GPG

GUINNESS PEAT GROUP PLC

ANNUAL REPORT 2009

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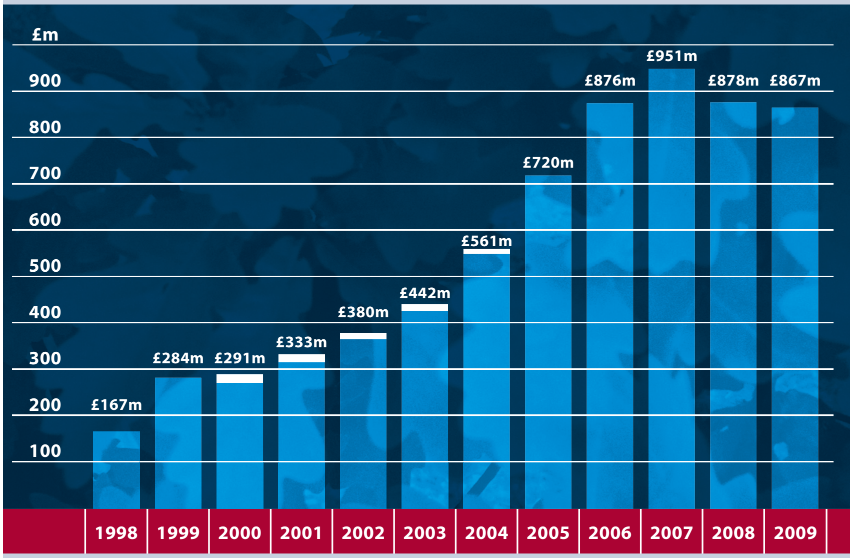
CHAIRMAN'S STATEMENT

As foreshadowed in the August Market Update, 2009 was another poor year for GPG with an accounting loss of £36 million.

That result was somewhat worse than anticipated, mainly as a consequence of items largely beyond our control, such as forex fluctuations which moved from a gain of £7 million in the Interim to a loss of £8 million for the full year.

Shareholders' Funds



The figures for Convertible Loan Notes are £19m (2000), £16m (2001), £12m (2002), £12m (2003), £6m (2004), £Nil (2005 and subsequently).

Figures for 2004 and later years are prepared under International Accounting Standards whereas previous figures have been prepared under UK GAAP. For comparability the 2004 figures have been adjusted to reflect the IAS 32/39 transitional adjustments of £120m.

Other significant inputs were –

- A gain of £10 million on the sale of **MYOB** shares.
- **MMC Contrarian** became a 68% owned subsidiary and intends to expand its financial services business which is an area where GPG has had success in the past.
- A notable achievement was the capital reconstruction of **Capral** – the culmination of GPG's very considerable "hands on" involvement in rescuing this business in 2009. The reduction in our shareholding to 44%, combined with earlier trading losses, crystallised a deficit of £15 million but, hopefully, the last loss from this source. Now, for the first time in many years, Capral has a sound financial and trading platform from which to produce acceptable returns, notwithstanding the challenges still remaining.
- As expected, **Coats** was right in the firing line of the global downturn, (particularly evident in the textile industries) but has emerged very well in the circumstances. A net loss of £3 million was again due to a mismatch of various country taxes of £21 million exceeding the original net profit of £18 million. Continuing strong cash flow enabled Coats to reduce its borrowings by £81 million during the year.
- A loss of £5 million in respect of **CIC Australia Ltd** (formerly Canberra Investment Corporation). That essentially relates to the writedown of a property joint venture and is a "one off" which does not diminish our confidence in CIC's future prospects.

Balance sheet

GPG remains in a strong financial position as shown in the Simplified Balance Sheet below.

Capital and dividend

Having regard to GPG's 20 year record, rather than the disappointing results of the last two years, the Board has maintained the standard 1p dividend and 1 for 10 bonus issue (the 17th in succession, multiplying an original 1990 holding 5.06 times). The share election scheme will operate in lieu of cash dividend at the rate of 1 new share for each 35 shares already held.

Outlook

In 2008, GPG committed to returning value to shareholders in 2010 but which was subsequently qualified by global financial conditions in 2009. That objective has now been restored as a top priority and the Board is actively working on proposals for its early implementation.

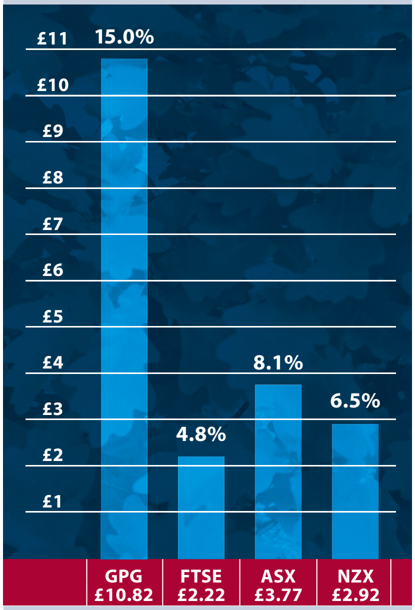
There are still technical and other issues to resolve before a more specific announcement can be made. However, it is planned to have a process in place prior to the AGM to be held on 7 May.

Ron Brierley, Chairman
26 February 2010

Simplified Balance Sheet as at 31 December 2009	£ m
Cash at Bank	265
Debtors	13
Coats	295
CIC Australia	28
Capral	37
Turners & Growers	69
MMC Contrarian	37
Tower NZ	85
Trading subsidiaries	4
Share portfolio at market	298
Total assets	**1,131**
Creditors & provisions	(73)
Capital Notes	(191)
SHAREHOLDERS' FUNDS	**£867**

Compound growth in GPG's Net Asset Value per share

Comparison with total return on various indices



Growth in value of £1 invested over the period 1 January 1993 to 31 December 2009

% Compound annual growth rate

GPG = Increase in NAV per GPG Ordinary Share, as adjusted for stock events, since 1 January 1993.

Total return indices:

FTSE = London Stock Exchange FTSE 100

ASX = Australian Stock Exchange All Ordinaries

NZX = New Zealand Stock Exchange Top 40 (from January 2004 NZX-50)

Financial Profile of Operations

Operating Subsidiaries	GPG holding 31 December 2009 %	Consolidated figures year ended 31 December 2009: Net profit/(loss) after non-controlling interests £m	Consolidated figures year ended 31 December 2009: Group turnover £m	Consolidated figures at 31 December 2009: Total assets £m	Consolidated figures at 31 December 2009: Shareholders' funds (GPG share) £m
UNITED KINGDOM					
Coats Group Ltd *Thread manufacturer*	100.0%	(3)	903	929	295
NEW ZEALAND					
Turners & Growers Ltd *Fresh produce wholesaler*	65.6%	2	237	163	69
AUSTRALIA					
Gosford Quarry Holdings Ltd *Quarry operator*	100.0%	(2)	13	16	12
CIC Australia Ltd *Property developer*	72.5%	(5)	11	92	28
Touch Holdings Ltd *Electronic products and services*	56.0%	–	6	5	1
MMC Contrarian Ltd *Financial services*	68.0%	4	–	56	37
UNITED STATES OF AMERICA					
Staveley Inc. *Testing services*	100.0%	–	3	5†	3†

†Includes cash of £3 million.

Significant Associated Undertakings and Joint Ventures*	GPG holding 31 December 2009 %	GPG share of profit/(loss) year ended 31 December 2009 £m	GPG book value at 31 December 2009 £m	Latest published shareholders' funds £m
UNITED KINGDOM				
Autologic Holdings plc	26.2%	2	8	26
AUSTRALIA				
Green's General Foods Pty Ltd	72.5%	(1)	19	23
Australian Country Spinners Ltd	50.0%	–	(1)	(5)
Capral Ltd	44.4%	–	37	84
Rattoon Holdings Ltd	44.4%	–	1	1
The Maryborough Sugar Factory Ltd	22.9%	–	14	65
Peanut Company of Australia Ltd	24.8%	(1)	5	21
NEW ZEALAND				
Tower Ltd	35.0%	6	85	182

* Held by GPG and its investment subsidiaries ("Parent Group").

Summary of Principal Quoted Investments

Disclosed Shareholdings as at 19 March 2010

	Shareholding
SUBSIDIARY UNDERTAKINGS	
CIC Australia Ltd	72.5%
MMC Contrarian Ltd	68.0%
Turners & Growers Ltd	65.1%
OTHER SHAREHOLDINGS	
United Kingdom	
Newbury Racecourse plc	29.9%
Autologic Holdings plc	26.2%
Young & Co.'s Brewery P.L.C. ('A' Shares)	15.1%
Chrysalis PLC	9.6%
Daniel Thwaites plc	8.0%
Nationwide Accident Repair Services plc	7.3%
M J Gleeson Group plc	6.7%
Inspired Gaming plc	6.4%
Dawson International plc	5.8%
Fuller, Smith Turner P.L.C. ('A' Shares)	5.7%
Shepherd Neame plc ('A' Shares)	3.1%
Australia	
Rattoon Holdings Ltd	44.8%
Capral Ltd	44.4%
The Maryborough Sugar Factory Ltd	23.4%
Tandou Ltd	20.7%
Alinta Energy Ltd	19.9%
eServGlobal Ltd	19.0%
Ridley Corporation Ltd	13.9%
NSX Ltd	13.3%
Farm Pride Foods Ltd	13.2%
Capilano Honey Ltd	9.4%
Symex Holdings Ltd	8.8%
Metals X Ltd	8.0%
AV Jennings Ltd	7.9%
GME Resources Ltd	5.6%
PrimeAg Australia Ltd	5.3%
New Zealand	
Tower Ltd	35.0%
Turners Auctions Ltd	19.4%
Singapore	
Pertama Holdings Ltd	17.3%
United States of America	
Santa Fe Financial Corporation	6.4%

Analysis of Total Holdings in above Companies as at 19 March 2010

	Cost £m	Market value £m
Subsidiaries	75	111
Associated undertakings	201	128
Other	117	154
TOTAL	**393**	**393**

Board of Directors

Sir Ron Brierley, Chairman

Sir Ron Brierley (72) implemented his investment approach successfully having founded Brierley Investments Ltd in 1961. Following his appointment to the Board of Guinness Peat Group plc in March 1990, Sir Ron has continued to apply and develop this approach within the Company.

Chairman of the Remuneration Committee

A. I. Gibbs, Executive Director

Tony Gibbs (62) has been involved with public company boards for many years. His experience includes mergers, acquisitions and divestments. He is chairman of Tower Ltd and Turners & Growers Ltd, and a director of Coats plc.

Appointed to the Board May 1996

R. Langley, Non-Executive Director

Ron Langley (65) is an experienced director having sat on the boards of many public companies around the world. Ron spent the last 25 years in the United States, initially heading the former Brierley Investments Ltd's international subsidiary in North America. He then became Executive Chairman of PICO Holdings Inc., an insurance, water rights and property company which held significant strategic investments in the US, Switzerland, Australia and New Zealand.

Appointed to the Board 28 May 2009. Member of the Audit Committee and Member of the Remuneration Committee

B. A. Nixon, Executive Director

Blake Nixon (49) has wide corporate experience in the UK and overseas. He is a director of Coats plc. He acts as a trustee on each of the Group's UK pension schemes.

Appointed to the Board March 1990. Chairman of the Audit Committee and Member of the Remuneration Committee

Dr G. H. Weiss, Executive Director

Gary Weiss (56) has considerable experience in the international business scene. He is chairman of Coats plc and a director of various public companies including Westfield Group.

Appointed to the Board November 1990. Member of the Remuneration Committee

Directors' Report

The directors present their annual report and audited financial statements for the year ended 31 December 2009.

Business Review

The Company is a strategic investment holding company. Comments on the Group's activities during 2009 and also on the outlook for 2010 are set out on pages 2 and 3 in the Chairman's Statement, which forms part of this Directors' Report.

The Group's major operating subsidiaries (being CIC Australia, Coats, MMC Contrarian and Turners & Growers) produce their own Annual Reports in which can be found reports on their business operations.

The Company's key performance indicators ("KPIs"), comprising the chart showing the movement in Shareholders' Funds since 1998 and the chart showing compound movement in GPG's Net Asset Value per share, appear within the Chairman's Statement on pages 2 and 3. In addition, net asset backing per share is shown on page 12.

Further information can be found in the Corporate Governance report which forms part of this Directors' Report on pages 64 to 66 under the headings 'Internal Controls' and 'Business Review', including commentary on the way the Group manages the risks inherent in its activities and those of its operating subsidiaries.

Going Concern

The directors' consideration of the going concern assumption is discussed on page 67.

Directors' Report – continued

Significant Events

During the year MMC Contrarian became a 68% owned subsidiary. Following a capital reconstruction the Group's interest in Capral was reduced to 44% and it became an associated undertaking.

Results and Dividends

The results of the Group are shown on page 9 and movements on reserves are set out in note 31 to the financial statements. The loss for the year of £36 million (2008: £50 million) includes a non-cash tax charge of £9 million (2008: £26 million) in respect of movements in deferred tax assets relating to tax losses. This charge arose from a similar reduction in deferred tax liabilities in the unrealised gains reserve. An interim dividend of 1.0p per Ordinary Share for the year ended 31 December 2009 has been declared, payable on 17 May 2010, and this represents the total payable for the year. In respect of the year ended 31 December 2008, GPG paid an interim dividend of 0.91p, as adjusted for the 2009 Capitalisation Issue, in May 2009. This was the only dividend for that year.

A scrip dividend alternative of 1 new Ordinary Share for every 35 held is being offered in lieu of the interim cash dividend for the year ended 31 December 2009.

Share Capital

Details of the Company's authorised and issued share capital, together with details of the movements in the Company's issued share capital during the year, are shown in note 30. The Company has one class of Ordinary Shares, which do 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 specific restrictions on the size of a holding, on the transfer of shares, nor on voting rights, all of which are governed by the provisions of the Articles of Association and prevailing legislation.

At the Annual General Meeting of the Company to be held on 7 May 2010 ("the 2010 AGM"), shareholders will be asked to approve a resolution* (Resolution 7), in accordance with Section 551 of the Companies Act 2006 ("the Act"), which authorises the directors to exercise all the powers of the Company to allot relevant securities without first offering them to existing shareholders. At the 2010 AGM a resolution* (Resolution 8) will be proposed renewing a similar authority conferred by Resolution 9 passed at the Annual General Meeting held in 2004. This is in addition to the general authority described below. The directors have no present intention to exercise these powers.

At the 2010 AGM a resolution* (Resolution 9) will be proposed authorising the directors in respect of the 2010 Capitalisation Issue to allot up to 168,214,647 further shares on or before 31 December 2010 in a ratio of 1 new Ordinary Share for every 10 Ordinary Shares held. The directors will also propose a resolution* (Resolution 10) extending the existing authority which enables the directors to allot, in lieu of the cash dividend payable in any year, Ordinary Shares. The directors propose to extend this authority to the fifth annual general meeting following the 2010 AGM, the maximum period permitted by the Company's Articles of Association.

At the Annual General Meeting held on 22 May 2009 ("the 2009 AGM") shareholders gave limited authority to the directors, pursuant to Section 95 of the Companies Act 1985, to allot unissued shares for cash and to do so without regard to the statutory rights of pre-emption of existing shareholders. Such authority was limited to the allotment of shares in connection with, *inter alia*, a rights issue where the proposed allotment may not exactly reflect shareholders' pre-emptive rights or a placement of up to an aggregate nominal value not exceeding £3,556,932. It is intended that the directors be authorised at the 2010 AGM to allot unissued shares for cash in similar circumstances. A special resolution relating to the powers of directors to allot shares pursuant to Section 570 and Section 573 of the Act will be put to the 2010 AGM* (Resolution 11). The number of shares which may be so allotted for cash will be up to an aggregate nominal value of £4,594,204 representing 5% of the issued share capital of the Company. Such authority, unless renewed or varied by the Company in general meeting, will expire on 7 May 2015.

The Company's Ordinary Shares are listed on the London and New Zealand Stock Exchanges and on the Australian Securities Exchange. The main and branch share registers are maintained in the countries where the Company's Ordinary Shares are listed and the respective addresses are set out on page 83.

Authority to Purchase Own Shares

A special resolution* (Resolution 12) renewing GPG's general authority to purchase its issued Ordinary Shares will also be proposed at the 2010 AGM. This authority is limited to purchases through the markets on which these shares are traded as set out above at a price of not less than 5p per Ordinary Share and not more than 5% above the average of the middle-market quotations of the Company's Ordinary Shares as shown in the London Stock Exchange Daily Official List for the 5 business days before the purchase is made. It will cover a maximum number of 243,301,658 Ordinary

* See Explanatory Notes to the Notice of Annual General Meeting on pages 78 and 79 for further information relating to Resolutions 1 to 13 inclusive.

Directors' Report – continued

Shares, being no more than 14.99% of the Company's current issued ordinary share capital.

The directors would not propose to exercise the authority to make purchases unless the expected effect of the purchase would be generally in the best interests of shareholders. The directors presently intend that a resolution to renew this authority will be proposed at each succeeding Annual General Meeting.

The total number of options that are outstanding under the Group's share option schemes is 96,182,963. These options equate to 5.93% of the issued share capital. If the full authority to purchase on market 14.99% of its increased issued Ordinary Shares were to be exercised by the Company, these options would then represent 6.97% of the reduced issued share capital.

Circular to Shareholders

A Circular dated 25 March 2010 dealing with resolutions extending by a further year the current 5-year authority granted at the 2009 AGM allowing the directors to operate a scrip dividend alternative in lieu of the cash dividend whenever such a dividend is paid, and a further resolution dealing with the proposed 2010 Capitalisation Issue is being sent to shareholders with this Annual Report.

Substantial Interests

Notification has been received by the Company and is maintained in its Register of Substantial Share Interests, as required under the Act, that as at 19 March 2010 Sir Ron Brierley held 51,120,195 Ordinary Shares, 3.15% of GPG's issued share capital.

In addition, the Company has received notification from Accident Compensation Corporation that as at 31 December 2009 they held 59,039,018 Ordinary Shares which then represented 3.64% of GPG's issued share capital and from BlackRock Inc. that as at 31 December 2009 they held 56,256,367 Ordinary Shares being 3.47% of GPG's then issued share capital. Tan Chin Tuan Pte Ltd advised on 12 March 2010 that they held 104,024,624 Ordinary Shares being 6.4% of GPG's then issued share capital. Furthermore, Franklin Resources Inc. notified on 26 May 2009 that they held 71,691,861 Ordinary Shares then representing less than 5% of the Company's issued share capital. They have confirmed that as at 12 March 2010 there had been no significant change.

Property, Plant and Equipment

Details of property, plant and equipment are set out in note 15 to the financial statements.

Financial Instruments

Disclosure of the use of financial instruments by the Group can be found in note 40.

Creditor Payment Policy

The majority of the Group's investment activity takes place on regulated exchanges and the Group abides by the terms of payment laid down by those exchanges. Otherwise, and in the absence of dispute, amounts due to trade and other suppliers are settled within their terms of payment. The Group does not follow a specific code or standard in respect of such creditors. As at 31 December 2009, the Company's trade creditors (excluding amounts attributable to investments) represented 12 days' purchases (2008: 27 days).

Employees

Participation in the conduct and affairs of relevant employing companies is encouraged. Arrangements for communication vary within each operating entity.

Within the investment holding companies, full and fair consideration to the employment of disabled persons is given having regard to their abilities and aptitude, and any existing employee who became disabled would be trained to ensure that, wherever possible, continuity of employment can be maintained. At operating subsidiary level, practice varies according to industry norms and the legal and regulatory obligations in the country in which the company operates.

Donations

In the year ended 31 December 2009, the Group made charitable donations of £130,574 (2008: £136,949), principally to local charities serving the communities in which the Group operates. Contributions of £1,413 were made to non-EU political parties during the year (2008: £8,761).

Directors and their Responsibilities

The directors who all served throughout the year are those whose details appear on page 6. In addition, Ron Langley has served as a director from 28 May 2009, when he was appointed.

A report on Directors' Responsibilities and a statement regarding the disclosure of information to the auditor appear on page 73.

Further discussion of the Board's activities, powers and responsibilities, and information on compensation for loss of office, if any, appear within the Corporate Governance report on pages 64 to 71.

Auditor

A resolution to re-appoint Deloitte LLP as auditor will be proposed at the 2010 AGM. 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 73.

By order of the Board
Chris Healy
Secretary
25 March 2010

Consolidated Income Statement

Year ended 31 December	Notes	2009 IFRS £m	2008 Restated* IFRS £m
Continuing operations			
Revenue	2,3	**1,176**	1,139
Cost of sales	5	**(800)**	(770)
Gross profit	5	**376**	369
Profit on disposal of investments and other net investment income	4	**27**	60
Distribution costs	5	**(166)**	(171)
Administrative expenses	5	**(198)**	(190)
Operating profit	5	**39**	68
Share of (loss)/profit of joint ventures	16	**(6)**	1
Share of profit/(loss) of associated undertakings	16	**9**	(9)
Finance costs (net)	7	**(31)**	(36)
Profit before taxation from continuing operations	6	**11**	24
Tax on profit from continuing operations	9	**(28)**	(48)
Loss for the year from continuing operations		**(17)**	(24)
Discontinued operations			
Loss from discontinued operations	37	**(21)**	(49)
LOSS FOR THE YEAR		**(38)**	(73)
Attributable to:			
EQUITY HOLDERS OF THE PARENT		**(36)**	**(50)**
Non-controlling interests		**(2)**	(23)
		(38)	(73)
LOSS PER ORDINARY SHARE FROM CONTINUING AND DISCONTINUED OPERATIONS:			
Basic and diluted	11	**(2.25)p**	(3.24)p**
LOSS PER ORDINARY SHARE FROM CONTINUING OPERATIONS:			
Basic and diluted	11	**(1.21)p**	(1.76)p**

* Restated to reflect the results of Capral Ltd as a discontinued operation (note 37).
** Adjusted for the 2009 Capitalisation Issue.

Consolidated Statement of Comprehensive Income

Year ended 31 December	**2009 IFRS £m**	2008 IFRS £m
Loss for the year	**(38)**	(73)
Gains on revaluation of fixed asset investments	**41**	22
Losses on cash flow hedges	**(4)**	(11)
Exchange gains on translation of foreign operations	**15**	114
Actuarial losses on retirement benefit schemes (note 10)	**(13)**	(58)
Net income recognised directly in equity	**39**	67
Transfers		
Transferred to profit or loss on sale of fixed asset investments	**(13)**	(80)
Transferred to profit or loss on sale of businesses	**(6)**	(9)
Transferred to profit or loss on cash flow hedges	**4**	1
	(15)	(88)
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR	**(14)**	**(94)**
Attributable to:		
EQUITY SHAREHOLDERS OF THE PARENT	**(12)**	**(71)**
Non-controlling interests	**(2)**	(23)
	(14)	**(94)**

Notes on pages 16 to 63 form part of these financial statements

Consolidated Statement of Financial Position

31 December

NON-CURRENT ASSETS	Notes	2009 IFRS £m	2008 IFRS £m
Intangible assets	14	**192**	218
Property, plant and equipment	15	**424**	508
Investments in associated undertakings	16	**157**	126
Investments in joint ventures	16	**47**	59
Fixed asset investments	16	**220**	177
Deferred tax assets	18	**20**	11
Pension surpluses	10	**27**	29
Trade and other receivables	20	**24**	25
		1,111	1,153
CURRENT ASSETS			
Inventories	19	**179**	261
Trade and other receivables	20	**239**	302
Current asset investments	21	**15**	7
Derivative financial instruments	22	**3**	7
Cash and cash equivalents		**402**	362
		838	939
Non-current assets classified as held for sale	37	**3**	7
TOTAL ASSETS		**1,952**	2,099
CURRENT LIABILITIES			
Trade and other payables	23	**256**	306
Current income tax liabilities		**8**	8
Borrowings	26	**80**	109
Derivative financial instruments	24	**16**	20
Provisions	28	**65**	79
		425	522
NET CURRENT ASSETS		**413**	417
NON-CURRENT LIABILITIES			
Trade and other payables	23	**13**	18
Deferred tax liabilities	27	**22**	21
Capital Notes	25	**191**	172
Other borrowings	26	**235**	295
Derivative financial instruments	24	**3**	7
Retirement benefit obligations:			
Funded schemes	10	**39**	32
Unfunded schemes	10	**56**	64
Provisions	28	**24**	19
		583	628
TOTAL LIABILITIES		**1,008**	1,150
NET ASSETS		**944**	949

Notes on pages 16 to 63 form part of these financial statements

Consolidated Statement of Financial Position – continued

31 December EQUITY	Notes	2009 IFRS £m	2008 IFRS £m
Share capital	30	**81**	71
Share premium account	31	**63**	61
Translation reserve	31	**123**	118
Unrealised gains reserve	31	**68**	36
Other reserves	31	**274**	281
Retained earnings	31	**258**	311
EQUITY SHAREHOLDERS' FUNDS		**867**	**878**
Non-controlling interests	31	**77**	71
TOTAL EQUITY		**944**	949
Net asset backing per share*		**53.50p**	56.23p

* The net asset backing per share at 31 December 2008 has been adjusted for the 2009 Capitalisation Issue.

Blake Nixon, Director
Approved by the Board on 25 March 2010

Company Balance Sheet

31 December	Notes	2009 UK GAAP £m	2008 UK GAAP £m
FIXED ASSETS			
Investments	16	**872**	819
TOTAL FIXED ASSETS		**872**	819
CURRENT ASSETS			
Loans to subsidiary undertakings		**176**	186
Other receivables	20	**21**	42
TOTAL CURRENT ASSETS		**197**	228
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
Derivative financial instruments	24	**12**	15
Loans from subsidiary undertakings		**106**	134
TOTAL CURRENT LIABILITIES		**118**	149
NET CURRENT ASSETS		**79**	79
TOTAL ASSETS LESS CURRENT LIABILITIES		**951**	898
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR			
Loans from subsidiary undertakings		**563**	565
PROVISIONS FOR LIABILITIES	28	**1**	1
NET ASSETS		**387**	**332**
CAPITAL AND RESERVES			
Share capital	30	**81**	71
Share premium account	31	**63**	61
Unrealised gains reserve	31	**14**	(9)
Other reserves	31	**179**	185
Profit and loss account	31	**50**	24
EQUITY SHAREHOLDERS' FUNDS		**387**	**332**

Blake Nixon, Director
Approved by the Board on 25 March 2010

Notes on pages 16 to 63 form part of these financial statements

Consolidated Statement of Changes in Equity

Year ended 31 December 2009	Share capital £m	Share premium account £m	Translation reserve £m	Unrealised gains reserve £m	Other reserves £m	Retained earnings £m	Total £m
Balance as at 1 January 2008	64	61	13	94	295	424	951
Total comprehensive income and (expense) for the year	–	–	105	(58)	(10)	(108)	(71)
Dividends	–	–	–	–	–	(13)	(13)
Capitalisation issue of shares	6	–	–	–	(6)	–	–
Scrip dividend alternative	1	–	–	–	–	8	9
Share based payments	–	–	–	–	2	–	2
Balance as at 31 December 2008	**71**	**61**	**118**	**36**	**281**	**311**	**878**
Total comprehensive income and (expense) for the year	–	–	5	32	(1)	(48)	(12)
Dividends	–	–	–	–	–	(14)	(14)
Capitalisation issue of shares (note 30)	7	–	–	–	(7)	–	–
Scrip dividend alternative (note 30)	2	(2)	–	–	–	7	7
Other share issues (note 30)	1	4	–	–	–	–	5
Share based payments	–	–	–	–	1	–	1
Acquisition of non-controlling interests	–	–	–	–	–	2	2
Balance as at 31 December 2009	**81**	**63**	**123**	**68**	**274**	**258**	**867**

Notes on pages 16 to 63 form part of these financial statements

Consolidated Statement of Cash Flows

	Notes	2009 IFRS £m	2008 IFRS £m
Cash inflow/(outflow) from operating activities			
Net cash inflow from operating activities	34a)	**121**	161
Interest paid		**(46)**	(55)
Taxation paid	34b)	**(20)**	(25)
Net cash generated by operating activities		**55**	81
Cash inflow/(outflow) from investing activities			
Dividends received from joint ventures	34c)	**10**	7
Capital expenditure and financial investment	34d)	**(16)**	(32)
Acquisitions and disposals	34e)	**27**	(23)
Net cash generated by/(absorbed in) investing activities		**21**	(48)
Cash inflow/(outflow) from financing activities			
Issue of Ordinary Shares	34f)	**5**	–
Equity dividends paid to the Company's shareholders	34g)	**(6)**	(4)
Dividends paid to non-controlling interests		**(6)**	(4)
Decrease in debt	34h)	**(30)**	(8)
Net cash absorbed in financing activities		**(37)**	(16)
Net increase in cash and cash equivalents		**39**	17
Cash and cash equivalents at beginning of the year		**347**	309
Exchange gains on cash and cash equivalents		**2**	21
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**388**	**347**
Cash and cash equivalents per the Consolidated Statement of Financial Position		**402**	362
Bank overdrafts (note 26)		**(14)**	(15)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**388**	**347**

Notes to Financial Statements

1. Principal Accounting Policies

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

GROUP

CRITICAL ACCOUNTING POLICIES

The principal accounting policies adopted by the Group are set out in this note to the financial statements. Certain of the Group's accounting policies inherently rely on subjective assumptions and judgements, such that it is possible that over time the actual results upon which the assumptions and judgements are based could differ from the estimates used by the Group. Due to the size of the amounts involved, whilst not particularly sensitive to any one factor, 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 obligations

The retirement benefit obligations recognised in the balance sheet in respect of defined benefit pension plans are the present values of the defined benefit obligations at the balance sheet date less the fair value of any plan assets. Key assumptions involved in the determination of the present values of the defined benefit obligations include discount rates, mortality and pensions in payment inflation rates. Changes in any or all of these assumptions could materially change the retirement benefit obligations recognised in the statement of financial position.

Carrying value of brands

The carrying value of brands 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 intangible assets.

Carrying value of fixed asset investments

Fixed asset investments are carried at market value, and temporary fluctuations in value are dealt with through the unrealised gains reserve. Where a reduction in value of a particular fixed asset investment is determined to be permanent, the write-down is dealt with as an impairment through the income statement.

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.

Other than the adoption of IAS1 (2007) ("Presentation of Financial Statements"), IFRS 8 ("Operating Segments") and IFRIC 14 ("IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"), the accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

b) BASIS OF PREPARATION

Subsidiaries

The principal subsidiaries are listed in note 17. Subsidiaries are consolidated from the date on which control over the operating and financial decisions is obtained and cease to be consolidated from the date on which control is transferred out of the Group. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain economic benefits from its activities. 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 subsidiaries are not 100% owned by the Group, the share attributable to outside shareholders is reflected in non-controlling interests.

The aluminium extrusion business of Capral Ltd has been reclassified as a discontinued operation following the reduction during the year in the Group's investment in that company to that of an associated undertaking (see notes 36 and 37). No opening statement of financial position has been presented for the prior year in these financial statements as it is unchanged from that previously reported.

Associated Undertakings

The Group's investment in associated undertakings is accounted for under the equity method of accounting. These are entities in which the Group has the ability to exert significant influence and which are neither subsidiaries nor joint ventures. The investment in associated undertakings is carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associated undertakings, less any impairment in value. The income statement reflects the share of the results of operations of associated undertakings, together with any negative goodwill arising on acquisition.

If the Group's share of losses exceeds the carrying amount of an associated undertaking, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the undertaking.

Where there has been a change recognised directly in the associated undertaking's equity, the Group recognises its share of any changes and discloses this, where applicable, in the statement of comprehensive income.

Joint Ventures

Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities. The Group reports its interests in jointly controlled entities using the equity method as allowed under the 'alternative accounting rules' set out in IAS 31 – Interests in Joint Ventures.

Where a Group entity undertakes its activities under joint venture arrangements directly, the Group's share of jointly controlled assets and any liabilities incurred jointly with the other venturers are recognised in the financial statements of the relevant entity and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accruals basis. Income from the sale or use of the Group's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognised when it is probable that the economic benefits associated with the transactions will flow to/from the Group and their amount can be reliably measured.

Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. Further detail is contained in the Corporate Governance report on page 67.

c) FOREIGN CURRENCIES

Foreign currency translation

The Company's functional and the Group's presentation currency is the Pound Sterling. 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 are taken to the 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 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.

Group companies

Assets and liabilities of overseas subsidiaries are translated into the Group's presentation currency at the rate 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 a foreign entity, the deferred cumulative amount recognised in equity since 1 January 2004 relating to that particular foreign operation is recycled through the income statement. Translation differences that arose before the date of transition to IFRS in respect of all foreign entities are not presented as a separate component of equity.

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

d) SEGMENT REPORTING

Operating segments are the components of the Group about which separate financial information is available that is evaluated regularly by the GPG directors in deciding how to allocate resources and in assessing performance. The

Notes to Financial Statements – continued

information presented within the Operating Segment analysis is reported on the same basis as that used internally by the GPG directors in evaluating Operating Segment performance.

e) 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
Finance leases, which transfer to the Group substantially all the risks and benefits of ownership of the leased items, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term. 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 balance sheet date.

The cost of mineral rights is amortised over the expected extraction period.

f) 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, associate or joint venture 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 and is not subsequently reversed. On disposal of a subsidiary, associate undertakings or joint venture, 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 10 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 and development costs are expensed as incurred.

g) 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) Investments

Investments are recognised and derecognised on a trade date basis and are initially measured at fair value, plus directly attributable transaction costs for fixed asset investments. Investments are classified as either current assets (held-for-trading) or fixed assets (available-for-sale), dependent upon the Group's intention at the time of purchase, and are measured at subsequent reporting dates at fair value. Gains and losses arising from changes in fair value of current asset investments are included in the income statement for the period. For fixed asset investments, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the income statement for the period. Impairment charges recognised for equity investments classified as fixed asset investments are not subsequently reversed through the income statement until such time as the equity investment is disposed of.

Net gains and losses recognised in profit or loss on disposal of investments do not incorporate dividends or interest receivable on those assets.

Listed investments held as part of the Group's investment portfolio are stated at market value.

Unlisted investments are stated at fair value.

(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 with an original maturity of three months or less. 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.

Notes to Financial Statements – continued

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 of GPG 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 currency risk on fixed commitments 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 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 income statement. The gain or loss arising from any ineffective portion of the hedge is recognised immediately through the 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 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 income statement.

h) REVENUE

Revenue comprises the fair value of the sale of goods and services, net of VAT, 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.

(iv) Investment revenue

Investment revenue comprises proceeds receivable from the sale of current asset investments during the year.

i) 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.

Finished goods and work in progress – cost of 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.

Land for resale, which is included in work in progress, is valued at the lower of cost and net realisable value. Cost includes capitalised interest and those costs necessary to prepare the land for sale.

j) EMPLOYEE BENEFITS

Pension obligations

The retirement benefit obligation recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the period end less the fair value of any plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms of maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged directly to equity in the year in which they arise. Past service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

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.

Share-based compensation

The Group operates equity-settled compensation plans for the granting of non-transferable options to employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant dates of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the shares that will eventually vest and adjusted for the effect of non market-based vesting conditions, with a corresponding increase in equity. For shares granted to employees, the fair value of the shares is measured as the market price of the shares, adjusted to take into account the terms and conditions upon which the shares were granted. The fair value of share options is measured using an adjusted version of the Black-Scholes pricing model to reflect the terms and conditions of the options granted, based on management's best estimate of the effects of non-transferability, exercise restrictions and behavioural considerations.

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.

k) TAXATION

The tax expense represents the sum of the tax currently payable 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 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 substantially 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

Notes to Financial Statements – continued

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 substantially enacted at the balance sheet date. 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. Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

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 equity in which case the deferred tax is also dealt with in equity.

l) INVESTMENT INCOME

Income from equity investments is recognised when the legal entitlement vests. Dividends from UK companies are presented net of the attributable tax credit. Dividends received from overseas companies include any withholding taxes, but exclude any underlying tax paid by the investee company on its own profit. Special dividends arising from the Group's investments are included as income in the income statement and, where appropriate, an impairment provision is recognised against the investment.

m) 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 or 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.

n) PROVISIONS

A provision is recognised in the 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.

o) 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.

p) 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.

q) NON-CURRENT 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 is restated.

r) CASH FLOW

The statement of cash flows reflects cash flows arising in the normal course of the Parent Group's investment business as part of operating cash flows. The Directors believe that all cash flows arising in the ordinary course of the Parent Group's investment business should be reflected within net cash flow from operating activities.

Acquisitions and disposals of fixed asset investments, and associated and joint venture undertakings, together with dividends received from associated and joint venture undertakings, in respect of the Group's operating subsidiaries, remain within cash flows from investing activities, as these are strategic investments by those subsidiaries rather than being held for investment gains.

NEW IFRS ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

The following published standards and interpretations to existing standards, which are not yet in effect, are not expected to have any significant future impact on the Group's accounts:

IAS 23 (revised), IAS 27 (as amended), IAS 28 (revised), IAS 32 (as amended), IAS 39 (as amended), IFRS 1 (as amended), IFRS 2 (as amended) and IFRIC 16.

IFRS 3 (as amended), which deals with business combinations, may have an impact on the Group's financial statements dependent upon the investment decisions that the Group may take in the future.

IFRIC 12, 15, 17 and 18 are published interpretations to existing standards that are not relevant to the Group's operations.

COMPANY

The financial statements comply with applicable UK law and accounting standards, modified where appropriate to present a true and fair view, and have been prepared under the historical cost convention, except for the revaluation of certain financial instruments.

a) FIXED ASSETS – INVESTMENTS

Investments acquired with the intention of being held for the long term (excluding investments in subsidiaries and associated undertakings) are recorded as fixed asset investments and are stated at fair value. Gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in profit or loss for the period.

Investments in subsidiary undertakings and associated undertakings are reflected at cost less provisions for any impairment.

b) DERIVATIVE FINANCIAL INSTRUMENTS

The use of financial derivatives is regulated by the Board in accordance with its risk management strategy.

Changes in values of all derivatives of a financing nature are included within investment income and finance costs in the profit and loss account.

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

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 profit and loss account.

c) INVESTMENT INCOME

Income from equity investments is recognised when the legal entitlement vests. Dividends from UK companies are presented net of the attributable tax credit. Dividends received from overseas companies include any withholding taxes, but exclude any underlying tax paid by the investee company on its own profit. Special dividends arising from the Company's investments are included as income in the profit and loss account and, where appropriate, an impairment provision is recognised against the investment.

d) SHARE-BASED PAYMENTS

The Company operates an equity-settled compensation plan for the granting of non-transferable options to directors and other employees. For share options granted, the fair value of

Notes to Financial Statements – continued

the shares is measured at the market price of GPG shares, adjusted to take into account the terms and conditions upon which the share options were granted, using an adjusted version of the Black-Scholes model, based on management's best estimate of the effects of non-transferability, exercise restrictions and behavioural considerations. The charge to the profit and loss account has no impact on net assets since the credit is reflected in equity.

e) 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.

f) DIVIDENDS PAYABLE

Dividends proposed are recognised in the period in which they are formally approved for payment.

2. Segmental Analysis

OPERATING SEGMENTS

2009	Investment £m	Thread manufacture £m	Fruit/produce distribution £m	Aluminium extrusion £m	Unallocated £m	Non-operating (see note (i)) £m	Total £m
a) Revenue:							
External sales	**2**	**903**	**237**	**–**	**34**	**–**	**1,176**
Interest receivable	**5**	**–**	**–**	**–**	**–**	**2**	**7**
Other (see note (ii) below)	**11**	**–**	**–**	**–**	**–**	**–**	**11**
	18	**903**	**237**	**–**	**34**	**2**	**1,194**
b) Results							
Share of associated undertakings' and joint ventures' results	**10**	**–**	**–**	**–**	**(7)**	**–**	**3**
Finance costs (net)	**(15)**	**(12)**	**(2)**	**–**	**(2)**	**–**	**(31)**
Tax (charge)/credit	**(9)**	**(21)**	**(2)**	**–**	**4**	**–**	**(28)**
(Loss)/profit after tax:							
Continuing operations	**(19)**	**3**	**4**	**–**	**(5)**	**–**	**(17)**
Discontinued operations	**–**	**(2)**	**–**	**(19)**	**–**	**–**	**(21)**
c) Assets and Liabilities							
Assets	**524**	**815**	**148**	**–**	**83**	**382**	**1,952**
includes share of associated undertakings' and joint ventures' net assets	**166**	**9**	**8**	**–**	**21**	**–**	**204**
Liabilities	**(59)**	**(340)**	**(25)**	**–**	**(17)**	**(567)**	**(1,008)**
d) Other disclosures							
Tangible – additions	**–**	**12**	**6**	**1**	**14**	**–**	**33**
Intangible – additions	**–**	**4**	**1**	**–**	**–**	**–**	**5**
Impairment of tangible fixed assets	**–**	**–**	**–**	**(5)**	**–**	**–**	**(5)**
Depreciation charge	**–**	**(34)**	**(6)**	**(5)**	**(3)**	**–**	**(48)**
Impairment of intangible assets	**–**	**–**	**–**	**(5)**	**–**	**–**	**(5)**
Amortisation charge	**–**	**(5)**	**(1)**	**(2)**	**(1)**	**–**	**(9)**
Investment impairment	**(4)**	**–**	**–**	**–**	**–**	**–**	**(4)**

2008	Investment £m	Thread manufacture £m	Fruit/produce distribution £m	Aluminium extrusion £m	Unallocated £m	Non-operating (see note (i)) £m	Total £m
a) Revenue:							
External sales*	2	888	219	–	30	–	1,139
Interest receivable	16	–	–	–	–	4	20
Other (see note (ii) below)	116	–	–	–	–	–	116
	134	888	219	–	30	4	1,275
b) Results							
Share of associated undertakings' and joint ventures' results	(13)	1	1	–	3	–	(8)
Finance costs (net)*	(18)	(13)	(3)	–	(2)	–	(36)
Tax charge	(25)	(20)	(3)	–	–	–	(48)
(Loss)/profit after tax:							
Continuing operations*	(17)	–	6	–	(13)	–	(24)
Discontinued operations*	–	(2)	–	(54)	7	–	(49)
c) Assets and Liabilities							
Assets	523	941	132	141	69	293	2,099
includes share of associated undertakings' and joint ventures' net assets	134	11	7	–	33	–	185
Liabilities	(63)	(369)	(23)	(50)	(14)	(631)	(1,150)

* Restated to reflect the results of Capral Ltd as a discontinued operation (note 37).

Notes to Financial Statements – continued

2. Segmental Analysis - continued

OPERATING SEGMENTS - continued

2008 - continued	Investment £m	Thread manufacture £m	Fruit/produce distribution £m	Aluminium extrusion £m	Unallocated £m	Non-operating (see note (i)) £m	Total £m
d) Other disclosures							
Tangible – additions	–	26	7	3	18	–	54
Intangible – additions	–	3	1	–	–	–	4
Impairment of tangible fixed assets	–	–	–	(1)	–	–	(1)
Depreciation charge	–	(31)	(6)	(6)	(2)	–	(45)
Impairment of intangible assets	–	–	–	(38)	(7)	–	(45)
Amortisation charge	–	(5)	(1)	(2)	(2)	–	(10)
Investment impairment	(70)	–	–	–	–	(2)	(72)

The accounting policies of the reportable operating segments are the same as the Group's accounting policies described in note 1. Profit/(loss) after tax is the measure reported to the GPG directors for the purpose of resource allocation and assessment of segment performance.

GEOGRAPHIC SEGMENTS

	2009			2008		
	External revenue		**Non-current assets**	External revenue		Non-current assets
	By origin £m	**By destination £m**	**(see note (iii)) £m**	By origin £m	By destination £m	(see note (iii)) £m
United Kingdom	**23**	**24**	**174**	23	23	187
Europe						
– Germany	**59**	**63**	**18**	56	66	22
– Rest of Europe	**156**	**187**	**58**	181	209	67
North America						
– USA	**155**	**167**	**25**	137	150	33
– Rest of North America	**26**	**29**	**9**	24	27	8
Asia & Rest of World						
– New Zealand	**196**	**112**	**190**	188	106	160
– Brazil	**90**	**89**	**32**	88	87	29
– India	**85**	**82**	**32**	76	74	35
– China	**83**	**84**	**44**	82	84	45
– Australia	**67**	**60**	**153**	58	55	209
– Other	**236**	**279**	**90**	226	258	122
Total	**1,176**	**1,176**	**825**	1,139	1,139	917

Notes:

(i) Non-operating items comprise:
Profit on disposal of other non-current investments, and investment impairment provisions – in operating subsidiaries which are not considered to be financial operations;
Interest receivable – in operating subsidiaries which are not considered to be financial operations;
Operating results – interest and investment income in operating subsidiaries, which are not considered to be financial operations;
Assets – cash and cash equivalents, derivatives and investments held by operating subsidiaries which are not considered to be financial operations, plus taxation assets and non-current assets classified as held for sale; and
Liabilities – borrowings, taxation liabilities and liabilities directly associated with non-current assets classified as held for sale.

(ii) Other revenue includes profit on disposal of other non-current investments and associated undertakings (note 4).

(iii) Non-current assets exclude financial instruments, deferred tax, pension assets and rights under insurance contracts.

3. Revenue

Year ended 31 December	Existing operations 2009 £m	Acquisitions 2009 £m	Total 2009 £m	Total 2008* £m
Sale of investments	**2**	**–**	**2**	2
Sale of thread	**903**	**–**	**903**	888
Fruit/produce distribution	**235**	**2**	**237**	219
Other	**34**	**–**	**34**	30
	1,174	**2**	**1,176**	1,139

4. Profit on Disposal of Investments and Other Net Investment Income

Year ended 31 December	Existing operations 2009 £m	Acquisitions 2009 £m	Total 2009 £m	Total 2008* £m
Interest receivable	**7**	**–**	**7**	20
Profit on disposal of shares in associated undertakings	**–**	**–**	**–**	55
Profit on disposal of other non-current investments	**11**	**–**	**11**	61
Dividend income from listed and unlisted investments	**9**	**–**	**9**	12
Net non-current investment impairment provision	**(7)**	**–**	**(7)**	(66)
Net current investment impairment write-back/(provision)	**3**	**–**	**3**	(6)
Profit/(loss) on derivatives	**1**	**–**	**1**	(21)
Other income	**2**	**1**	**3**	5
	26	**1**	**27**	60

5. Operating Profit

Year ended 31 December	Existing operations 2009 £m	Acquisitions 2009 £m	Total 2009 £m	Total 2008* £m
Cost of sales*1	**(798)**	**(2)**	**(800)**	(770)
Gross profit	**376**	**–**	**376**	369
Distribution costs*2	**(166)**	**–**	**(166)**	(171)
Administrative expenses*3	**(201)**	**3**	**(198)**	(190)
Net operating expenses	**(367)**	**3**	**(364)**	(361)
Profit on disposal of investments and other net investment income	**26**	**1**	**27**	60
Operating profit	**35**	**4**	**39**	68

Administrative expenses in respect of acquisitions in the year include £4 million of negative goodwill (see note 35).

* Restated to reflect Capral Ltd as a discontinued operation (note 37).

*1 Includes amortisation of other intangibles	**(1)**	**–**	**(1)**	–
*2 Includes amortisation of other intangibles	**(1)**	**–**	**(1)**	(2)
*3 Includes amortisation of other intangibles	**(5)**	**–**	**(5)**	(6)

Notes to Financial Statements – continued

6. Profit Before Taxation from Continuing Operations

Year ended 31 December	2009 £m	2008* £m
Profit before taxation is stated after charging/(crediting):		
Amortisation of intangible assets	**7**	7
Impairment of intangible assets	**–**	7
Release of negative goodwill	**(4)**	(8)
Depreciation of property, plant and equipment	**42**	39
Group audit fees:		
Fees payable for the audit of the Company's annual accounts**	**–**	–
Fees payable for the audit of the Company's subsidiaries	**2**	2
Other Deloitte LLP services:		
Taxation services	**1**	1
Other non-audit services	**–**	1
Operating lease rentals:		
Plant and equipment	**5**	4
Other	**16**	15
Share-based payments	**1**	2
Research and development expenditure	**1**	1
Bad and doubtful debts	**2**	2
Net foreign exchange losses	**8**	4
Rental income from land and buildings	**(1)**	(2)
Inventory as a material component of cost of sales	**439**	495
Inventory write-downs to net realisable value	**3**	4

**The audit fee payable to the Company's auditors for the audit of the Company's annual accounts is £186,000 (2008: £196,000).

The Company-only charge for share-based payments is £1,009,000 (2008: £1,786,000).

7. Finance Costs (net)

Year ended 31 December	2009 £m	2008* £m
Interest payable on bank loans and overdrafts	**(28)**	(32)
Net finance income on pension scheme net assets	**11**	15
Unwinding of discount on provisions	**(1)**	(1)
Interest payable on Capital Notes (note 25)	**(15)**	(19)
	(33)	(37)
Interest capitalised	**2**	1
	(31)	(36)

The cumulative amount of capitalised interest included in development land held at 31 December 2009 was £3 million (2008: £1 million).

8. Employee Information

Year ended 31 December	2009	2008*
The average monthly number of employees (including executive directors) in the Group during the year was:		
Continuing operations:		
Investment/corporate (including 5 in MMC Contrarian (2008: Nil))	**43**	37
Fruit/produce distribution	**1,705**	1,479
Thread manufacture	**20,603**	23,385
Other	**280**	279
	22,631	25,180
Discontinued operations	**999**	1,291
TOTAL NUMBER OF EMPLOYEES	**23,630**	26,471
The average monthly number of employees (including executive directors) in the Company during the year was:		
Investment/corporate	**17**	17

* Restated to reflect Capral Ltd as a discontinued operation (note 37).

8. Employee Information - continued

Employment costs – all employees including directors:

Year ended 31 December	2009 Continuing £m	2009 Discontinued £m	2009 Total £m	2008 Continuing* £m	2008 Discontinued* £m	Group 2008 Total £m	2009 £m	Company 2008 £m
Aggregate gross wages and salaries	**232**	**30**	**262**	225	39	264	**2**	1
Employer's national insurance contributions or foreign equivalents	**26**	**–**	**26**	26	1	27	**–**	–
Employer's pension cost*	**11**	**2**	**13**	10	3	13	**–**	–
	269	**32**	**301**	261	43	304	**2**	1

* Excludes net finance income on pension plan net assets and actuarial gains and losses.

Directors' emoluments	2009 Continuing £m	2009 Discontinued £m	2009 Total £m	2008 Continuing* £m	2008 Discontinued* £m	2008 Total £m
Aggregate emoluments	**2**	**–**	**2**	3	–	3
Gains made on exercise of share options	**2**	**–**	**2**	–	–	–
Pension contributions	**–**	**–**	**–**	–	–	–
	4	**–**	**4**	3	–	**3**

The aggregate emoluments for the highest paid director were £989,969 (2008: £859,598) excluding gains on share options exercised. Contributions paid to money purchase pension schemes in respect of the highest paid director were £30,723 (2008: £47,522).

Further details of directors' emoluments are provided under the heading 'Report on Remuneration and Related Matters' on pages 67 to 69.

9. Tax on Profit from Continuing Operations

Year ended 31 December	2009 £m	2008* £m
Current tax:		
UK corporation tax at 28.0% (2008: 28.5%)	**–**	2
Overseas tax	**(21)**	(18)
	(21)	(16)
Deferred tax	**(7)**	(32)
TOTAL TAX CHARGE	**(28)**	(48)

	2009 £m	2008* £m
The tax charge for the year can be reconciled as follows:		
Profit before taxation from continuing operations	**11**	24
Profit before taxation multiplied by standard rate of tax in the UK of 28.0% (2008: 28.5%)	**3**	7
Impact of differences in overseas tax rates	**1**	–
Non-taxable income	**(4)**	(30)
Impact of tax losses	**21**	66
Impact of impairment and other non-deductible expenses	**10**	1
Adjustments in respect of prior years	**(1)**	–
Associated undertakings and joint ventures	**(2)**	4
TOTAL TAX CHARGE	**28**	48

The impact of tax losses includes non-cash tax of £9 million (2008: £26 million) in respect of movements in deferred tax assets relating to tax losses. This charge arose from a similar reduction in deferred tax liabilities recognised through the unrealised gains reserve. The tax charges for both years also reflect the impact of unrelieved losses in certain subsidiary undertakings.

10. Pension Costs

The charge for the year in respect of the Group's continuing operations' defined contribution arrangements was £3 million (2008: £3 million*).

The Group operates three significant defined benefit schemes in the UK, namely the Brunel Holdings Pension Scheme ("Brunel"), the Staveley Industries Retirement Benefits Scheme ("SIRBS") 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-employment arrangements around the globe (most significantly in Germany).

* Restated to reflect Capral Ltd as a discontinued operation (note 37).

Notes to Financial Statements – continued

10. Pension Costs - continued

The following disclosures are made solely for the purposes of IAS 19 – Employee benefits and do not include information in respect of schemes operated by associated undertakings and joint ventures.

The Group has opted for all of the plans it operates to recognise all actuarial gains and losses immediately via the Statement of Comprehensive Income ("SCI").

The previous full actuarial valuations of each scheme have been updated to 31 December 2009 by qualified independent actuaries. The major assumptions used by the actuaries were (in nominal terms) as follows:

	31 December 2009	31 December 2008	31 December 2007
Discount rate	**6.0%**	6.5%	6.1%
Mortality assumption	**various**	various	various
Rate of salary increase	**4.0%**	3.8%	4.2%
Rate of increase to pensions in payment	**various**	various	various
Rate of inflation	**3.5%**	2.8%	3.2%

The assumptions used in determining the overall expected return on the schemes' assets have been set with reference to yields available on government bonds and appropriate risk margins.

The assets in the schemes and the expected rates of return were:

	Long term expected rate of return at 31 December 2009	**Value as at 31 December 2009 £m**	Long term expected rate of return at 31 December 2008	Value as at 31 December 2008 £m	Long term expected rate of return at 31 December 2007	Value as at 31 December 2007 £m
Equities	**8.9%**	**635**	9.2%	539	8.2%	792
Bonds	**5.3%**	**1,053**	6.0%	1,002	4.9%	1,089
Other	**6.0%**	**108**	6.2%	172	4.6%	71
		1,796		1,713		1,952

The amounts recognised in the balance sheet are as follows:

31 December	**2009 £m**	2008 £m	2007 £m
Present value of funded obligations	**(1,772)**	(1,642)	(1,715)
Fair value of assets	**1,796**	1,713	1,952
Surplus	**24**	71	237
Effect of surplus cap	**(32)**	(72)	(204)
NET FUNDED (DEFICIT)/SURPLUS	**(8)**	(1)	33
Present value of unfunded obligations:			
Current (within other payables)	**(6)**	(9)	(9)
Non-current	**(56)**	(64)	(51)
	(62)	(73)	(60)
Net pension liability in balance sheet	**(70)**	(74)	(27)
Funded schemes			
– surpluses:			
current (within other receivables)	**4**	3	–
non-current	**27**	29	34
	31	32	34
– deficits:			
current (within other payables)	**–**	(1)	–
non-current	**(39)**	(32)	(1)
	(39)	(33)	(1)
NET FUNDED (DEFICIT)/SURPLUS	**(8)**	(1)	33
Actual return/(loss) on assets held	**241**	(187)	110

10. Pension Costs - continued

Reconciliation of opening and closing balances of the present value of the defined benefit obligations (funded and unfunded):

Year ended 31 December	**2009 £m**	2008 £m	2007 £m
Benefit obligations at beginning of year	**1,715**	1,775	1,899
Current service cost	**8**	7	6
Interest cost – unwinding of discount	**104**	105	99
Contributions by scheme participants	**1**	1	1
Actuarial loss/(gain)	**177**	(117)	(110)
Benefits paid	**(126)**	(125)	(118)
Curtailments and settlements	**(4)**	(1)	(1)
Transfer from other provisions	**1**	–	–
Exchange (gain)/loss	**(42)**	70	(1)
Benefit obligations at end of year	**1,834**	1,715	1,775
Less: unfunded obligations	**(62)**	(73)	(60)
Funded obligations	**1,772**	1,642	1,715

Reconciliation of opening and closing balances of the fair value of scheme assets (all funded):

Year ended 31 December	**2009 £m**	2008 £m	2007 £m
Fair value of scheme assets at beginning of year	**1,713**	1,952	1,956
Expected return on scheme assets	**115**	120	114
Actuarial gain/(loss)	**124**	(307)	(4)
Contributions by employers	**7**	7	6
Contributions by scheme participants	**1**	1	1
Benefits paid	**(126)**	(125)	(118)
Settlements	**(4)**	(1)	(1)
Receipt of bulk transfer value	**–**	–	1
Exchange (loss)/gain	**(34)**	66	(3)
Fair value of plan assets at end of year	**1,796**	1,713	1,952

The amounts recognised in the income statement are:

Year ended 31 December	**2009 £m**	2008 £m	2007 £m
Interest on obligation – unwinding of discount	**(104)**	(105)	(99)
Expected return on scheme assets	**115**	120	114
Net finance income (note 7)	**11**	15	15
Current service cost	**(8)**	(7)	(6)
Total net income	**3**	8	9

Actuarial (losses)/gains recognised in the SCI:

Year ended 31 December	**2009 £m**	2008 £m	2007 £m
Actuarial (losses)/gains	**(53)**	(190)	106
Limit on recognition of assets	**40**	132	(99)
	(13)	(58)	7

Notes to Financial Statements – continued

10. Pension Costs - continued

History of scheme assets, obligations and experience adjustments:

Year ended 31 December	**2009 £m**	2008 £m	2007 £m	2006 £m	2005 £m
Defined benefit obligations	**(1,834)**	(1,715)	(1,775)	(1,899)	(2,013)
Scheme assets	**1,796**	1,713	1,952	1,956	1,969
Net (liability)/surplus in the schemes (before effect of surplus cap)	**(38)**	(2)	177	57	(44)
Experience gains/(losses) arising on scheme liabilities	**27**	(7)	(7)	27	(10)
Experience gains/(losses) arising on scheme assets	**126**	(307)	(4)	6	117
Cumulative actuarial gain recognised in SCI since adoption of IAS19	**(11)**	2	60	53	44

The estimated contributions expected to be paid to the schemes during 2010 is £6 million.

11. Loss per Ordinary Share

Basic loss per share ("EPS") is calculated by dividing the loss attributable to equity holders of the parent company of £36 million (2008: £50 million) by the weighted average number of Ordinary Shares in issue during the year of 1,595,344,762 (2008: 1,553,973,574).

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 and Capital Notes.

For both 2009 and 2008, diluted EPS is the same as basic EPS due to the loss incurred in each of those years.

Year ended 31 December	**Loss 2009 £m**	**Shares 2009 m**	**Amount per share (pence)**
Continuing and discontinued operations:			
Loss attributable to equity holders of the parent company	**(36)**	**1,595**	**(2.25)p***

Year ended 31 December	Loss 2008 £m	Shares 2008 m	Amount per share (pence)
Continuing and discontinued operations:			
Loss attributable to equity holders of the parent company	(50)	1,554	(3.24)p*

Year ended 31 December	**Loss 2009 £m**	**Shares 2009 m**	**Amount per share (pence)**
Continuing operations:			
Loss attributable to equity holders of the parent company	**(19)**	**1,595**	**(1.21)p***

11. Loss per Ordinary Share - continued

Year ended 31 December	Loss 2008 £m	Shares 2008 m	Amount per share (pence)
Continuing operations:			
Loss attributable to equity holders of the parent company	(27)	1,554	(1.76)p*

* Calculations based on results to the nearest £'000s.

The comparatives for the year ended 31 December 2008 have been adjusted for the 2009 Capitalisation Issue, and also to reflect the results of Capral Ltd as a discontinued operation (note 37). No opening statement of financial position has been presented for the prior year in these financial statements as it is unchanged from that previously reported.

12. Dividends

The directors of GPG have declared an interim dividend of 1.00p per share for the year (2008: 0.91p, adjusted for the 2009 Capitalisation Issue).

13. Results of Holding Company

A profit of £33 million (2008: loss of £85 million) has been dealt with in the accounts of the Company. As permitted by Section 408 of the Companies Act 2006, the Company has not published a separate profit and loss account in these financial statements.

14. Intangible Assets

COST	Goodwill £m	Brands £m	Other intangibles £m	Total £m
At 1 January 2008	43	140	63	246
Currency translation differences	4	50	14	68
Acquisition of subsidiaries	8	–	–	8
Additions	–	–	4	4
Reclassifications	–	–	1	1
Disposals	–	–	(1)	(1)
AT 31 DECEMBER 2008	55	190	81	326
Currency translation differences	**7**	**(18)**	**–**	**(11)**
Acquisition of subsidiaries	**–**	**–**	**4**	**4**
Additions	**–**	**–**	**5**	**5**
Disposals	**–**	**–**	**(1)**	**(1)**
Disposal of subsidiaries	**(48)**	**(7)**	**(15)**	**(70)**
AT 31 DECEMBER 2009	**14**	**165**	**74**	**253**

Notes to Financial Statements – continued

14. Intangible Assets - continued

CUMULATIVE AMOUNTS CHARGED	Goodwill £m	Brands £m	Other intangibles £m	Total £m
At 1 January 2008	3	2	37	42
Currency translation differences	2	–	10	12
Impairment	45	–	–	45
Amortisation charge for the year	–	1	9	10
Disposals	–	–	(1)	(1)
AT 31 DECEMBER 2008	50	3	55	108
Currency translation differences	**6**	**1**	**–**	**7**
Impairment	**–**	**4**	**1**	**5**
Amortisation charge for the year	**–**	**1**	**8**	**9**
Disposals	**–**	**–**	**(1)**	**(1)**
Disposal of subsidiaries	**(48)**	**(8)**	**(11)**	**(67)**
AT 31 DECEMBER 2009	**8**	**1**	**52**	**61**
NET BOOK VALUE AT 31 DECEMBER 2009	**6**	**164**	**22**	**192**
NET BOOK VALUE AT 31 DECEMBER 2008	5	187	26	218

Impairment of brands and other intangibles comprises write-offs in Capral Ltd, following re-assessment of estimated future operating cashflows in the light of poor trading conditions.

Contained within brands at 31 December 2009 is a balance of £164 million (2008: £183 million) which has been assessed as having an indefinite useful life. The recoverable amount of these brands has been estimated using the value in use 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 management's recent budgets and forecasts covering the period to 31 December 2012, applying a pre-tax weighted average cost of capital of the relevant business unit and a terminal value including no growth.

The pre-tax weighted average cost of capital applied above is in the range of 13.5 - 14.0%. An increase of 1.5% in the weighted average cost of capital would reduce the recoverable amount to book value.

15. Property, Plant and Equipment

Group

COST	Land and buildings £m	Mineral rights £m	Plant and equipment £m	Vehicles and office equipment £m	Land for development £m	Total £m
At 1 January 2008	202	1	557	101	14	875
Currency translation differences	44	–	121	24	2	191
Acquisition of subsidiaries	19	–	15	1	–	35
Additions (including £1m interest capitalised)	9	–	25	4	16	54
Transfer to current assets	–	–	–	–	(8)	(8)
Transfer to non-current assets held for sale	(17)	–	(8)	(4)	–	(29)
Reclassifications	–	–	(1)	–	–	(1)
Disposals	(3)	–	(20)	(8)	–	(31)
AT 31 DECEMBER 2008	254	1	689	118	24	1,086
Currency translation differences	**–**	**–**	**(8)**	**(6)**	**7**	**(7)**
Additions (including £2m interest capitalised)	**5**	**–**	**12**	**3**	**13**	**33**
Transfer from current assets	**–**	**–**	**–**	**–**	**1**	**1**
Transfer to non-current assets held for sale	**(2)**	**–**	**(3)**	**–**	**–**	**(5)**
Reclassifications	**(2)**	**–**	**1**	**1**	**–**	**–**
Disposals	**–**	**–**	**(36)**	**(5)**	**–**	**(41)**
Disposal of subsidiaries	**(8)**	**–**	**(110)**	**–**	**–**	**(118)**
AT 31 DECEMBER 2009	**247**	**1**	**545**	**111**	**45**	**949**

15. Property, Plant and Equipment - continued

ACCUMULATED DEPRECIATION	Land and buildings £m	Mineral rights £m	Plant and equipment £m	Vehicles and office equipment £m	Land for development £m	Total £m
At 1 January 2008	64	–	312	85	–	461
Currency translation differences	17	–	66	22	–	105
Acquisition of subsidiaries	3	–	5	–	–	8
Impairment charge for the year	1	–	–	–	–	1
Depreciation charge for the year	6	–	34	5	–	45
Transfer to non-current assets held for sale	(7)	–	(5)	(3)	–	(15)
Disposals	(1)	–	(18)	(8)	–	(27)
AT 31 DECEMBER 2008	83	–	394	101	–	578
Currency translation differences	(2)	–	(4)	(4)	–	(10)
Impairment charge for the year	–	–	5	–	–	5
Depreciation charge for the year	7	–	37	4	–	48
Transfer to non-current assets held for sale	(1)	–	(1)	–	–	(2)
Reclassifications	(3)	–	3	–	–	–
Disposals	–	–	(35)	(5)	–	(40)
Disposal of subsidiaries	(2)	–	(52)	–	–	(54)
AT 31 DECEMBER 2009	**82**	**–**	**347**	**96**	**–**	**525**
NET BOOK VALUE AT 31 DECEMBER 2009	**165**	**1**	**198**	**15**	**45**	**424**
NET BOOK VALUE AT 31 DECEMBER 2008	171	1	295	17	24	508
Assets pledged as security for borrowings:						
31 December 2009	**106**	**–**	**27**	**3**	**45**	**181**
31 December 2008	91	–	22	3	–	116
Assets held as lessor under operating lease arrangements:						
31 December 2009	**6**	**–**	**–**	**–**	**–**	**6**
31 December 2008	5	–	–	–	–	5

Group

31 December ANALYSIS OF NET BOOK VALUE OF LAND AND BUILDINGS	**2009 £m**	2008 £m
Freehold	**149**	146
Leasehold:		
Over 50 years unexpired	**1**	6
Under 50 years unexpired	**15**	19
	165	171

Notes to Financial Statements – continued

16. Non-current Investments

31 December	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Interests in associated undertakings (see notes a) and c) below)	**157**	126	**11**	18
Interests in joint ventures (see note a) below)	**47**	59	**–**	–
Fixed asset investments (see notes b) and c) below):				
listed investments	**215**	168	**94**	69
unlisted investments	**5**	9	**–**	–
Interests in group undertakings (see note c) below)	**–**	–	**767**	732
	424	362	**872**	819

a) Group – Interests in associated undertakings and joint ventures

	Associated undertakings £m	Joint ventures £m
At 1 January 2009	126	59
Currency translation differences	9	4
Additions	38	–
Reclassification from subsidiaries	19	–
Dividends receivable	(4)	(10)
Share of profit/(loss) after tax and minorities	9	(6)
Repayment of capital by investees	(16)	–
Share of unrealised hedging losses	(2)	–
Reclassification as a subsidiary undertaking	(22)	–
AT 31 DECEMBER 2009	**157**	**47**

Additions to associated undertakings, including any amounts reclassified from fixed asset investments, are analysed in note 36.

31 December	Associated undertakings 2009 £m	Associated undertakings 2008 £m	Joint ventures 2009 £m	Joint ventures 2008 £m
Share of net assets on acquisition	**98**	84	**68**	74
Share of post-acquisition retained profits/(losses)	**27**	11	**(21)**	(15)
Share of net assets	**125**	95	**47**	59
Goodwill	**32**	31	**–**	–
	157	126	**47**	59

Goodwill	Associated undertakings £m	Joint ventures £m
At 1 January 2009	31	–
Currency translation differences	1	–
AT 31 DECEMBER 2009	**32**	**–**

16. Non-current Investments - continued

The Group's significant associated undertakings at 31 December 2009 are listed below:

INVESTMENT	Capital and reserves m	Latest profit/(loss) m	Date of last audited accounts	Country of incorporation	Nature of business	GPG shareholding	Class
Autologic Holdings plc*	£26	£-	31.12.08	England	Vehicle logistics	26.2%	Ordinary
Capral Ltd	A$152	A$(29)	31.12.09	Australia	Aluminium extrusion	44.4%	Ordinary
Rattoon Holdings Ltd	A$2	A$15	30.06.09	Australia	Investment	44.4%	Ordinary
The Maryborough Sugar Factory Ltd	A$95	A$(1)	30.06.09	Australia	Sugar milling	22.9%	Ordinary
Peanut Company of Australia Ltd*	A$44	A$4	31.03.09	Australia	Peanut supply	24.8%	Ordinary
Tower Ltd	NZ$402	NZ$50	30.09.09	New Zealand	Insurance	35.0%	Ordinary

* owned directly by the Company

The market value of the Group's listed associated undertakings at 31 December 2009 was £130 million (2008: £74 million), and their carrying value at that date was £157 million (2008: £126 million).

The following table provides summarised financial information on the Group's share of its associated undertakings, relating to the period during which they were associated undertakings, and excludes goodwill and loans from the Group.

Year ended 31 December **SUMMARISED INCOME STATEMENT INFORMATION**	**2009 £m**	2008 £m
Revenue	**136**	104
Profit/(loss) before tax	**11**	(12)
Taxation	**(2)**	3
PROFIT/(LOSS) AFTER TAX	**9**	(9)

31 December **SUMMARISED BALANCE SHEET INFORMATION**	**2009 £m**	2008 £m
Non-current assets	**97**	52
Current assets	**260**	110
	357	162
Liabilities due within one year	**(196)**	(35)
Liabilities due after more than one year	**(36)**	(32)
NET ASSETS	**125**	95

The Group's share of associated undertakings' borrowings is £55 million, of which £8 million is repayable within one year. Other than £6 million guaranteed by Turners & Growers Ltd, these borrowings have not been guaranteed by GPG or by any of its subsidiary undertakings.

Notes to Financial Statements – continued

16. Non-current Investments - continued

There were three shareholdings at year end of 20% or more of the voting rights which were not treated as associated undertakings. The directors consider that the Group is not able to exercise significant influence over these companies due to the dominant influence of other members and the composition of the respective Boards. The details are as follows:

	Capital and reserves m	Latest profit m	Date of last audited accounts	Country of incorporation	Nature of business	GPG shareholding	Class
Tooth & Co. Ltd	A$-	A$1	30.06.09	Australia	Investment	25.0%	Ordinary
Dolfus Mieg et Cie	See Note	See Note	See Note	France	Textiles	24.3%	Ordinary
Newbury Racecourse plc	£12	£-	31.12.08	England	Racecourse operation	27.7%	Ordinary

Note:
Dolfus Mieg et Cie was placed in receivership on 5 May 2008.

The Group's significant joint ventures at 31 December 2009 are listed below:

INVESTMENT	Capital and reserves m	Latest loss m	Date of last audited accounts	Country of incorporation	Nature of business	GPG shareholding	Class
Green's General Foods Pty Ltd	A$48	A$(8)	31.12.08	Australia	Food processing	72.5%	Ordinary
Australian Country Spinners Ltd	A$-	A$(7)	31.12.08	Australia	Yarn manufacturers	50.0%	Ordinary

The Group's shareholding in Green's General Foods Pty Ltd does not constitute control as it is governed by a shareholders' agreement that gives the Group joint control of this entity.

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 and loans from the Group:

Year ended 31 December	**2009 £m**	2008 £m
SUMMARISED INCOME STATEMENT INFORMATION		
Revenue	**79**	71
(Loss)/profit before tax	**(5)**	1
Taxation	**(1)**	–
(LOSS)/PROFIT AFTER TAX	**(6)**	1

31 December	**2009 £m**	2008 £m
SUMMARISED BALANCE SHEET INFORMATION		
Non-current assets	**54**	62
Current assets	**24**	28
	78	90
Liabilities due within one year	**(21)**	(26)
Liabilities due after more than one year	**(10)**	(5)
NET ASSETS	**47**	59

The Group's share of joint ventures' borrowings is £7 million (2008: £2 million).

None of the Group's joint ventures at 31 December 2009 was listed (2008: none).

No joint ventures are held directly by GPG.

See note 32 for details of a guarantee provided by the Group in respect of the banking facilities of Australian Country Spinners Ltd.

16. Non-current Investments - continued

b) Group – Fixed asset investments

	Listed investments £m	Unlisted investments £m	Total £m
At 1 January 2009	168	9	177
Currency translation differences	4	1	6
Additions	51	–	51
Impairment charge	(4)	–	(4)
Mark-to-market valuation adjustments	41	(5)	35
Disposals	(45)	–	(45)
AT 31 DECEMBER 2009	**215**	**5**	**220**

c) Company

	Investments in subsidiary undertakings £m	Investments in associated undertakings £m	Listed investments £m	Total £m
At 1 January 2009	732	18	69	819
Additions	22	6	25	53
Transfers	13	(13)	–	–
Disposals	–	–	(22)	(22)
Impairment charge	–	–	(2)	(2)
Mark-to-market valuation adjustments	–	–	24	24
AT 31 DECEMBER 2009	**767**	**11**	**94**	**872**

Notes to Financial Statements – continued

17. Principal Subsidiary Undertakings

The Group's principal subsidiary undertakings at 31 December 2009, all of which are included in the Group's consolidated financial statements, are set out below:

Company name	Country of incorporation/ registration	Class and percentage of shares held	Nature of business
GPG (UK) Holdings plc	England	100% ordinary shares	Investment company
GPG Finance plc*	England	100% ordinary shares	Finance
GPG Securities Trading Ltd*	England	100% ordinary shares 100% preference shares	Securities trading
Coats plc*	England	100% ordinary shares	Thread manufacture
Staveley Inc.*	USA	100% ordinary shares	Testing services
Guinness Peat Group (Australia) Pty Ltd*	Australia	100% ordinary shares 100% preference shares	Investment company
CIC Australia Ltd*	Australia	72.5% ordinary shares	Property development
Gosford Quarry Holdings Ltd*	Australia	100% ordinary shares	Quarry operator
MMC Contrarian Ltd**	Australia	68.0% ordinary shares	Financial services
Touch Holdings Ltd*	Australia	56.0% ordinary shares	Electronic products and services
Guinness Peat Group New Zealand Ltd*	New Zealand	100% ordinary shares 100% preference shares	Securities trading
Turners & Growers Ltd*	New Zealand	65.6% ordinary shares	Fresh produce wholesaler

*These subsidiaries are owned indirectly by the Company.
**MMC Contrarian Ltd ("MMC") was acquired in October 2009 (see note 35) and has a 30 June year end.

18. Deferred Tax Assets

31 December		Group
	2009 £m	2008 £m
Deferred tax assets	**20**	11

The deferred tax assets for the Group are included within the analysis in note 27.

The movements in the Group's deferred tax asset during the year were as follows:

	2009 £m	2008 £m
At 1 January	**11**	8
Currency translation differences	**(1)**	3
Acquisition of subsidiaries	**7**	–
Credited to the income statement	**3**	–
AT 31 DECEMBER	**20**	11

19. Inventories

31 December		Group
	2009 £m	2008 £m
Raw materials and consumables	**44**	63
Work in progress	**44**	48
Finished goods and goods for resale	**83**	142
	171	253
Development work in progress	**8**	8
	179	261

20. Trade and Other Receivables

31 December	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Trade receivables	**172**	218	**2**	–
Amounts owed by associated undertakings and joint ventures	**10**	14	**–**	–
Taxation recoverable (of which £5 million after more than one year (2008: £6 million))	**12**	13	**–**	–
Other receivables	**50**	65	**19**	42
Other prepayments and accrued income	**19**	17	**–**	–
	263	327	**21**	42
Amounts shown within non-current assets	**(24)**	(25)	**–**	–
Amounts shown within current assets	**239**	302	**21**	42

The fair value of trade and other receivables is not materially different to the carrying value.

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 £15 million (2008: £16 million). This allowance has been determined by reference to past default experience, and the movements in the allowance are analysed as follows:

	Group 2009 £m	Group 2008 £m
At 1 January	**16**	15
Currency translation differences	**–**	6
Charged to the income statement	**4**	2
Amounts written off during the year	**(4)**	(7)
Disposal of subsidiaries (note 37)	**(1)**	–
AT 31 DECEMBER	**15**	**16**

21. Current Asset Investments

31 December	Group 2009 £m	Group 2008 £m
Listed investments	**15**	7

These investments are all quoted on recognised stock exchanges.

22. Derivative Financial Instruments - Assets

Derivative financial instruments within Group current assets comprise:

31 December	Group 2009 £m	Group 2008 £m
Fair value through the income statement:		
Forward foreign currency contracts	**1**	1
Contracts for differences	**2**	6
	3	7

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.

Notes to Financial Statements – continued

23. Trade and Other Payables

31 December	2009 £m	Group 2008 £m
AMOUNTS FALLING DUE WITHIN ONE YEAR		
Trade payables	**146**	188
Amounts owed to associated undertakings and joint ventures	**5**	3
Other tax and social security payable	**8**	10
Payments received on account	**–**	1
Other payables	**29**	35
Accruals and deferred income	**49**	47
Employee entitlements (excluding pensions)	**19**	22
	256	306
AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR		
Other payables	**13**	18

The fair value of trade and other payables is not materially different to the carrying value.

24. Derivative Financial Instruments - Liabilities

Derivative financial instruments within Group and Company non-current and current liabilities comprise:

31 December	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Fair value through the income statement:				
Forward foreign currency contracts	**2**	4	**–**	–
Equity swaps	**12**	15	**12**	15
	14	19	**12**	15
Fair value hedges through the statement of comprehensive income:				
Other derivative financial instruments	**5**	8	**–**	–
	19	27	**12**	15
Amounts shown within non-current liabilities	**(3)**	(7)	**–**	–
Amounts shown within current liabilities	**16**	20	**12**	15

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.

25. Capital Notes

31 December	2009 £m	Group 2008 £m
Repayable between two and five years	**191**	172

All the Capital Notes are issued by GPG Finance plc ("the Issuer"). During 2008, the scheduled election date occurred for Capital Notes issued in 2003. Noteholders elected not to roll-over NZ$138 million of these notes and consequently the Company re-purchased them and they were cancelled by the Issuer. The remaining NZ$77 million were rolled over to become the 2008 Capital Notes ("2008 Notes"). The 2008 Notes bear interest at 9% per annum.

The other outstanding issue of Capital Notes was made in 2006, raising NZ$350 million and bearing interest at a rate of 8.3% per annum ("2006 Notes"). The issue costs for the 2006 Notes amounted to NZ$6 million, and these costs are being charged to the income statement over the initial six year term of the debt. At 31 December 2009 the unamortised balance of these costs was NZ$2.7 million.

25. Capital Notes - continued

The 2006 Notes have an initial election date of 15 November 2012, prior to which the Issuer will provide terms and conditions on which noteholders may elect to roll over their 2006 Notes. Noteholders may then elect to retain some or all of their 2006 Notes for a further period on the new terms and conditions and/or to convert some or all of their 2006 Notes into GPG Ordinary Shares. Conversion of the 2006 Notes would be at a price of 97% of the weighted average sale price of an Ordinary Share on each of the five business days prior to the election date. These elections are subject to the Company's over-riding right (at its option) to purchase for cash some or all of the 2006 Notes for their principal amount, together with any accrued interest and unpaid interest. In addition the Company has the right in certain circumstances to purchase for cash some or all of the holder's 2006 Notes, on various dates, and on terms and particular prices as specified in the relevant Trust Deed.

The 2008 Notes have an initial election date of 15 December 2013, prior to which the Issuer will provide terms and conditions on which noteholders may elect to roll over their 2008 Notes. Noteholders may then elect to retain some or all of their 2008 Notes for a further period on the new terms and conditions and/or to convert some or all of their 2008 Notes into GPG Ordinary Shares. Conversion of the 2008 Notes would be at a price of 97% of the weighted average sale price of a GPG Ordinary Share on each of the five business days prior to the election date. These elections are subject to the Company's over-riding right (at its option) to purchase for cash some or all of the 2008 Notes for their principal amount, together with any accrued interest and unpaid interest. In addition, the Issuer or the Company may purchase for cash some or all of the 2008 Notes at any time on giving not less than 180 days' notice and paying the principal amount of the notes to be purchased plus any accrued interest and unpaid interest.

The Company has provided subordinated and unsecured guarantees contingent on liquidation of the Issuer or of the Company itself in respect of the repayment of principal and the payment of interest and unpaid interest due on the 2006 and 2008 Notes. In the event that the Issuer is in liquidation and the Company is not, these guarantees are only enforceable after the scheduled election dates for the 2006 and 2008 Notes which next follow the liquidation of the Issuer. These guarantees are subordinated to all other creditors.

26. Other Borrowings

		Group
31 December	**2009** **£m**	2008 £m
Bank overdrafts	**14**	15
Borrowings repayable within one year	**66**	94
Due within one year	**80**	109
Borrowings repayable between one and two years	**70**	75
Borrowings repayable between two and five years	**163**	217
Borrowings repayable after more than five years	**2**	3
Due after more than one year	**235**	295
	315	404
Bank overdrafts	**14**	15
Bank borrowings	**301**	389
	315	404

Note:
At 31 December 2009, the Group's borrowings comprised £282 million of secured borrowings (2008: £350 million) and £33 million of unsecured borrowings (2008: £54 million). Security comprises a combination of fixed and floating charges over certain Group assets of borrowing entities.

Notes to Financial Statements – continued

27. Deferred Tax Liabilities

	Group		Company	
	2009	2008	**2009**	2008
	£m	£m	**£m**	£m
At 1 January	**21**	17	**–**	–
Currency translation differences	**(1)**	5	**–**	–
Charged to the income statement	**11**	32	**–**	1
Credited to reserves	**(9)**	(33)	**–**	(1)
AT 31 DECEMBER	**22**	21	**–**	–

31 December **GROUP** **Deferred tax is analysed as follows:**	**2009 Provided £m**	**2009 Unprovided £m**	2008 Provided £m	2008 Unprovided £m
Accelerated tax depreciation	**16**	**(1)**	20	(4)
Short-term timing differences	**(14)**	**(17)**	(10)	(8)
Revenue losses carried forward	**(12)**	**(176)**	(13)	(206)
Capital losses carried forward	**–**	**(95)**	–	(88)
Unremitted overseas earnings	**8**	**–**	8	88
Retirement benefit obligations	**4**	**–**	5	–
	2	**(289)**	10	(218)

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:

Deferred tax assets	**(20)**	(11)
Deferred tax liabilities	**22**	21
	2	10

At the period end, the Group has approximately £1.0 billion (2008: £1.3 billion) of unused tax losses available for offset against future profits. A deferred tax asset has been recognised in respect of £0.1 billion (2008: £0.1 billion) of such losses. No deferred tax asset has been recognised in respect of the remaining £0.9 billion (2008: £1.2 billion) 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.

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 £Nil (2008: £313 million). The temporary differences relating to unremitted earnings of overseas subsidiaries at the period end are significantly reduced from the previous year as a result of a change to UK tax legislation which largely exempts from UK tax any overseas dividends received on or after 1 July 2009.

28. Provisions

31 December	Group		Company	
	2009 £m	2008 £m	**2009 £m**	2008 £m
Provisions are included as follows:				
Current liabilities	**65**	79	**–**	–
Non-current liabilities	**24**	19	**1**	1
	89	98	**1**	1

GROUP

	£m
At 1 January 2009	98
Currency translation differences	(7)
Unwinding of discount	1
Utilised in year	(33)
Charged to the income statement	30
AT 31 DECEMBER 2009	**89**

28. Provisions - continued

In September 2007 the European Commission concluded its investigation into European fasteners – the last part outstanding of its general investigation into thread and haberdashery markets which began in 2001. It imposed fines against several producers, including a fine against the Coats plc Group of €110.3 million (equivalent to £97.7 million at 31 December 2009 exchange rates). This fine is in respect of the Commission's allegation of a market sharing agreement in the European haberdashery market. Coats totally rejects this allegation. Coats is vigorously contesting the Commission's decision in an appeal which has been lodged with the European General Court (formerly known as the Court of First Instance) in Luxembourg.

As was stated in previous years, the Group remains of the view that any anticipated eventual payment of this fine is adequately covered by existing provisions. The Directors believe that disclosure of additional information regarding this provision could be expected to prejudice seriously the Group's position, and consequently a number of the Group's provisions have been disclosed in aggregate as "provisions" in accordance with paragraph 92 of IAS 37. Subject to full resolution of the matters giving rise to this provision, a full analysis will be provided in the relevant future financial statements.

COMPANY	Onerous leases £m
At 1 January 2009 and 31 December 2009	1

29. Operating Lease Commitments

31 December	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Outstanding commitments under non-cancellable operating leases:				
Payable within one year	**19**	30	**–**	–
Payable between one and five years	**38**	61	**2**	2
Payable after more than five years	**18**	50	**3**	3
	75	141	**5**	5

At the balance sheet date, the Group had contracted with tenants for receipt of the following minimum lease payments:

31 December	2009 £m	2008 £m
Receivable within one year	**4**	3
Receivable between one and five years	**8**	8
Receivable after more than five years	**4**	5
	16	16

30. Share Capital

31 December	2009 Number	2009 £m	2008 Number	2008 £m
Authorised				
Ordinary Shares of 5p each	**6,000,000,000**	**300**	6,000,000,000	300
Issued and fully paid				
Ordinary Shares of 5p each	**1,620,903,395**	**81**	1,418,778,857	71

Notes to Financial Statements – continued

30. Share Capital - continued

The issued Ordinary Share capital of GPG increased during the year ended 31 December 2009 as follows:

Date of event	Stock event	No. of shares	£m
1 January 2009	Brought forward	1,418,778,857	70.9
Various dates	Exercises of options	24,965,588	1.2
15 May 2009	Scrip dividend	31,723,404	1.6
5 June 2009	Capitalisation Issue	145,435,546	7.3
31 December 2009	**Carried forward**	**1,620,903,395**	**81.0**

Since the year end, the Company has allotted 2,189,727 Ordinary Shares following the exercise of share options.

Following adjustments for the 2009 Capitalisation Issue and for grants and exercises of options during the year, options outstanding under the Group's various share option schemes at 31 December 2009 were as set out below:

Share Option Scheme	Number	Date granted	Exercise price (p per share)	Exercise period
2001 SHARE OPTION SCHEME				
Ordinary	12,679,267	17.10.01	18.8936	17.10.04 to 16.10.11
Ordinary	535,894	19.03.02	24.9583	19.03.05 to 18.03.12
2002 SHARE OPTION SCHEME				
Ordinary	1,305,624	08.01.03	22.3225	08.01.06 to 08.01.13
Ordinary	2,959,629	21.03.03	25.1448	21.03.06 to 21.03.13
Ordinary	1,116,081	16.10.03	35.8441	16.10.06 to 16.10.13
Ordinary	13,942,096	23.04.04	43.4080	23.04.07 to 23.04.14
Ordinary	1,610,493	27.08.04	42.5331	27.08.07 to 27.08.14
Ordinary	7,730,430	09.03.05	52.2195	09.03.08 to 09.03.15
Ordinary	6,482,279	04.04.05	48.1214	04.04.08 to 04.04.15
Ordinary	12,250,741	24.10.05	55.3241	24.10.08 to 24.10.15
Ordinary	292,816	07.11.05	55.3241	07.11.08 to 07.11.15
Ordinary	36,599	14.12.05	55.3241	14.12.08 to 14.12.15
Ordinary	9,267,630	15.03.06	61.3346	15.03.09 to 15.03.16
Ordinary	292,812	05.05.06	61.4713	05.05.09 to 05.05.16
Ordinary	3,260,947	11.10.06	63.8617	11.10.09 to 11.10.16
Ordinary	11,586,354	09.03.07	61.2322	09.03.10 to 09.03.17
Ordinary	8,832,998	10.04.08	54.1323	10.04.11 to 10.04.18
Ordinary	4,190,000	30.06.09	28.1000	30.06.12 to 30.06.19

Options exercised during the year comprised 25,284,622 under the 1992 scheme, 80,395 under the 1994 scheme, and Nil under the 2001 and 2002 schemes (all adjusted for the 2009 Capitalisation Issue). 28,523 options under the 1994 scheme lapsed during the year (adjusted for the 2009 Capitalisation Issue).

Options granted before 13 December 2002 (the effective date of the reverse acquisition of Brunel Holdings plc) were over shares in GPG (UK) Holdings plc ("GPGUKH") which changed its name from Guinness Peat Group plc as a result of the reverse acquisition. Options granted since that date are over shares of Guinness Peat Group plc ("GPG").

Following the reverse acquisition, certain option holders 'rolled over' their rights and thus became entitled to exercise their options directly into Ordinary Shares of GPG. As a result of the Step-up Rights contained in GPGUKH's Articles of Association, the remaining option holders will receive GPG shares instead of GPGUKH shares, initially on a one-for-one basis, as an automatic consequence of exercise.

Since the year end, options under the 2001 Scheme have been exercised over 2,175,734 shares, and options under the 2002 Scheme have been exercised over 13,993 shares.

31. Reserves and Non-Controlling Interests

GROUP	Share premium account £m	Translation reserve £m	Unrealised gains reserve £m	Other reserves £m	Retained earnings £m	Non-controlling interests £m
At 1 January 2009	61	118	36	281	311	71
Capitalisation issue of shares	–	–	–	(7)	–	–
Scrip dividend alternative	(2)	–	–	–	7	–
Other share issues	4	–	–	–	–	–
Currency translation differences	–	15	–	–	–	5
Share-based payments	–	–	–	1	–	–
Increases/(decreases) in fair value	–	–	41	(5)	–	1
Transfers (from)/to income statement	–	(10)	(9)	4	–	–
Actuarial losses on retirement benefit schemes	–	–	–	–	(12)	(1)
Dividend paid	–	–	–	–	(14)	(6)
Retained loss for the year	–	–	–	–	(36)	(2)
Acquisition of subsidiaries	–	–	–	–	–	18
Disposal of subsidiaries	–	–	–	–	–	(7)
Acquisition of non-controlling interests	–	–	–	–	2	(2)
AT 31 DECEMBER 2009	**63**	**123**	**68**	**274**	**258**	**77**

COMPANY	Share premium account £m	Unrealised gains reserve £m	Other reserves £m	Profit and loss account £m
At 1 January 2009	61	(9)	185	24
Capitalisation issue of shares	–	–	(7)	–
Scrip dividend alternative	(2)	–	–	7
Other share issues	4	–	–	–
Share-based payments	–	–	1	–
Increases in fair value	–	24	–	–
Transfers to profit and loss account	–	(1)	–	–
Dividend paid	–	–	–	(14)
Retained profit for the year	–	–	–	33
AT 31 DECEMBER 2009	**63**	**14**	**179**	**50**

32. Contingent Liabilities

GPG has guaranteed the repayment of principal, interest and unpaid interest due on the NZ$350 million 2006 Capital Notes and on the NZ$77 million 2008 Capital Notes in the event of a liquidation of the issuing subsidiary undertaking.

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 fifty per cent of those facilities, amounts to A$8 million (2008: A$12 million).

GPG has guaranteed certain amounts that may become payable in respect of a subsidiary and an associated undertaking in Australia. At 31 December 2009 GPG's combined liability under those guarantees amounted to A$4.5 million.

Coats plc has provided the EC with payment bonds to cover the full extent of the fine of €110.3 million imposed in respect of the investigation into alleged market sharing agreements relating to the European haberdashery market: see note 28. GPG has provided a guarantee to the bond issuers for a proportion of this amount.

Subsequent to the year end a subsidiary has entered into an agreement whereby, under certain circumstances, it may be required to provide loan funding to, or acquire assets from, an entity in which the Group has an existing investment. The maximum exposure under the agreement is A$12 million.

Notes to Financial Statements – continued

33. Capital Commitments

As at 31 December 2009, the Group had commitments of £4 million in respect of contracts placed for future capital expenditure (2008: £2 million). Its share of the capital commitments reported by associated undertakings and joint ventures was £Nil (2008: £Nil). The Company did not have any capital commitments as at 31 December 2009 (2008: £Nil).

34. Notes to the Consolidated Statement of Cash Flows

a) Reconciliation of pre-tax profit to net cash inflow from operating activities

Year ended 31 December

	2009 £m	2008* £m
Profit before taxation from continuing operations	**11**	24
Share of (profit)/loss of associated undertakings	**(9)**	9
Share of loss/(profit) of joint ventures	**6**	(1)
Finance costs	**31**	36
Operating profit	**39**	68
Adjustments for:		
Depreciation	**42**	39
Share-based payments	**1**	2
Proceeds on disposal of businesses	**6**	17
Profit on disposal of property, plant and equipment	**(5)**	(3)
Release of negative goodwill	**(4)**	(8)
Dividends received from associated undertakings (Parent Group)	**4**	4
Impairment of intangible assets	**–**	7
Amortisation of intangible assets	**7**	7
Purchase of fixed asset investments (Parent Group)	**(51)**	(68)
Payments arising from the purchase of associated undertakings (Parent Group)	**(31)**	(24)
Payments arising from the purchase of joint ventures (Parent Group)	**–**	(2)
Amounts written (back)/off against fixed asset investments, associates and joint ventures	**(8)**	68
Sale of fixed asset investments, at book value (Parent Group)	**33**	58
Sale of shares in associated undertakings, at book value (Parent Group)	**–**	33
Repayment of capital by investees (Parent Group)	**16**	15
Decrease in trade and other receivables	**2**	21
Increase in land under development	**(11)**	(8)
Decrease in inventories	**31**	36
Increase/(decrease) in provisions	**1**	(40)
Increase/(decrease) in trade and other payables	**28**	(70)
(Increase)/decrease in derivative financial instruments	**(5)**	21
(Increase)/decrease in current asset investments	**(7)**	4
Discontinued operations	**(1)**	(1)
Currency and other adjustments	**34**	(17)
NET CASH INFLOW FROM OPERATING ACTIVITIES	**121**	161

b) Taxation paid

Overseas tax paid	**(19)**	(25)
UK tax paid	**(1)**	–
	(20)	(25)

* Restated to reflect the results of Capral Ltd as a discontinued operation (note 37).

34. Notes to the Consolidated Statement of Cash Flows - continued

c) Dividends received from joint ventures

Year ended 31 December	2009 £m	2008* £m
Dividends received from joint ventures (operating subsidiaries)	**10**	7

d) Capital expenditure and financial investment

Payments to acquire property, plant and equipment	**(19)**	(34)
Receipts from the disposal of property, plant and equipment	**9**	4
Other intangible assets acquired	**(5)**	(4)
Discontinued operations	**(1)**	2
	(16)	(32)

e) Acquisitions and disposals

Net receipts from sale of shares in subsidiary undertakings	**–**	8
Net receipts/(payments) arising from the purchase of subsidiary undertakings	**29**	(18)
Overdrafts held by subsidiaries acquired	**–**	(1)
Cash held by subsidiaries sold (discontinued operation)	**(2)**	–
Payments arising from the purchase of joint ventures (operating subsidiaries)	**–**	(12)
	27	(23)

f) Issue of Ordinary Shares

Issue of Ordinary Shares by the Company	**5**	–

g) Equity dividends paid to the Company's shareholders

Dividends payable	**(14)**	(12)
Less: shares issued in lieu of cash dividend	**8**	8
	(6)	(4)

h) Decrease in debt

New loans taken out (including Capital Notes)	**163**	393
Loans repaid	**(191)**	(392)
Discontinued operations	**(2)**	(9)
	(30)	(8)

* Restated to reflect the results of Capral Ltd as a discontinued operation (note 37).

Notes to Financial Statements – continued

35. Purchase of Subsidiary Undertakings

On 23 October 2009, GPG acquired a controlling interest (increasing its shareholding to 54%) in the voting equity shares of MMC in Australia. By November GPG had acquired a further 14% of those shares from non-controlling interests. The net assets acquired, and the related goodwill arising on these acquisitions, using the purchase method of accounting, were as follows:

	Book value £m	Provisional fair value adjustments £m	Provisional fair value £m
ACQUISITION SUMMARY			
Intangible assets	6	(2)	4
Deferred tax assets	7	–	7
Cash and cash equivalents	46	–	46
Trade and other payables	(2)	–	(2)
Net assets at acquisition	**57**	**(2)**	**55**
Non-controlling interests			(18)
Net assets attributable to the Group's interest			**37**
Total consideration		**30**	
Impairment provisions whilst a fixed asset investment		(7)	
Profits previously recognised as an associated undertaking		10	
			(33)
Negative goodwill, released to the Consolidated Income Statement			**4**
Consideration reported above:			
Cash paid in current year			**17**
Cash paid in prior years			**13**
Total consideration			**30**

MMC would have contributed £Nil to the Group's revenue and £Nil to its result for the year in respect of the period up to the date of acquisition.

As a consequence of the negative goodwill arising on acquisition, MMC as a subsidiary undertaking contributed a profit of £4 million to the Group result for the year.

MMC contributed an inflow of £Nil to the Group's net operating cash flows, paid £Nil in respect of investment activities, and paid £Nil in respect of financing activities.

36. Purchase of Associated Undertakings

During the year, the Group increased its investment in five existing associated undertakings and one company became an associated undertaking. GPG increased its stake in Autologic Holdings Plc ("Autologic") from 23.5% to 26.2%, in MMC from 26.4% to 39.4%, and in Peanut Company of Australia Ltd ("PCA") from 23.8% to 24.8%. GPG increased its stake in Maryborough Sugar Factory Ltd ("MSF") by subscription to a placement of shares by that company, but as part of that placement GPG's holding was diluted from 24.0% to 23.0%. GPG increased its stake in Tower Ltd ("Tower") by subscription of its share of that company's rights issue, and GPG's holding remained at 35.0%.

Capral Ltd ("Capral"), a former subsidiary undertaking, which constituted the Group's aluminium extrusion segment, became an associated undertaking on 16 October 2009, as a result of that company's recapitalisation programme. Capral, as an associated undertaking, contributed £Nil to the Group result for the year. The carrying value of Capral at 31 December 2009 amounted to £37 million.

The goodwill arising from these transactions is analysed as follows:

	Capral £m	Tower £m	MSF £m	MMC £m	Autologic £m	Total £m
Fair value of net assets (GPG share)	37	13	1	7	1	59
Consideration	(37)	(13)	(1)	(5)	(1)	(57)
NEGATIVE GOODWILL	**–**	**–**	**–**	**2**	**–**	**2**

The aggregate consideration of £57 million includes £97 million paid in prior years, £31 million paid in the current year, less £71 million losses written off in Capral as a former subsidiary undertaking. The net assets of the associates are based on their published accounts (where available), as adjusted to reflect any identified differences between book values and fair values (including relevant accounting policy adjustments).

Negative goodwill of £2 million has been released to the income statement.

37. Discontinued operations

a) Disposal of business

As stated in note 36, in October 2009 Capral became an associated undertaking. Capral has been treated as a discontinued operation in both the 2009 and the 2008 Consolidated Income Statement. No opening statement of financial position has been presented for the prior year in these financial statements as it is unchanged from that previously reported.

The impact of the deemed disposal of Capral was as follows:

	£m
Intangible assets	2
Property, plant and equipment	64
Inventories	25
Trade and other receivables	41
Cash and cash equivalents	2
Trade and other payables	(56)
Borrowings	(53)
Net assets at disposal	**25**
Non-controlling interests	(7)
Group share of net assets at disposal	**18**
Cumulative translation differences recycled from reserves	(7)
	11
Residual carrying value as an associated undertaking	11
Impact of disposal	**–**

Notes to Financial Statements – continued

37. Discontinued operations - continued

b) The combined results of discontinued operations were as follows:

Year ended 31 December	Staveley Inc. **2009 £m**	Staveley Inc. 2008 £m	Staveley Industries **2009 £m**	Staveley Industries 2008 £m	Capral **2009 £m**	Capral 2008** £m	Coats Group **2009 £m**	Coats Group 2008 £m	Total **2009 £m**	Total 2008 ** £m
Revenue	**–**	6	**–**	–	**157**	241	**–**	–	**157**	247
Cost of sales	**–**	(2)	**–**	–	**(122)**	(193)	**–**	–	**(122)**	(195)
Expenses	**–**	(4)	**–**	–	**(56)**	(97)	**–**	–	**(56)**	(101)
Other income	**–**	–	**–**	–	**7**	3	**–**	–	**7**	3
Finance costs	**–**	–	**–**	–	**(5)**	(7)	**–**	–	**(5)**	(7)
Loss for period prior to classification as a discontinued operation*	**–**	–	**–**	–	**(19)**	(53)	**–**	–	**(19)**	(53)
Gain/(loss) on disposal of discontinued operations:										
Loss arising in period after classification as a discontinued operation*	**–**	–	**–**	–	**–**	–	**(2)**	(2)	**(2)**	(2)
Gain on disposal of businesses*	**–**	5	**–**	1	**–**	–	**–**	–	**–**	6
	–	5	**–**	1	**–**	–	**(2)**	(2)	**(2)**	4
Loss on discontinued operations	**–**	5	**–**	1	**(19)**	(53)	**(2)**	(2)	**(21)**	(49)

During the year, the discontinued operations contributed an £8 million inflow to the Group's net operating cash flows, utilised £1 million in respect of investing activities and a further £2 million in respect of financing activities.

* There is no material tax impact arising from these discontinued activities nor from the gains on disposals of businesses.
**Restated to reflect the results of Capral as a discontinued operation.

c) Non-current assets classified as held for sale

The major classes of assets comprising the operations classified as held for sale are as follows:

	2009 £m	2008 £m
Property, plant and equipment	**3**	7

38. 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 in the audited part of the Directors' Remuneration Report on pages 67 to 71.

Year ended 31 December	**2009 £m**	2008 £m
Short-term employee benefits	**2**	2
Share-based payments (as measured in accordance with IFRS 2)	**1**	1
	3	3

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 associated undertakings and 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:

	Sales of goods		**Purchases of goods**		**Other income**	
	2009	2008	**2009**	2008	**2009**	2008
Associated undertakings	**21**	27	**1**	5	**1**	–
Joint ventures	**6**	9	**25**	22	**3**	3

Amounts owing by/(to) associated undertakings and joint ventures at the year end are disclosed in notes 20 and 23 respectively.

Other transactions

A I Gibbs, a director of the Company, owns an orchard which sells produce in New Zealand through Turners & Growers Ltd ("T&G"), a subsidiary of GPG. During 2009, T&G earned commission on the sale of such produce totalling £69,553 (2008: £47,735) and charged Mr Gibbs £214,727 (2008: £145,776) for crate hireage fees, produce packing fees and transportation. These transactions were conducted on an arm's length basis and on T&G's normal commercial terms.

At 31 December 2009, Mr Gibbs owed T&G £Nil (2008: £Nil).

39. Post Balance Sheet Events

No significant events requiring disclosure have occurred since the year end.

40. Derivatives and Other Financial Instruments

GPG is a strategic investment holding company and it, together with certain of its subsidiaries, is principally involved in managing a portfolio of cash and investments. The profile of the Group's financial assets, and in particular the relative balance between cash and investments, varies during the year depending on the timing of purchases and sales of investments. The currency profile of the Group's financial assets is similarly affected by the timing of investment transactions, and tends to vary during the year.

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;
- investments in equity shares with both UK and international exposure. These investments are held as either current or non-current asset investments; and
- derivatives, including forward foreign currency contracts, cross-currency interest rate swaps, interest rate swaps, contracts for differences, equity swaps and equity options.

Notes to Financial Statements – continued

40. Derivatives and Other Financial Instruments - continued

Financial liabilities:

- trade, other payables and certain provisions that arise directly from the Group's operations;
- Capital Notes;
- bank borrowings and commercial bills; and
- derivatives, including forward foreign currency contracts, cross-currency interest rate swaps, interest rate swaps, contracts for differences, equity swaps and equity options.

FINANCIAL ASSETS

The Group's financial assets are summarised below:

31 December	2009 £m	2008 £m
Financial assets carried at amortised cost (loans and receivables):		
Cash and cash equivalents	**402**	362
Trade receivables (note 20)	**172**	218
Due from associates and joint ventures (note 20)	**10**	14
Other receivables (note 20)	**50**	65
	634	659
Financial assets carried at fair value through the income statement:		
Current asset investments (note 21)	**15**	7
Derivative financial instruments (note 22)	**3**	7
	18	14
Other financial assets carried at fair value through the statement of comprehensive income:		
Non-current asset investments (available-for-sale) (note 16(b))	**220**	177
Total financial assets	**872**	850

FINANCIAL LIABILITIES

The Group's financial liabilities are summarised below:

31 December	2009 £m	2008 £m
Financial liabilities carried at amortised cost:		
Trade payables (note 23)	**146**	188
Due to associates and joint ventures (note 23)	**5**	3
Other financial liabilities	**98**	110
Provisions	**16**	15
Capital Notes (note 25)	**191**	172
Other borrowings (note 26)	**315**	404
	771	892
Financial liabilities carried at fair value through the income statement:		
Derivative financial instruments (note 24)	**14**	19
Derivatives designated as effective hedging instruments and carried at fair value through the statement of comprehensive income:		
Derivative financial instruments (note 24)	**5**	8
Total financial liabilities	**790**	919

Other financial liabilities include other payables, other than taxation and other statutory liabilities.

40. Derivatives and Other Financial Instruments - continued

FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The fair value of the Group's financial assets and liabilities is summarised below:

31 December	**Book value £m**	**2009 Fair value £m**	Book value £m	2008 Fair value £m
Primary financial instruments:				
Cash and cash equivalents	**402**	**402**	362	362
Trade receivables	**172**	**172**	218	218
Due from associates and joint ventures	**10**	**10**	14	14
Other receivables	**50**	**50**	65	65
Investments:				
Current	**15**	**15**	7	7
Non-current	**220**	**220**	177	177
Trade payables	**(146)**	**(146)**	(188)	(188)
Due to associates and joint ventures	**(5)**	**(5)**	(3)	(3)
Other financial liabilities and provisions	**(114)**	**(114)**	(125)	(125)
Capital Notes	**(191)**	**(188)**	(172)	(165)
Other borrowings	**(315)**	**(315)**	(404)	(404)
Derivative financial instruments:				
Contracts for differences	**1**	**1**	6	6
Forward foreign currency contracts	**(1)**	**(1)**	(3)	(3)
Other net derivative financial instruments	**(16)**	**(16)**	(23)	(23)
Net financial assets/(liabilities)	**82**	**85**	(69)	(62)

Investments are held for strategic growth or trading purposes. Market values have been used to derive the fair value of all listed investments and the Capital Notes. 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 three 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. The fair values of the equity options, equity swaps and the forward foreign currency contracts have been determined by third party institutions, based on market rates. All other fair values have been calculated by discounting expected cash flows at prevailing interest rates.

Gains and losses on forward foreign currency contracts used for hedging future transactions are not recognised in the income statement until the exposure to which they relate is itself recognised. Such gains and losses are incorporated in the value of the transaction being hedged.

Notes to Financial Statements – continued

40. Derivatives and Other Financial Instruments - continued

FAIR VALUE MEASUREMENTS RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION

The following tables provide an analysis of financial intruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair values 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 included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not observable market data (unobservable inputs).

FINANCIAL ASSETS MEASURED AT FAIR VALUE

31 December	Total £m	Level 1 £m	Level 2 £m	Level 3 £m
2009				
Financial assets measured at fair value through the income statement:				
Trading securities	**15**	**15**	**–**	**–**
Trading derivatives	**3**	**–**	**3**	**–**
Available-for-sale assets measured at fair value through the statement of comprehensive income:				
Equity investments	**220**	**215**	**5**	**–**
Total	**238**	**230**	**8**	**–**

FINANCIAL LIABILITIES MEASURED AT FAIR VALUE

31 December	Total £m	Level 1 £m	Level 2 £m	Level 3 £m
2009				
Financial liabilities measured at fair value through the income statement:				
Trading derivatives	**(14)**	**–**	**(14)**	**–**
Financial liabilities measured at fair value through the statement of comprehensive income:				
Derivatives designated as effective hedging instruments	**(5)**	**–**	**(5)**	**–**
Total	**(19)**	**–**	**(19)**	**–**

40. 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 below 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 its financial assets (principally cash and investments) and financial liabilities is denominated in currencies other than Sterling, which is the Group's presentation 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 Sterling statement of financial position will be affected by short term movements in exchange rates, particularly the value of the Australian, New Zealand and United States dollars. 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. The Group's policy is to hold over time a broad balance of cash and investments in Sterling, Australian dollars and US dollars, being the three currencies in which it mainly invests.

At certain times, the Board will make limited use of forward foreign currency contracts and swaps to maintain the Group's relative exposure to the Australian and United States dollars. These contracts tend to have a maturity of less than three months. Otherwise, the distribution of the Group's net assets between the principal currencies in which it does business is driven largely by the availability of suitable investment opportunities within each country.

Coats and T&G use forward foreign currency contracts to mitigate the currency exposure that arises on business transacted in currencies other than their own functional currencies. These companies only enter into such foreign currency contracts when there is a firm commitment to the transaction. The contracts used to hedge future transactions typically have a maturity of between 6 months and 2 years.

INTEREST RATE RISK

In 2009, the Group financed its operations through shareholders' funds, bank borrowings, commercial bills, and the Capital Notes. The Capital Notes carry fixed interest rates. 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 £597 million, of which £315 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 £2 million (2008: £2 million), and would change shareholders' funds by approximately £6 million (2008: £6 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.

Notes to Financial Statements – continued

40. Derivatives and Other Financial Instruments - continued

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, whilst being able to take advantage of opportunities that arise and which are expected to provide profitable returns for shareholders.

The Group's capital structure comprises cash and cash equivalents, borrowings, and share capital and reserves attributable to the equity shareholders of the Company.

CURRENCY EXPOSURE

The table below shows the extent to which Group companies have financial assets and liabilities in currencies other than their functional currency excluding forward foreign currency contracts and cross-currency interest rate swaps held as hedges. 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. It also excludes investments held in equity shares, which are included in the Currency and Interest Rate Profile of Financial Assets table below.

	Net foreign currency financial assets/(liabilities)					
Functional currency 2009	**Sterling £m**	**Australian dollars £m**	**New Zealand dollars £m**	**US dollars £m**	**Other £m**	**Total £m**
Sterling	**–**	**101**	**(193)**	**14**	**6**	**(72)**
New Zealand dollars	**–**	**–**	**–**	**1**	**1**	**2**
US dollars	**17**	**–**	**–**	**–**	**(41)**	**(24)**
Other	**–**	**–**	**–**	**(22)**	**(1)**	**(23)**
	17	**101**	**(193)**	**(7)**	**(35)**	**(117)**

	Net foreign currency financial assets/(liabilities)					
Functional currency 2008	Sterling £m	Australian dollars £m	New Zealand dollars £m	US dollars £m	Other £m	Total £m
Sterling	–	123	(171)	–	–	(48)
New Zealand dollars	–	1	–	1	1	3
US dollars	14	–	–	–	(33)	(19)
Other	–	–	–	(36)	5	(31)
	14	124	(171)	(35)	(27)	(95)

The following table shows the impact on pre-tax profit and shareholders' funds of reasonably possible changes in exchange rates against each of the major foreign currencies in which the Group transacts:

	US dollars		**Australian dollars**		**New Zealand dollars**	
	2009 £m	2008 £m	**2009 £m**	2008 £m	**2009 £m**	2008 £m
Increase in £ Sterling cost rate:	**9%**	9%	**7%**	7%	**7%**	7%
(Decrease)/increase in profit before tax	**–**	–	**(7)**	(8)	**13**	11
Increase/(decrease) in shareholders' funds	**–**	2	**(14)**	(12)	**13**	11

40. 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	2009					2008				
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	**93**	**208**	**7**	**9**	**317**	69	234	8	6	317
Australian dollars	**126**	**78**	**38**	**–**	**242**	102	56	82	–	240
New Zealand dollars	**7**	**5**	**20**	**–**	**32**	5	7	18	–	30
United States dollars	**1**	**30**	**59**	**(21)**	**69**	1	17	62	(149)	(69)
Euros	**1**	**16**	**35**	**8**	**60**	2	8	44	–	54
Other currencies	**7**	**65**	**73**	**7**	**152**	5	40	83	150	278
Total financial assets	**235**	**402**	**232**	**3**	**872**	184	362	297	7	850
Floating rate		**394**			**394**		358			358
No rate		**8**			**8**		4			4
		402			**402**		362			362

The investments included above comprise listed and unlisted investments in shares.

Deposits of £394 million (2008: £358 million) which have been placed on deposit with banks for a variety of fixed periods, not exceeding three months, earn available market rates based on LIBID equivalents and are for these purposes classified as floating rate cash balances. The Group's investment portfolio principally comprises equity shares. All such investments have been excluded from the interest rate analysis because the investments do not generate a fixed entitlement to interest.

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	2009					2008				
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	**4**	**13**	**22**	**(17)**	**22**	4	14	22	(15)	25
Australian dollars	**44**	**–**	**22**	**12**	**78**	50	29	65	14	158
New Zealand dollars	**5**	**214**	**20**	**–**	**239**	2	194	20	–	216
United States dollars	**52**	**161**	**92**	**(2)**	**303**	71	188	89	26	374
Euros	**4**	**–**	**32**	**22**	**58**	7	–	36	6	49
Other currencies	**15**	**–**	**71**	**4**	**90**	24	–	77	(4)	97
Total financial liabilities	**124**	**388**	**259**	**19**	**790**	158	425	309	27	919

The benchmark for determining floating rate liabilities in the UK is LIBOR for both sterling and US$ loans. In New Zealand, floating rates are determined by reference to the New Zealand 90 Day Bank Bill rate, and in Australia such rates are based on discounted commercial loan rates.

Notes to Financial Statements – continued

40. Derivatives and Other Financial Instruments - continued

Details of fixed rate and non interest-bearing liabilities (excluding derivatives) are provided below:

31 December			**2009**			2008
	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	**6.00%**	**15**	36	6.00%	27	37
Australian dollars	**7.74%**	**8**	–	11.33%	15	–
New Zealand dollars	**7.98%**	**33**	–	8.25%	43	–
United States dollars	**5.30%**	**31**	–	5.70%	27	–
Weighted average	**6.80%**	**32**	36	7.27%	33	37

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:

31 December	**2009 £m**	**Assets** 2008 £m	**2009 £m**	**Liabilities** 2008 £m
Currency				
Sterling	**24**	15	**–**	–
United States dollars	**56**	49	**(69)**	(67)
Euros	**31**	35	**(45)**	(41)
Other currencies	**13**	15	**(11)**	(9)
	124	114	**(125)**	(117)

The £1 million net payable (2008: £3 million net payable) in relation to foreign exchange financial instruments in the table above is split £1 million (2008: £1 million) within assets (note 22) and £2 million (2008: £4 million) within liabilities (note 24).

MARKET PRICE RISK

The Group can be affected by market price movements on its equity investments. Since it generally invests for the medium or long term, the Board does not believe it is economic or necessary to hedge market price risk, which in any event it considers to be a relatively short term factor. No significant equity investment is made without exhaustive research and unless a margin of safety has been identified. Once a significant investment has been made, the investment is continually monitored and managed in the light of new information or market movements. As an active investor, the Group's objective is to utilise shareholder influence to enhance the value of its investments and therefore, ultimately, their price. Exposure to price movement is further mitigated through holding a spread of investments, diversified across a range of sectors and countries.

Equity swaps, equity options and contracts for differences are purchased from time to time as part of the Group's investment portfolio. These derivatives do not form a significant proportion of the portfolio, and are subject to the same rigorous research procedures as other equity investments.

The Group is exposed to price risks arising from equity and bond investments.

40. Derivatives and Other Financial Instruments - continued

The sensitivity analyses below have been determined based on the exposure to price risks at the year end.

Equities/Bonds (excluding pension schemes):

Impact of a 10% increase in prices:	**2009 £m**	2008 £m
Increase in pre-tax profit for the year	**1**	1
Increase in equity shareholders' funds	**23**	18

LIQUIDITY RISK

Most of the Group's investments are listed on a recognised stock exchange and so could be converted into cash or liquid resources at short notice. In addition, the Group typically holds cash balances in deposits with a short maturity, and further resources can be drawn through committed borrowing facilities. In managing liquidity, the Group's objective is to ensure it has access to the funds needed to take advantage of any attractive investment opportunities that may arise. 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	**2009 £m**	2008 £m
Expiring within one year	**–**	10
Expiring between one and two years	**194**	245
Expiring between two and five years	**88**	87
	282	342

MATURITY OF UNDISCOUNTED FINANCIAL LIABILITIES (EXCLUDING DERIVATIVES)

The maturity of the Group's financial liabilities, using undiscounted cash flows, was as follows:

31 December	**2009 £m**	2008 £m
In one year or less, or on demand	**362**	439
In more than one year but not more than two years	**94**	101
In more than two years but not more than five years	**379**	426
In more than five years	**7**	9
	842	975

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	**2009 £m**	2008 £m	**2009 £m**	2008 £m
In one year or less, or on demand	**144**	80	**(159)**	(104)
In more than one year but not more than two years	**–**	49	**(2)**	(46)
In more than two years but not more than five years	**1**	5	**(1)**	(7)
	145	134	**(162)**	(157)

Notes to Financial Statements – continued

40. Derivatives and Other Financial Instruments - continued

CREDIT RISK

31 December	2009 £m	2008 £m
The Group considers its maximum exposure to credit risk to be as follows:		
Cash and cash equivalents	**402**	362
Derivative financial instruments	**3**	7
Trade receivables (net of bad debt provision)	**172**	218
Due from associates and joint ventures	**10**	14
Other receivables	**50**	65
	637	666
Financial assets considered not to have exposure to credit risk:		
Current asset investments	**15**	7
Non-current asset investments	**220**	177
Total financial assets	**872**	850
Analysis of trade receivables over permitted credit period:		
Trade receivables up to 1 month over permitted credit period	**15**	23
Trade receivables between 1 and 2 months over permitted credit period	**5**	9
Trade receivables between 2 and 3 months over permitted credit period	**4**	6
Trade receivables between 3 and 6 months over permitted credit period	**3**	2
Trade receivables in excess of 6 months over permitted credit period	**1**	4
Total gross trade receivables in excess of permitted credit period	**28**	44
Trade receivables within permitted credit period	**144**	174
Total net trade receivables	**172**	218

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas.

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 habits 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.

HEDGES

During 2009, the Group has hedged the following exposures:

- interest rate risk – using interest rate swaps
- currency risk – using forward foreign currency contracts and cross-currency interest rate swaps.

At 31 December 2009, the fair value of such hedging instruments was a net liability of £6 million (2008: £11 million).

Cash flow hedges outstanding at 31 December 2009 are expected to impact the Income Statement in the following periods:

	2009 £m Loss
Within one year	**(4)**
Within one to two years	**(2)**
	(6)

40. Derivatives and Other Financial Instruments - continued

GAINS/(LOSSES) ON FINANCIAL ASSETS/LIABILITIES

The net gain/(loss) from buying and selling financial assets and financial liabilities shown in the income statement is analysed as follows:

Year ended 31 December	**2009 £m**	2008 £m
Gains on disposal of investments (excluding derivatives)	**12**	61
Gains/(losses) on disposal of equity options and equity swaps (note 4)	**1**	(21)
Net investment impairment provision (note 4)	**(4)**	(72)
	9	(32)

41. Share-based payments

GPG's share option schemes provide for a grant price equal to the average quoted market price of GPG shares for 1 to 5 days prior to the date of the grant. The vesting period is 3 years, and any options that remain unexercised after 10 years from the date of grant automatically lapse. Option forfeiture where an employee leaves the Group can occur in certain circumstances.

Only options granted after 7 November 2002 are required to be analysed in this Note.

	2009		2008	
	Options	**Weighted average exercise price**	Options	Weighted average exercise price
Outstanding at beginning of year	**73,606,910**	**57.21p**	59,615,467	62.62p
Granted during the year	**4,190,000**	**28.10p**	7,300,000	65.50p
Impact of Capitalisation Issue	**7,360,619**	**n/a**	6,691,443	n/a
Outstanding at end of year	**85,157,529**	**50.83p**	73,606,910	57.21p
Exercisable at end of year	**60,548,177**	**49.94p**	43,388,035	51.37p

The options outstanding at 31 December 2009 had a weighted average remaining contractual life of 6.0 years (2008: 6.8 years).

The weighted average fair value of share options at the measurement date for options granted during the year was 3.4p (2008: 12.0p).

These fair values were calculated using a stochastic valuation model based on the methodology underlying the Black-Scholes model, projecting forward the Company share price using the Black-Scholes model and calculating the value earned when the options are exercised and discounting this back to the calculation date.

The assumptions in the model are as follows:

Volatility	20% per annum
Risk free interest rate	2.6% per annum
Dividend at grant	1p per share
Dividend growth*	10% per annum

*to allow for the annual 1-for-10 Capitalisation Issues.

The Directors have set the volatility assumption after analysing the historic volatility of the Group share price and taking account of the current levels of equity market volatility. To allow for the effects of early exercise it was assumed that in each simulation the options were exercised as soon as they were "in the money" and these values were averaged to get the overall price.

The Group recognised total expenses of £1 million related to equity-settled share-based payments in the year ended 31 December 2009 (2008: £2 million).

Corporate Governance

COMPLIANCE

The Board has put in place corporate governance arrangements which it believes are appropriate for the operation of an international strategic investment holding company. These arrangements are long established and have served the Company well so the Board does not seek actively to alter such arrangements merely to ensure adherence with the best practice recommendations made by regulators from time to time. As a result, GPG complies with Section 1 of the 2008 Combined Code referred to in the Listing Rules of the UK Financial Services Authority ("the Code") where it is beneficial for its business to do so but, as noted below, it does not fully comply with the Code, or its equivalent in New Zealand and Australia. This position is regularly reviewed and monitored by the Board.

BOARD RESPONSIBILITIES

The Board consists of the Chairman, Sir Ron Brierley and Ron Langley, who are non executive directors, and three executive directors. Short biographies of each of the directors appear on page 6. The Chairman is remunerated by way of share options and although he receives no salary or directors' fees he is eligible to participate in the staff bonus scheme. He is not appointed for a specified term but, in accordance with the Company's Articles of Association, retires by rotation. With regard to the appointment and replacement of directors, the Company is governed by reference to its Articles of Association, the Companies Act and related legislation.

In accordance with the Articles of Association, Tony Gibbs will retire by rotation at the conclusion of the 2010 Annual General Meeting and, being eligible, offers himself for re-appointment. In addition since Ron Langley was appointed as a director during 2009 by the directors, he too will retire at the conclusion of the 2010 Annual General Meeting and, being eligible, offers himself for re-appointment.

The Board is responsible for the management of the Group's assets and operations. The executive directors manage such assets and operations on a day-to-day basis and are in frequent contact with each other. The executive directors are situated in the UK, Australia and New Zealand but they have put in place suitable communication and reporting systems which enable them to have, on a timely basis, a clear appreciation and measure of the Group's investment activities.

As a consequence of the continuous and detailed evaluation of the Group's investment activities by the directors, meetings of the Board tend to be less formal than in companies where the majority of the Board is in one time zone and have separate areas of responsibility. Instead the Board comes together over a period of days at least three times a year to discuss new or existing investment matters. In this way the Group's assets are both carefully evaluated before an investment is made and regularly thereafter. In addition, there is a formal schedule of matters specifically reserved for the Board's approval.

During the year, the Board met formally on 8 occasions. Sir Ron Brierley attended 6 of those meetings, Tony Gibbs 7, Blake Nixon 8, Gary Weiss 8 and Ron Langley 1.

The Company has a procedure in place by which directors can seek independent professional advice at the Company's expense if the need arises. GPG provides certain protections for directors and officers of companies within the Group against personal financial exposure that they may incur in the course of their professional duties. GPG does not have a 'senior independent non-executive director' but all the directors are available to shareholders. Given the geographic distribution of the Company's shareholders, who are substantially in New Zealand, the UK and Australia, it is expected that shareholders in those countries will normally speak to their locally-based director if they cannot speak to the Chairman. There is no formal evaluation method in respect of the Board, nor any individual director's performance. No statement to the Board confirming the Company's financial condition, operational results, risk management or internal compliance and control systems, as envisaged by ASX Recommendation 7.3, is considered necessary as all of the directors are extensively involved in the process of the preparation of the Company's financial reports.

The interests of the directors, including connected persons, in the share capital of the Company and its subsidiaries are set out in the Report on Remuneration and Related Matters below. No director, either during or at the end of the year under review, was interested in any material contract (not being a contract of employment) with the Company or any of its subsidiaries nor has become so interested since the year end.

INTERNAL CONTROLS

The Board has overall responsibility for GPG's system of internal control and for reviewing its effectiveness. The internal controls are designed to cover material risks to achieving the Group's objectives and include business, operational, financial and compliance risks. These controls have been in place throughout the year for GPG and its principal subsidiaries and have continued in force up to the date of approval of the Annual Report. The internal controls are designed to identify, evaluate and manage, rather than eliminate, risk of failure to meet business objectives and to provide reasonable, but not absolute, assurance against material misstatement or loss. The system is regularly reviewed by the Board, and except as described below, accords with the guidance of the Turnbull Committee issued to companies listed on the London Stock Exchange. The internal control process distinguishes between the Parent Group (being the long term structural entities within the Group which hold GPG's investments), the major operating subsidiaries ("Operating Subsidiaries") and the Associated Undertakings and Joint Ventures. The systems operated both at Parent Group and Operating Subsidiary levels are reviewed annually by GPG and the results of these reviews are reported to the Audit Committee and to the Board. The Board is satisfied that these systems are operating effectively in all material respects in relation to financial reporting risks.

Parent Group

The identification and consequent management of risk for the Parent Group is an inherent feature in the investment evaluation process. The principal risk identified is market price risk. The investment evaluation process and its relationship to market risk is described in note 40 to the financial statements, in particular on page 60. For GPG's investment activities, information systems are in place to provide directors with a weekly report on cash movements, investment transactions, portfolio holdings and market values. This provides the Board with up to date information enabling them to monitor and review the progress of investment strategies. In addition to the control procedures referred to above, certain other key control procedures are in force at the Parent Group level, such as ensuring that investments are effected at a local level under the supervision of the relevant local director, ensuring that Board approval is obtained for any investment in excess of £2 million, holding documents of title either within the Parent Group or by a reputable custodian and centralising the settlement of all transactions at the London office.

Investments

The Operating Subsidiaries, being discrete entities acquired by the Parent Group as investments, have their own boards of directors who operate and control these businesses independently. As at 31 December 2009, the Group had four major Operating Subsidiaries of which one was wholly owned and the remainder partly owned. All are involved in activities other than strategic investment. In aggregate, the Group's share of the consolidated net assets (including goodwill but excluding Group loans) of the Operating Subsidiaries ("Group Share") represents some 51% of GPG's shareholders' funds of £867 million. At least one GPG director or senior executive is appointed to the board of each of these Operating Subsidiaries. He is charged with ensuring that the appropriate resources are committed by such Operating Subsidiary to respond to the requirements of the Code on a basis which in each case is commensurate with GPG's Group Share, and that material risks to the value of that investment are managed. Each Operating Subsidiary's board has been notified of its responsibilities for identifying key business risks appropriate to its own business sector and establishing appropriate and relevant control and compliance procedures. They are also required to acknowledge that they are responsible for their internal control systems.

Coats is the Company's largest Operating Subsidiary (Group Share £295 million). All of GPG's executive directors are members of the Coats Board and its internal controls are therefore carefully monitored. A fine of €110.3m was imposed on Coats by the European Commission in 2007. This ruling is being vigorously contested and further information dealing with this matter appears in note 28 to the Financial Statements.

CIC Australia (formerly Canberra Investment Corporation) ("CIC") (Group Share £29 million) and MMC Contrarian ("MMC") (Group Share £37 million) are listed on the Australian Securities Exchange, and Turner & Growers ("T&G") (Group Share £69 million) is listed on the New Zealand Stock Exchange: hence these companies have prime reporting responsibilities to a recognised exchange, whose rules are similar to, but not the same as, those of The London Stock Exchange. However, it may be that certain of these companies' control procedures, whilst deemed sufficient by the GPG Board to identify, manage and control the principal risks to its investments, differ from the more strictly defined requirements of the guidance of the Turnbull Committee or their local equivalents. The Board of GPG has reviewed and accepted a report on internal controls operated by Coats, CIC, MMC and T&G during the year.

The Board also reviews and monitors the internal controls procedures of its Associated Undertakings and Joint Ventures. The Board of GPG is satisfied that each of its Associated Undertakings and Joint Ventures has satisfactory procedures to identify, monitor and control its major risks, commensurate with the relevant Group Share. At least one GPG director or senior executive is appointed to the board of each of its Associated Undertakings and Joint Ventures. This enables him to review the investee company's procedures for dealing with major risks. The Associated Undertakings and Joint Ventures are encouraged to review the effectiveness of their own internal controls, but the Group is not able to enforce this and as such Associated Undertakings and Joint Ventures are not normally requested to complete an annual internal control review.

Guidance issued by the Financial Services Authority obliges the directors of public companies to consider the need for internal audit. The Board reviews the position annually and considers that the Parent Group is not sufficiently large or complex to justify a centralised internal audit function. Coats and T&G consider their operations to be sufficiently widespread to justify their own internal audit functions, and such internal audit functions and the internal audit reports they produce are made available to the Board of GPG.

Corporate Governance – continued

BUSINESS REVIEW

Commentary on GPG's Key Performance indicators ("KPIs") is included in the Directors' Report on page 6. GPG does not produce KPIs dealing with Health and Safety or Environmental Matters, but does monitor these areas in relation to its major subsidiaries.

In respect of Health and Safety, Coats monitors performance by reference to a USA standard measure: the global rate of reportable incidents was reduced in 2009 compared to 2008. Coats continues to operate an environmental management programme focusing on the prevention of environmental incidents and ensuring compliance with the Restricted Substances List. As in 2008, there were no reportable environmental incidents. Coats aims for environmental management systems consistent with IS014000.

MMC is a diversified financial services company with a focus on the wealth management industry. With this in mind during 2009 it acquired the business of Community and Corporate Financial Services Pty Limited ("COMCORP") and a 40% interest in Berry Financial Services Pty Limited, both providing financial planning services. COMCORP holds an Australian Financial Services Licence and must conduct its business in accordance with Australian regulations in that area.

T&G operates in compliance with best practice in New Zealand in relation to Environmental and Employee Matters. The company also monitors incidents under the New Zealand Occupational Safety & Health Regulations.

CIC's principal activities relate to the acquisition, sub-division, development, construction and sale of real estate in Australia. As a result it operates to very strict local regulation in respect of environmental and sustainability matters, commentary on which can be found on its website and in its Annual Financial Report at 31 December 2009.

The Group operates three significant defined benefit schemes in the UK and one in the US. Further and better particulars can be found in note 10 to the Financial Statements. The principal risks associated with such schemes relate to investment returns and mortality. Should such a scheme's funding reduce significantly then the scheme's employer may become liable to increase contributions accordingly.

A description of the other principal risks and uncertainties that the Group faces, including notes in respect of financial instruments, can be found in Note 40 to the financial statements.

SHAREHOLDER MEETINGS

In May 2009, GPG held an Annual General Meeting in London. The level of proxies lodged for each resolution was announced following the meeting. In its annual and interim reports and other corporate announcements, GPG endeavours to present an accurate, objective and balanced picture in a style and format which is appropriate for the intended audience.

BOARD COMMITTEES

The Board has set up an Audit Committee and Remuneration Committee to assist in the execution of its duties. These committees operate on written terms of reference which are reviewed regularly and the outcome of such committee meetings are reported to the Board. Each of the committees is authorised, at GPG's expense, to obtain external legal or other professional advice to assist in carrying out its duties. The small size of the Board of directors and the fact that they take direct responsibility for all significant matters affecting GPG, including the appointment of other directors (should such requirement arise), make the establishment of a formal procedure for new appointments or a Nomination Committee unnecessary notwithstanding the requirements of the Code.

Audit Committee

The Audit Committee consists of Blake Nixon, who chairs the committee, Ron Langley and David Wadsworth who is an independent member. These members provide the required competence and experience in accounting and auditing matters. The Board considers that given the direct participation by all members of the Board in the operation, structure and financial control of GPG the composition of the Audit Committee is sufficient to ensure the integrity of GPG's financial reporting and controls, even though it does not comply with the membership provisions of the Code. The Audit Committee's written terms of reference are available for inspection at the GPG London, Sydney and Auckland offices.

The Committee is responsible for monitoring the integrity of the consolidated financial statements and reviewing significant financial reporting judgements contained therein. It is responsible for making recommendations on the engagement of the Company's external auditor, Deloitte LLP.

Following consideration of the performance and independence of the external auditors, the Audit Committee recommended the continued appointment of Deloitte LLP for the 2010 financial year and a resolution proposing the reappointment of Deloitte LLP as auditors to the Group will be put to shareholders at the upcoming Annual General Meeting.

Deloitte LLP was appointed the Company's auditor in 2003 following an evaluation process including the Company's predecessor audit firm. The Audit Committee continues to review the position annually. There are currently no contractual obligations that restrict the Group's choice of external audit firm.

The Committee is satisfied that its policy on the supply of non-audit services by the Company's auditor, Deloitte LLP, ensures that audit objectivity and independence are safeguarded.

The Committee met four times in 2009 in order to discharge its duties under its terms of reference.

"Whistleblower" procedures exist within the Parent Group and within the major Operating Subsidiaries save MMC. However there is within MMC a positive obligation to report any compliance breaches or suspected breaches of the law or internal policy within its compliance framework.

Remuneration Committee

The Remuneration Committee consists of Sir Ron Brierley, who chairs the Committee, Ron Langley, Blake Nixon and Gary Weiss. No director is involved in deciding his own remuneration. The Board considers that Sir Ron Brierley and Ron Langley have qualities which are sufficient to ensure the integrity and independence of the Remuneration Committee in fulfilling its duties, even though it does not comply with the membership provisions of the Code. The Remuneration Committee's written terms of reference are available for inspection at the GPG London, Sydney and Auckland offices.

The role of the Remuneration Committee is to monitor, review and set GPG's remuneration policy as set out in the Report on Remuneration and Related Matters on pages 67 to 69.

The Committee met once in 2009 in order to discharge its duties under its terms of reference.

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 together with a Simplified Balance Sheet for the Group. In addition, note 40 to the financial statements include the Company'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 Company has considerable financial resources across different geographic areas and industries. As a consequence, the directors believe that the Company is well placed to manage its business risks successfully.

The directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future.

REPORT ON REMUNERATION AND RELATED MATTERS

This report covers the remuneration of executive and non-executive directors and also related matters such as directors' interests in shares. It therefore covers issues which are the concern of the Board as a whole, in addition to those dealt with by the Remuneration Committee.

Remuneration Policy

The Remuneration Committee's current 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 invests, to attract, incentivise, reward and retain the directors.

Each of the executive directors has a contract of service with the Company. These agreements provide for a rolling 12 months' notice period to be given by the director and are terminable by the Company on giving 18 months' notice. In the case of early termination by the Company, the director would receive compensation based on the unexpired portion of his notice period. In the event of a change in control, the agreements entitle each director to compensation of two years' remuneration if he elects to leave within 6 months. Similar arrangements, on reduced periods, are in place for certain senior officers of the Company. GPG's Remuneration Committee considers that it is necessary to offer such rolling contracts and notice periods in order to retain, motivate and in the future recruit individuals of the right calibre and to ensure continuity of the Group's management.

The make-up of directors' remuneration varies according to geographical location and the nature of the appointment but includes:

- Annual benefits: including a competitive basic salary, directors' fees as appropriate, health and car benefits and life assurance. Directors are also entitled to performance-related cash bonuses (see below);
- Long Service Leave based on one month's leave for every five years worked, applied on a pro-rata basis;
- Payment for holidays interrupted, curtailed or not taken;
- Pension contributions: see the Notes below the following table;
- Long term incentives: directors are entitled to receive awards of options under the Group's share option schemes; and
- Staff bonus scheme: directors are eligible to participate in a non-contractual bonus scheme, under which cash bonuses may be paid to all staff in the GPG Parent Group. No such bonus will be payable in respect of any year when net profits attributable to GPG shareholders do not achieve a 12.5% realised return on adjusted IFRS opening shareholders' funds, as further adjusted for share issues during the year. If this target is achieved a bonus pool is established by the Remuneration Committee with reference to profit and the return on shareholders' funds. There is no ceiling on the bonuses payable to directors. This scheme is operated in order to remain competitive, having regard to performance bonuses paid by international investment funds and companies comparable to GPG.

Corporate Governance – continued

Details of individual director's emoluments (audited figures)

The emoluments of the directors of GPG who served during the year are set out below. These amounts comprise emoluments payable to the directors by GPG and its subsidiaries for the years ended 31 December 2009 and 31 December 2008.

	Sir Ron Brierley £	A I Gibbs £	Ron Langley (appointed 28 May 2009) £	B A Nixon £	Dr G H Weiss £
Remuneration package	**–**	**686,272**	**–**	**555,149**	**824,459**
Directors' fees	**–**	**–**	**82,361**	**–**	**–**
Pension contributions	**–**	**–**	**–**	**(19,800)**	**(30,723)**
TOTAL PAYMENTS IN 2009	**–**	**686,272**	**82,361**	**535,349**	**793,736**
Remuneration package	–	619,073	–	555,149	717,874
Pension contributions	–	–	–	(19,800)	(47,522)
TOTAL PAYMENTS IN 2008	–	619,073	–	535,349	670,352
Leave Accrual in 2009	**–**	**132,918**	**–**	**11,380**	**196,233**
Leave Accrual in 2008	–	92,027	–	65,334	189,246
Gains on Options 2009	**–**	**429,219**	**–**	**543,730**	**665,840**
Gains on Options 2008	–	388,011	–	–	–
Pension Contributions 2009	**–**	**–**	**–**	**19,800**	**30,723**
Pension Contributions 2008	–	–	–	19,800	47,522
TOTAL REMUNERATION IN 2009	**–**	**1,248,409**	**82,361**	**1,110,259**	**1,686,532**
TOTAL REMUNERATION IN 2008	–	1,099,111	–	620,483	907,120

The aggregate emoluments and gains on share options exercised (excluding pension contributions) for the highest paid director were £1,655,809 (2008: £1,099,111). Contributions paid to money purchase schemes in respect of the highest paid director were £30,723 (2008: £Nil).

G J Cureton acted as a director of the Company until 29 August 2008, and received a remuneration package of £364,634 and payment of his leave accrual of £413,569 during the year to 31 December 2008.

Holiday and Long Service Leave

It is the policy of the Remuneration Committee that all executive directors should be contractually entitled to Long Service Leave in accordance with the Long Service Leave Act 1955 of New South Wales, Australia, and to holiday accruals where directors have taken less holiday than their contractual entitlements. The following table shows the amounts accrued for the year ended 31 December 2009 and for prior periods. No payments have been made to directors, other than as shown as utilised in the year.

	Prior years £	Total accrued in 2009 £	Closing balance 31 December 2009 £
A I Gibbs	828,467	132,918	961,385
B A Nixon	813,096	11,380	824,476
Dr G H Weiss	952,540	196,233	1,148,773
	2,594,103	340,531	2,934,634

The movement during 2009 includes a significant element of foreign exchange differences where salaries and leave entitlements are calculated and accrued in foreign currencies and translated back into sterling.

Notes

i) Overseas directors' emoluments, which are paid in local currency, have been translated at the relevant year-end exchange rate.

ii) Share options are awarded to directors in accordance with the terms of the Group's share option schemes, the terms of which have been approved by shareholders. The Company does not operate any other long term incentive schemes. It is felt that the grant of options is more appropriate since this contains an element of reward for individual achievement together with an incentive allied to the Group's longer term performance. The approach also aligns management's interests with those of shareholders. Awards are made in most years in the context of the Group's recent trading performance, the individual's contribution to that performance and his expected performance and contribution in the future. In addition, awards are calculated having regard to the individual's existing holdings. Directors are not required to hold their shares for a further period following exercise of their options.

iii) All executive directors are entitled to direct that a variable amount of their total salary, as determined by the Remuneration Committee each year, be paid by way of contribution to any pension arrangement which they may establish for the purpose.

iv) All pension contributions are in respect of defined contribution arrangements.

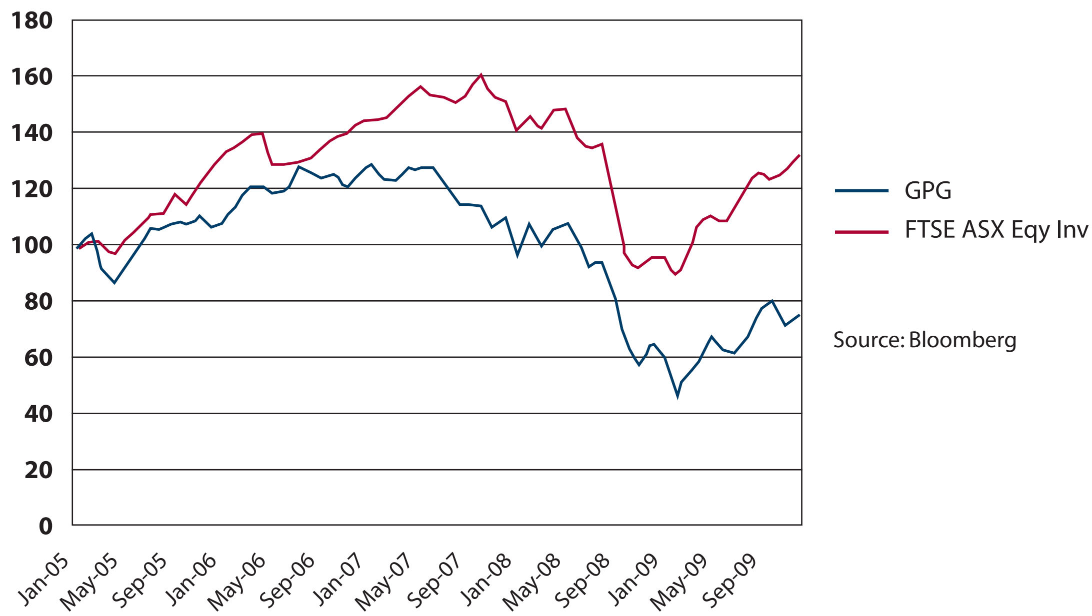
v) Of their total salary, as determined by the Remuneration Committee each year, directors are entitled to direct that a variable amount be paid in a form other than cash.

vi) Where directors are required by GPG to act as a director of an investee company outside the Parent Group, it is the Group's policy that director's fees from such entities are paid directly to the Group.

vii) An amount totalling £21,065 was paid by the Company to HM Revenue & Customs during the year in respect of historical tax liabilities of overseas directors to UK income tax on share options.

viii) The tables set out above, and these notes, comprise the auditable part of the directors' remuneration report, being the disclosures required by Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

Performance Graph (unaudited) – Total Shareholder Return
5-year Comparison of GPG shares against FTSE All-Share Equity Investment Instruments Index



Corporate Governance – continued

DIRECTORS' INTERESTS

The interests (unaudited unless stated otherwise) of the directors who held office at the end of the year, and their connected persons (if any), in the shares, options, and listed securities of GPG and its subsidiaries as at 31 December 2009 and 2008, are set out below.

i) Guinness Peat Group plc

Ordinary 5p shares

	31 December 2009	31 December 2008
Sir Ron Brierley	51,120,195	45,108,190
A I Gibbs	8,284,192	7,241,427
Ron Langley	880,000	–
B A Nixon	15,009,849	11,760,710
Dr G H Weiss	18,498,583	15,262,706

There have been no transactions since the year end.

Options under the Group's share option schemes (audited figures)

	31 December 2009 Number	31 December 2008 Number	Effective exercise price (pence per share)	Exercise period
Sir Ron Brierley				
Ordinary	1,071,790	1,071,790	18.89	17.10.04 to 17.10.11
Ordinary	708,621	708,621	43.41	23.04.07 to 23.04.14
Ordinary	644,200	644,200	52.22	09.03.08 to 09.03.15
Ordinary	366,021	366,021	55.32	24.10.08 to 24.10.15
Ordinary	219,611	219,611	61.33	15.03.09 to 15.03.16
Ordinary	332,750	332,750	61.23	09.03.10 to 09.03.17
Ordinary	181,500	181,500	54.13	10.04.11 to 10.04.18
A I Gibbs				
Ordinary	2,143,583	2,143,583	18.89	17.10.04 to 17.10.11
Ordinary	2,125,869	2,125,869	43.41	23.04.07 to 23.04.14
Ordinary	1,207,879	1,207,879	52.22	09.03.08 to 09.03.15
Ordinary	805,255	805,255	48.12	04.04.08 to 04.04.15
Ordinary	1,830,121	1,830,121	55.32	24.10.08 to 24.10.15
Ordinary	878,456	878,456	61.33	15.03.09 to 15.03.16
Ordinary	1,331,000	1,331,000	61.23	09.03.10 to 09.03.17
Ordinary	1,210,000	1,210,000	54.13	10.04.11 to 10.04.18
B A Nixon				
Ordinary	2,143,583	2,143,583	18.89	17.10.04 to 17.10.11
Ordinary	2,125,867	2,125,867	43.41	23.04.07 to 23.04.14
Ordinary	2,013,134	2,013,134	52.22	09.03.08 to 09.03.15
Ordinary	1,830,121	1,830,121	55.32	24.10.08 to 24.10.15
Ordinary	878,456	878,456	61.33	15.03.09 to 15.03.16
Ordinary	1,331,000	1,331,000	61.23	09.03.10 to 09.03.17
Ordinary	1,210,000	1,210,000	54.13	10.04.11 to 10.04.18

	31 December 2009 Number	31 December 2008 Number	Effective exercise price (pence per share)	Exercise period
Dr G H Weiss				
Ordinary	2,143,583	2,143,583	18.89	17.10.04 to 17.10.11
Ordinary	2,125,869	2,125,869	43.41	23.04.07 to 23.04.14
Ordinary	2,013,134	2,013,134	52.22	09.03.08 to 09.03.15
Ordinary	1,830,121	1,830,121	55.32	24.10.08 to 24.10.15
Ordinary	878,456	878,456	61.33	15.03.09 to 15.03.16
Ordinary	1,331,000	1,331,000	61.23	09.03.10 to 09.03.17
Ordinary	1,210,000	1,210,000	54.13	10.04.11 to 10.04.18

Options outstanding at 31 December 2008 have been restated as to price and number to reflect the impact of the 2009 Capitalisation Issue.

During the year, the directors exercised options as follows:

	Date of exercise	No. of shares allotted on exercise	Expiry date of option	Market value on date of exercise (p)
A I Gibbs	22.06.09	4,020,295	01.09.09	29.4
B A Nixon	20.03.09	259,366	21.03.09	27.4
	28.08.09	4,020,295	01.09.09	31.9
Dr G H Weiss	19.03.09	1,348,737	21.03.09	27.0
	01.09.09	4,539,044	01.09.09	31.9

No options granted to directors lapsed during the year and no such options have lapsed since the year end. Since the year end, no further options have been granted.

As part of the reverse acquisition of Brunel Holdings plc in 2002, Blake Nixon "rolled over" his options into replacement options over the Ordinary Shares of GPG. The other directors' existing options granted before 13 December 2002 are over ordinary shares of 10p each in what is now GPG (UK) Holdings plc. Under the Step-Up rights in that company's Articles of Association, any shares issued by GPGUKH in respect of options are acquired automatically by GPG in exchange for Ordinary Shares in GPG, currently on a one-for-one basis.

The middle market price of GPG's shares at 31 December 2009 was 36.0p and the range during the year was 18.6p to 42.5p.

ii) Turners & Growers Limited – ordinary shares

	31 December 2009	31 December 2008
A I Gibbs	72,086	72,086

By order of the Board

Chris Healy
Company Secretary
Guinness Peat Group plc
Incorporated and Registered in England No. 103548

25 March 2010

Supplementary Information (unaudited)

SUPPLEMENTARY INFORMATION REQUIRED BY THE AUSTRALIAN SECURITIES STOCK EXCHANGE LISTING RULES FOR THE YEAR ENDED 31 DECEMBER 2009

a) The top 20 registered holdings of the issued Ordinary Shares of 5p each* at 28 February 2010 were as follows:

Registered Holder	Holding	% Issued shares
National Nominee New Zealand Limited <NZCSD>	150,073,090	9.26
Accident Compensation Corporation <NZCSD>	57,908,151	3.57
ANZ Nominees Limited <NZCSD>	56,938,785	3.51
Tan Chin Tuan Pte Limited	53,856,292	3.32
Sir Ronald Alfred Brierley	51,120,195	3.15
New Zealand Superannuation Fund Nominees Limited <NZCSD>	41,548,635	2.56
HSBC Nominees (New Zealand) Limited <NZCSD>	37,477,418	2.31
AMP Investments Strategic Equity Growth Fund – A/C <NZCSD>	34,450,402	2.13
J P Morgan Nominees Australia Limited	30,438,582	1.88
HSBC Nominees (New Zealand) Limited A/C State Street – <NZCSD>	27,852,653	1.72
Citibank Nominees (New Zealand) Limited <NZCSD>	26,081,624	1.61
NZ Guardian Trust Investment Nominees Limited <NZCSD)	22,703,248	1.40
Premier Nominees Ltd – ING Wholesale Australasian Share Fund <NZCSD>	21,556,665	1.33
Cogent Nominees Pty Limited	18,892,074	1.17
HSBC Custody Nominees	17,449,922	1.08
Dr Gary Hilton Weiss	16,159,446	1.00
National Nominees Limited	15,856,262	0.98
Blake Andrew Nixon	15,009,849	0.93
NZGT Nominees Limited – AIF Equity Fund – A/C <NZCSD>	13,470,738	0.83
Asteron Life Limited <NZCSD>	13,355,421	0.82

b) The spread of holdings in the issued Ordinary Shares at 28 February 2010 was as follows:

Holding	No. Holders	%	No. Shares	%
1 to 1,000	4,224	12.41	1,391,251	0.09
1,001 to 5,000	9,772	28.72	27,169,512	1.68
5,001 to 10,000	6,266	18.41	45,462,716	2.80
10,001 to 100,000	12,641	37.14	358,330,175	22.10
Over 100,001	1,131	3.32	1,188,549,741	73.33
Total	**34,034**	**100.00**	**1,620,903,395**	**100.00**

GPG is incorporated in England and Wales, and is not subject to Chapters 6, 6A, 6B and 6C of the Australian Corporations Act dealing with the acquisition of shares.

* In Australia, this includes CHESS Depository Interests.

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). 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

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

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

Responsibility statement

We confirm that to the best of our knowledge:

1. 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; and

2. the management report, which is incorporated into the Directors' 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 they face.

By order of the Board

B A Nixon
Director
25 March 2010

Chris Healy
Company Secretary
25 March 2010

Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GUINNESS PEAT GROUP PLC

We have audited the Group and parent company financial statements (the "financial statements") of Guinness Peat Group plc for the year ended 31 December 2009 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the company balance sheet, the consolidated statement of changes in equity, the consolidated statement of cash flows and the related notes 1 to 41. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (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).

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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

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 the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the 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.

Opinion on financial statements

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 2009 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with 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; 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.

Emphasis of matter – uncertainty relating to the amount of a potential liability arising from a European Commission investigation

Without qualifying our opinion, we draw attention to the disclosures made in note 28 to the financial statements concerning the European Commission competition investigation into alleged market-sharing agreements relating to the European haberdashery market. In September 2007, the European Commission imposed a fine of €110.3 million (equivalent to £97.7 million at 31 December 2009 exchange rates) against the Coats plc group in relation to these allegations, against which Coats plc has lodged an appeal. Significant uncertainty surrounds the ultimate outcome of this matter. The directors are of the view that any anticipated eventual payment of the remaining fine is adequately covered by the existing provision.

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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

- 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 and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the directors' statement contained within the Corporate Governance report in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

R. Norton

Richard Norton (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom
25 March 2010

Notice of Annual General Meeting

Notice is hereby given that the 2010 Annual General Meeting of Guinness Peat Group plc ("the Company") will be held at 10.30 a.m. on 7 May 2010 at The Army and Navy Club, 36 Pall Mall, London SW1Y 5JW to consider and, if thought fit, to pass the following Resolutions of which Resolutions 1-10 will be proposed as ordinary resolutions and Resolutions 11-13 will be proposed as special resolutions:

1 To receive the directors' report, auditor's report and the financial statements for the year ended 31 December 2009.

2 To receive and approve the directors' remuneration report, as set out in the 2009 Annual Report, for the year ended 31 December 2009.

3 To re-appoint Tony Gibbs as a director of the Company.

4 To re-appoint Ron Langley as a director of the Company.

5 To re-appoint Deloitte LLP as auditor of the Company, to hold office until the conclusion of the next general meeting at which accounts are laid before the Company.

6 To authorise the directors to fix the remuneration of the auditor.

7 That the directors be and they are hereby generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 to exercise all powers of the Company to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company ("Rights") up to an aggregate nominal amount of £27,051,552 provided that this authority shall expire (unless previously varied as to duration, revoked or renewed by the Company in general meeting) on the fifth anniversary of the passing of this Resolution, save that the Company shall be entitled to make offers or agreements before the expiry of such authority which would or might require shares to be allotted or Rights to be granted after such expiry and the directors shall be entitled to allot shares and grant Rights pursuant to any such offer or agreement as if this authority had not expired; and all unexercised authorities previously granted to the directors to allot shares and grant Rights, save for the authority to be conferred by Resolution 8 below, be and are hereby revoked.

8 That, with note to Resolution 9 of the 2004 AGM and in addition and without prejudice to the authorisations set out in Resolution 7, the directors be and they are hereby generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 to exercise all the powers of the Company to allot ordinary shares in the Company up to an aggregate nominal amount of £60,000,000 in connection with the issue by the Company of ordinary shares pursuant to the step-up rights set out in Article 33A of the Articles of Association of GPG (UK) Holdings plc ("GPGUKH"), as amended from time to time ("the Step-up Rights") in consideration for the transfer to the Company (or as the Company may direct) of any shares in GPGUKH which have been issued on conversion of the Capital Notes (as those terms are defined in the Step-up Rights), provided that this authority shall expire on the fifth anniversary of the date of passing of this Resolution, save that the Company shall be entitled to make offers or agreements before the expiry of such authority which would or might require ordinary shares to be allotted after such expiry and the directors shall be entitled to allot ordinary shares pursuant to any such offer or agreements as if this authority had not expired.

9 That, upon the recommendation of the directors, it is desirable to capitalise up to £8,410,732 being part of the amount standing to the credit of the Other reserve of the Company and accordingly such amount be set free for distribution among the holders of the ordinary shares of 5p of the Company ("ordinary shares") whose names are entered on the UK register of members or on the New Zealand or Australian branch registers at the close of business on 28 May 2010, in proportion to the number of such ordinary shares then held by them respectively, on the basis that it be not paid in cash but be applied in paying up in full at par up to 168,214,647 new ordinary shares and that such shares be allotted and distributed, credited as fully paid up, to and among the said holders of ordinary shares in the proportion of 1 new ordinary share for every 10 ordinary shares held by them, and that the directors be authorised and directed to apply the said £8,410,732 and generally and unconditionally authorised to allot the said new ordinary shares accordingly on or prior to 31 December 2010 upon such terms that such new ordinary shares shall rank in all respects pari passu with such of the existing issued ordinary shares as are fully paid or credited as fully paid.

10 That:

(i) pursuant to Article 123 of the Articles of Association of the Company, the directors be and they are hereby authorised to offer those shareholders entitled to any dividend declared or payable prior to the beginning of the fifth annual general meeting next following the date on which this Resolution is passed, the right to elect in lieu of the cash dividend to receive additional ordinary shares, credited as fully paid on the terms and subject to any conditions that the directors consider to be in the best interests of the Company and provided that any earlier power of the directors to offer shares in lieu of a cash dividend as aforesaid be and is hereby revoked; and

(ii) pursuant to Article 123(f) of the Articles of Association of the Company, the directors be and are hereby authorised to capitalise out of the amount for the time being standing to the credit of any reserve or fund whether or not the same is available for distribution, or any profits which could otherwise have been applied in paying dividends in cash, as the directors may determine, a sum equal to the aggregate nominal amount of the additional ordinary shares to be allotted pursuant to elections made as aforesaid, and to apply such sum in paying up in full the appropriate number of unissued ordinary shares in the Company and to allot such ordinary shares to the members of the Company who have validly so elected; and

(iii) in the event that the middle market quotation of an ordinary share of the Company on the London Stock Exchange Daily Official List as at the latest reasonably practicable date prior to the issue of the shares described in (i) above as determined by the directors in their absolute discretion is below the middle market quotation of an ordinary share on the date on which the proposed scrip dividend issue is publicly announced, the directors be and they are hereby entitled to withdraw the offer to shareholders who have elected in lieu of the relevant cash dividend to receive additional ordinary shares, and they will receive the relevant cash dividend instead.

11 That the directors be and they are hereby empowered pursuant to sections 570 and 573 of the Companies Act 2006 to allot equity securities (as defined in Section 560 of that Act) for cash pursuant to the authority conferred by Resolution 7 above, and/or to sell equity securities held as treasury shares for cash pursuant to section 727 of the Companies Act 2006, in each case as if section 561 of that Act did not apply to any such allotment or sale, provided that this power shall be limited to:

(i) the allotment and/or sale of equity securities in connection with a rights issue, open offer or other offer of securities in favour of the holders of ordinary shares on the register of members at such record date as the directors of the Company may determine and other persons entitled to participate therein, in any or all jurisdictions where equity securities are listed on any recognised stock exchange, where the equity securities respectively attributable to the interests of the ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them on the record date of such allotment but subject to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with any treasury shares, fractional entitlements or the legal or practical matters in respect of overseas holders or of any regulatory body or stock exchange or otherwise; and

(ii) the allotment and/or sale (otherwise than pursuant to sub-paragraph (i) above) to any person or persons of equity securities for cash up to an aggregate nominal value not exceeding £4,594,204,

and such power, unless renewed or otherwise varied by the Company in general meeting, shall expire upon the expiry of the general authority conferred by Resolution 7 above, save that the Company may make an offer or agreement before this power has expired, which would or might require equity securities to be allotted or equity securities held as treasury shares to be sold after such expiry and the directors may allot equity securities and/or sell equity securities held as treasury shares pursuant to any such offer or agreement as if the authority conferred hereby had not expired. Any earlier power of the directors to allot equity securities as aforesaid be and is hereby revoked.

12 That the Company be generally and unconditionally authorised to make market purchases (within the meaning of section 693(4) of the Companies Act 2006) of ordinary shares in the capital of the Company on such terms and in such manner as the directors may from time to time determine provided that:

(i) the maximum number of ordinary shares hereby authorised to be acquired is 243,301,658; and

(ii) the minimum price which may be paid for any such share is 5p; and

(iii) the maximum price which may be paid for any such share is the amount equal to 105% of the average of the middle market quotations for an ordinary share in the Company as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which such share is contracted to be purchased (exclusive of associated expenses); and

(iv) the authority hereby conferred shall expire on 6 November 2011 or the date of the next annual general meeting of the Company whichever shall be the earlier unless previously renewed, varied or revoked by the Company in general meeting; and

(v) the Company may contract to purchase its ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or might be executed wholly or partly after the expiration of such authority, and may purchase its ordinary shares in pursuance of any such contract.

13 That a general meeting, other than an annual general meeting, may be called on not less than 14 clear days' notice.

REGISTERED OFFICE:
First Floor
Times Place
45 Pall Mall
London SW1Y 5GP
Registered Number 103548

By order of the Board
Chris Healy
Secretary
25 March 2010

For further information, see the Notes to the Notice of Meeting on page 78.

Notice of Annual General Meeting – continued

Explanatory Note in respect of Resolutions 1 to 13

a) Resolution 1

The directors are required by the Companies Act 2006 to present to the shareholders of the Company at a general meeting the reports of the directors and auditors, and the audited financial statements of the Company, for the year ended 31 December 2009. The report of the directors and the audited financial statements have been approved by the directors, and the report of the auditors has been approved by the auditors, and a copy of each of these documents may be found in the 2009 Annual Report, starting at page 8.

b) Resolution 2

The Companies Act 2006 requires the Company to seek shareholder approval for the directors' remuneration report at the general meeting before which the Company's annual accounts are laid. The directors' remuneration report is included in the 2009 Annual Report, starting at page 67. If shareholders vote against the report the directors will still be paid, but the Remuneration Committee will reconsider its policy.

c) Resolutions 3 and 4

The Company's Articles of Association require that any director who was not appointed or reappointed at either of the last two annual general meetings before this meeting must retire, although they may offer themselves for reappointment. Accordingly, Tony Gibbs is retiring and seeking reappointment. In addition, the Company's Articles of Association require that any person appointed as a director by the directors must retire and seek reappointment at the next annual general meeting. Accordingly, Ron Langley is retiring and seeking reappointment.

d) Resolution 5

The Companies Act 2006 requires that auditors be appointed at each general meeting at which accounts are laid, to hold office until the next such meeting. This Resolution seeks shareholder approval for the reappointment of Deloitte LLP. The Audit Committee keeps under review the independence and objectivity of the external auditors, further information on which can be found in the 2009 Annual Report on pages 66 and 67. After considering relevant information, the Audit Committee recommended to the board of directors that Deloitte LLP be reappointed.

e) Resolution 6

This Resolution gives the directors the authority to determine the remuneration of the auditors for the audit work to be carried out by them in the next financial year. The amount of the remuneration paid to the auditors for the next financial year will be disclosed in the next audited accounts of the Company.

f) Resolution 7

The Companies Act 2006 provides that the directors are not permitted to allot shares (or other relevant securities such as rights to subscribe for, or convert securities into, ordinary shares) unless they are authorised to do so by the Company's shareholders in general meeting. This Resolution will, if passed, renew the directors' authority (given by shareholders at the 2009 AGM) to allot shares and other relevant securities up to the maximum amount set out in the Resolution, and is consistent with the level commonly proposed by other UK listed companies. This Resolution is broadly on the same terms as last year's resolution but has been updated to reflect that the authority is being given under section 551 of the Companies Act 2006 (rather than section 80 of the Companies Act 1985) and to reflect a change in the language used in the Companies Act 2006. The figure of £27,051,552 is equivalent to one-third of the current issued share capital (excluding treasury shares) as at 19 March 2010. As at that date, the Company did not hold any treasury shares.

The authority will expire on the fifth anniversary of the passing of the Resolution.

Passing this Resolution will ensure that the directors continue to have the flexibility to act in the best interests of shareholders, when opportunities arise, by issuing new shares. There are no current plans to issue new shares except in connection with employee share schemes.

g) Resolution 8

This Resolution gives the directors the authority to allot shares (or other relevant securities) up to an aggregate maximum nominal amount of £60,000,000 in connection with the step-up rights set out in the Articles of Association of GPGUKH. A similar authority was granted to the directors at the 2004 AGM and gave the directors the authority to allot shares in connection with the step-up rights for a period of up to 5 years. This Resolution, if passed, will renew this authority.

h) Resolution 9

This Resolution, if passed, enables the directors to carry out the proposed 1:10 capitalisation ("bonus") issue in respect of all those shares issued and registered on the Company's share registers on the relevant record date. It is on similar terms to the authority given by shareholders at previous annual general meetings.

i) Resolution 10

In accordance with the provisions of the Company's Articles of Association, this Resolution, if passed, enables the directors for up to 5 years to offer a Scrip Dividend Alternative ("SDA") without the need to seek shareholders' approval on each occasion an SDA is proposed. It extends by approximately one year the 5 year authority granted by shareholders in 2009.

j) Resolution 11

This Resolution is to enable the directors to allot shares either for a rights issue or other offer of securities to existing shareholders or (up to the specified amount) for cash without first offering them to existing shareholders exactly in proportion to their existing shareholdings (which would otherwise be required under UK statutory pre-emption rights contained in section 561 of the Companies Act 2006). This Resolution, if passed, renews the directors' authority (given by shareholders at the 2009 AGM) to allot shares and other equity securities for cash, in appropriate circumstances, subject to the maximum amount set out in the Resolution, and is consistent with the level commonly proposed by other UK listed companies. The maximum amount is 5% of the current issued share capital. If passed, this authority will expire at the same time as the authority to allot shares given pursuant to Resolution 7. As with Resolution 7, the terms of Resolution 11 are broadly the same as last year's resolution but the Resolution has been updated to reflect that it is being passed pursuant to sections 570 and 573 of the Companies Act 2006 rather than section 95 of the Companies Act 1985.

k) Resolution 12

Resolution 12 gives the Company authority to buy back its own ordinary shares in the market as permitted by the Companies Act 2006. The authority limits the number of shares that could be purchased to a maximum of 243,301,658 (representing approximately 15% of the Company's issued ordinary share capital as at 19 March 2010 (the latest practicable date prior to publication of this document)) and sets minimum and maximum prices. As at that date, the Company did not hold any treasury shares. This authority will expire on 6 November 2011 or at the conclusion of the AGM of the Company in 2011, whichever is the earlier.

Listed companies purchasing their own shares are allowed to hold them in treasury as an alternative to cancelling them. No dividends are paid on shares whilst held in treasury and no voting rights attach to treasury shares.

l) Resolution 13

Under new rules introduced on 3 August 2009 to implement the EU Shareholder Rights Directive, the Company must give at least 21 clear days' notice of any general meeting, but is permitted to call meetings other than the annual general meeting on at least 14 clear days' notice if it obtains annual shareholder approval and it offers a facility for shareholders to vote by electronic means. The board is therefore proposing Resolution 13 as a special resolution to approve 14 clear days as the minimum period of notice for all general meetings of the Company other than AGMs. The approval will be effective until the Company's next AGM, when it is proposed that the approval be renewed.

Notice of Annual General Meeting – continued

Notes to Notice of Annual General Meeting

1 The venue for the 2010 AGM is The Army and Navy Club, which is a private members' club. Shareholders intending to attend the 2010 AGM are requested to conform to the Club's dress code.

2 A member who is an individual is entitled to attend, speak and vote at the meeting or to appoint another person (who need not be a member of the Company) as his proxy to exercise all or any of his rights to attend, speak and vote at the meeting on his behalf. Further details of how to appoint a proxy, and the rights of proxies, are given in the paragraphs below. A member that is a company can appoint one or more corporate representatives (such as a director or employee of the company) whose attendance at the meeting is treated as if the company were attending in person. In accordance with the provisions of the Companies Act 2006, each such representative may exercise (on behalf of the company) the same powers as the company could exercise if it were an individual member of the Company, provided that they do not do so in relation to the same shares. It is no longer necessary to nominate a designated corporate representative. A member that is a company may also appoint one or more persons as its proxy to exercise all or any of its rights on its behalf. In each case, a person attending the meeting will need to provide the Company or its registrars, Computershare Investor Services PLC (for UK registered members), Computershare Investor Services Limited (for New Zealand registered members) and Computershare Investor Services Pty Limited (for Australian registered members) with evidence of their identity and, if applicable, their appointment as a proxy or corporate representative with authority to vote on behalf of a member.

3 A shareholder may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company. Your proxy could be the Chairman, another director of the Company or another person who has agreed to represent you. Your proxy must vote as you instruct and must attend the meeting for your vote to be counted. To appoint a proxy or proxies shareholders must complete: (a) a form of proxy, sign it and return it, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such authority, to the Company's registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZZ (for UK registered members), Computershare Investor Services Limited, Private Bag 92119, Auckland 1142 (for New Zealand registered members) and Computershare Investor Services Pty Limited, GPO Box 242, Melbourne VIC 2001 (for Australian registered members); or (b) a CREST Proxy Instruction (for UK registered members)(as set out in paragraph 19 below), in each case so that it is received no later than 10.30 a.m. (UK time) on 5 May 2010. To appoint more than one proxy, you will need to complete a separate form of proxy in relation to each appointment. Forms of proxy for use in connection with the Annual General Meeting are enclosed with this document. If you do not have a form of proxy and believe that you should, please contact the Company's registrars, Computershare Investor Services PLC on 0870 707 1022 (for UK registered members), Computershare Investor Services Limited on 09 488 8777 (for New Zealand registered members) and Computershare Investor Services Pty Limited on 03 9415 4083 (for Australian registered members) or at any of the registrar addresses stated above.

4 The Chairman intends to vote any undirected proxies given to him in favour of all the Resolutions set out in this Notice.

5 You will need to state clearly on each form of proxy the number of shares in relation to which the proxy is appointed. A failure to specify the number of shares each proxy appointment relates to or specifying a number of shares in excess of those held by the member will result in the proxy appointment being invalid.

6 The return of a completed form of proxy or any CREST Proxy Instruction (for UK registered members)(as described in paragraph 19 below) will not prevent a shareholder attending the Annual General Meeting and voting in person if he/she wishes to do so.

7 In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

8 Any person to whom this Notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

9 The statement of the rights of shareholders in relation to the appointment of proxies in paragraphs 2, 3 and 5 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by shareholders of the Company.

10 Copies of the service contracts and directors' indemnities in favour of Tony Gibbs, Blake Nixon and Gary Weiss, and an engagement letter and director's indemnity in favour of Ron Langley will be available for inspection at the offices of the Company at First Floor, Times Place, 45 Pall Mall, London SW1Y 5GP during normal business hours any week day (Saturdays and public holidays excepted) from the date of this document until 7 May 2010 being the date of the Annual General Meeting and at the venue of the 2010 AGM from 15 minutes before the start of the meeting until the end of the meeting.

11 Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001 and the Companies Act 2006, the Company gives notice that only those shareholders included in the register of members of the Company at 10.30 a.m. (UK time) on 5 May 2010 or, if the meeting is adjourned, in the register of members at 10.30 a.m. (UK time) on the day which is two days before the day of any adjourned meeting, will be entitled to attend and to vote at the Annual General Meeting in respect of the number of shares registered in their names at that time. Changes to entries on the share register after 10.30 a.m. (UK time) on 5 May 2010, or, if the meeting is adjourned, in the register of members at 10.30 a.m. (UK time) on the day which is two days before the day of any adjourned meeting, will be disregarded in determining the rights of any person to attend or vote at the Annual General Meeting.

12 As at 9.00 a.m. on 19 March 2010, the Company had 1,623,093,122 ordinary shares in issue, carrying one vote each. Therefore the total voting rights in the Company are 1,623,093,122.

13 Under section 527 of the Companies Act 2006, members meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Companies Act 2006. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under section 527 of the Companies Act 2006 to publish on a website.

14 Any member attending the meeting has the right to ask questions. The Company must answer any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

15 Under section 338 and section 338A of the Companies Act 2006, members meeting the threshold requirements in those sections have the right to require the Company (i) to give, to members of the Company entitled to receive notice of the meeting, notice of a resolution which may properly be moved and is intended to be moved at the meeting and/or (ii) to include in the business to be dealt with at the meeting any matter (other than a proposed resolution) which may be properly included in the business. A resolution may properly be moved or a matter may properly be included in the business unless (a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise), (b) it is defamatory of any person, or (c) it is frivolous or vexatious. Such a request may be in hard copy form or in electronic form, must identify the resolution of which notice is to be given or the matter to be included in the business, must be authorised by the person or persons making it, must be received by the Company not later than six clear weeks before the meeting, and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.

16 You may not use any electronic address provided in this Notice, or any related documents including the proxy form to communicate with the Company for any purposes other than those expressly stated.

17 The contents of this Notice, details of the total number of shares in respect of which members are entitled to exercise voting rights at the meeting, details of the totals of the voting rights that members are entitled to exercise at the meeting and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this Notice will be available on the Company's website: at www.gpgplc.com.

Notice of Annual General Meeting – continued

For UK registered members only

18 CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Annual General Meeting and any adjournment(s) of the meeting by using the procedures described in the CREST Manual (available via www.euroclear.com/CREST). CREST personal members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

19 In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's agent (ID: 3RA50), by the latest time for receipt of proxy appointments set out in paragraph 3 above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

20 CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed any voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

Company & Registrars' Addresses

UNITED KINGDOM

First Floor, Times Place, 45 Pall Mall, London SW1Y 5GP
Tel: 020 7484 3370 Facsimile: 020 7925 0700
www.gpgplc.com

AUSTRALIA

c/o PKF Chartered Accountants and Business Advisers
Level 10, 1 Margaret Street, Sydney NSW 2000
Tel: 02 9251 4100 Facsimile: 02 9240 9821

NEW ZEALAND

c/o Computershare Investor Services Limited
Private Bag 92119, Auckland 1142
Tel: 09 488 8700 Facsimile: 09 488 8787

Registered in England No. 103548

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: 0870 707 1022 Facsimile: 0870 703 6143	The Pavilions, Bridgwater Road, Bristol BS99 6ZZ
Australian Branch Register: Computershare Investor Services Pty Limited	GPO Box 242, Melbourne VIC 3001 Freephone: 1 800 501 366 (within Australia) Tel: 03 9415 4083 Facsimile: 03 9473 2506	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, North Shore City 0622

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.computershare.co.nz/investorcentre

General enquiries can be directed to:

enquiry@computershare.co.nz

Please assist our registrar by quoting your CSN or shareholder number.