

22 December 2014

Guinness Peat Group plc (‘GPG’ or ‘the Company’)

Coats Pension Plan update

GPG, whose sole operating business is Coats plc, announces that on 19 December 2014 it received a Warning Notice (‘WN’) from the UK Pensions Regulator (‘tPR’) in relation to the Coats Pension Plan (‘the Coats Plan’).

The Warning Notice sets out tPR’s case team’s view that sponsoring employers of the Coats Plan were insufficiently resourced at the relevant date (31 December 2012) and that it may be reasonable for the Determinations Panel of tPR to issue a Financial Support Direction (‘FSD’) in relation to the Coats Plan against specified targets, namely the Company, GPG (UK) Holdings plc and Coats plc.

The Board is reviewing the Warning Notice with its advisers and will have an opportunity to make written submissions to tPR in response. It is too early to know if an FSD will be issued or of the amount or form of any support that may be required for the Coats Plan.

If the matter is not resolved through negotiation, it will be independently considered by the Determinations Panel (‘DP’) of tPR. Any hearing before the DP in relation to the Coats Plan is unlikely to take place before the first half of 2016, at the earliest. If an FSD is issued by the DP, the matter may then be referred to the Upper Tribunal which would consider it fully afresh.

Mike Clasper, Chairman of GPG said: ‘As previously indicated the Board, having taken external advice, submitted calculations to tPR which showed that all the sponsoring companies for the Coats Plan were sufficiently resourced as at the relevant date.

‘It is therefore extremely disappointing to receive the WN from tPR in relation to a scheme for which a recovery plan was agreed with the Trustees in 2013. Coats continues to demonstrate its ability to support the Coats Plan from its operating cash flows, while generating the levels of free cash needed to sustainably grow the business.

‘We do not believe the Coats Plan requires additional support over that which is already being provided by the Coats business and we do not accept it is reasonable for tPR to issue a WN in relation to the Coats Plan. We will be vigorously defending our position, taking into account the interests of shareholders, pensioners and the overall Coats business.’

Brunel and Staveley

At the end of September 2014, and in accordance with tPR’s deadline, GPG submitted written representations on the Warning Notices the Company received in relation to the Brunel and Staveley pension schemes. As previously indicated, any hearing before the DP in relation to these two schemes is unlikely before the end of the first half of 2015 at the earliest.

The Board and management continue to engage constructively with tPR and are maintaining an open dialogue with the trustees of the relevant pension schemes. All options are being explored to try to resolve these matters as efficiently as possible, recognising the interests of shareholders, pension scheme members and Coats’ business.

Once these matters are clarified, the Board expects to run an appropriately leveraged balance sheet and pay annual dividends to shareholders from free cash flows generated by the Coats group.

Enquiry details:

New Zealand and Australian media	Geoff Senescall	+64 9 309 5659
UK media	Nick Hasell	+44 20 3727 1234

Notes

An FSD is a direction that would require financial support (which is not necessarily a cash contribution) to be put in place for a pension scheme. Even where the sponsoring employer is deemed to be 'insufficiently resourced' by tPR's case team, an FSD may still only be issued by the Determinations Panel if it can demonstrate that it is 'reasonable' to do so.