease in debtors	**–**	0.1
Increase in creditors	**15.8**	6.4
Movement in provisions	**(4.3)**	3.5
Net cash flows from operating activities	**6.9**	(0.1)
Net cash flows from financing activities		
Proceeds on issue of shares	**–**	0.1
Purchase of own shares	**(4.9)**	–
Net cash flows from financing activities	**(4.9)**	0.1
Net increase in cash and cash equivalents	**2.0**	–
Cash at bank and in hand at the beginning of the year	**–**	–
Cash at bank and in hand at the end of the year	**2.0**	–

Notes to the Company financial statements

1 Accounting policies

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

A) General information and basis of accounting

The financial statements have been prepared under the historic cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting standard 102 ('FRS 102') as issued by the Financial Reporting Council. FRS 102 was adopted during the year, the adoption of FRS 102 has not had a material impact on either the current or prior years.

The functional currency of Coats Group plc is considered to be Pounds Sterling because that is the currency of the primary economic environment in which the Company operates.

B) Fixed assets – investments

Investments in subsidiary and associated undertakings are reflected at cost less provisions for any impairment.

C) Financial assets and liabilities

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All financial assets and financial liabilities are initially measured at transaction price. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

D) Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in the profit and loss and the asset is reduced to its recoverable amount. The recoverable amount is the higher of its fair value less costs to sell and its value in use.

E) Share-based payments

Cash-settled

The Company operates a cash-settled share-based compensation plan for the benefit of certain employees of an operating subsidiary. Cash-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at each reporting date. The fair value is expensed on a straight-line basis over the vesting period, with a corresponding increase in liabilities.

Equity-settled

The Group operates an equity-settled Long Term Incentive Plan for executives and senior management, settlement is in the form of Coats Group plc shares. Awards under this plan are subject to both market-based and non-market-based vesting criteria.

The fair value at the date of grant is established by using an appropriate simulation method to reflect the likelihood of market-based performance conditions being met. As the Long Term Incentive Plan relates to employees of a subsidiary, and there is no recharge of the cost, the fair value is charged to investments on a straight-line basis over the vesting period, with appropriate adjustments being made during this period to reflect expected vesting for non market-based performance conditions and forfeitures. The corresponding credit is to shareholders' funds.

The shares awarded under this plan are purchased in the market by the Employee Benefit Trusts ('EBT') over the vesting period. Coats Group plc is the sponsoring employer of the EBT and its activities are considered an extension of the Company's activities. Therefore the shares purchased by the EBT are included as a deduction from shareholders' funds and other assets and liabilities of the EBT are recognised as assets and liabilities of Coats Group plc.

F) Taxation

Provision is made for taxation assessable on the profit or loss for the year as adjusted for disallowable and non-taxable items. Deferred taxation is provided in full in respect of timing differences which have arisen but not reversed at the balance sheet date, except that deferred tax assets (including those attributable to tax losses carried forward) are only recognised if it is considered more likely than not that they will be recovered. Deferred taxation is measured on a non-discounted basis.

G) Dividends

Dividends proposed are recognised in the period in which they are formally approved for payment.

H) Critical accounting judgements and key sources of estimation uncertainty

Carrying value of investments:

The carrying value of investments is assessed annually for indicators of impairment. If an impairment review is required judgement is involved in calculating the recoverable amount.

Provisions:

In determining the level of provisions held at year end the directors take advice from external experts as appropriate. The nature of the estimates adopted is such that the final liability that crystallises may differ from these estimates.

Notes to the Company financial statements
continued

2 Result for the year
The Company has not presented its own profit and loss account as permitted by section 408 of the Companies Act 2006. The loss for the year attributable to shareholders was £12.1 million (2014: £7.7 million).

Details of directors' remuneration are set out on pages 48 to 61 within the Remuneration Report and form part of these financial statements.

3 Investments

	Investments in subsidiary undertakings £m
At 1 January 2014 and 31 December 2014	371.3
Additions	2.8
At 31 December 2015	**374.1**

Additions to investments represent equity settled share based payments relating to employees of subsidiaries that has not been recharged.

Further information about subsidiaries is provided on pages 134 to 135.

4 Provisions
Provisions are analysed as follows:

31 December	2015 £m	2014 £m
Onerous leases	0.3	0.3
Other provisions	8.6	12.9
Total provisions	8.9	13.2

	Onerous leases £m	Other Provisions £m	Total £m
At 1 January 2015	0.3	12.9	13.2
Utilised in year	–	(8.1)	(8.1)
Charged to the income statement	–	3.8	3.8
At 31 December 2015	**0.3**	**8.6**	**8.9**

Other provisions includes costs expected to be incurred dealing with the tPR's investigation (see note 24 for further details).

5 Operating lease commitments

31 December	2015 £m	2014 £m
Outstanding commitments under non-cancellable operating leases:		
Payable within 1 year	0.1	0.1
Payable between 1 and 5 years	–	0.1
	0.1	0.2

At the balance sheet date, the Group had contracted with tenants for receipt of the following minimum lease payments:

31 December	2015 £m	2014 £m
Receivable within 1 year	0.1	0.1
Receivable between 1 and 5 years	–	0.1
	0.1	0.2

6 Share capital

There are 1,407,612,282 Ordinary Shares of 5p issued at 31 December 2015 (2014: 1,407,612,282).

The own shares reserve of £4.9 million at 31 December 2015 (2014: £Nil) represents the cost of shares in Coats Group plc purchased in the market and held by an Employee Benefit Trust to satisfy awards under the Group's share based incentive plans. The number of shares held by the Employee Benefit Trust at 31 December 2015 was 17,625,636 (2014: Nil).

7 Related party transactions

Amounts due from and to other Group companies are disclosed on the face of the Balance sheet on page 128.

Interest payable to other Group companies during 2015 was £7.4 million (2014: interest receivable of £2.5 million).

8 Share based payments

The cost of equity share based payments of £2.8 million (2014: £Nil) has been charged to investments as no amounts are recharged to subsidiaries.

The charge relates to the Long Term Incentive Plan and Deferred bonuses. Further details on these schemes are set out in note 35 of the consolidated financial statements.

Group structure

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

Company	Country	Description and proportion of shares held (%)
Subsidiaries:		
Direct holdings of the Company		
Arrow HJC	United Kingdom	1 Ordinary share
B.M. Estates Limited	United Kingdom	11,00,000 Ordinary shares
Blackwood Hodge Limited	United Kingdom	240,692,884 Ordinary shares
BMM (Predecessors) Limited	United Kingdom	1 Ordinary share
CE (Predecessors) Limited	United Kingdom	2,365,839 Ordinary shares
Coats plc	United Kingdom	1 Ordinary share
Contractors' Aggregates Limited	United Kingdom	10,000 Ordinary shares
GPG (UK) Holdings plc	United Kingdom	1,436,245,061 Ordinary shares
GPG Coats Finance Limited	United Kingdom	1 Ordinary share
GPG March 2004 Limited	United Kingdom	2 Ordinary shares
GPG Pension Investments Trustees Limited	United Kingdom	1 Ordinary share
Guinness Peat International Capital Assets Limited	Bermuda	12,000 Ordinary shares
MFC (Predecessors) Limited	United Kingdom	513,645 Ordinary shares
S G Warburg Group Limited	United Kingdom	100 Ordinary shares
Staveley Guarantee Company Limited	United Kingdom	Guarantee company
Thomas Robinson Industrial Controls Limited	United Kingdom	2 Ordinary shares
Subsidiaries:		
Indirect holdings of the Company		
Coats Cadena S.A. – Argentina	Argentina	2,697,337 Ordinary Nominal shares
[1]Australian Country Spinners Pty Limited	Australia	2 Ordinary shares
[2]Australian Country Spinners Unit Trust	Australia	33,065,105 Units
Coats Australian Pty Ltd	Australia	2,500,000 AUD0.54 Ordinary shares
GPG (Australia Trading) Pty. Limited	Australia	4,000,000 Ordinary shares
GPG (No.6) Pty Limited	Australia	2 Ordinary shares
GPG Nominees Pty Ltd	Australia	2 Ordinary shares
GPG Services Pty Limited	Australia	2 Ordinary shares
GPG Tyndall Holdings Pty. Limited	Australia	2 Ordinary shares
Guinness Peat Group (Australia) Pty Limited	Australia	4,000,000 Ordinary shares, 913 Redeemable Preference shares
Kuvondo Pty Limited	Australia	29,282 Ordinary shares
Sabatica Pty Limited	Australia	2 Ordinary shares
Coats Bangladesh Limited	Bangladesh	360,000 Ordinary shares (80%)
Coats Crafts Bangladesh Limited	Bangladesh	800 Ordinary shares (80%)
Guinness Peat CH Limited	Bermuda	84,643,990 Ordinary shares
Coats Corrente Ltda	Brazil	9,384,596,741 Ordinary shares
Coats Corrente Textil Ltda	Brazil	79,656,382 Ordinary shares
Coats Andean Limited	British Virgin Islands	23,821,000 Ordinary shares
Coats Group Limited	British Virgin Islands	248,131,825 Ordinary shares
Coats Bulgaria Eood	Bulgaria	58,749 Ordinary shares
Coats Canada Inc	Canada	156,760,833 Common (no par value) shares
Staveley Services Canada Inc	Canada	3,500,000 Common shares
Coats Cadena Ltda	Chile	10,539 Ordinary shares
The Central Agency Limited – Chile	Chile	42,000 Ordinary shares
Dalian Coats Limited	China	1,370,000 shares
Qingdao Coats Limited	China	1,160,000 shares
Shanghai Coats Limited	China	1,520,000 shares
Shenzhen Coats Textile Thread Company Limited	China	500,000 shares
Coats Opti Shenzhen Limited	China	24,750,000 shares (90%)
Coats Shenzhen Limited	China	14,220,000 shares (90%)
Guangzhou Coats Limited	China	106,542,000 shares (90%)
Coats Cadena Andina SA — Colombia	Colombia	22,399,888 Ordinary shares
Coats Czecho spol. sr.o	Czech Republic	3,099,000 Ordinary shares
Coats Cadena SA Ecuador	Ecuador	499,002 Ordinary shares
Coats Craft Egypt	Egypt	250,000 Ordinary shares
Coats Egypt for manufacturing and dyeing sewing thread SAE	Egypt	319,998 Ordinary shares
Coats Trading Egypt	Egypt	50,000 Ordinary shares
Coats El Salvador, S.A. de C.V.	El Salvador	2,000 Ordinary shares
Coats Eesti AS — Estonia	Estonia	740 Ordinary shares
Coats Opti Oy	Finland	4,000 Ordinary shares
Coats France S.A.S.	France	3,691,333 Ordinary shares
Coats GmbH	Germany	1 Ordinary shares
Coats Opti Germany GmbH	Germany	1,000,000 Ordinary shares
Coats Thread Germany GmbH	Germany	10,104,000 Ordinary shares
Schwanenwolle Tittel & Krueger AG i. L	Germany	5,700 shares
Centraltex de Guatemala, S.A.	Guatemala	50 Ordinary shares
Coats de Guatemala, S.A.	Guatemala	6,000 Ordinary shares
Distribuidora Coats de Guatemala, Sociedad Anomina	Guatemala	6,000 Ordinary shares
Guatemala Thread Company Sociedad Anonima	Guatemala	500 Ordinary shares
Coats Honduras, S.A.	Honduras	250 Ordinary shares
China Thread Development Company Limited	Hong Kong	9,996,000 Ordinary shares
Coats (China) Limited	Hong Kong	1,491,753 Ordinary shares
Coats China Holdings Limited	Hong Kong	7,085,000 Ordinary shares
Coats Hong Kong Limited	Hong Kong	90 Ordinary shares (90%)
Coats Opti Hong Kong Limited	Hong Kong	10,000 Issued shares
Coats Thread HK Limited	Hong Kong	2 Ordinary shares
Coats Magyarorszag Cernagyarto es Ertekesito Korlatolt Felelossegu Tarsasag	Hungary	20,000 Ordinary shares
Kor Investments Private Limited	India	249,999 Ordinary shares
Madura Coats Private Limited	India	6,000,100 Ordinary shares
PT Coats Trading Indonesia	Indonesia	200,000 Ordinary shares
PT. Coats Rejo Indonesia	Indonesia	3,324,000 Ordinary-A shares, 5,926,540 Ordinary-B shares
Coats (Israel) Ltd	Israel	3,000 Ordinary shares
Coats Thread Italy Srl	Italy	1 QUOTA shares
Coats Korea Co., Limited	Korea, Republic of	198,000 Ordinary shares
Coats Latvija SIA	Latvia	600 Ordinary shares
Coats Lietuva UAB	Lithuania	10 Ordinary shares
Coats (Madagascar) International	Madagascar	100 Ordinary shares
Coats (Madagascar) S.AR.L (EPZ)	Madagascar	100 Ordinary shares
Coats Thread (Malaysia) Sdn. Bhd.	Malaysia	127,500 A shares, 75,000 B shares, 47,500 C shares (99%)
Coats Indian Ocean Holding Co Limited	Mauritius	23,553 Ordinary shares
Coats Mauritius International Co Ltd	Mauritius	100 Ordinary shares
J & P Coats (Mauritius) Ltd	Mauritius	418,533 Ordinary shares
Administraciones Timon SA de CV	Mexico	4,105,420 Ordinary-B shares, 2,500 Ordinary-A shares
Coats Assets de Mexico SA de CV	Mexico	205,880,990 Series A Fixed shares
Coats Mexico S.A. de C.V.	Mexico	45,000 Ordinary-A shares, 567,200,257 Ordinary-B shares
Grupo Coats Timon S A de C V	Mexico	500 B1 shares, 23,794,072 B2 shares, 111,425 B2 SPECIAL SERIES shares
Coats Maroc	Morocco	199,990 Ordinary shares
Mercerie Industrielle de Casablanca	Morocco	31,980 Ordinary shares
Coats Industrial Europe Holdings B.V.	Netherlands	18,000 Ordinary shares
Coats Industrial Thread Holdings B.V	Netherlands	18,020 Ordinary shares
Coats Northern Holdings B.V.	Netherlands	18,000 Ordinary shares
Coats South America Holdings B.V.	Netherlands	18,004 Ordinary shares
Coats South Asia Holdings B.V.	Netherlands	18,004 Ordinary shares
Coats Southern Holdings B.V	Netherlands	18,000 Ordinary shares
Guinness Peat Group International Holdings BV	Netherlands	484 Ordinary shares
[3]Australian Country Spinners (NZ) Limited	New Zealand	2,000 Ordinary shares
Coats Patons (New Zealand) Ltd	New Zealand	7,000,000 Ordinary shares
Coats de Nicaragua SA	Nicaragua	500 Ordinary shares
J & P Coats Pakistan (Pvt) Limited	Pakistan	2,999,920 Ordinary shares
Coats Cadena Investment SA	Peru	1,265,973,427 Ordinary shares (99%)
Coats Cadena SA – Peru	Peru	98,659,340 Ordinary shares (99%)
Allied Thread Co., Inc.	Philippines	11,514,496 Common shares
Coats Polska Spolka z oganiczona odpowiedzialnoscia	Poland	21,092 Ordinary shares
Coats Comercio de Linhas, Fechos e Acessorios Para a Industria SA	Portugal	150,000 Ordinary Bearer Shares
Companhia de Linha Coats & Clark S.A.	Portugal	5,000,000 Bare Shares
S.C. Coats Odorhei S.R.L.	Romania	164,516 Ordinary shares
SC Coats Romania Impex SRL	Romania	1,019,568 Ordinary shares
Coats LLC	Russian Federation	133,681 shares
Coats International Pte Limited	Singapore	337,092,726 Ordinary shares
Coats Overseas Pte Limited	Singapore	1 Ordinary shares
Coats s.r.o	Slovakia	1 Ordinary shares

1 100% owned by the joint venture ACS Nominees Pty Limited.
2 100% owned by the joint venture ACS Nominees Pty Limited.
3 100% owned by Australian Country Spinners Pty Limited.

Company	Country	Description and proportion of shares held (%)
Coats South Africa (Proprietary) Limited	South Africa	98,120,000 Ordinary shares, 3,803,000 Non-redeemable Preference Shares, 5,000,000 Cumulative Redeemable Preference shares, 124,000,000 Non-redeemable Non-cumulative Variable Rate Convertible Preference shares
Cotnat Properties (Proprietary) Limited	South Africa	2 Ordinary shares
Coats Thread Exports (Private) Limited	Sri Lanka	104,802 Ordinary shares (99%)
Coats Thread Lanka (Private) Limited	Sri Lanka	2,893,500 Ordinary shares (99%)
Coats Expotex AB	Sweden	100,000 Bearer shares
Coats Industrial Scandinavia AB	Sweden	100 Bearer shares
Coats Stroppel AG	Switzerland	200 10,000 SWISS FRANC shares
Coats Threads (Thailand) Ltd	Thailand	140,000 Ordinary shares
Coats Industrial Tunisie	Tunisia	90,000 Ordinary shares
Coats Trading Tunisie	Tunisia	38,500 Ordinary shares
Coats (Turkiye) Iplik Sanayii AS	Turkey	13,216,976 New Ordinary shares (92%)
Coats Ukraine Ltd	Ukraine	14,348,256 Ordinary shares
Arrow HJC	United Kingdom	99 £1 Ordinary shares
Allen, Solly & Company Limited	United Kingdom	100 £1 Ordinary shares
Allied Mutual Insurance Services Ltd	United Kingdom	2 Ordinary shares
Anfield 1 Limited	United Kingdom	199,999 £1 Ordinary shares
Anfield 2 Limited	United Kingdom	527,526 £1 Deferred shares, 1,000 £1 Ordinary shares
Barbour Threads Limited	United Kingdom	810,500 £10 Ordinary shares
BMM (Predecessors) Limited	United Kingdom	1 Ordinary shares
Brown Shipley Asset Management Limited	United Kingdom	6,500,200 Ordinary shares
Brown Shipley Holdings Limited	United Kingdom	51,043,575 Ordinary shares
Brown Shipley Investment Management	United Kingdom	2 Ordinary shares
Brunel Pension Trustees Limited	United Kingdom	1 Ordinary shares
BSH Acquisition Limited	United Kingdom	2 Ordinary shares
Cardpad Limited	United Kingdom	1 Ordinary shares
Chain Insurance Company Limited	United Kingdom	50,000 £10 Ordinary shares
Coats (UK) Limited	United Kingdom	99,038,462 Ordinary shares
Coats Finance Co. Limited	United Kingdom	17,000,000 Ordinary shares
Coats Global Services Limited	United Kingdom	5,000,100 Ordinary shares
Coats Holding Company (No. 1) Limited	United Kingdom	198,876 Ordinary shares
Coats Holding Company (No. 2) Limited	United Kingdom	10,753,227 25P Ordinary shares
Coats Holdings Investments Limited	United Kingdom	100,000,000 Ordinary shares
Coats Holdings Ltd	United Kingdom	781,621,271 Ordinary shares
Coats Industrial Thread Brands Limited	United Kingdom	2 Ordinary shares
Coats Industrial Thread Limited	United Kingdom	37,814,890 Ordinary shares
Coats Patons Limited	United Kingdom	100 Ordinary shares
Coats Pensions Trustee Limited	United Kingdom	2 £1 Ordinary shares
Coats plc	United Kingdom	75,050,100 Ordinary shares
Coats Property Management Limited	United Kingdom	25,000 £1 Ordinary shares
Coats Shelfco (BDA) Limited	United Kingdom	5,937,428 £1 Ordinary shares
Coats Shelfco (CV Nominees) Limited	United Kingdom	100 £1 Ordinary shares
Coats Shelfco (CVG) Limited	United Kingdom	2,950,000 Ordinary shares
Coats Shelfco (HL) Limited	United Kingdom	3,480,000 Ordinary shares
Coats Shelfco (RR) Plc	United Kingdom	1 Ordinary shares
Coats Shelfco (VL) Limited	United Kingdom	583,200 Ordinary Stock Unit shares
Coats Shelfco (VV) Limited	United Kingdom	8,131,240,347 1P Ordinary shares, 182,501,287 7.5P Deferred shares
Coats Shelfco (WMB) Limited	United Kingdom	239,496 Ordinary shares
Coats Shelfco Precision Limited	United Kingdom	2,500 £1 Ordinary shares
Coats Thread (UK) Limited	United Kingdom	1,000 Ordinary shares
Corah Limited	United Kingdom	81,656,791 Ordinary shares, 327,760 4.2% CUMULATIVE Preference shares
CV Woven Fabrics Limited	United Kingdom	420,000 £1 Ordinary shares
D. Byford & Co Limited	United Kingdom	2,800,000 Ordinary shares, 200,000 Preference shares
Embergrange	United Kingdom	1 £1 Ordinary shares
GPG (UK) Limited	United Kingdom	50,000 Ordinary shares, 234,595,817 Ordinary shares
GPG Acquisitions No. 3 Limited	United Kingdom	50,000 Ordinary shares
GPG Australia Nominees Limited	United Kingdom	1 Ordinary shares
GPG Europe Limited	United Kingdom	181,113 Ordinary shares
GPG Finance Limited	United Kingdom	50,000 Ordinary shares
GPG March 2004 Limited	United Kingdom	10 Ordinary shares
GPG Pension Trustees Limited	United Kingdom	1 Ordinary shares
GPG Securities Trading Ltd	United Kingdom	60,000,000 Ordinary shares
Griffin SA Ltd	United Kingdom	2,575,680 £1 Ordinary shares
GSD (Corporate) Limited	United Kingdom	40,000 Ordinary shares
GSD Holdings Limited	United Kingdom	90 Ordinary-A shares, 10 Ordinary-B shares

Company	Country	Description and proportion of shares held (%)
Guinness Peat Overseas Holdings Limited	United Kingdom	17,089,226 Ordinary shares
Hicking Pentecost Limited	United Kingdom	31,890,849 Ordinary shares
I.P. Clarke & Company Limited	United Kingdom	100 £1 Ordinary shares
J.& P. Coats, Limited	United Kingdom	259,088,835 £1 Ordinary shares
John Murgatroyd Limited	United Kingdom	39,402 Deferred shares, 39,402 Ordinary shares, 30,000 6% Preference shares
KEP (Predecessors) Limited	United Kingdom	1,100,000 Ordinary shares
Marshaide Limited	United Kingdom	1,273,272 Ordinary shares
MCG Limited	United Kingdom	100 Ordinary shares
Needle Industries Limited	United Kingdom	350,000 Ordinary shares
NUH No. 1 Limited	United Kingdom	1 Ordinary shares
Pasolds Limited	United Kingdom	1,737,500 Ordinary shares
Patons & Baldwins Limited	United Kingdom	10,768,016 Ordinary shares
Patons Limited	United Kingdom	600,000 Ordinary shares, 400,000 7% Preference shares
Simpson, Wright & Lowe, Limited	United Kingdom	100 £1 Ordinary shares
Sir Richard Arkwright & Co. Limited	United Kingdom	1,000 Ordinary shares
SIRBS Pension Trustee Limited	United Kingdom	2 Ordinary shares
Staveley 2005 No 3 Limited	United Kingdom	250,000 £1 Ordinary shares
Staveley Industries plc	United Kingdom	116,378,258 25P Ordinary shares
Staveley Limited	United Kingdom	1 Ordinary shares
Staveley Services Limited	United Kingdom	78,000,001 Ordinary shares
The Central Agency Limited	United Kingdom	1,000 £10 Ordinary shares
The Coats Trustee Company Limited	United Kingdom	2 £1 Ordinary shares
The International Thread Company Limited	United Kingdom	100 £1 Ordinary shares
Thomas Burnley & Sons, Limited	United Kingdom	100,000 Ordinary shares
Tootal Clothing Limited	United Kingdom	12,338,560 Ordinary shares
Tootal Group Limited	United Kingdom	292,548,120 Ordinary shares, 5,879,641 3.5 % Cumulative Preference shares
Tootal Limited	United Kingdom	2 Ordinary shares
Tootal Textiles Holdings Limited	United Kingdom	16,197,477 Ordinary shares
Calico Printers Association (USA) Limited	United States	20,000 Ordinary shares
Coats & Clark Inc	United States	593,501 Ordinary shares
Coats & Clark's Sales Corporation	United States	2,498 Ordinary shares
Coats American Inc	United States	1,796,064 Common shares
Coats American, LLC	United States	100 shares
Coats Garments (USA) Inc	United States	500 Ordinary shares
Coats Holdings Inc	United States	500 Ordinary shares
Coats North America Consolidated Inc	United States	11,190 Ordinary shares, 10,000 Class B Voting Shares
Coats North America de Republica Dominica Inc	United States	100,000 Ordinary shares
Coats Puerto Rico Inc	United States	1 Ordinary shares
Jaeger Sportswear Ltd	United States	20 Common shares
Staveley Inc	United States	141 Ordinary shares
Westminster Fibers, Inc.	United States	1,000 Common shares
Coats Cadena S.A. – Uruguay	Uruguay	77,152,220 Ordinary shares
Cambridge Medical Production CA (Cameproca)	Venezuela	1000 Ordinary shares
Coats Cadena SA – Venezuela	Venezuela	4,234,741 Ordinary shares
Coats Moderm Accessories C.A. (Comaca)	Venezuela	200 Ordinary shares
Cothilca S.A.	Venezuela	13,580 Ordinary shares (97%)
Distribuidora El Costurero, S.A. (DICOSA)	Venezuela	15,000 Ordinary shares
Hilanderia San Joaquin, S.A.	Venezuela	1,000 Ordinary shares
Hilos Cadena, S.A.	Venezuela	1,000 Ordinary shares
Hilos Elefante C.A.	Venezuela	1,000 Ordinary shares
Informatica Robox, S.R.L	Venezuela	500 Ordinary shares
International Kroob CA	Venezuela	8,778 Ordinary shares
Representaciones Glenifa, S.A.	Venezuela	950 Ordinary shares
Venexport S.R.L	Venezuela	570 Ordinary shares
Coats Phong Phu Limited Liability Company	Vietnam	9,065,143 Ordinary shares (64%)
Eighty Eight Plumtree Road (Private) Limited	Zimbabwe	1,629,000 Ordinary shares

Joint ventures:

ACS Nominees Pty Limited	Australia	9,000,000 Ordinary shares (50%)
Guangying Spinning Company Limited	China	3,120,000 shares (50%)
Tianjin Jinying Spinning Co Ltd	China	10,250,000 Ordinary shares (50%)
S&P Threads Pvt Limited	India	300,000 Ordinary shares (50%)
Coats VTT Limited	United Kingdom	10,000 Ordinary shares (50%)

Shareholder information

United Kingdom
1 The Square, Stockley Park, Uxbridge,
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www.coats.com

Australia
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New Zealand
c/o Computershare Investor Services Limited
Private Bag 92119, Auckland 1142

Tel: 09 488 8700
Facsimile: 09 488 8787

Incorporated and registered in England No. 103548

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

Managing your shareholding online

UK registered members

To manage your shareholding online, please visit: www.investorcentre.co.uk

Australia and New Zealand registered members

To change your address, update your payment instructions and to view your investment portfolio including transactions, please visit: www.investorcentre.com/NZ

General enquiries can be directed to: enquiry@computershare.co.nz

Please assist our registrar by quoting your CSN or shareholder number.

Corporate changes and delisting from the NZX and ASX

Coats has announced it intends to simplify its listing structure and delist shares from both the Main Board of the New Zealand Exchange ('NZX') and the Australian Securities Exchange ('ASX'). Shareholder approval will be sought to delist from NZX and ASX on 18 May 2016 at the Annual General Meeting. The intended date for delisting is 24 June 2016.

For full details of delisting see www.coats.com/investors/delistings

Location of share registers

The Company's register of members is maintained in the UK with branch registers in Australia and New Zealand.

Register enquiries may be addressed direct to the Company's share registrars named below:

Registrar	Telephone and postal enquiries	Inspection of Register
UK Main Register:		
Computershare Investor Services PLC	The Pavilions, Bridgwater Road, Bristol BS99 6ZZ Tel: 0370 707 1022 Facsimile: 0370 703 6143	The Pavilions, Bridgwater Road, Bristol BS99 6ZZ
Australian Branch Register:		
Computershare Investor Services Pty Limited	GPO Box 3329, Melbourne VIC 3001 Freephone: 1 800 501 366 (within Australia) Tel: 03 9415 4083 Facsimile: 03 9473 2500	Yarra Falls, 452 Johnston Street, Abbotsford VIC 3067
New Zealand Branch Register:		
Computershare Investor Services Limited	Private Bag 92119, Auckland 1142 Tel: 09 488 8777 Facsimile: 09 488 8787	Level 2, 159 Hurstmere Road, Takapuna, Auckland 0622

Coats Group plc
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Tel: 020 8210 5000
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