GUINNESS PEAT GROUP plc

Chairman's Statement for Half Yearly Financial Report

The first half of 2012 has seen a focus on the key objectives I set out in my report to shareholders on 27 March 2012:

- to develop the operational, marketing and financial strength of Coats such that all of the foundations necessary for it to be the core of the listed group are in place by the end of the current year;
- to adopt a rigorous approach in realising assets which have no clear path to value increase in a short time frame;
- by the end of this year to be able to show a clear future for legacy pension schemes.

An update on these initiatives is included in this report. Progress has been made though Coats' trading performance has fallen short of our aims and the asset disposal programme has not progressed at the pace I would have liked. Nevertheless, up to 24 August 2012, asset realisations and cash proceeds from the investment portfolio since the beginning of the year have generated £168 million (NZ$328 million) and total net proceeds since 1 January 2011 are £310 million (NZ$605 million), as set out in the Appendix to this statement.

As signalled at the AGM in May the Board intends to undertake an on-market buyback of shares and I can confirm the intention to commence this process with the purchase of shares up to a value of £10 million (approximately NZ$20 million) as a first stage. We see this as one efficient means of returning surplus cash to shareholders. A specific announcement with the details of the buyback will be made shortly, subject to the Board confirming that the prevailing market conditions are appropriate. As the asset realisation process continues further surplus cash will be returned to shareholders in appropriate forms, taking into account the obligations in respect of the capital notes and support to the pension schemes.

It would be foolish to advance this return of cash without having full regard for all of the other potential claims on GPG assets which rank ahead of equity which is in the correct technical sense the "residual claimant" on those assets.

REPORTED FINANCIAL RESULTS

GPG's results for the period have been impacted by the confirmation of the EC Fine imposed on Coats by the European Court at the full amount of €110 million (NZ$174 million) and, taking into account interest and provisions made previously, this resulted in an exceptional charge of £76 million (NZ$148 million) to the Income Statement. The provisions held previously had been based on judgments reached after taking account of external advice. However, the Court reached a different conclusion. The merits of the Court's view are no longer relevant but the impact is substantial notwithstanding that we had ensured adequate funding was available to meet the worst case (which indeed we had to meet). The loss attributable to GPG shareholders for the period after taking account of this charge was £36 million (NZ$70 million) compared to a profit of £13 million (NZ$25 million) in the same period in 2011 and of £1 million (NZ$2 million) for the full year to 31 December 2011.

Summary Income Statement

	6 months ended 30 June 2012		6 months ended 30 June 2011		Year ended 31 December 2011	
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Operating subsidiaries (share of net profit)						
- Coats (excluding the EC Fine)	7		23		44	
- Coats EC Fine	(76)		-		-	
- Other	-		2		4	
		(69)		25		48
Turners & Growers (net of MI)		24		2		(9)
Parent Group associates and JV's		-		(8)		(16)
Investments						
- Gains realised in the period	29		24		28	
- Dividends	3		5		12	
- Mark-to-market losses	-		-		(2)	
- Impairments	(3)		(1)		(10)	
		29		28		28
Foreign exchange (losses)/gains		(5)		1		3
Other income		3		2		3
Parent Group overheads		(11)		(21)		(35)
Net interest		(5)		(6)		(12)
Parent Group tax charge		(2)		(10)		(9)
Net (loss)/profit £ million		**(36)**		**13**		**1**
Net(loss)/profit NZ$ million		**(70)**		**25**		**2**

Shareholders' funds decreased in the period by £99 million (NZ$193 million) to £503 million (NZ$982 million) and the net asset backing per share decreased from 37.1p (NZ72.4¢) to 31.0p (NZ60.5¢) in part as a result of the loss for the period.

Movements in shareholders' funds

	6 months ended 30 June 2012		**6 months ended 30 June 2011**		**Year ended 31 December 2011**	
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Opening shareholders' funds		602		993		993
Shareholders' returns						
- Capital returns	-		-		(80)	
- Dividend	-		-		(18)	
- Scrip dividend	-		-		6	
		-		-		(92)
(Loss)/profit for the period		(36)		13		1
Movements in unrealised gains reserve						
- Net gains realised in the period (recycled through the Income Statement)	(29)		(17)		(28)	
- Net unrealised movements on AFS investments	(17)		(18)		(27)	
- Unrealised movements in respect of associates	-		-		(15)	
- Deferred tax movement	2		9		10	
		(44)		(26)		(60)
IAS19 adjustments						
- GPG schemes	(1)		11		(29)	
- Coats	5		(6)		(186)	
		4		5		(215)
Foreign currency revaluations						
- Parent Group arising in the period	2		6		-	
- Parent Group recycled to the Income Statement	(20)		-		-	
- Coats	(5)		4		(26)	
- Other operating subsidiaries	-		4		-	
		(23)		14		(26)
Other		-		-		1
Closing shareholders' funds £ million		**503**		**999**		**602**
Closing shareholders' funds NZ$ million		**982**		**1,949**		**1,175**
Net asset backing per share		**31.0p**		**54.8p**		**37.1p**
Net asset backing per share		**NZ60.5¢**		**NZ106.9¢**		**NZ72.4¢**

Set out below is a simplified balance sheet for GPG as at 30 June 2012.

Simplified Balance Sheet

	30 June 2012		31 December 2011	
	£m	£m	£m	£m
Investment portfolio				
Operating subsidiaries excluding Coats (book value)	48		50	
Associated undertakings and JVs (book value)	206		212	
Other portfolio investments	120		212	
Turners & Growers	-		66	
Total investments		374		540
Cash		289		200
Gross assets excluding Coats		663		740
Capital Notes		(179)		(214)
GPG Pension Schemes		(65)		(64)
Other net debtors/(creditors)		3		(10)
		422		452
Coats				
- Other net assets	487		502	
- Net debt	(145)		(153)	
- EC Fine provision	(112)		(38)	
- UK pension deficit	(149)		(161)	
		81		150
Shareholders' funds £ million		**503**		**602**
Shareholders' funds NZ$ million		**982**		**1,175**

OVERVIEW OF GPG'S NET ASSET VALUE COMPONENTS

The constituent parts of the GPG simplified balance sheet are addressed below.

Investment portfolio (excluding Coats)

A table of GPG's investments (excluding Coats) as at 24 August 2012 is set out below. This includes listed and non-listed investments, subsidiaries, associated undertakings and joint ventures which together have a valuation of £363 million, representing the mark-to-market value of its listed investments and the current book value of non-listed investments.

	Shareholding	Market Value (£m)
Listed Investments		
Tower Limited	33.6%	83
ClearView Wealth Limited	47.3%	81
Ridley Corporation Limited	22.1%	48
CIC Australia Limited	72.9%	28
PrimeAg Australia Limited	11.6%	22
Capral Limited	47.4%	18
Tandou Limited	28.4%	10
Metals X Limited	6.1%	8
Newbury Racecourse plc	29.9%	5
AV Jennings Limited	7.7%	4
Other listed	Various	2
		309
Non-listed Investments (note 1)		54
Total		363

Notes:

1. Non-listed investments, which include Green's General Foods (72.5%), Tourism Asset Holdings (10.2%), Gosford Quarry Holdings (100%), Touch Holdings (56.0%) and Tourism Property Investment Group (10.0%), are shown at consolidated book value.
2. The market and book value at 30 June 2012 of listed subsidiary and associated undertakings (being CIC Australia, Capral, ClearView Wealth and Tower) were £175m and £219 million respectively. At 24 August 2012 the market value of these investments had risen to £210 million.

The current investment portfolio of £363 million compares to a starting valuation on 1 January 2011 of £677 million. Net cash proceeds from investment activities to date total £310 million or 46% of the initial valuation. These proceeds include completion during the current year of the sale of GPG's entire shareholdings in Turners & Growers, Young & Co's Brewery and Daniel Thwaites. Investment performance (including divestments) has been relatively flat compared to starting valuations at 1 January 2011.

In addition to the completed divestments achieved to date, further transactions representing nearly £20 million are in advanced stages and are expected to complete in the current year. A large amount of activity is also on-going with respect to our remaining investment portfolio. I comment below on some of the assets which we still hold:

- ClearView - An unsolicited, conditional takeover offer of A$0.50 per share was received on 12 July 2012 from a consortium led by Crescent Capital and involving a former GPG director. The Board of ClearView has responded by advising shareholders to reject the offer. GPG has also indicated to the market that it considers the unsolicited offer to be inadequate and unrepresentative of ClearView's fair value. The takeover process is on-going and GPG is supportive of the company's approach with respect to the actions it has taken in response to current events.

- Tower - The share price of Tower strengthened following the release of half-year results at the end of May. We have encouraged the Board and management of Tower to undertake a review of its strategies and we await news of the results of this review. Despite the recent strengthening in Tower's share price, we believe the value of Tower's component parts is not being fully reflected. Additionally, we are of the view that the company should affirmatively embark on an immediate process to optimise the structure and composition of its businesses, consistent with the interests of all shareholders.

- Ridley – this company continues the process of reconstruction of its business via a sale or demerger of its salt division.

- It is also noteworthy that the investment team has a number of active processes in train with respect to other portfolio positions.

It should be noted that specific action plans are in place for each remaining investment with target realisation time scales. These plans are kept under constant review and are modified as experience dictates and to take account of market developments.

Cash

At 30 June 2012 the GPG Parent Group had cash of £289 million (31 December 2011 £200 million). A breakdown of this balance by currency is included later under Capital Management.

Capital notes

As previously reported, the notes with an initial election date of 15 December 2013 with a principal value of NZ$77 million (£39 million) were purchased and cancelled by the Company on 15 March 2012. The remaining capital notes have an initial election date of 15 November 2012 and a principal value of NZ$350 million (£179 million). No notice of early repurchase will be given in respect of this issue. The Board intends to give notice in due course of the intention to purchase and cancel these notes on the election date.

Pensions

The carrying value of the Coats Plan and the two GPG pension schemes, Brunel and Staveley, (the "GPG Pension Schemes") on an IAS19 financial reporting basis has (in total) improved from the position at 31 December 2011, as set out in the table below:

IAS 19 (deficit)	**30 June 2012 £m**	**31 December 2011 £m**
Coats	149	161
Brunel	33	31
Staveley	32	34
Total £ million	**214**	**226**
Total NZ$ million	**418**	**441**

This improvement in the overall position is mainly the result of a fall in inflation expectations which impacts future pension liabilities. The effect of the change in the inflation assumption has outweighed the impact of the slight fall in the yield on AA rated corporate bonds used to discount the liabilities.

Work is being undertaken within all plans to contain future costs to GPG and Coats as far as practicable within the constraints of the plans.

Coats Pension Plan

Cash contributions into the Coats Pension Plan (the "Coats Plan") are currently £7 million per annum based on the deficit arising from the 2009 actuarial valuation. As described more fully below, the 2012 valuation is in progress and the outcome of this will determine the rate of future contributions to the Plan.

GPG Pension Schemes

The 2011 valuation of the Staveley scheme has recently been completed resulting in a deficit of £20.3 million. A deficit repair plan has been agreed with the scheme trustee requiring an initial contribution of £5.0 million in July 2012 and subsequent contributions of £1.3 million per annum over eight years commencing at the same date. No contributions are currently being made to the Brunel scheme as the last actuarial valuation (as at 31 March 2010) did not result in a deficit. The next valuation of the Brunel scheme is due as at 31 March 2013.

As at 30 June 2012 the net assets backing the GPG schemes totalled £129 million. This will reduce in future to the extent of the deficit repair payments being made to the Staveley scheme and increase with the accrual of interest.

Currently the covenant is represented by equivalent amounts receivable from a GPG holding company by the scheme sponsoring companies. The Staveley trustee has recently agreed a mechanism whereby the net assets of the sponsor company are expected ultimately to be fully backed by cash proceeds, which will not be available for distribution to the Group's shareholders. We are working on reaching a similar agreement with the Brunel scheme trustee.

We continue to explore means of supporting the GPG schemes in the longer term as part of the listed group or separately if more beneficial to shareholders and acceptable to the scheme trustees.

Coats

A more detailed description of Coats' performance in the period can be found in its own results announcement. As reported at the GPG AGM, Coats' trading in the first half of 2012 has been behind plan. This, together with adverse movements in exchange rates has resulted in sales at US$819 million being US$43 million lower than in 2011 (US$862 million). In the first half of 2012, Coats sales at constant exchange rates increased by 1 per cent over the same period in 2011; Crafts division sales grew by 5 per cent while Industrial division sales fell 1 per cent. Coats recorded a GPG attributable loss of £69 million (2011 profit - £23 million) after taking account of the EC Fine charge of £76 million.

These trading results are not acceptable and steps are being implemented to improve capital utilisation and cash generation throughout the business. We expect to see progress on these in the second half. Trading conditions are not easy for Coats but like all businesses it has to play the game on the pitch and in the conditions it finds.

Coats met its banking covenants at 30 June 2012 and expects to continue to do so. Subsequent to the period end Coats settled its obligation in respect of the EC fine through utilisation of its bank facilities.

A new actuarial valuation as at 5 April 2012 is being undertaken for the Coats Plan the results of which are due to be determined by mid-2013. It is too early in the process to be able to predict the outcome of the valuation but lower real bond yields at the effective date are expected to lead to a higher deficit than in the previous valuation. As part of this process a deficit recovery plan will be established based on affordability which will determine the new contributions to be made to the Plan.

We remain committed to supporting Coats in its development to enable it to become the core of the listed group at the appropriate point and work has been initiated with advisors to define further the necessary steps. This work is fully integrated with the wind down process within GPG itself.

OVERHEAD COSTS

A table of overhead costs arising in the period is set out below:

	6 months ended 30 June 2012 £m	**Year ended 31 December 2011 £m**
One-off advisors' fees relating to the strategic review and return of capital	-	9
Cost of redundancies arising in the period	1	2
Other staff incentives	3	6
Other operating costs:		
- Staff costs	3	7
- Non-executive directors fees	-	1
- Legal & professional fees	2	4
- Bank facility fees	-	2
- Property costs	1	2
- Legacy costs	1	-
- Other	-	2
Total £ million	**11**	**35**
Total NZ$ million	**21**	**68**

As stated previously a large proportion of the other staff incentive costs have been committed as part of securing the continuation of a successful asset realisation process. Staff numbers have been further reduced in the period in accordance with the wind-down plan.

CAPITAL MANAGEMENT

The management of foreign currency risk remains a key focus and to this end the migration of surplus cash to NZD continues to be pursued. The table below summarises the position at 30 June 2012:

	30 June 2012 £m	**31 December 2011 £m**
GBP	115	73
AUD	15	17
NZD	158	109
Other	1	1
Total £ million	**289**	**200**

The policy of switching AUD to NZD as investments are sold will be maintained. While we are mindful of the activity of central banks, and the impact that and other factors may have on the relative strength of our core currencies, the Board has elected not to adopt a more active hedging policy.

As noted earlier in this report:

- the Board has determined that an on-market share buyback of up to £10 million will be effected and this is to be launched in early September; and

- the Board also intends to purchase and cancel the capital notes with an election date of 15 November 2012 on their election date.

Subsequent to the period end the Board has elected to cancel the undrawn GPG revolving credit facility. Eliminating this committed facility will generate savings in the second half.

CONCLUSION

Progress has been made during the current year to date in executing the strategy announced in February 2011 and the next twelve months will be a critical period. The introduction of Scott Malcolm as Chair of the Investment Committee to support our Chief Investment Officer has been instrumental in this. Mike Allen has taken on the role of Coats Chairman and is leading the management of that business as it prepares for the future.

Nothing has changed in our objectives, and the work currently underway in each of the areas is still directed towards substantive achievement by the close of the year.

Rob Campbell
Chairman

29 August 2012

Note: All amounts stated in NZ$ are for illustrative purposes only based on the NZ$: GBP exchange rate on 30 June 2012, NZ$1.9514: £1.00

Enquiry details are:

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APPENDIX

Proceeds from disposals from 1 January 2011 to 24 August 2012

	£m	NZ$m
Investments fully disposed of in the period		
Turners & Growers	72	141
CSR	53	103
Youngs	53	103
Chrysalis Group	15	29
Pertama Holdings	13	25
Alinta Energy (now Redbank Energy)	11	21
eServGlobal	11	21
Marshalls	6	12
MSF Sugar	6	12
NIB Holdings	5	10
Thwaites	4	8
M J Gleeson	3	6
Turners Auctions	3	6
Fuller Smith & Turner	2	4
Adnams	2	4
Autologic	2	4
Shepherd Neame	2	4
NSX	1	2
Jersey Electricity	1	2
Jersey New Water	1	2
Augean	1	2
Santa Fe	1	2
Dickinson Legg	1	2
ASB Capital No 2	1	2
Capilano Honey	1	2
Tasmanian Pure Foods	1	2
Inland	1	2
Others	4	8
	277	**541**
Dividend receipts, part disposals and other investment activity	**33**	**64**
Total generated in the period	**310**	**605**

Condensed Consolidated Income Statement

	Unaudited 6 months to 30 June 2012 £m	Unaudited * 6 months to 30 June 2011 £m	Audited Year to 31 December 2011 £m
Continuing Operations			
Revenue	**533**	599	1,141
Cost of sales (2012: including £53m in respect of the EC fine; 2011: £Nil)	**(403)**	(393)	(748)
Gross profit	**130**	206	393
Profit on disposal of investments and other investment income	**37**	35	44
Distribution costs	**(89)**	(92)	(182)
Administrative expenses	**(86)**	(90)	(167)
Operating (loss)/profit (2012: £45m profit excluding impact of the EC fine)	**(8)**	59	88
Share of profit of joint ventures	**4**	2	12
Share of loss of associated undertakings	**(2)**	(8)	(18)
Finance costs (2012: including £23m in respect of the EC fine; 2011: £Nil)	**(37)**	(14)	(29)
(Loss)/profit before taxation from continuing operations (2012: £33m profit excluding impact of the EC fine)	**(43)**	39	53
Tax on (loss)/profit from continuing operations	**(13)**	(26)	(38)
(Loss)/profit for the period from continuing operations	**(56)**	13	15
Discontinued Operations			
Profit/(loss) from discontinued operations	**24**	4	(18)
(Loss)/profit for the period	**(32)**	17	(3)
Attributable to:			
EQUITY SHAREHOLDERS OF THE COMPANY	**(36)**	**13**	**1**
Non-controlling interests	**4**	4	(4)
	(32)	17	(3)
(Loss)/earnings per Ordinary Share from continuing and discontinued operations:			
Basic and diluted (pence)	**(2.23)p**	0.72p	0.03p
(Loss)/earnings per Ordinary Share from continuing operations:			
Basic and diluted (pence)	**(3.62)p**	0.61p *	0.62p

* Restated to reflect the results of Turners and Growers Ltd as a discontinued operation

Condensed Consolidated Statement of Comprehensive Income

	Unaudited 6 months to 30 June 2012 £m	Unaudited 6 months to 30 June 2011 £m	Audited Year to 31 December 2011 £m
(Loss)/profit for the period	**(32)**	17	(3)
Losses on revaluation of fixed asset investments	**(17)**	(16)	(27)
Losses on cash flow hedges	**(2)**	(2)	(5)
Exchange (losses)/gains on translation of foreign operations	**(2)**	17	(23)
Actuarial gains/(losses) on retirement benefit schemes	**4**	5	(215)
Tax on items taken directly to equity	**2**	9	9
Net (loss)/income recognised directly in equity	**(15)**	13	(261)
Transfers			
Transferred to profit or loss on sale of fixed asset investments	**(29)**	(20)	(43)
Transferred to profit or loss on sale of businesses	**(21)**	-	(3)
Transferred to profit or loss on cash flow hedges	**2**	2	4
	(48)	(18)	(42)
Net comprehensive (expense)/income for the period	**(95)**	12	(306)
Attributable to:			
EQUITY SHAREHOLDERS OF THE COMPANY	**(99)**	**6**	**(301)**
Non-controlling interests	**4**	6	(5)
	(95)	12	(306)

Condensed Consolidated Statement of Financial Position

	Unaudited 30 June 2012 £m	Unaudited 30 June 2011 £m	Audited 31 December 2011 £m
NON-CURRENT ASSETS			
Intangible assets	**165**	175	169
Biological assets	**-**	19	-
Property, plant and equipment	**274**	421	303
Investments in associated undertakings	**179**	229	186
Investments in joint ventures	**80**	56	62
Fixed asset investments	**111**	257	203
Deferred tax assets	**13**	17	12
Pension surpluses	**20**	24	20
Trade and other receivables	**16**	13	10
	858	1,211	965
CURRENT ASSETS			
Inventories	**214**	291	216
Biological assets	**-**	3	-
Trade and other receivables	**223**	315	217
Current asset investments	**11**	12	10
Derivative financial instruments	**1**	4	2
Cash and cash equivalents	**374**	351	276
	823	976	721
Assets held for sale	**-**	18	215
TOTAL ASSETS	**1,681**	2,205	1,901
CURRENT LIABILITIES			
Trade and other payables	**260**	312	250
Current tax liabilities	**8**	10	5
Capital Notes	**179**	-	214
Other borrowings	**25**	143	50
Derivative financial instruments	**5**	10	6
Provisions (includes EC fine)	**115**	64	63
	592	539	588
NET CURRENT ASSETS	**231**	437	133
Liabilities directly associated with assets held for sale	**-**	-	94

Condensed Consolidated Statement of Financial Position (continued)

	Unaudited 30 June 2012 £m	Unaudited 30 June 2011 £m	Audited 31 December 2011 £m
NON-CURRENT LIABILITIES			
Trade and other payables	**17**	13	13
Deferred tax liabilities	**26**	33	25
Capital Notes	**-**	219	-
Other borrowings	**230**	221	216
Derivative financial instruments	**3**	3	3
Retirement benefit obligations:			
Funded schemes	**209**	27	221
Unfunded schemes	**53**	56	54
Provisions	**22**	20	21
	560	592	553
TOTAL LIABILITIES	**1,152**	1,131	1,235
NET ASSETS	**529**	1,074	666

EQUITY			
Share capital	**81**	91	81
Share premium account	**-**	63	-
Translation reserve	**117**	179	139
Unrealised gains reserve	**19**	98	64
Capital reduction reserve	**118**	-	118
Other reserves	**110**	271	109
Retained earnings	**58**	297	91
EQUITY SHAREHOLDERS' FUNDS	**503**	**999**	**602**
Non-controlling interests	**26**	75	64
TOTAL EQUITY	**529**	1,074	666

Net asset backing per share:			
Pence	**30.99**	54.79	37.10
Australian cents	**47.42**	82.16	56.24
New Zealand cents	**60.47**	106.51	73.91

Rob Campbell, Director

Approved by the Board on 28 August 2012

Condensed Reconciliation of Consolidated Changes in Equity
6 months ended 30 June 2012

	Share capital £m	Share premium account £m	Translation reserve £m	Unrealised gains reserve £m	Capital reduction reserve £m	Other reserves £m	Retained earnings £m	Total £m	Non-controlling interests £m
Balance as at 1 January 2011	91	62	165	124	-	270	281	993	69
Total comprehensive income and expense for the period	-	-	14	(26)	-	-	18	6	6
Dividends	-	-	-	-	-	-	-	-	(3)
Other share issues	-	1	-	-	-	-	-	1	-
Share based payments	-	-	-	-	-	1	-	1	-
Dilution of investments in subsidiaries	-	-	-	-	-	-	(2)	(2)	3
Balance as at 30 June 2011	91	63	179	98	-	271	297	999	75
Balance as at 1 January 2011	91	62	165	124	-	270	281	993	69
Total comprehensive income and expense for the year	-	-	(26)	(60)	-	(1)	(214)	(301)	(5)
Return of capital	(11)	(63)	-	-	118	(161)	37	(80)	-
Dividends	-	-	-	-	-	-	(18)	(18)	(4)
Scrip dividend alternative	1	(1)	-	-	-	-	6	6	-
Other share issues	-	2	-	-	-	-	-	2	-
Share based payments	-	-	-	-	-	1	-	1	-
Dilution of investment in subsidiaries	-	-	-	-	-	-	(1)	(1)	4
Balance as at 31 December 2011	81	-	139	64	118	109	91	602	64
Total comprehensive income and expense for the period	**-**	**-**	**(22)**	**(45)**	**-**	**1**	**(33)**	**(99)**	**4**
Dividends	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(3)**
Dilution of investment in subsidiaries	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1**
Disposal of subsidiaries	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(40)**
Balance as at 30 June 2012	**81**	**-**	**117**	**19**	**118**	**110**	**58**	**503**	**26**

Condensed Statement of Consolidated Cash Flows

	Unaudited 6 months to 30 June 2012 £m	Unaudited 6 months to 30 June 2011 £m	Audited Year to 31 December 2011 £m
Cash inflow from operating activities			
Net cash inflow from operating activities	**103**	93	209
Interest paid	**(18)**	(20)	(41)
Taxation paid	**(12)**	(14)	(27)
Net cash generated by operating activities	**73**	59	141
Cash outflow from investing activities			
Dividends received from joint ventures	**3**	3	8
Capital expenditure and financial investment	**(13)**	(16)	(38)
Acquisitions and disposals	**85**	(1)	(1)
Net cash absorbed in investing activities	**75**	(14)	(31)
Cash outflow from financing activities			
Net issue of Ordinary Shares/(capital return)	**-**	1	(78)
Equity dividends paid to the Company's shareholders	**-**	-	(12)
Dividends paid to non-controlling interests	**(3)**	(3)	(4)
Net decrease in borrowings	**(36)**	(5)	(45)
Net cash absorbed in financing activities	**(39)**	(7)	(139)
Net increase/(decrease) in cash and cash equivalents	**109**	38	(29)
Cash and cash equivalents at beginning of the period	**259**	287	287
Exchange gains/(losses) on cash and cash equivalents	**1**	(1)	1
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**369**	**324**	**259**
Cash and cash equivalents per the Condensed Consolidated Statement of Financial Position	**374**	351	276
Bank overdrafts	**(5)**	(27)	(17)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**369**	**324**	**259**
Summary of net debt			
- Parent Group* cash	**289**	271	200
- Capital Notes	**(179)**	(219)	(214)
- Parent Group net cash/(debt)	**110**	52	(14)
- Other group cash	**85**	80	76
- Other group debt	**(255)**	(364)	(266)
Total group net debt	**(60)**	(232)	(204)

*Parent Group comprises the Group's central investment activities

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. The annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The condensed consolidated financial statements included in this half-yearly financial report have been prepared in accordance with International Accounting Standard 34: Interim Financial Reporting, as adopted by the European Union, and comply with the disclosure requirements of the Listing Rules of the UK Financial Services Authority and the Listing Rules of the Australian Securities Exchange.

   The same accounting policies, presentation and methods of computation are followed in the condensed set of financial statements as applied in the Group's latest annual audited financial statements, and are expected to be applied in the annual audited financial statements for the current year.

   At 30 June 2012 the Parent Group had net cash totalling £110 million (30 June 2011: £52 million; 31 December 2011: net debt £14 million). The Parent Group also has various other actual and contingent liabilities. The Board expects to be able to meet these obligations from existing resources. Further information on the net debt position of the Group is provided in the table at the foot of the Condensed Statement of Consolidated Cash Flows.

   Giving due consideration to the nature of the Group's business and underlying investments, and taking account of the following matters: the ability of the Group to realise its liquid investments and to manage the timing of such liquidations; the uncertainty inherent in the capital markets in which the Parent Group trades; the Parent Group's foreign currency exposures; the potential requirement to provide funding to the Parent Group's defined benefit pension schemes; and also taking into consideration the cash flow forecasts prepared by the Group and the sensitivity analysis associated therewith, the directors consider that the Company and the Group are going concerns and this financial information is prepared on that basis.

2. The condensed consolidated financial statements for the six months ended 30 June 2012 have been reviewed - see attached independent review report - but have not been audited. The condensed consolidated financial statements for the equivalent period in 2011 were also reviewed but not audited. The information for the year ended 31 December 2011 does not constitute statutory accounts (as defined in section 434 of the Companies Act 2006). The financial information for the year ended 31 December 2011 is derived from the statutory accounts for that year, which have been filed with the Registrar of Companies. The audit report on those accounts did not contain statements under Sections 498(2) or 498(3) of the Companies Act 2006. The audit opinion contained in that report was unmodified but contained an emphasis of matter paragraph drawing attention to the significant uncertainty surrounding the ultimate outcome of the appeal by the Coats plc group against the European Commission fine of €110.3 million. The outcome of this appeal is now known and has been reflected in the unaudited results for the period ended 30 June 2012.

3. Group foreign exchange movements - during the six months to 30 June 2012, GPG recognised within operating loss £5 million of net foreign exchange losses (six months to 30 June 2011: £1 million losses; year to 31 December 2011: £1 million gains).

4. Tax on (loss)/profit from continuing operations

	30 June 2012 £m	30 June 2011 £m	31 December 2011 £m
UK Corporation tax at 25.0% (June 2011: 27.0%; December 2011 26.5%)	**-**	-	-
Overseas tax	**(11)**	(15)	(25)
	(11)	(15)	(25)
Deferred tax	**(2)**	(11)	(13)
	(13)	(26)	(38)

   Deferred tax includes a non-cash tax charge of £1 million (6 months to 30 June 2011: £9 million; year to 31 December 2011: £9 million) in respect of movements in deferred tax assets relating to tax losses. This charge arises from a similar size decrease in deferred tax liabilities recognised through the unrealised gains reserve. The tax charges for all periods also reflect the impact of unrelieved losses in certain subsidiary undertakings.

5. The Parent Group's joint ventures and associated undertakings are as follows:

	30 June 2012	30 June 2011	31 December 2011
Autologic Holdings plc	**na**	26.2%	26.2%
Australian Country Spinners Ltd	**	50.0%	50.0%
Capral Ltd	**47.4%**	47.4%	47.4%
ClearView Wealth Ltd	**47.8%**	49.0%	48.6%
Green's General Foods Pty Ltd	**72.5%**	72.5%	72.5%
Peanut Company of Australia Ltd	**na**	24.8%	*
Tower Ltd	**33.6%**	34.3%	34.1%

*Reclassified as a fixed asset investment

**Now a Coats owned joint venture

6. Movements in associated undertakings and joint ventures:

	Associated Undertakings £m	Joint Ventures £m
At 1 January 2012	186	62
Currency translation differences	-	(1)
Additions (within CIC Australia Ltd)	-	18
Dividends receivable	(4)	(3)
Share of profit after tax and minorities	5	4
Impairments	(6)	-
Disposals	(2)	-
At 30 June 2012	**179**	**80**

The impairment charge of £6 million made in the period arose from a review of these investments in the light of the strategic announcement made by the Board on 11 February 2011 and taking into consideration continued challenges in the market. Associated undertakings are held at the lower of cost plus post acquisition changes in the Group's share of net assets and the higher of fair value less costs to sell and value in use. Fair value in these cases has been determined in the context of the orderly value realisation being undertaken, following a detailed review by the Investment Committee and the Board which took account of indicative offers, market values and other similar factors.

7. Segmental Analysis: Analysis by activity

	Investment £m	Thread manufacture £m	Fruit/produce distribution £m	Unallocated £m	Non-operating items (note 1) £m	Total £m
6 months ended 30 June 2012:						
Revenue:						
External sales	**-**	**519**	**-**	**14**	**-**	**533**
Interest receivable	**3**	**-**	**-**	**-**	**1**	**4**
Other (including profit on disposal of non-current investments)	**29**	**-**	**-**	**-**	**2**	**31**
Profit/(loss) after tax:						
Continuing operations (note 2)	**4**	**(65)**	**-**	**5**	**-**	**(56)**
Discontinued operations	**-**	**-**	**24**	**-**	**-**	**24**
Total assets 30 June 2012	**431**	**824**	**-**	**59**	**367**	**1,681**
6 months ended 30 June 2011(restated):						
Revenue:						
External sales	7	533	-	59	-	599
Interest receivable	2	-	-	-	2	4
Other (including profit on disposal of non-current investments)	24	-	-	-	-	24
Profit/(loss) after tax:						
Continuing operations	(17)	25	-	5	-	13
Discontinued operations	-	-	4	-	-	4
Total assets 30 June 2011	554	905	252	82	412	2,205
Year ended 31 December 2011:						
Revenue:						
External sales	8	1,059	-	74	-	1,141
Interest receivable	4	-	-	-	5	9
Other (including profit on disposal of non-current investments)	28	-	-	-	-	28
Profit/(loss) after tax:						
Continuing operations	(43)	49	-	9	-	15
Discontinued operations	-	(1)	(17)	-	-	(18)
Total assets 31 December 2011	416	845	-	80	560	1,901

Notes:

1. Non-operating items comprise cash and cash equivalents, derivatives and investments held by operating subsidiaries (which are not considered to be financial operations).
2. Excluding the effect of the EC fine the result from thread manufacturing for the 6 months ended 30 June 2012 was a profit after tax of £11 million.

8. Profit from discontinued operations

On 15 March 2012 the Group completed the sale of Turners & Growers Ltd ("T&G"), a former subsidiary undertaking in the fruit/produce distribution business segment. The gain on disposal of T&G, which was accounted for as an asset held for sale at 31 December 2011, was as follows:

		£m
Proceeds on disposal		72
Share of net assets at 31 December 2011	66	
Share of profit for the period up to disposal	1	
Translation reserve recycled	(19)	
		48
Gain on disposal		**24**

There were no other entities over which control was gained or lost during the period.

9. Loss per share – The calculation of loss per Ordinary Share is based on loss after taxation attributable to shareholders and the weighted average number of 1,622,676,844 Ordinary Shares in issue during the six months ended 30 June 2012. For the calculation of diluted loss per Ordinary Share, the weighted average number of Ordinary Shares in issue is adjusted, where appropriate, to assume conversion of all dilutive potential Ordinary Shares, being share options granted to employees and capital notes. There were no dilutive potential Ordinary Shares during the period. Calculations of earnings per share are based on results to the nearest £000s.

10. The net tangible assets per share figure at 30 June 2012 was 22.39p (30 June 2011: 49.30p, 31 December 2011: 30.66p).

11. Issued share capital

	£m
At 1 January and 30 June 2012	**81**

12. Dividends - No dividend was paid during the period or approved in respect of the period. An interim cash dividend of 1.15 pence per share in respect of the year ended 31 December 2011 was paid on 24 October 2011 to GPG shareholders.

13. Contingent liabilities – On 27 June 2012 the European General Court delivered its ruling, dismissing Coats' appeal against the fasteners judgment on all counts and upholding the €110 million fine imposed by the European Commission in its decision of 19 September 2007. Subsequent to the period-end Coats has settled this liability without recourse to GPG. As described in the Annual Report the US Environmental Protection Agency has notified Coats that it is a potentially responsible party under the US Superfund for investigation and remediation costs in connection with the Lower Passaic River Study Area in New Jersey in respect of former facilities which operated in this area prior to 1950. During the period further provision has been made for Coats' estimated share of legal, consultancy and study costs together with US$0.7 million (£0.4 million) of remediation costs. There have been no other significant developments in respect of the contingent liabilities described in note 33 to the Financial Statements in the 2011 Annual Report and no additional contingent liabilities have arisen during the period.

14. Other than the determination of the Coats EC fine there have been no changes to the principal risks and uncertainties compared to those outlined in note 40 to the Financial Statements and the Corporate Governance Statement in the 2011 Annual Report, comprising risks associated with currency, interest rate, market price, liquidity, capital, credit, human resources, pensions and regulatory compliance.

15. Related party transactions – Other than dividends receivable from associated and joint venture undertakings (see note 6) and loans received of £5 million from joint venture undertakings, there have been no new related party transactions or changes to those related party transactions described in the 2011 Annual Report that could have a material effect on the financial position or performance of the Group in the first six months of the financial year.

    In June 2012 GPG acquired from Coats trade receivables totalling US$25 million (£15.9 million) under an assignment facility on a non-recourse basis.

16. Directors - The following persons were, except where noted, directors of GPG during the whole of the period and up to the date of this report:

    R J Campbell
    M N Allen
    Sir Ron Brierley
    S L Malcolm (appointed 19 January 2012)
    B A Nixon

17. Interim Management Report – The Chairman's Statement appearing in the half-yearly financial report and signed by Rob Campbell provides a review of the operations of the Group for the six months ended 30 June 2012.

18. Publication – This statement will be available at the registered office of the Company, First Floor, Times Place, 45 Pall Mall, London SW1Y 5GP. A copy will also be displayed on the Company's website on www.gpgplc.com.

DIRECTORS' RESPONSIBILITY STATEMENT

In accordance with a resolution of the directors of Guinness Peat Group plc I state that:
in the opinion of the Directors and to the best of their knowledge:

a. the condensed set of unaudited financial statements:

    (i) give a true and fair view of the financial position as at 30 June 2012 and the performance of the consolidated Group for the half-year ended on that date;
    (ii) have been prepared in accordance with IAS 34 "Interim Financial Reporting";
    (iii) comply with the recognition and measurement principles of applicable International Financial Reporting Standards as adopted by the Group; and

b. the half-yearly financial report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8; and

c. there are reasonable grounds to believe the Company will be able to pay its debts as and when they become due and payable.

The Directors of Guinness Peat Group plc are listed in Note 16 to the Condensed Consolidated Financial Statements.

Signed on behalf of the Board
Rob Campbell, Director
29 August 2012

Independent Review Report to Guinness Peat Group plc

Introduction
We have been engaged by Guinness Peat Group plc (the "Company") to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2012 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of financial position, the reconciliation of consolidated changes in equity, the condensed statement of consolidated cash flows and related notes 1 to 18. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to them in an independent review 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, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities
The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting," as adopted by the European Union.

Our responsibility
Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review
We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2012 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
29 August 2012

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