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Chairman's Statement

The 31 December net profit of £20 million was more subdued than had been earlier hoped but, taken in conjunction with other matters referred to in this report, represents a very satisfactory and rewarding result for GPG.

The recommended takeover offer for **Tyndall Australia Ltd** by the **Royal & Sun Alliance Insurance Group plc** will, if successful, produce a substantial cash and value increment for GPG, which intends to accept in the absence of any higher offer.

GPG holds 127 million Tyndall shares with a book value of £40 million so there is an expected surplus of approximately £90 million to come to account in the current term (although essentially a product of planning and decisions in 1998 and earlier years).

Tyndall has always been active in pursuing expansion by acquisition or merger or, if necessary, absorption by a larger organisation. By far the preferred course, until recently, was a merger with Tower Corporation to create a powerful new Australasian force in the funds management industry. Unfortunately, this became unlikely to occur in the foreseeable future when our vision was not reciprocated by the unresponsive Board and management of Tower (which is now likely to struggle to survive in a fully competitive market environment). A sadly wasted opportunity for investors in both companies.

The Royal & Sun Alliance proposal was otherwise considered to be the best means to crystallise the considerable added value which Tyndall has accumulated over the past 7 years. (When GPG purchased its first shares in 1990, Tyndall was capitalised at a mere A$15 million compared with A$720 million today).

When GPG purchased its first shares in 1990, Tyndall was capitalised at a mere A$15 million compared with A$720 million today.

Another important aspect of the Royal & Sun Alliance offer is that the merger of its existing Australian and New Zealand operations with those of Tyndall provides a financial and structural harmony which will be reassuring to management and clients and enables GPG to vacate its proprietorial role with a strong sense of goodwill and achievement.

Other significant factors in GPG's 1998 result are the previously reported sales of shares in **Bluebird Toys, Allgas Energy** and **PICO Holdings.** There were also smaller but useful gains from **Ibstock, Iceland Foods, Waterfall Holdings** and **Adsteam Marine.**

Adverse influences include exchange rate movements which, once again, reduced the reported pounds sterling profit (but not the Australian or New Zealand dollar conversions) and, in particular, a major writedown in the value of our 16% interest in **Staveley Industries plc.** Staveley originally appeared to have (and still has) many of the attributes of an undervalued share price and good asset backing. However, we seriously underestimated its capacity for an apparent relentless destruction of shareholder value (regrettably reminiscent of a certain recent New Zealand experience). We are continuing to closely monitor this investment with a view to more active involvement in the future, if necessary.

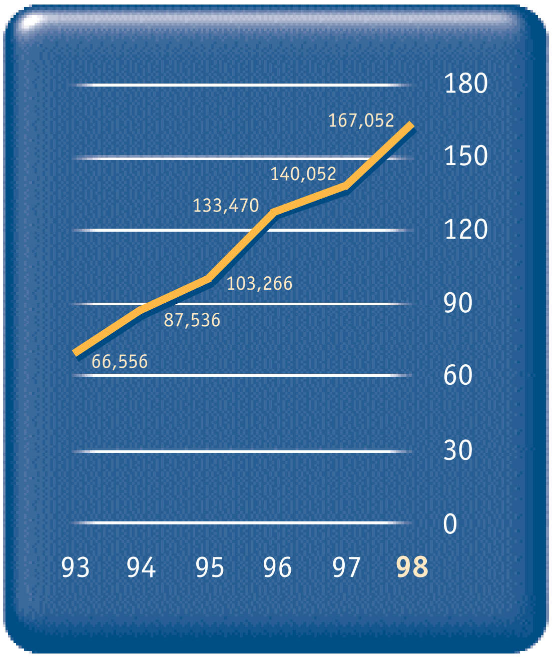
Apart from Staveley's specific deficiencies, it is in a category of second and third tier smaller companies whose shares have been hit hard in favour of higher profile industries such as communications and technology. To this extent, our relative inactivity in the market in favour of high levels of liquidity was arguably a correct judgment in the latter part of 1998.

Further appreciation in the market value of Coles-Myer shares has justified the decision to retain the 23% holding in **Premier Investments Ltd,** our largest Australian portfolio holding.

Capital

There is clearly no requirement for a cash issue this year but the usual 1 for 10 bonus issue will be made together with a cash dividend of 6% (0.6p per share) and a scrip alternative in the ratio of 1 for 85.

SHAREHOLDERS' FUNDS (£ million)



The published figures for 1997/1996 and for 1995 have been adjusted for changes in accounting policy made in 1998 and 1996 respectively.

Since last year, there have been tax changes in relation to dividends. Shareholders, particularly those resident in UK or Australia, should consult their advisers.

Outlook

The anticipated sale of Tyndall shares in the current term will require consideration as to the future direction of GPG. The main issue will be whether GPG reinvests on a somewhat larger scale or whether it is now timely to return funds to shareholders or a combination of both.

This decision is still some months away and will be made in the light of circumstances prevailing at that time.

Ron Brierley
CHAIRMAN

4 March 1999

Financial Profile of Operations

Subsidiaries

Australia	GPG Holding 31 December 1998	Consolidated Figures			
		Year ended 31 December 1998		At 31 December 1998	
		Net profit before Minority Interests £000	Turnover £000	Total Assets £000	Shareholders' Funds £000
Tyndall Australia Ltd *Life assurance and funds management*	50.10%	12,274	147,657	457,281	80,001
Canberra Investment Corp Ltd *Property developer*	68.47%	20	6,199	10,919	4,880
Mid-East Minerals Ltd *Investment company*	88.24%	3,363	–	11,528	11,451

Associates

New Zealand	GPG Holding 31 December 1998	GPG Share of Income Year ended 31 December 1998 £000	GPG Book Value at 31 December 1998 £000		Latest Published Shareholders' Funds at 30 June 1998* £000
Turners & Growers Ltd *Fresh produce wholesaler and auctioneer*	44.49%	902	7,830		16,605

*At 19 March 1999 rate of exchange

Summary of Principal Investments

As at 19 March 1999

Disclosed Listed Shareholdings

	Shareholding
Subsidiaries	
Mid-East Minerals Ltd	88.2%
Canberra Investment Corporation Ltd	68.5%
Tyndall Australia Ltd	49.8%

Other Shareholdings

United Kingdom/Europe	
Young & Co's Brewery P.L.C. ("A" shares)	18.8%
Villa D'Este SpA	14.9%
Staveley Industries plc	16.3%
Gowrings plc	11.8%
GR (Holdings) plc	5.7%
Dawson International PLC	6.0%
Stylo plc	3.6%
Australia	
Tooth & Co. Ltd	24.9%
Premier Investments Ltd	23.5%
Farm Pride Foods Ltd	19.9%
The Adelaide Steamship Co Ltd	9.4%
Tasmanian Trustees Ltd	6.0%
Perpetual Trustees Tasmania Ltd	5.9%
Club Crocodile Holdings Ltd	5.7%
Water Wheel Holdings Ltd	5.2%
New Zealand	
Infratil International Ltd	5.0%
United States of America	
Santa Fe Financial Corporation	6.4%

Analysis of Shareholdings

	Cost £000	Market Value £000
Subsidiaries	48,966	147,648
Other	41,152	55,871
Total	**90,118**	**203,519**

Board of Directors

Sir Ron Brierley Chairman

Sir Ron Brierley (61) founded Brierley Investments Ltd in 1961 and as Chairman implemented his investment approach successfully over the next 30 years. His other directorships include The Australian Gas Light Company, Tyndall Australia Ltd and Mid-East Minerals Ltd.

T.J.N. Beyer Non-Executive Director

Mr Beyer (62) was a director of Brierley Investments Ltd from 1971 to 1994 and has extensive experience on the board of many public companies. Other directorships include Alvis plc, Waterfall Holdings plc, Avimo Group Ltd and Lion Corporate Assets plc.

Chairman of the Audit Committee and the Remuneration Committee

A.I. Gibbs Executive Director

Mr Gibbs (51) has been involved with public company boards for many years. His experience includes mergers, acquisitions and divestments. He is Chairman of Turners & Growers Ltd and Director of the New Zealand Guardian Trust Company Ltd and Tyndall Australia Ltd.

M.W. Loomes Executive Director

Mr Loomes (51) has had over twenty five years' experience in the Australian securities industry, principally as an investment analyst and research manager. Other directorships include Tyndall Australia Ltd, Turners & Growers Ltd and Canberra Investment Corporation Ltd.

B.A. Nixon Executive Director

Mr Nixon (38) has wide experience of corporate finance in both the UK and Australia. Other directorships include The Groucho Club London plc and Hampshire Company PLC and he is also an alternate director of Tyndall Australia Ltd.

Member of the Audit Committee and the Remuneration Committee

Dr. G.H. Weiss Executive Director

Dr. Weiss (45) has considerable experience in the Australian business sector. Dr. Weiss is Deputy Chairman of Tyndall Australia Ltd and Mid-East Minerals Ltd and is a director of various other public companies outside the UK.

Member of the Remuneration Committee

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Directors' Report

The directors present their annual report and audited accounts for the year ended 31 December 1998.

Review of Activities

The Company is an investment holding company. During the period, subsidiaries were involved in life assurance, funds management, property development and investment. Details of activities during the period and since the year end are set out in the accompanying Chairman's Statement.

Results and Dividends

The results of the Group are shown on page 10 and movements on reserves are set out in note 24. No interim dividend was paid during the period (1997: £nil). A final dividend of 0.60 pence is recommended (1997: 0.42 pence, adjusted) and further details are given in note 13.

Share Capital

As a result of the exercise of options together with the 1998 Rights, Capitalisation and Scrip Dividend issues, an aggregate of 151,697,367 ordinary 5 pence shares of the Company were allotted and issued. Subsequently the Company's then issued share capital was consolidated on the basis that every two ordinary shares of 5 pence each were consolidated into one ordinary share of 10 pence each. Details of these and other changes to the Company's share capital and options during the year are set out in note 23 to the accounts.

A special resolution will be put to the 1999 Annual General Meeting to enable the directors to allot all the authorised but unissued share capital of the Company up to £18,306,031 in nominal value pursuant to section 80 of the Companies Act 1985 ("the Act"). Such authority will expire at the end of 5 years from the date of the passing of the resolution. The directors have no present intention of issuing any shares subsequent to the 1999 Annual General Meeting other than in connection with the Scrip Dividend Alternative and the Capitalisation Issue and on the exercise of options under the Company's share option schemes.

At the Annual General Meeting held on 26 May 1998 shareholders gave authority to the directors pursuant to section 95 of the Act 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 a rights issue or up to an aggregate nominal value not exceeding £2,099,324. It is intended that the directors be authorised at the 1999 Annual General Meeting to allot unissued shares for cash in similar circumstances. The number of shares which may be allotted for cash will be up to an aggregate nominal value of £2,339,700 representing approximately 5% of the total enlarged issued share capital of the Company assuming maximum take-up of the 1999 Scrip Dividend Alternative and full implementation of the 1999 Capitalisation Issue. Such authority unless renewed or varied by the Company in general meeting will expire at the end of the 2000 Annual General Meeting of the Company or fifteen months after the passing of the resolution whichever is the earlier. The special resolution relating to the increased authorised share capital and the powers of directors to allot shares pursuant to section 80 of the Act (as described above) also provides for this section 95 related approval by shareholders. The text of the special resolution is set out in the notice of the 1999 Annual General Meeting on pages 47 to 49.

The Company's shares are listed on the London, Australian and New Zealand Stock Exchanges. Addresses where the main and branch share registers are maintained in the countries where the Companies shares are listed are set out on page 50.

Scrip Dividend Alternative and Proposed Capitalisation Issue

Further details of the proposed dividend and Scrip Dividend Alternative (on the basis of 1 new share for every 85 existing shares), and the proposed Capitalisation Issue (in the ratio of 1 new share for every 10 existing shares), are contained in the Circular to shareholders dated 16 April 1999 and entitled "1999 Proposed Scrip Dividend Alternative and Capitalisation Issue." Ordinary resolutions to approve the dividend, the Scrip Dividend Alternative and the Capitalisation Issue will be proposed at the 1999 Annual General Meeting as set out in the above-mentioned notice.

Fixed Assets

Details of fixed assets are set out in note 15 to the accounts.

Authority to purchase own shares

A resolution giving the Company authority to purchase its own issued ordinary shares of 10 pence each will be proposed at the Annual General Meeting. This authority is limited to purchases through the markets on which the Company's shares are traded (being the London Stock Exchange, the Australian Stock Exchange and New Zealand Stock Exchange) at a price of not less than 10 pence per share and not more than 5% above the average of the middle-market quotations of the Company's shares as shown in the London Stock Exchange Daily Official List for the 5 business days before the purchase is made, covering a maximum number of 63,000,000 shares, being no more than 14.99% of the Company's present 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 interest of shareholders. Any shares purchased under this authority would be treated as cancelled and the number of shares in issue reduced accordingly. The directors presently intend that a resolution to renew this authority will be proposed at each succeeding Annual General Meeting.

Further information relating to this proposal appears in the circular to GPG shareholders dated 16 April 1999.

Directors

Information regarding the directors is set out on page 6 and also in the Corporate Governance section on pages 40-45.

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 1999 (the latest practical date before printing this report) Merrill Lynch Asset Management (on behalf of various funds) held 38,776,387 ordinary shares, 9.22% of the Company's issued capital, and Sir Ron Brierley held 15,362,747 ordinary shares, 3.65% of the Company's issued capital.

Creditor Payment Policy

The majority of the Company's trading activity takes place on regulated exchanges and the Company 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. As at 31 December 1998, the Company's trade creditors represented 37 days' purchases.

Subsequent Event

The material event which has occurred since the end of the financial period is referred to in the accompanying Chairman's Statement and described in note 27 to the accounts.

Employees

Participation in the conduct and affairs of relevant employing companies is encouraged; arrangements for communication vary with each operating entity. The performance of the Group is communicated to all staff to whom copies of results and announcements are made available.

Full and fair consideration to the employment of disabled persons is given having regard to their abilities and aptitudes, and any existing employee who becomes disabled is trained to ensure that, wherever possible, continuity of employment can be maintained.

Share Option Schemes

The company established an unapproved share option scheme in 1992 and an approved share option scheme in 1994. Both schemes provide for the grant of normal and super options, the super options involving a stringent five year performance target based on the Company's growth in net assets relative to other companies.

Under the unapproved scheme the limit on the number of shares over which optionholders may hold subsisting options is such number of shares as have an aggregate exercise price of £2m. It is considered appropriate to now increase this limit to £4m and an appropriate resolution to make the relevant amendment is set out as Resolution Number 12 in the notice of Annual General Meeting. A copy of the 1992 share option scheme rules will be available for inspection at the registered office of the Company during normal business hours until the date of the Meeting, and at the Meeting.

Donations

During the period the Company and its subsidiaries made charitable donations of £5,000 (1997: £14,000) and no payments to political parties (1997: £nil).

Close Company Provisions

The directors are of the opinion that the Close Company provisions of the Income and Corporation Taxes Act 1988 do not apply to the Company.

Year 2000

The Directors have considered the implications to the Group's business of the Year 2000 issue and are of the opinion that there is no significant risk of loss.

Within the Group (excluding the partly owned subsidiaries of Tyndall Australia Ltd, Mid East Minerals and Canberra Investment Corporation – the "Consolidated Subsidiaries") no business-critical computer systems or equipment have been identified that cannot be rectified before the year 2000.

The Consolidated Subsidiaries, all of which are listed on the Australian Stock Exchange, have made the required regulatory disclosures in relation to the Year 2000 issue and their progress in relation to any necessary action plans. Investment managers continue to monitor Year 2000 disclosures by the companies in which the Group is investing. No significant risks have been identified by the Group save that Tyndall has a high degree of dependency on computer systems; it anticipates all critical systems being "Year 2000 compliant" by the current year end.

The Group's operations depend to some degree on third parties such as banks, custodians, registrars and other institutions. In appropriate cases, formal assurance has been sought from these third parties, although the Group cannot take responsibility for their actions. The Group is also planning contingency measures in key risk areas.

Costs relating to the Year 2000 issue are being expensed as they are incurred. The Directors estimate that the Group incurred external costs of approximately £10,000 in the period to 31 December 1998, excluding Tyndall. They expect to spend a further £10,000 before the end of 1999. Tyndall has estimated that its total expenditure on achieving compliance will be £354,000, of which £103,000 was incurred before the end of 1998.

Auditors

The Company's auditors, Coopers & Lybrand, merged with Price Waterhouse on 1 July 1998. Following the merger, Coopers & Lybrand resigned and the directors appointed the new firm, PricewaterhouseCoopers, as auditors. A resolution to re-appoint them as the Company's auditors will be proposed at the next Annual General Meeting.

By order of the Board
Richard Russell
Secretary

1 April 1999

Consolidated Profit and Loss Account

Year ended 31 December 1998

	Notes	Year ended 31 December 1998 £000	Year ended 31 December 1997 £000 as restated
Turnover			
Continuing operations – group and share of joint venture		**153,856**	116,157
Less: share of joint venture's turnover		**(2,494)**	–
Group turnover		**151,362**	116,157
Profit on disposal of investments and other net investment income	2,3	**37,838**	67,280
Net operating expenses	2	**(161,004)**	(156,328)
Group operating profit – continuing operations	4	**28,196**	27,109
Share of operating profit/(loss) of joint ventures and associates – continuing operations	5	**1,618**	(558)
		29,814	26,551
Profit on disposal of businesses	6	**–**	4,998
Profit on disposal of fixed assets	6	**–**	1,067
Profit on ordinary activities before interest		**29,814**	32,616
Interest payable and similar charges	7	**(404)**	(1,604)
Profit on ordinary activities before taxation		**29,410**	31,012
Tax on profit on ordinary activities	10	**(2,810)**	(9,969)
Profit on ordinary activities after taxation		**26,600**	21,043
Minority interests		**(6,526)**	(3,958)
PROFIT FOR THE YEAR ATTRIBUTABLE TO GPG SHAREHOLDERS		**£20,074**	£17,085
Dividends	13	**(2,515)**	(1,648)
Profit retained for the year		**17,559**	15,437
Earnings per Ordinary Share – basic (pence)	12	**4.93p**	4.35p
Earnings per Ordinary Share – diluted (pence)	12	**4.85p**	4.24p
Dividends per Ordinary Share (pence)	13	**0.60p**	0.42p

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Consolidated Statement of Total Recognised Gains and Losses

Year ended 31 December 1998

	Notes	Year ended 31 December 1998 £000	Year ended 31 December 1997 £000 as restated
Profit attributable to ordinary shareholders		**20,074**	17,085
Currency translation differences on foreign currency net investments	24	**(4,832)**	(7,473)
Total recognised gains relating to the year		**15,242**	9,612
Prior year adjustment (net of minority interests)	1b)	**(2,061)**	–
Total gains recognised since last annual report		**13,181**	9,612

There is no difference between the profit figures reported in the segmental analysis on page 21 and their historical cost equivalents. Accounting for investment gains by Life Assurance business, in accordance with the ABI SORP, is not considered to give rise to differences from the historical cost convention.

Reconciliation of Movements in Shareholders' Funds

	Year ended 31 December 1998 £000	Year ended 31 December 1997 £000 as restated
Profit attributable to ordinary shareholders	**20,074**	17,085
Currency translation differences	**(4,832)**	(7,473)
Total recognised gains for the year	**15,242**	9,612
Dividends proposed	**(2,515)**	(1,648)
Dividends written back	**1,330**	968
Goodwill written off on acquisitions	**–**	(1,815)
Release of negative goodwill on disposals	**(562)**	(516)
Issue of share capital net of Capitalisation issue	**3,775**	152
Share premium on issue of shares (net of expenses of issue)	**10,006**	15
Scrip Dividend Alternative	**(276)**	(186)
Net addition to shareholders' funds	**27,000**	6,582
Opening shareholders' funds	**140,052**	133,470
Closing shareholders' funds	**167,052**	140,052

Opening shareholders' funds at 1 January 1998 have been reduced by £2,061,000 in respect of a prior year adjustment (see note 1b)).

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Consolidated Balance Sheet

As at 31 December 1998

	Notes	31 December 1998 £000	31 December 1998 £000	31 December 1997 £000	31 December 1997 £000 as restated
Commercial and investment activities					
Fixed assets					
Intangible assets	15a)		**612**		–
Tangible assets	15b)		**3,266**		4,001
Land for development	15c)		**2,755**		3,417
Investments					
Investment in joint venture					
Share of gross assets		**5,952**		–	
Share of gross liabilities		**(4,791)**		–	
	15d)	**1,161**		–	
Investment in associates	15d)	**7,830**		6,753	
Other investments	15d)	**73,514**		76,295	
			82,505		83,048
			89,138		90,466
Current assets					
Debtors: amounts falling due within one year	16		**16,269**		25,662
Development work in progress			**2,981**		3,314
Investments	17		**10,341**		20,320
Cash at bank and in hand			**72,854**		37,313
			191,583		177,075
Life assurance business					
Investments and linked assets	36b)		**332,954**		273,103
Present value of acquired in-force business	36c)		**7,778**		9,372
Reinsurers' share of policyholder liabilities			**4,600**		6,800
Debtors and prepayments	36d)		**52,234**		47,018
Cash at bank and in hand			**12,113**		30,632
			409,679		366,925
Total Assets			**601,262**		544,000

	Notes	31 December 1998 £000	31 December 1998 £000	31 December 1997 £000	31 December 1997 £000 as restated
Capital and reserves					
Share capital	23		**41,911**		34,326
Share premium account	24		**26,060**		20,140
Profit and loss account	24		**99,081**		85,586
EQUITY SHAREHOLDERS' FUNDS			**167,052**		140,052
Minority interests	31		**42,689**		30,842
Net Assets			**209,741**		170,894
Commercial and investment activities					
Creditors: amounts falling due within one year					
Trade and other creditors	18	**19,635**		23,315	
Borrowings	19	**2,931**		10,060	
Creditors: amounts falling due after one year			**22,566**		33,375
Trade and other creditors	18	**891**		903	
Borrowings	19	**11,263**		12,814	
			12,154		13,717
Provisions for liabilities and charges	20		**3,221**		6,672
			37,941		53,764
Life assurance business					
Policyholder liabilities	36e)		**326,906**		290,621
Other liabilities	36f)		**26,674**		28,721
			353,580		319,342
Total Funds Employed			**601,262**		544,000

Blake Nixon
Director

Approved by the Board on 1 April 1999

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Company Balance Sheet

As at 31 December 1998

	Notes	31 December 1998 £000	31 December 1997 £000 as restated
Fixed assets			
Tangible assets	15b)	**125**	119
Investments	15d)	**86,713**	96,352
		86,838	96,471
Current assets			
Debtors: amounts falling due within one year	16	**34,036**	19,598
Cash at bank and in hand		**43,133**	27,372
		77,169	46,970
Creditors: amounts falling due within one year			
Trade and other creditors	18	**(23,891)**	(31,802)
Net current assets		**53,278**	15,168
Total assets less current liabilities		**140,116**	111,639
Provisions for liabilities and charges			
Other provisions	20	**(330)**	(470)
Net assets		**139,786**	111,169
Capital and reserves			
Share capital	23	**41,911**	34,326
Share premium account	24	**26,060**	20,140
Profit and loss account	24	**71,815**	56,703
EQUITY SHAREHOLDERS' FUNDS		**139,786**	111,169

Blake Nixon
Director

Approved by the Board on 1 April 1999

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Consolidated Cash Flow Statement

Year ended 31 December 1998

	Notes	**Year ended 31 December 1998 £000**	Year ended 31 December 1997 £000
Net cash flow from operating activities	29a)	**37,349**	11,441
Returns on investments and servicing of finance	29b)	**(1,070)**	(1,056)
Taxation	29c)	**(610)**	303
Capital expenditure and financial investment	29d)	**(15,782)**	(17,709)
Acquisitions and disposals	29e)	**1,553**	(16,679)
Equity dividends paid	29f)	**(318)**	(273)
Cash inflow/(outflow) before management of liquid resources and financing		**21,122**	(23,973)
Management of liquid resources	29g)	**(12,607)**	(1,341)
Financing			
Issue of ordinary shares	29h)	**22,194**	5,307
(Decrease)/increase in debt	29h)	**(7,102)**	10,890
Increase/(decrease) in cash in the year		**23,607**	(9,117)

Reconciliation of net cash flow to movement in net funds

Increase/(decrease) in cash in the year		**23,607**	(9,117)
Cash outflow from increase in liquid resources		**12,607**	1,341
Cash outflow/(inflow) from decrease/(increase) in debt and lease financing		**7,102**	(10,890)
Change in net funds resulting from cash flows		**43,316**	(18,666)
Loans acquired with subsidiary		**–**	(101)
Convertible Loan Notes issued as purchase consideration		**–**	(1,980)
Currency translation differences		**905**	(219)
Movement in net funds in the year	29i)	**44,221**	(20,966)
Net funds at 1 January 1998		**14,439**	35,405
Net funds at 31 December 1998		**58,660**	14,439

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Notes to the Accounts

1 Principal Accounting Policies

The following are the principal policies adopted in arriving at the financial information set out in this report. The policies have been consistently applied except as noted below under "Changes of Accounting Policy."

a) Accounting Convention and Format

The Group accounts comply with applicable UK accounting standards. They have been prepared on the historical cost basis as modified to include certain insurance assets at market value.

The Group is not an insurance group, as defined by UK regulations, and therefore prepares its accounts in accordance with Schedule 4 of the Companies Act 1985. However, financial information on the Group's long term insurance business activities is presented in a manner consistent with the provisions of that Act applicable to insurance companies and with the Statement of Recommended Practice on Accounting for Insurance Business published by the Association of British Insurers in December 1998 ("the ABI SORP"). This is necessary to present the Group's activities in a meaningful way.

b) Changes of Accounting Policy

Certain new accounting standards and Statements of Recommended Practice have been issued in the UK and as a result the Company is required to change its accounting policies for 1998 as follows:

(i) FRS9

This has altered the presentation of joint ventures and associates in the Group's profit and loss account and balance sheet. These changes have not impacted on the profits or net assets attributable to the Company's shareholders.

(ii) FRS10

This requires that goodwill arising on acquisitions after 1 January 1998 should be capitalised and, in general, amortised. Previously all goodwill was written off directly to reserves. Goodwill eliminated against other reserves in previous years has not been reinstated, but has been transferred to the profit and loss account reserve by way of a prior year adjustment.

(iii) ABI SORP

This requires that the value attributed to in-force Life business on prior year acquisitions should be amortised over the lifetime of the in-force policies. Previously this asset (included in the assets of the Life assurance business) was held at cost, subject to an annual impairment review.

The 1997 comparatives have been re-stated to reflect these changes in accounting policy, which have reduced the profits for 1998 and 1997 by £365,000 and £296,000 respectively, net of minority interests (of which £307,000 and £296,000 relates to the amortisation of in-force Life business, respectively). Opening shareholders' funds and minority interests as at 1 January 1998 have been reduced by £2,061,000 and £2,041,000 respectively, solely in relation to the amortisation of in-force Life business.

c) Basis of Preparation

The Group accounts consolidate the accounts of the Company and its subsidiaries. The principal subsidiaries are listed in note 35. The results of subsidiaries acquired or disposed of are consolidated in the Group accounts from and to the dates of acquisition and disposal respectively. Associates are accounted for using the equity method and joint ventures are accounted for using the gross-equity method.

d) Foreign Currencies

Assets and liabilities in foreign currencies are translated at the exchange rates ruling at the balance sheet date, unless hedged through foreign currency transactions. Revenues and expenses arising in foreign currency have been translated either at the rate applicable when the transaction occurred or, in the case of foreign subsidiaries, associates and joint ventures, at the year end rate.

Differences on exchange arising from the retranslation of opening net investments in subsidiaries, associates and joint ventures are taken to reserves. All other foreign exchange differences are taken to the profit and loss account in the period in which they arise.

e) Fixed Assets

Fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated using accelerated or straight line methods over the expected useful life of the asset. The principal annual rates used are:

- Leasehold improvements and buildings: shorter of the estimated useful life of the improvement or the remaining term of the lease.
- Furniture and equipment: 10-50 per cent.
- Motor vehicles: 20-33.5 per cent.
- Land is not depreciated.

f) Investments

Investments held for the long term (excluding investments in subsidiaries, associates and joint ventures) are stated at cost or, where there has been a permanent diminution in value, at directors' valuation.

In Tyndall's Life operations, quoted shares and other securities held in the long term funds are recorded at market value. Government, local and semi-government securities, company debentures and mortgage-backed securities held in the long term funds are valued by applying the redemption yield for each security as quoted by an independent valuer.

Land held for development is valued at cost or, where there has been an impairment in value, at directors' valuation. Land for resale and work in progress is valued at the lower of cost and net realisable value. Cost includes capitalised interest and those costs necessary to prepare land for sale.

Investments held as current assets are stated at the lower of cost and market value.

In the Company's accounts, investments in subsidiaries and associates are valued at cost or, where there has been an impairment in value, at their recoverable amount.

g) Leases

Assets held under finance leases are capitalised as fixed assets. The amount initially brought to account is the present value of minimum lease payments. Finance lease payments are allocated between interest expense and reduction of lease liability over the term of the lease. Operating lease payments are charged as an expense in the period in which they are incurred.

h) Goodwill

Goodwill represents the difference between the cost of acquiring subsidaries, associates and joint ventures and the fair value of the attributable net assets. Such goodwill is capitalised in the balance sheet and, where the goodwill is regarded as having a limited useful economic life, it is amortised through the profit and loss account on a straight line basis over its expected life. If, in future years, any goodwill arises which is considered to have an indefinite useful economic life, amortisation will not be charged but the goodwill will instead be subject to an annual impairment review. Prior to 1998, goodwill was written off directly to reserves as at the acquisition date or as the amounts became payable. In the event of an impairment in value, such goodwill is written off through the profit and loss account at the time the impairment is identified. Goodwill previously written off to reserves will be charged to the profit and loss account on disposal of the business, or underlying asset, to which it relates. Prior to 1998, any discount paid to fair value of net assets acquired was also taken directly to reserves. This discount will be released through the profit and loss account on disposal of the business, or underlying asset, to which it relates.

i) Turnover

Turnover consists of the net invoiced value of sales to third parties, premiums, commissions, brokerage and fees, before charging VAT (or other sales taxes), and other miscellaneous trading income.

Tyndall recognises fees on its investment management activities when they become billable to the client. Premiums on Tyndall's investment-linked business are recognised as revenue on a cash received basis which is not materially different from the due basis. All other premiums are recognised as premium income when due. Unpaid premiums are only recognised as revenue during the days of grace or where secured by the surrender value of the policy. Premiums are shown net of reinsurance premiums paid.

The New Zealand Guardian Trust Co. recognises all revenues on an accruals basis except that Trustees' Commissions and Special Fees are recognised on a cash receipts basis, and Deferred Executors' Commissions are recognised on a time-weighted accrual basis.

Canberra Investment Corporation recognises income from sales only when unconditional contracts have been exchanged and 10% of the contract price received.

j) Insurance Company

(i) Basis of accounting - Margin on Services

Tyndall's Life operations' accrued earnings are determined using the Margin on Services actuarial methodology. This approach is consistent, in all material respects, with the principles outlined in the ABI SORP. Its principal features are as follows:

- The liability to policyholders under existing life insurance policies is determined on the basis of the best estimate of future income and expenses arising from these policies using assumptions which reflect actual and expected future experience.
- Profit is recognised as it is earned through the provision of services and the receipt of related income over the life of the policies in force.
- Acquisition costs are deferred and amortised in a manner consistent with the pattern of emerging profits.
- Realised and unrealised gains and losses on investments are taken into account in full in the year in which they arise.

Notes to the Accounts Continued

1 Principal Accounting Policies *continued*

Realised gains and losses on investments are calculated as the difference between net sales proceeds and original cost or amortised value.

Unrealised gains and losses on investments represent the difference between the valuation at the balance sheet date and their purchase price or, if they have been previously valued, their valuation at the last balance sheet date. The movement in unrealised gains and losses recognised in the year also includes the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

The principal assumptions used in valuing the policyholders' liabilities include an interest rate of 12.5% gross of tax, and mortality and morbidity rates based on local actuarial tables.

(ii) Valuation of Life business at acquisition

On acquisition of the Group's Life operations a value was attributed to the in-force business – this value was based on the net present value of the shareholders' interest in the expected after tax cash flows. That part of the shareholders' interest which will be recognised as profit over the lifetime of the in-force policies is amortised and the discount unwound on a systematic basis over the anticipated lives of the related contracts, which the directors have determined to be approximately

8 years.

Each year the directors review the carrying value and any diminution in its value, along with any amortisation charge, is recorded in the long term revenue account in "other technical charges."

(iii) Fund for future appropriations

This represents amounts which have yet to be allocated to either participating policyholders or to shareholders. Transfers to, or from, the fund reflect the accrued earnings on participating business to the extent that these have not been allocated to participating policyholders or to shareholders.

(iv) Policyholder liabilities

Policyholder liabilities in respect of linked business represent the value of the outstanding units in force at the balance sheet date.

(v) Reassurance

Long term business is ceded to reassurers under contracts to transfer part or all of one or more of the following risks: mortality, morbidity, investment, persistency and expenses. Such contracts are accounted for as insurance contracts.

(vi) Claims recognition

Claims under Tyndall's investment-linked business are recognised when the policy ceases to participate in the earnings of the fund. Claims on all other business are recorded, depending on the nature of the policy, when the insured event occurs or is notified.

k) Pensions

Pension costs in respect of defined contribution schemes are charged to the profit and loss account in the year to which they relate.

l) Taxation

Provision has been made in the accounts for domestic and foreign taxation assessable on the profit for the period as adjusted for disallowable and non-taxable items. Deferred taxation is provided on the liability method on timing differences, including unrealised investment gains, where the liability is expected to arise within the foreseeable future. Deferred taxation has not been provided in respect of the accumulated reserves of overseas subsidiaries since the parent company does not envisage the repatriation of these reserves.

m) Investment Income

The Directors regard the Group's investment activities as an integral component of its continuing operations. Therefore interest receivable and the profit on disposal of investments and other net investment income have been classified as part of the operating profit of continuing operations. Income from investments (other than that attributable to long term funds of Tyndall's Life operations) is recognised when declared. Investment income attributable to the long term funds of Tyndall's Life operations is recognised when earned.

n) Employee Entitlements

Provision is made by Australian and New Zealand subsidiaries for long service leave and annual leave to be payable to employees on the basis of statutory and contractual requirements.

2 Analysis of Operating Profit

Continuing Operations	Investment income £000 (1998)	Net operating expenses £000 (Year ended 31 December 1998)	Investment income £000 (1997)	Net operating expenses £000 (Year ended 31 December 1997)
(see note (i) below)	**37,838**	**(161,004)**	63,367	(155,814)
Exceptional items:				
Continuing operations				
Investment income (see note (ii) below)	**–**	**–**	3,913	–
Reorganisation provisions (see note (iii) below)	**–**	**–**	–	(4,118)
Profit arising from reduction in Life assurance administration costs (see note (iv) below)	**–**	**–**	–	3,604
Total	**37,838**	**(161,004)**	67,280	(156,328)

Notes:

(i) Included in net operating expenses are net foreign exchange losses of £2,090,000 (1996: losses of £2,007,000)

(ii) Included in investment income for 1998 are profits relating to the disposal of shares in Allgas Energy Ltd and PICO Holdings Inc. offset by a provision against shares in Staveley Industries plc. Investment income for 1997 includes the profit on disposal of shares in The Colonial Motor Company Limited (an associated undertaking) of £3,913,000.

(iii) Reorganisation provisions arose in Oceanic Capital Holdings Ltd ("Oceanic") as part of that company's integration into the Tyndall Group in 1997. These provisions were utilised fully in 1997 and 1998, except for an amount of £440,000 which was released during 1998.

(iv) An exceptional gain was recorded by Tyndall in 1997 as a result of a reduction between the average maintenance expense assumption per policy for Oceanic's Life business on acquisition and that following the integration of this business into Tyndall's existing Life operations.

(v) There were no material acquisitions or disposals of businesses during 1998.

3 Profit on Disposal of Investments and Other Net Investment Income

	Year ended 31 December 1998 £000	Year ended 31 December 1997 £000
Commercial and investment activities		
Interest receivable	**3,666**	3,282
Profit on disposal of investments	**23,165**	14,508
Income from listed investments	**3,920**	4,215
Net writedown of certain investments	**(9,080)**	(1,133)
Other income	**577**	3,050
	22,248	23,922
Life assurance (see note 36a))	**15,590**	43,358
	37,838	67,280

4 Operating Profit

	Year ended 31 December 1998 £000	Year ended 31 December 1997 £000
Operating profit of continuing operations is stated after charging:		
Other depreciation and amortisation	**1,485**	1,194
Amortisation of Life business at acquisition	**664**	590
Auditors' remuneration (see note below)	**328**	344
Operating lease costs (land and buildings)	**1,954**	2,407

Note:

Non-audit fees of £66,000 were paid to PricewaterhouseCoopers and its associates (being the predecessor partnerships of Price Waterhouse and Coopers & Lybrand) during 1998, of which £61,000 related to work done by Coopers & Lybrand, the previous auditors. Non-audit fees paid to Coopers & Lybrand in 1997 were £120,000.

The cost of the audit of the Company for the year was £90,000 (1997: £87,000).

Notes to the Accounts Continued

5 Share of Operating Profit/(Loss) of Joint Venture and Associates

	Year ended 31 December 1998 £000	Year ended 31 December 1997 £000
Continuing operations		
Share of operating profit from joint venture	**347**	–
Share of operating profits/(losses) from associated undertakings	**1,271**	(558)
	1,618	(558)

6 Profit on Disposal of Businesses and Fixed Assets

	Year ended 31 December 1998 £000	Year ended 31 December 1997 £000
Profit on disposal of businesses		
Profit on disposal of Metals Exploration Ltd	**–**	3,764
Profit on disposal of ASC Ltd	**–**	590
Profit on disposal of Brown Shipley operations	**–**	644
	–	4,998

	Year ended 31 December 1998 £000	Year ended 31 December 1997 £000
Profit on disposal of fixed assets		
Continuing operations		
Share of profit on property disposals by associated undertakings	**–**	1,067

Notes:

(i) The Brown Shipley operations consisted of its stockbroking and PEP management businesses, which were sold on 29 December 1995, together with the balance of Brown Shipley's asset management businesses. These were treated as discontinued operations. In 1997, the Group released certain provisions for warranties relating to the disposal.

(ii) No tax was attributable to the profits reported above.

(iii) Metals Exploration Ltd and ASC Ltd were treated as continuing businesses in 1997.

7 Interest Payable and Similar Charges

	Year ended 31 December 1998 £000	Year ended 31 December 1997 £000
Bank loans and overdrafts	**(506)**	(1,672)
Finance leases	**(4)**	(4)
	(510)	(1,676)
Interest capitalised	**146**	134
	(364)	(1,542)
Net interest payable by associated undertakings	**(40)**	(62)
	(404)	(1,604)

Note:

The cumulative amount of capitalised interest included in the cost of development land held by Canberra Investment Corporation at 31 December 1998 was £1,728,000 (1997: £1,684,000). Interest is capitalised gross of tax relief.

8 Segmental Information

a) Type of business	Turnover 1998 £000	Turnover 1997 £000	Profit before tax 1998 £000	Profit before tax 1997 £000	Profit after tax and minority interests 1998 £000	Profit after tax and minority interests 1997 £000	Net assets 1998 £000	Net assets 1997 £000
Investment	**–**	206	**17,349**	10,636	**15,267**	8,857	**137,166**	107,172
Property development	**3,705**	3,183	**(90)**	(902)	**(222)**	(578)	**3,718**	5,221
Funds management	**20,878**	19,737	**1,999**	1,496	**869**	792	**11,597**	10,918
Life assurance	**126,779**	93,031	**9,805**	13,717	**3,999**	2,353	**70,423**	47,583
Profit on disposal of businesses	**–**	–	**–**	4,998	**–**	4,594	**–**	–
Profit on disposal of fixed assets	**–**	–	**–**	1,067	**–**	1,067	**56,099**	–
	151,362	116,157	**29,063**	31,012	**19,913**	17,085	**208,579**	170,894
Joint venture – property development	**2,494**	–	**347**	–	**161**	–	**1,162**	–
	153,856	116,157	**29,410**	31,012	**20,074**	17,085	**209,741**	170,894

b) Geographical origin	Turnover 1998 £000	Turnover 1997 £000	Profit before tax 1998 £000	Profit before tax 1997 £000	Profit after tax and minority interests 1998 £000	Profit after tax and minority interests 1997 £000	Net assets 1998 £000	Net assets 1997 £000
(see notes (ii) and (iii) below)								
UK/Europe (see note (iv) below)	**–**	–	**10,670**	5,443	**10,177**	5,164	**83,287**	68,139
Australasia	**151,362**	116,157	**18,393**	25,569	**9,736**	11,921	**125,292**	102,755
	151,362	116,157	**29,063**	31,012	**19,913**	17,085	**208,579**	170,894
Joint venture – Australasia	**2,494**	–	**347**	–	**161**	–	**1,162**	–
	153,856	116,157	**29,410**	31,012	**20,074**	17,085	**209,741**	170,894

Notes:

(i) Profit arising from the Company's investment activities is deemed to be of UK origin.

(ii) The geographical segmentation of turnover by destination is not materially different from turnover by origin.

(iii) The assets of the Company are included in the UK/Europe geographical segment although a number of investee companies operate outside this area.

9 Employee Information

a) The average number of persons employed by the Group was:	Year ended 31 December 1998	Year ended 31 December 1997
Continuing operations		
Commercial and investment activities	**405**	425
Life assurance	**300**	270
	705	695

b) Group employment costs – all employees including directors	£000	£000
Continuing operations		
Aggregate gross wages and salaries	**14,862**	14,503
Employers' national insurance contributions or foreign equivalents	**777**	734
Employers' pension contributions	**1,026**	1,162
Total direct costs of employment	**16,665**	16,399

Notes to the Accounts Continued

10 Tax on Profit on Ordinary Activities

	Year ended 31 December 1998 £000	Year ended 31 December 1997 £000
Tax credit on franked investment income	**(475)**	(275)
Prior year corporation tax credit	**–**	199
ACT written back/(written off)	**412**	(102)
Overseas tax	**(1,954)**	(9,828)
Tax attributable to associated undertakings	**(329)**	(28)
Tax attributable to joint venture	**(112)**	–
Transfer (to)/from deferred tax	**(352)**	65
Total tax charge	**(2,810)**	(9,969)

Notes:

(i) Substantial capital losses remain available to the Group.

(ii) Australian subsidiaries have income tax losses amounting to A$52,738,000 (£19,442,000) at 31 December 1998 which have not been recognised in these financial statements.

(iii) In Tyndall's Life operations quoted shares and other securities held in the long-term funds are recorded at market value and tax is accrued on the potential gain. The tax charge is proportional to investment returns. In 1998 Tyndall's mark to market investment returns were below those achieved in the previous year and this has reduced the profit before tax and was the principal cause of the reduction in the tax charge for the year.

11 Pension Costs

The Company has a liability in respect of former directors' and employees' pensions currently being paid, amounting to £48,930 per annum. Provision has been made for the estimated liability based on actuarial advice. Pension costs for current employees are expensed as they are incurred.

Tyndall operates an accumulation fund which provides superannuation benefits for its members. This fund provides benefits payable on retirement, death, disability and resignation based on contributions paid by members and by Tyndall. All benefits that would have been vested under the fund's trust deeds in the event of the termination of the fund or voluntary or compulsory termination of employment of each employee are equal to the net realisable value of all investments and insurances held for each member.

A New Zealand subsidiary has made provision for discretionary pension payments paid to retirees and their spouses on an actuarially determined basis.

12 Earnings per Ordinary Share

Earnings per ordinary share ("EPS") is calculated on a net basis using earnings of £20,074,000 (1997: £17,085,000) on the adjusted weighted average number of 407,260,367 shares in issue during the period (1997: 392,503,649) and amounts to 4.93 pence (1997: 4.35 pence). EPS for 1997 has been adjusted for the 1998 Stock Events (see note 23c).

For diluted EPS, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares, which are options granted to employees.

Reconciliation of basic EPS to fully diluted EPS

	Profit (1998)	Shares	EPS
Earnings attributable to shareholders	20,074,000	407,260,367	4.93
Effect of dilutive securities – share options	–	6,394,869	
	20,074,000	413,655,236	4.85

	Profit (1997)	Shares	EPS
Earnings attributable to shareholders	17,085,000	392,503,649	4.35
Effect of dilutive securities – share options	–	10,777,397	
	17,085,000	403,281,046	4.24

13 Dividends

An ordinary dividend of 0.60p per share is recommended for the year ended 31 December 1998 (1997: 0.42p, adjusted). This is subject to a right for shareholders to elect instead of the cash dividend to receive one new ordinary share for every 85 existing shares held at the appropriate record date. The dividend per share for 1997 has been adjusted for the 1998 Stock Events (see Note 23c)).

There are local regulatory differences in the countries in which the Group's shares are listed, resulting in different taxation and timing. A circular containing full details, including information relating to payment, timetable and taxation, will be posted to shareholders on 16 April 1999.

14 Profit of the Company

A profit of £16,297,000 (1997: £9,112,000) has been dealt with in the accounts of the Company. As permitted by Section 230 of the Companies Act 1985, the Company has not published a separate profit and loss account.

15 Fixed Assets

a) Intangible assets – goodwill

	£000
At 31 December 1997	–
Acquisition of subsidiaries	670
Amortisation	(58)
At 31 December 1998	**612**

Goodwill is being amortised over an average life of 10 years.

b) Tangible assets

Group	Leasehold improvements £000	Furniture and equipment £000	Motor vehicles £000	Land and buildings £000	Total £000
Cost					
At 31 December 1997	1,688	5,830	1,309	414	9,241
Currency translation differences	(103)	(444)	(98)	(28)	(673)
Additions	84	1,020	215	16	1,335
Disposals	–	(188)	(776)	–	(964)
At 31 December 1998	**1,669**	**6,218**	**650**	**402**	**8,939**
Accumulated depreciation					
At 31 December 1997	979	3,621	629	11	5,240
Currency translation differences	(68)	(263)	(42)	–	(373)
Charge for the year	200	930	237	10	1,427
Disposals	–	(178)	(443)	–	(621)
At 31 December 1998	**1,111**	**4,110**	**381**	**21**	**5,673**
Net book value at 31 December 1998	**558**	**2,108**	**269**	**381**	**3,266**
Net book value at 31 December 1997	709	2,209	680	403	4,001

Notes to the Accounts Continued

15 Fixed Assets *continued*

Company	Leasehold improvements £000	Furniture and equipment £000	Motor vehicles £000	Total £000
Cost				
At 31 December 1997	178	149	126	453
Additions	–	2	38	40
Disposals	–	–	(20)	(20)
At 31 December 1998	**178**	**151**	**144**	**473**
Accumulated depreciation				
At 31 December 1997	172	56	106	334
Charge for the year	1	9	24	34
Disposals	–	–	(20)	(20)
At 31 December 1998	**173**	**65**	**110**	**348**
Net book value at 31 December 1998	**5**	**86**	**34**	**125**
Net book value at 31 December 1997	6	93	20	119

c) Land for development	£000
At 31 December 1997	3,417
Currency translation differences	(236)
Purchases	2,088
Transfer to current assets	(2,514)
At 31 December 1998	**2,755**

d) Investments

Group	**31 December 1998 £000**	31 December 1997 £000
Listed investments	**63,838**	72,573
Unlisted investments	**8,857**	2,068
Art portfolio	**819**	1,654
	73,514	76,295
Interests in associated undertakings	**7,830**	6,753
Interest in joint venture	**1,161**	–
	82,505	83,048

The movements in the Group's investments are analysed as follows:	Listed investments £000	Unlisted investments £000	Art portfolio £000	Associated undertaking – unlisted £000	Joint venture £000
At 31 December 1997	72,573	2,068	1,654	6,753	–
Acquisition of subsidiary (see note 28)	–	–	–	–	926
Additions	32,942	15,094	–	175	–
Disposals	(31,770)	(7,520)	(835)	–	–
Reclassification	(636)	636	–	–	–
Net writedown of investments	(8,699)	(1,243)	–	–	–
Share of retained profits of associated undertaking/joint venture	–	–	–	902	235
Currency translation differences	(572)	(178)	–	–	–
At 31 December 1998	**63,838**	**8,857**	**819**	**7,830**	**1,161**

15 Fixed Assets *continued*

Company	**31 December 1998 £000**	31 December 1997 £000
Investments in subsidiaries	**34,955**	40,850
Listed investments	**45,858**	48,879
Unlisted investments	**5,081**	4,969
Art portfolio	**819**	1,654
At 31 December 1998	**86,713**	96,352

The movements in the Company's investments are analysed as follows:	Investments in subsidiaries £000	Listed investments £000	Unlisted investments £000	Art portfolio £000
At 31 December 1997	40.850	48,879	4,969	1,654
Additions	2,041	24,773	175	–
Disposals	(7,936)	(19,620)	(63)	(835)
Net writedown of investments	–	(8,174)	–	–
At 31 December 1998	**34,955**	**45,858**	**5,081**	**819**

The market value of the Group's listed investments at 31 December 1998 was £77,955,000 (1997: £105,068,000).

All listed shares are quoted on recognised Stock Exchanges.

As at 31 December 1998 the market value of the Company's listed investments (excluding listed subsidiaries) was £43,552,000 (1997: £62,667,000) and the market value of the Company's listed subsidiaries was £1,935,000 (1997: £19,220,000). The carrying value of these listed subsidiaries was £724 (1997: £6,632). In the opinion of the directors, the value of investments in subsidiaries is not less than the amount at which they are stated in the Company's accounts.

The Group's principal operating subsidiaries are listed in note 35.

Analysis of significant holdings at 31 December 1998

Investment	Capital & reserves 000s	Latest profit 000s	Date of last published accounts	Country of incorporation	GPG shareholding	Class
Holdings exceeding 20%: treated as associated undertakings						
Turners & Growers Ltd (see page 4)	NZ$51,216	NZ$2,505	30.06.98	New Zealand	44.49%	Ordinary
Holdings exceeding 20%: not treated as associated undertakings						
(see note (ii) below)						
Premier Investments Ltd	A$209,312	A$8,024	30.06.98	Australia	23.53%	Ordinary
Tooth & Co Ltd	A$(24,165)	A$9,041	30.06.98	Australia	24.91%	Ordinary

Notes:

(i) Harcourt Hill Estate is an unincorporated property developer, in which the Group has a 50% interest through a joint venture agreement. Its principal place of business is Canberra, Australia. The external creditors and borrowings of the joint venture at 31 December 1998 were £2,153,000.

(ii) The Group's investment in associated undertakings comprises the consideration paid of £5,011,000 (1997 – £4,836,000) and the Group's share of post-acquisition returned profits of £2,819,000 (1997 – 1,917,000). A discount of £3,099,000 arose on acquisition of this investment.

(iii) Premier Investments Ltd and Tooth & Co Ltd are not regarded as associated undertakings because the directors do not consider that the Group has significant influence over these companies, due to the dominant influence of other members and the composition of their Boards.

16 Debtors

Amounts falling due within the year

Group	**31 December 1998 £000**	31 December 1997 £000
Trade debtors	**5,774**	4,115
Amount due from joint venture	**332**	–
Other debtors	**6,592**	16,359
Prepayments and accrued income	**1,329**	881
Deferred tax asset (see note below)	**2,242**	4,307
	16,269	25,662

Notes to the Accounts Continued

16 Debtors *continued*

	31 December 1998 £000	31 December 1997 £000
Company		
Amounts due from subsidiary undertakings	**27,942**	17,810
Other debtors	**5,781**	1,670
Prepayments and accrued income	**313**	118
	34,036	19,598

Note:
The Group's deferred tax assets in 1998 and 1997 arose in respect of short term timing differences, and represent the amounts where the recoverability of the asset is assured beyond reasonable doubt. Potential deferred tax assets of £4,706,000 (1997: £2,974,000) have not been recognised.

17 Current Asset Investments

	31 December 1998 £000	31 December 1997 £000
Listed investments	**9,584**	19,689
Unlisted investments	**757**	631
	10,341	20,320

Note:
The market value of listed current asset investments is £11,293,000 (1997: £21,201,000). These investments are all quoted on a recognised stock exchange.

18 Creditors

	31 December 1998 £000	31 December 1997 £000
Group		
(a) Amounts falling due within one year:		
Trade creditors	**1,524**	1,614
Taxation payable	**3,092**	3,880
Employee entitlements	**1,333**	1,300
Dividend due to Tyndall minority interests	**1,637**	1,397
Dividend payable	**2,515**	1,648
Other creditors	**7,637**	10,407
Accruals and deferred income	**1,897**	3,069
	19,635	23,315
(b) Amounts falling due after one year:		
Employee entitlements	**540**	564
Other creditors	**351**	339
	891	903

	31 December 1998 £000	31 December 1997 £000
Company		
Amounts falling due within one year:		
Amounts due to subsidiary undertakings	**19,802**	28,262
Taxation payable	**71**	554
Dividend payable	**2,515**	1,648
Other creditors	**460**	550
Accruals and deferred income	**1,043**	788
	23,891	31,802

19 Borrowings

	31 December 1998 £000	31 December 1997 £000
Borrowings repayable within one year	**2,931**	10,060
Borrowings repayable between one and two years	**10,304**	1,485
Borrowings repayable between two and five years	**959**	11,329
	14,194	22,874

Notes:

(i) All borrowings at 31 December 1998 are secured.

(ii) The borrowings substantially represent a loan of A$30,000,000 (£11,060,000) repayable by instalments and secured by registered fixed and floating charges over all assets and undertakings of Tyndall and its subsidiaries. The balance of £3,134,000 is secured against property held by Canberra Investment Corporation Ltd for development. These borrowings are subject to floating interest rates.

(iii) The Company had no borrowings at 31 December 1998 (1997: £NIL).

20 Provisions for Liabilities and Charges

Group	31 December 1998 £000	31 December 1997 £000
Deferred taxation (see note (i) below)	**1,052**	1,132
Pension liabilities (see note (ii) below)	**895**	1,167
Empty office space (see note (iii) below)	**1,274**	1,468
Accident claims (see note (iv) below)	**–**	2,905
	3,221	6,672
Company		
Pension liabilities (see note (v) below)	**330**	470

Movements in provisions

	Deferred tax £000	Pension liabilities £000	Empty office space £000	Accident claims £000
At 31 December 1997	1,132	1,167	1,468	2,905
Currency translation differences	(78)	(53)	–	(199)
Utilisation of provision	–	(77)	(253)	–
Transfer to Life assurance business	–	–	–	(2,902)
Charge to/(release from) profit and loss account	(2)	(142)	59	196
At 31 December 1998	**1,052**	**895**	**1,274**	**–**

Notes:

(i) The deferred taxation provision is in respect of short-term timing differences arising on land sales and deferred costs in Canberra Investment Corporation Ltd and represents the full potential liability.

(ii) Included in the pension liability is an amount of £99,000 due within one year (1997: £160,000).

(iii) Included in the provision for empty office space is an amount of £218,000 which relates to amounts payable within one year (1997: £253,000).

(iv) The accident claim business, which arose from the acquisition of Oceanic in 1997, was transferred to the Life assurance business during 1998.

(v) Included in the Company's pension liability is an amount of £49,000 payable within one year (1997: £72,000).

Notes to the Accounts Continued

21 Leasing commitments

Annual commitments of the continuing businesses under operating leases expiring:

	Land and buildings		Other assets	
	31 December 1998 £000	31 December 1997 £000	**31 December 1998 £000**	31 December 1997 £000
Within one year	**48**	52	**–**	27
Between one and five years	**1,467**	1,527	**–**	–
Over five years	**1,372**	1,448	**–**	–
	2,887	3,027	**–**	27

22 Directors' emoluments

Directors' emoluments may be summarised as follows:	**Year ended 31 December 1998 £000**	Year ended 31 December 1997 £000
Aggregate emoluments	**948**	798
Gains made on exercise of share options	**350**	252
Pension contributions	**86**	69
	1,384	1,119

Further details of directors' emoluments are provided on page 42.

23 Share Capital

	31 December 1998		31 December 1997	
	Number	**£000**	Number	£000
Authorised				
Ordinary Shares of 10 pence each	**600,000,000**	**60,000**	–	–
Ordinary Shares of 5 pence each	**–**	**–**	686,526,789	34,326
Unclassified Shares of 5 pence each	**–**	**–**	213,473,211	10,674
		60,000		45,000
Issued and fully paid				
Ordinary Shares of 10 pence each	**419,105,258**	**41,911**	–	–
Ordinary Shares of 5 pence each	**–**	**–**	686,526,789	34,326
		41,911		34,326

a) During 1998 the following issues and allotments of ordinary shares of 5p each were made, representing an aggregate nominal value of £7,584,868.

Date of issue and allotment	Stock event	No. of shares	Allotment price (pence per share)
1 April 1998	Exercise of options	1,212,789	11.19
26 May 1998	Rights issue	66,324,650	20.00
26 May 1998	Placing of the rights not subscribed	2,448,092	32.00
26 May 1998	Scrip dividend	5,519,083	Credited as fully paid
1 June 1998	Capitalisation issue	76,192,753	Credited as fully paid

b) On 26 May 1998 the Unclassified shares of 5 pence each were converted into Ordinary shares of 5 pence each.

c) On 2 June 1998, following the above-mentioned Capitalisation issue, the whole of the Company's then existing share capital of Ordinary shares of 5 pence each (whether issued or unissued) was consolidated on the basis that every two Ordinary shares of 5 pence each were converted into one Ordinary share of 10 pence each. As a result, from 2 June 1998 the Company's entire issued share capital consisted of 419,105,258 Ordinary shares of 10 pence each. No further shares were issued during the year.

The Rights issue, the Scrip dividend, the Capitalisation issue and the Consolidation are together referred to as "the 1998 Stock Events."

23 Share Capital *continued*

d) Following adjustments, grants, exercises and lapses during the year, options outstanding at 31 December 1998 were as set out below.

Share Option Scheme	Number	Date of grant	Exercise price (p per share)	Exercise period
1985 Share Option Scheme				
Ordinary	1,079,017	05.06.92	16.56	05.06.95 to 04.06.02
Ordinary	1,211,359	19.04.93	19.58	19.04.96 to 18.04.03
1992 Share Option Scheme				
Ordinary	2,905,483	05.06.92	16.56	05.06.95 to 04.06.99
Ordinary	2,346,734	19.04.93	19.58	19.04.96 to 18.04.00
Ordinary	4,523,780	12.05.94	40.81	12.05.97 to 11.05.04
Super	3,479,830	12.05.94	40.81	12.05.99 to 11.05.04
Ordinary	672,239	06.10.94	38.57	06.10.97 to 05.10.04
Super	395,434	06.10.94	38.57	06.10.99 to 05.10.04
Ordinary	693,127	25.08.95	40.44	25.08.98 to 24.08.05
Super	1,562,475	25.08.95	40.44	25.08.00 to 24.08.05
Ordinary	23,049	03.01.96	46.11	03.01.99 to 02.01.06
Super	88,109	03.01.96	46.11	03.01.01 to 02.01.06
Ordinary	207,415	11.04.96	52.07	11.04.99 to 10.04.06
Super	138,277	11.04.96	52.07	11.04.01 to 10.04.06
Ordinary	980,394	08.05.96	52.80	08.05.99 to 07.05.06
Super	1,037,088	08.05.96	52.80	08.05.01 to 07.05.06
Ordinary	911,379	13.01.97	53.30	13.01.00 to 12.01.07
Super	157,135	13.01.97	53.30	13.01.02 to 12.01.07
Ordinary	1,825,620	01.09.97	66.51	01.09.00 to 31.08.07
Ordinary	62,853	07.11.97	64.76	07.11.00 to 06.11.07
Super	137,136	07.11.97	64.76	07.11.02 to 06.11.07
Ordinary*	58,650	03.08.98	46.00	03.08.01 to 02.08.08
Super*	18,350	03.08.98	46.00	03.08.03 to 02.08.08
1994 Share Option Scheme				
Ordinary	824,244	12.05.94	40.81	12.05.97 to 11.05.04
Super	260,986	12.05.94	40.81	12.05.99 to 11.05.04
Ordinary	123,352	25.08.95	40.44	25.08.98 to 24.08.05
Super	246,706	25.08.95	40.44	25.08.00 to 24.08.05
Ordinary	65,060	03.01.96	46.11	03.01.99 to 02.01.06
Ordinary	27,652	11.04.96	52.07	11.04.99 to 10.04.06
Ordinary	56,694	08.05.96	52.80	08.05.99 to 07.05.06
Ordinary	51,424	01.09.97	66.51	01.09.00 to 31.08.07
Ordinary*	8,000	03.08.98	46.00	03.08.01 to 02.08.08

*Granted during 1998

Since the year end, options have been exercised under the 1992 Share Option Scheme as follows: 893,995 Ordinary options under the 05.06.92 grant reducing the number outstanding to 2,011,488, and 455,039 Ordinary options under the 19.04.93 grant, reducing the number outstanding to 1,891,895.

Notes to the Accounts Continued

23 Share Capital *continued*

In addition, the following options have been granted since the year-end:

Share Option Scheme	Number	Date of grant	Exercise price (p per share)	Exercise period
1992 Share Option Scheme				
Ordinary	1,406,000	22.03.99	57.00	22.03.02 to 21.03.09
Super	819,000	22.03.99	57.00	22.03.04 to 21.03.09
1994 Share Option Scheme				
Ordinary	25,000	22.03.99	57.00	22.03.02 to 21.03.09

Super options will normally be exercisable after five years from date of grant subject to the satisfaction of the two following performance targets: first, that the consolidated net assets per share of the Group over the five year period prior to exercise increases at a rate which at least matches the rate of increase in net assets per share of the top 75% of the FTSE 100 companies; and secondly, the percentage increase in the Group's consolidated net assets per share must at least match 110% of the increase in the UK retail prices index over the relevant period.

Options exercised during the year comprised 692,845 shares under the 1992 scheme. No options lapsed.

Options outstanding at the beginning of the year (including those exercised) have been adjusted as to price and number to reflect the effect of the 1998 Stock Events. Where required, Inland Revenue approval to changes was obtained.

24 Reserves

The movements in reserves are:

Group	Share premium account £000	Other reserves £000	Profit and loss account £000
At 31 December 1997 (as previously reported)	20,140	(782)	88,429
Transfer of reserve (see note (i) below)	–	782	(782)
Prior year adjustment (see note (ii) below)	–	–	(2,061)
At 31 December 1997 (as restated)	20,140	–	85,586
Release of negative goodwill on disposals (see note (iii) below)	–	–	(562)
Dividends written back (see note (iv) below)	–	–	1,330
Premium on shares issued (net of expenses)	10,006	–	–
Capitalisation issue of shares	(3,810)	–	–
Scrip Dividend Alternative	(276)	–	–
Currency translation differences (see note (v) below)	–	–	(4,832)
Retained profit for the year	–	–	17,559
At 31 December 1998	**26,060**	**–**	**99,081**

Company	Share premium account £000	Other reserves £000	Profit and loss account £000
At 31 December 1997	20,140	–	56,703
Dividends written back	–	–	1,330
Premium on shares issued (net of expenses)	10,006	–	–
Capitalisation issue of shares	(3,810)	–	–
Scrip Dividend Alternative	(276)	–	–
Retained profit for the year	–	–	13,782
At 31 December 1998	**26,060**	**–**	**71,815**

24 Reserves *continued*

Notes:

(i) Other reserves comprise positive and negative goodwill arising on consolidation. FRS10 requires that goodwill arising on acquisition after 1 January 1998 should be capitalised and, in general, amortised. Previously goodwill was written off to reserves. Goodwill previously classified within other reserves has not been reinstated, but has been transferred to the profit and loss account reserve by way of a prior year adjustment.

(ii) This prior year adjustment is in respect of changes introduced by the ABI SORP on Accounting for Insurance Business (see note 1(b)(iii)). This did not affect the Company's reserves.

(iii) The release of negative goodwill was in respect of the disposal of those assets held in the Group which gave rise to a discount on acquisition.

(iv) Dividends have been written back to the extent that shareholders elected for the Scrip Dividend Alternative.

(v) The currency translation differences are wholly attributable to the Company and its subsidiary undertakings.

(vi) Cumulative goodwill written off against reserves in respect of prior year acquisitions amounts to £1,367,000, comprising positive goodwill of £2,492,000 and negative goodwill of £1,125,000.

25 Contingent liabilities

Two subsidiary companies of Tyndall have undertaken to repurchase units in trusts for which they act as manager. Net assets of those trusts, to which the companies would have recourse in the event of a contingent liability crystallising, have a market value at 31 December 1998 in excess of any liability which may occur.

26 Capital commitment

At 31 December 1998 there were no significant capital commitments.

27 Subsequent event

On 17 February 1999, the Company announced the conditional sale by Kuvondo Limited, a wholly owned subsidiary, of 25,100,000 Tyndall Shares (then amounting to 9.9 per cent. of Tyndall's issued share capital) to RSA Overseas Holdings B.V. at a price of A$2.80 per share pursuant to a sale agreement ("the Kuvondo Sale Agreement"). That day Royal & Sun Alliance Australia Holdings also announced a cash offer for Tyndall at a price of A$2.80 per share, which values Tyndall's issued share capital at A$716 million (equivalent to £279 million) and the Group's aggregate shareholding in Tyndall at A$357 million (equivalent to £139 million) (the "RSA Offer"). The offer is conditional on a minimum acceptance level of 90 per cent (which Royal & Sun Alliance Australia Holdings may waive). Under the RSA Offer, Tyndall shareholders will retain the dividend for the year ended 31 December 1998 of A3.5 cents per Tyndall Share. GPG will also retain this dividend in respect of the Tyndall Shares to be sold under the Kuvondo Sale Agreement. The Kuvondo Sale Agreement will terminate if the RSA Offer has not become unconditional by 17 May 1999.

The Group has indicated that, in the absence of a higher offer and subject to the consent of Shareholders, it intends to accept the RSA Offer for its remaining 102,234,717 Tyndall Shares (amounting to 40.0 per cent of Tyndall's issued share capital). The directors estimate that the gain on the disposal of the Group's entire investment in Tyndall, after expenses, will be in excess of £90 million.

Owing to its size, the above proposed combined disposal is conditional upon the approval of Shareholders and an Extraordinary General Meeting will be held on 19 April to approve the proposal.

The statement below is intended to show the effect of the proposed disposal of Tyndall Shares on the net assets of the Group as if the disposal had been completed as at 31 December 1998. The statement is prepared for illustrative purposes only.

Notes to the Accounts Continued

27 Subsequent event *continued*

Pro forma statement of net assets showing effect of the proposed disposal of shares in Tyndall.

	Group net assets at 31 December 1998 £000	Adjustments net assets of Tyndall Group £000	Adjustments other (see note 2) £000	Adjusted group net assets £000
Fixed assets				
Tangible fixed assets	**3,266**	(2,596)	–	**670**
Land for development	**2,755**	–	–	**2,755**
Intangible assets	**612**	(238)	(374)(a)	**–**
Investments	**82,505**	(13,044)	–	**69,461**
Net assets of the Life assurance business	**56,099**	(56,099)	–	**–**
	145,237	(71,977)	(374)	**72,886**
Current assets				
Debtors: amounts falling due within one year	**16,269**	(6,977)	1,643(c)	**10,935**
Development work-in-progress	**2,981**	–	–	**2,981**
Investments	**10,341**	(541)	–	**9,800**
Cash at bank and in hand	**72,854**	(24,206)	138,408(b)	**187,056**
	102,445	(31,724)	140,051	**210,772**
Creditors: amounts falling due within one year				
Trade and other creditors	**(19,635)**	11,057	(1,643)(c)	**(10,221)**
Borrowings	**(2,931)**	1,106	–	**(1,825)**
Net current assets	**79,879**	(19,561)	138,408	**198,726**
Total assets less current liabilities	**225,116**	(91,538)	138,034	**271,612**
Creditors: amounts falling due after one year				
Trade and other creditors	**(891)**	783	–	**(108)**
Borrowings	**(11,263)**	9,954	–	**(1,309)**
	(12,154)	10,737	–	**(1,417)**
Provisions for liabilities and charges	**(3,221)**	800	–	**(2,421)**
Net assets	**209,741**	(80,001)	138,034	**267,774**
Minority interests	**(42,689)**	39,923	–	**(2,766)**
Shareholders' funds	**167,052**	(40,078)	138,034	**265,008**

Notes:

1. The figures for the net assets of the Tyndall Group have been derived from the consolidated balance sheet as at 31 December 1998.
2. The other adjustments comprise:
   (a) the elimination of capitalised goodwill arising from the acquisition of Tyndall Shares in 1998 (£0.4 million).
   (b) the estimated cash proceeds from the proposed disposal and the Kuvondo Sale Agreement of £138.4 million, based on a sale price of A$2.80 per share translated at £1: A$2.5694 (being the exchange rate on 22 March 1999), less estimated expenses; and (c) recognition of the dividend payable by Tyndall to GPG which had previously been eliminated on consolidation.
3. No account has been taken of trading or other transactions by the Group since 31 December 1998.
4. The expenses of the proposed disposal are estimated to be £355,000. No tax is expected to be payable by the Group in respect of the proposed disposal.
5. Goodwill previously written off to reserves in respect of the Tyndall Group amounts to £2,492,000. This goodwill will be charged to the profit and loss account following completion of the proposed disposal.

28 Acquisition of Subsidiaries and Other Business

	Net assets acquired £000	Fair value adjustments £000	Adjusted net assets £000
Assets of Cygnet Corporation Pty Ltd			
Loan to the joint venture	327	–	327
Share of gross assets of joint venture	2,502	2,257	4,759
Share of gross liabilities of joint venture	(3,833)	–	(3,833)
Total net assets	(1,004)	2,257	1,253
Cost of acquisition			(1,253)
Total goodwill			–
Cost of acquisition of shares in Tyndall Australia Ltd		(625)	
Net assets attributable to these shares		216	
			(409)
Additional consideration payable on 1997 acquisition			(261)
Total goodwill on acquisitions			(670)

Note:

Land held by the joint venture was revalued at its open market value as at the date of acquisition.

29 Notes to the Cashflow

a) Reconciliation of operating profit to net cash inflow from operations

	31 December 1998 £000	31 December 1997 £000 as restated
Operating profit	**28,196**	27,109
Depreciation and amortisation	**1,485**	1,194
Profit on disposal of fixed assets	**(157)**	(219)
Release of negative goodwill on disposals	**(562)**	–
Amounts written off land for development	**–**	1,211
Amounts written off against investments	**9,080**	1,133
Decrease/(increase) in debtors and development work in progress	**6,978**	(1,422)
Decrease/(increase) in provisions	**(217)**	(1,103)
Accrued earnings – Life business	**(9,805)**	(13,717)
Statutory profit – Life business	**3,337**	3,643
(Decrease)/increase in creditors	**(3,274)**	2,081
Decrease/(increase) in current asset investments	**(5,673)**	(8,554)
Currency and other adjustments	**(2,134)**	85
Net cash inflow from operations	**38,600**	11,441

Non-cash activities

The Company and Tyndall offer scrip dividend alternative and dividend reinvestment plans respectively. These arrangements have had the effect of increasing cash flows by £2,955,000 (1997: £2,421,000) through shareholders' electing to receive shares in lieu of their cash dividends. Part of the consideration for the acquisition of Oceanic in 1997 was settled by issuing Convertible Loan Notes (£1,980,000) which were cancelled on 16 February 1998 on settlement of certain warranty claims against the vendor.

Note:

Net cash inflow from operations includes the profits and losses resulting from sales of investments which are considered to be cash inflows generated in the normal course of business.

Notes to the Accounts Continued

29 Notes to the Cashflow *continued*

b) Returns on investments and servicing of finance	**Year ended 31 December 1998 £000**	Year ended 31 December 1997 £000
Interest paid	**(510)**	(1,676)
Dividends paid by subsidiaries to Minority Interests	**(762)**	(659)
Dividends received from associated undertakings	**202**	1,279
	(1,272)	(1,056)
c) Taxation		
Overseas tax paid	**(610)**	(574)
Overseas tax refunded	**–**	877
	(610)	303
d) Capital expenditure and financial investment		
Payments to acquire property, plant or equipment	**(1,335)**	(2,268)
Purchase of fixed asset investments	**(48,209)**	(86,376)
Purchase of land for development	**(1,942)**	(697)
Capital injection into Statutory Funds	**(5,693)**	(8,693)
Net receipt from transfer of Accident business into Life assurance business	**1,224**	–
Receipts from disposal of property, plant or equipment	**500**	672
Sale of fixed asset investments, at book value	**38,005**	79,653
	(17,450)	(17,709)
e) Acquisitions and disposals		
Net receipts from sale of subsidiary undertakings	**–**	(4,198)
Net receipts/(payments) from acquisition of subsidiary undertakings and businesses (see note 32)	**329**	(12,481)
	329	(16,679)
f) Equity dividends paid		
Balance as at 1 January	**(1,648)**	(1,241)
Less: shares in lieu of cash dividend	**1,330**	968
	(318)	(273)
g) Management of liquid resources		
Cash placed on short and medium term deposit	**(27,844)**	(18,583)
Withdrawals from short and medium term deposits	**15,237**	17,242
	(12,607)	(1,341)

29 Notes to the Cashflow *continued*

h) Financing

	Year ended 31 December 1998 £000	Year ended 31 December 1997 £000
Issue of ordinary shares by Company	**13,640**	19
Issue of ordinary shares to minority shareholders in subsidiary	**8,689**	5,326
Expenses of share issues	**(135)**	(38)
Total issues of ordinary shares	**22,194**	5,307
New loans taken out	**14,664**	37,295
Loans repaid	**(19,923)**	(26,405)
(Decrease)/Increase in debt	**(5,259)**	10,890
New cash inflow from financing	**16,935**	16,197

i) Analysis of Net Funds

Group	1 January 1998	Cash flow	Other non-cash	Exchange Movement	31 December 1998
Cash in hand and at bank	**37,313**	36,214	–	(673)	**72,854**
Less: liquid resources	**(31,052)**	(12,607)	–	493	**(43,166)**
	6,261	23,607	–	(180)	**29,688**
Debt due within 1 year	**(10,060)**	3,108	3,328	693	**(2,931)**
Debt due after 1 year	**(12,814)**	2,151	(1,485)	885	**(11,263)**
	(22,874)	5,259	1,843	1,578	**(14,194)**
Liquid resources	**31,052**	12,607	–	(493)	**43,166**
Total	**14,439**	41,473	1,843	905	**58,660**

NB: Liquid resources comprise short and medium term deposits.

30 Analysis of Changes in Cash and Liquid Resources During the Year

	31 December 1998 £000	31 December 1997 £000
Opening balance	**37,313**	46,989
Net cash inflow/(outflow)	**23,607**	(9,117)
Increase in liquid resources	**12,607**	1,341
Currency translation differences	**(673)**	(1,900)
Closing balance	**72,854**	37,313

Notes to the Accounts Continued

31 Analysis of Changes in Financing During the Year

	Share capital (inc. premium) £000	Minority Interests £000	Loans and finance leases £000
At 31 December 1997 (as previously reported)	**54,466**	**32,883**	**22,874**
Prior year adjustment (see note 1(b))	–	(2,041)	–
At 31 December 1997 (as restated)	**54,466**	30,842	22,874
Currency translation differences	–	(2,270)	(1,578)
Shares issued for cash (net of expenses)	13,505	–	–
Loans taken out	–	–	14,664
Borrowings repaid	–	–	(19,923)
Cancellation of convertible loan notes			
Share of profits for year	–	6,526	–
Minority participation in subsidiaries' share issues (including Scrip dividends)	–	10,677	–
Dividends paid/payable (including Scrip dividends)	–	(2,823)	–
Other movements	–	(263)	–
At 31 December 1998	**67,971**	**42,689**	**14,194**

32 Purchase of Subsidiary Undertakings

The analysis of the net outflow of cash and cash equivalents in respect of subsidiaries and businesses purchased is as follows:

	Year ended 31 December 1998 £000	Year ended 31 December 1997 £000
Consideration invested in acquiring subsidiaries and businesses	**2,139**	13,262
Cash paid into escrow in 1997, partly repaid in 1998	**(1,843)**	3,960
	296	17,222
Amounts paid post year-end	**(625)**	–
Convertible loan notes issued as part of purchase consideration	**–**	(1,980)
Cash (receipts)/payments in respect of acquisitions	**(329)**	15,242
Cash held by subsidiaries and businesses acquired	**–**	(2,761)
Net (inflow)/outflow of cash in respect of the purchase of subsidiaries and businesses	**(329)**	12,481

Note:

A payment of £1,253,000 was made on 5 January 1998 to acquire the assets of Cygnet Corporation Pty Ltd. These assets included the Company's 50% share in a joint venture. The movements in the escrow account relate to the purchase of Oceanic in 1997; the funds held in escrow were partly repaid in 1998 on settlement of certain warranty claims.

33 Disposal of Subsidiary Undertakings

Net assets of subsidiaries sold:	**Year ended 31 December 1998 £000**	Year ended 31 December 1997 £000
Fixed assets	–	1,621
Debtors	–	367
Cash at bank	–	19,277
Creditors	–	(2,052)
Deferred taxation	–	(524)
	–	18,689
Minority interests	–	(6,992)
Shares retained in Metals Exploration Ltd	–	(200)
	–	11,497
Profit on disposal (including release of capital reserves)	–	4,998
Less non-cash items	–	(1,002)
Consideration receivable	–	15,493
Proceeds receivable	–	15,493
Cash held by subsidiaries sold	–	(19,277)
Adjustment for deferred consideration on prior year disposals	–	(414)
Net reduction in cash	–	(4,198)

The operations disposed of in 1997 were ASC Ltd and Metals Exploration Ltd.

34 Related Party Disclosures

The Tyndall Group provides services to the Statutory Funds of Tyndall's Life operations. The fees charged to the Statutory Funds during the year were £1,488,000 (1997: £1,429,000). The Statutory Funds are also charged for their share of Tyndall Group's overhead expenses. This recharge totalled £7,015,000 in 1998 (1997: £5,338,000).

The Tyndall Group also acts as manager to several unlisted and listed trusts and receives portfolio management fees. As manager it buys and sells units in these trusts. The Tyndall Group has loaned certain of these trusts amounts totalling £358,000 (1997: £407,000) at commercial rates of interest. The trusts paid £8,000 (1997: £29,000) of interest during the year.

35 Principal Subsidiary Undertakings

The Group's principal subsidiary undertakings at 31 December 1998, all of which are included in the Group's consolidated accounts, are set out below. Unless stated otherwise, in each case Guinness Peat Group plc, either itself or through its subsidiaries, is the beneficial owner of all the equity share capital, all of which is fully paid.

Name and country of incorporation/operation	Issued share capital	Nature of business
Tyndall Australia Ltd (Australia) 50.10% (1997: 50.24%)	254,169,011 ordinary shares of A$0.20 each	Life assurance and funds management
Mid-East Minerals Ltd (Australia) 88.24% (1997: 89.75%)	21,364,034 ordinary shares of A$0.25 each	Investment company
Canberra Investment Corporation Ltd (Australia) 68.47% (1997: 68.31%)	30,800,000 ordinary shares A$0.40 each	Property developer
GPG Securities Trading Limited (England)	2 ordinary shares of £1 each	Securities trading
GPG (Australia) Pty Ltd (Australia)	4,000,000 ordinary shares of A$1 each	Holding company
Guinness Peat Group New Zealand Ltd (New Zealand)	250,000 ordinary shares of NZ$1 each	Securities trading

Notes to the Accounts Continued

36 Life Assurance Business

a) Long term revenue account

	31 December 1998 £000	31 December 1998 £000	31 December 1997 as restated £000	31 December 1997 as restated £000
Earned premiums, net of reinsurance		**126,779**		93,031
Investment income				
Profit on disposal of investments and other investment income	**28,054**		42,907	
Unrealised investment income	**(12,464)**		451	
		15,590		43,358
Claims incurred, net of reinsurance		**(55,610)**		(46,393)
Net change in policyholder liabilities				
Policyholder liabilities for linked business	**(52,595)**		(39,449)	
Change in long term business provision	**(1,288)**		(9,581)	
		(53,883)		(49,030)
Net operating expenses				
Acquisition costs	**(6,472)**		(9,840)	
Change in deferred acquisition costs	**2,088**		1,848	
Administrative expenses	**(15,761)**		(15,774)	
Other technical charges	**(664)**		(590)	
		(20,809)		(24,356)
Investment expenses and charges		**(1,456)**		(1,413)
Tax charge attributable to long term business		**(1,823)**		(9,034)
Transfer to fund for future appropriations		**(806)**		(1,480)
Balance on the long term revenue account		**7,982**		4,683
Minority interests		**(3,983)**		(2,330)
Profit attributable to GPG shareholders		**3,999**		2,353

Note:

The profits attributable to GPG shareholders in 1997 reflect exceptional items relating to the acquisition of Oceanic disclosed in Note 2.

b) Investments

	31 December 1998 £000	31 December 1997 £000
Financial investments		
Shares and other variable yield securities	**51,222**	45,679
Debt securities and other fixed income securities	**65,741**	54,380
	116,963	100,059
Assets held to cover linked liabilities	**215,991**	173,044
	332,954	273,103
Financial investments comprise the following:		
Listed outside the UK	**107,854**	75,769
Unlisted	**9,109**	24,290
	116,963	100,059

At 31 December 1998 the cost of the financial investments was £110,834,000 (1997: £99,100,000).

36 Life Assurance Business *continued*

c) Present value of acquired in-force business

	31 December 1998 £000	31 December 1997 £000 as restated
Opening balance (as previously reported)	**13,474**	4,421
Prior year adjustment (see note 1b))	**(4,102)**	(3,772)
Opening balance (as restated)	**9,372**	649
Acquisition of subsidiary	**–**	9,702
Amortisation for the year	**(664)**	(590)
Currency translation differences	**(930)**	(389)
	7,778	9,372

At 31 December 1998, the valuation of the total life business was £75,205,000 (1997: £47,123,000). This valuation is based on the future surpluses applicable to shareholders which are expected to arise from the business in force at the date of the valuation. These surpluses have been discounted using a rate of 12.5% per annum (1997: 12.5%).

d) Debtors and prepayments

	31 December 1998		31 December 1997 as restated	
	£000	**£000**	£000	£000
Deferred acquisition costs		**34,899**		35,243
Debtors		**13,801**		10,271
Prepayments and accrued income		**3,534**		1,504
		52,234		47,018

e) Policyholder liabilities

Linked business		**202,392**		161,634
Participating business:				
Long term business provision	**89,869**		92,831	
Claims outstanding	**34,645**		36,156	
		124,514		128,987
		326,906		290,621

f) Other liabilities

Fund for future appropriations	**5,128**	7,177
Creditors	**12,278**	12,135
Provisions	**8,706**	7,945
Accruals and deferred income	**562**	1,464
	26,674	28,721

Corporate Governance

Compliance

The Company's corporate governance complies with Section 1 of the London Stock Exchange's Combined Code ("the Code") insofar as its terms are considered relevant and practical. Set out below is an overview of the Company's size, structure and management style. Given this style, the direct involvement of the directors in the day to day activities of the Group but their geographically diverse locations, full compliance with the Code is considered inappropriate. Exceptions are mentioned under the appropriate subject headings, and the position is continually reviewed and monitored by the directors and management.

Directors

As shareholders know, Guinness Peat Group plc ("GPG") is a strategic investment company with interests principally in the United Kingdom, Australia and New Zealand. The Board consists of a team of two non-executive directors, being the Chairman, Sir Ron Brierley, and Trevor Beyer, together with four executive directors. Short biographies of each of the directors appear on page 6. None of the directors has a contract of service with the Company or any of its subsidiaries. The non-executive directors are not appointed for a specified term, but in accordance with the Company's Articles of Association seek re-election every three years.

The Board as a whole is responsible for the Group's assets and operations which are managed on a day-to-day basis by the four executive directors, situated in the three countries identified below. The directors are in constant touch with each other and have put in place suitable communication and reporting systems which enable them to have a clear appreciation and measure of the Group's operations on a timely basis. The Board meets at least three times a year; the directors also hold further meetings as required to discuss any matters which they consider merit formal Board attention.

The London office is responsible for all corporate activities, including compliance requirements for the three Stock Exchanges on which the Company's shares are listed, as well as all treasury and communication functions. Executive responsibility for the Group's operations is shared as follows: Blake Nixon is the Executive Director responsible for the London office, Gary Weiss is the Executive Director in charge of the Sydney office and Tony Gibbs is the Executive Director in charge of the Group's New Zealand office. The Group has approximately 30,000 shareholders, of whom only the Chairman is beneficially interested in more than 3% of the Group's shares. A large majority of shareholders, by number and by shares held, are private individuals.

As mentioned above, given the small size of the Board, the close and direct proximity of the directors to the Company's activities but the geographically diverse location of the directors, some aspects of the Combined Code are considered inappropriate. In addition to those matters described elsewhere in this report:

- Both Sir Ron Brierley and Trevor Beyer, the Company's non-executive directors, are experienced investment professionals with reputations for independent mindedness at the companies on whose Boards they are, or have been, represented. However it is accepted that as the interests of both are linked to those of shareholders by means of the granting of share options, and as both have had a long association with the Company as non-executive directors, neither would be regarded "independent" in terms of the strictures of the Combined Code.
- The size of the Board and their direct responsibility for all significant matters affecting the Company, 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.
- Under the Articles of Association of the Company, one-third of the directors are required to retire by rotation each year, which is similar, but not identical to, the requirement in the Combined Code for all directors to submit themselves for re-election at least every three years.

In accordance with the Articles of Association Messrs. AI Gibbs and MW Loomes retire by rotation at the conclusion of the 1999 Annual General Meeting and, being eligible, offer themselves for re-election.

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 Financial Controls

Formal guidance is awaited on how to report on the Code provisions relating to the directors' review of the effectiveness of the Group's system of internal controls. In the meantime, in accordance with guidance from the London Stock Exchange, the directors continue to review the effectiveness of internal financial controls. The directors acknowledge that they are responsible for the Group's system of internal financial controls. However, it must be recognised that any system cannot provide absolute assurance against material misstatement or loss.

The Board as a whole is responsible for setting and achieving the Group's objectives and policies, and the maintenance and custody of its assets. It meets with such frequency as is practical and necessary to ensure full and effective control over the Group.

The directors reviewed the effectiveness of the internal financial controls of the Company and its subsidiary undertakings during March 1998 and have repeated this exercise in March 1999. At least one GPG director is appointed to the board of each principal subsidiary. Each subsidiary's board has been notified of its responsibilities for identifying key business risks and establishing appropriate control procedures. They are also required to acknowledge, in writing, that they are aware of their responsibilities with respect to internal financial control systems. The systems were reviewed principally through the completion of internal questionnaires, the results of which were reported to the Audit Committee and the Board of Guinness Peat Group plc.

The Group is not sufficiently large to justify an internal audit function. However, although the directors of the subsidiaries are expected to consider the need for internal audit.

Further reviews will be conducted from time to time, and professional advice, where appropriate, will be sought from the auditors.

Shareholder Meetings

In 1998, the Company's Annual General Meeting was held in London. It is proposed that for all future shareholder meetings the level of proxies lodged on each resolution be announced following the meeting.

However, as this was not general practice at the time of the 1998 AGM, details of the levels of proxies lodged for that meeting were not disclosed.

Audit Committee

An Audit Committee was established on 19 December 1995. It consists of one non-executive director, Mr T J N Beyer, who chairs the committee and one executive director, Mr B A Nixon. The Board considers that the appointment of one non-executive director to the Audit Committee is sufficient to ensure the integrity of the Group's financial reporting and controls. The Committee was supplied on establishment with written terms of reference dealing with its authority and duties, and these are regularly reviewed to ensure they remain appropriate.

Going Concern

Giving due consideration to the nature of the Group's business and underlying investments, the directors consider that the Company and the Group are a going concern and the financial statements are prepared on that basis.

Report on Remuneration and Related Matters

Introduction

For completeness, this report covers the remuneration of executive and non-executive directors and also related matters such as directors' interests in shares of the Company. 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 Committee

The Remuneration Committee was established on 12 December 1995. It is chaired by Mr T J N Beyer, a non-executive director. The Chairman of the Company, Sir Ron Brierley, has delegated full responsibility and authority to Mr Beyer to chair these committees. As with the Audit Committee, it is the view of the Board that the appointment of Mr Beyer as the only non-executive director on the Committee is sufficient to ensure the integrity and independence of the Remuneration Committee in fulfilling its duties. The Committee also includes two executive directors. It sets the remuneration packages for all the directors. No director is involved in deciding his own remuneration. Save as aforesaid, this Committee complies with the Principles of Good Governance regarding directors' remuneration as set out in Section B of Part 1 of the Combined Code. It meets with such frequency as may be required to fulfil its responsibilities and has access to internal and external professional advice as deemed necessary. The Committee gives full consideration to the provisions in Schedule A to the Combined Code in carrying out its duties.

Current membership of the Committee is indicated on page 6.

Directors' Remuneration Policy

It remains the Remuneration Committee's policy that remuneration and benefit levels should be sufficiently competitive, having regard to local remuneration practice in the country in which the director works, to attract, incentivise, reward and retain the directors.

The make-up of directors' remuneration varies subject 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 not normally entitled to any performance related cash bonuses.
- Long term incentives: directors are entitled to receive awards of Options under the Company's share option schemes, as referred to overleaf.
- Pensions contributions: see the Notes below the following table.

The Remuneration Committee has concluded that it would not be appropriate to provide explicitly for compensation commitments in the event of early termination.

Corporate Governance Continued

Details of individual directors' remuneration are provided below:

	Salaries & Fees £	Current Year Benefits in Kind £	Total £	Prior Year Total £	Current Year Gains on exercise of options £	Prior Year Gains on exercise of options £	Current Year Pension £	Prior Year Pension £
Non Executive								
Sir Ron Brierley	–	–	–	–	–	99,097	–	–
T J N Beyer	80,000	2,140	82,140	81,306	–	–	–	–
Executive								
A I Gibbs	211,541	–	211,541	155,274	–	–	–	–
M W Loomes	121,477	–	121,477	122,761	301,735	76,229	25,983	10,759
B A Nixon	250,000	13,717	263,717	213,167	–	–	25,000	20,000
Dr G H Weiss	268,746	–	268,746	226,166	48,427	76,229	35,390	38,015

The aggregate emoluments and gains on share options exercised for the highest paid director were £499,195 (1997: £302,395).

Notes:

1. Share options are awarded to directors and senior staff in accordance with the terms of the Company's share option schemes, the terms of which have been approved by the shareholders. The Company does not operate any other long term incentive schemes nor does it normally award cash bonuses. 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 Company's longer term performance. The approach also aligns management interests with those of Shareholders. Awards are made each year in the context of the Company's performance in the preceding year, the individual's contribution to that performance, and his or her 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.

   There were no changes to or departures from that policy in the year under review. Details of directors' share options and shareholdings are set out in note (i) below.
2. In addition to his salary B A Nixon receives contributions to a Personal Pension arrangement of his choice assessed at 10% of his salary. The remaining 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.
3. "Benefits in kind" include provision of a fully expensed company car, private health insurance and miscellaneous expenses.
4. T J N Beyer's remuneration figure includes an amount of £35,000 by way of directors' fees.
5. Directors are entitled to direct that a variable amount of their total salary, as determined by the Remuneration Committee each year, be paid in a form other than cash.
6. All pension contributions are in respect of defined contribution arrangements.
7. Overseas directors' emoluments, which are paid in local currency, have been translated at the relevant year end exchange rate.
8. On 31 March 1998 M W Loomes exercised options over 1,212,541 shares of 5p each at a price of 11.1p. The market price on the date of exercise was 59p. No other director exercised any GPG share options in 1998 (1997: nil).

Directors' Interests

a) The interests of the directors who held office at the end of the period, and connected persons, in the shares of the Company and options of the Company and its subsidiaries as at 31 December 1998 and 1997 are set out below.

(i) Guinness Peat Group plc

	31 December 1998 (10p shares)	31 December 1997 (5p shares)
Sir Ron Brierley	**15,362,747**	25,737,815
T J N Beyer	**1,188,587**	2,046,911
A I Gibbs	**444,451**	793,066
M W Loomes	**2,324**	3,809
B A Nixon	**72,601**	118,922
Dr G H Weiss	**712,673**	1,167,361

Options over ordinary 10 pence shares of the Company

	Number 1998	Number 1997	Exercise price (pence per share)	Exercise period
Sir Ron Brierley				
Ordinary	1,787,990	1,787,990	16.56	05.06.95 to 04.06.99
Ordinary	1,739,916	1,739,916	40.81	12.05.97 to 11.05.04
Super	869,958	869,958	40.81	12.05.99 to 11.05.04
Ordinary	172,848	172,848	52.80	08.05.99 to 07.05.06
Super	172,848	172,848	52.80	08.05.01 to 07.05.06
T J N Beyer				
Ordinary	446,996	446,996	19.58	19.04.96 to 18.04.00
Ordinary	86,995	86,995	40.81	12.05.97 to 11.05.04
Super	86,995	86,995	40.81	12.05.99 to 11.05.04
Ordinary	172,848	172,848	52.80	08.05.99 to 07.05.06
Super	172,848	172,848	52.80	08.05.01 to 07.05.06
Ordinary	114,279	114,279	66.51	01.09.00 to 31.08.07
A I Gibbs				
Ordinary	86,995	86,995	40.81	12.05.97 to 11.05.04
Super	130,493	130,493	40.81	12.05.99 to 11.05.04
Ordinary	395,435	395,435	38.57	06.10.97 to 05.10.04
Super	197,717	197,717	38.57	06.10.99 to 05.10.04
Ordinary	352,438	352,438	40.44	25.08.98 to 24.08.05
Super	881,095	881,095	40.44	25.08.00 to 24.08.05
Ordinary	172,848	172,848	52.80	08.05.99 to 07.05.06
Super	172,848	172,848	52.80	08.05.01 to 07.05.06
Ordinary	314,270	314,270	53.30	13.01.00 to 12.01.07
Ordinary	285,700	285,700	66.51	01.09.00 to 31.08.07
M W Loomes				
Ordinary	–	692,845	19.58	19.04.96 to 18.04.00
Ordinary	869,958	869,958	40.81	12.05.97 to 11.05.04
Super	652,468	652,468	40.81	12.05.99 to 11.05.04
Ordinary	199,714	199,714	40.44	25.08.98 to 24.08.05
Super	399,430	399,430	40.44	25.08.00 to 24.08.05
Ordinary	172,848	172,848	52.80	08.05.99 to 07.05.06
Super	172,848	172,848	52.80	08.05.01 to 07.05.06
Ordinary	285,700	285,700	66.51	01.09.00 to 31.08.07
B A Nixon				
Ordinary	893,995	893,995	16.56	05.06.95 to 04.06.02
Ordinary	938,694	938,694	19.58	19.04.96 to 18.04.03
Ordinary	652,468	652,468	40.81	12.05.97 to 11.05.04
Super	869,958	869,958	40.81	12.05.99 to 11.05.04
Ordinary	172,848	172,848	52.80	08.05.99 to 07.05.06
Super	172,848	172,848	52.80	08.05.01 to 07.05.06
Ordinary	285,700	285,700	66.51	01.09.00 to 31.08.07
Dr G H Weiss				
Ordinary*	893,995	893,995	16.56	05.06.95 to 04.06.99
Ordinary*	1,855,039	1,855,039	19.58	19.04.96 to 18.04.00
Ordinary	1,739,916	1,739,916	40.81	12.05.97 to 11.05.04
Super	869,958	869,958	40.81	12.05.99 to 11.05.04
Ordinary	172,848	172,848	52.80	08.05.99 to 07.05.06
Super	172,848	172,848	52.80	08.05.01 to 07.05.06
Ordinary	285,700	285,700	66.51	01.09.00 to 31.08.07

Also since the year end 252,000 options have been granted to AI Gibbs, 142,000 to MW Loomes, 63,000 to BA Nixon and 328,000 to GH Weiss, all being Ordinary options at an exercise price of 57.00 pence exercisable between 22 March 2002 and 21 March 2009. In addition 148,000 options have been granted to AI Gibbs, 83,000 to MW Loomes, 37,000 to BA Nixon and 192,000 to GH Weiss, all being Super options at a exercise price of 57.00 pence exercisable between 22 March 2004 and 21 March 2009.

Corporate Governance Continued

Options outstanding at 31 December 1997 have been restated as to price and number to reflect the effect of the 1998 Stock Events. Apart from M W Loomes (see Note 8 on page 42), no director exercised any options during the year (1997: Nil).

A description of the terms of exercise of Super options is set out in note 23 to the accounts.

The middle market price of the shares at 31 December 1998 was 48.00 pence and the range during the financial year was 36.00 pence to 62.50 pence (as adjusted).

*Since the year end Dr G H Weiss has exercised all 893,995 options expiring on 4 June 1999 and 455,039 options expiring on 18 April 2000.

(ii) Mid-East Minerals Ltd

Ordinary shares, fully paid	**31 December 1998**	31 December 1997
Dr G H Weiss	**11,617**	11,617

No other director was interested in the shares of this company during 1998 or 1997, save in respect of the following options:

Options over ordinary shares

	Number 1998	Number 1997	**Exercise Price (A$ per share)**	**Exercise Period**
M W Loomes	125,000	125,000	0.96	8.04.97 to 7.04.2002
Dr G H Weiss	125,000	125,000	0.96	8.04.97 to 7.04.2002

No directors' options were exercised or lapsed during the year under review or since the year end (1997: Nil).

The middle market price of the shares on 31 December 1998 was A$1.16 and the range during the financial year was A$1.00 to A$1.40.

(iii) Tyndall Australia Limited

Ordinary shares, fully paid	**31 December 1998**	31 December 1997
A I Gibbs	**9,687**	7,813
Dr G H Weiss	**63,519**	39,177

No other director was interested in the shares of this company during 1997 or 1998, save in respect of the following options:

	Number 1998	Number 1997	**Attaching Bonus Shares contingent upon exercise**	**Exercise price (A$ per share)**	**Exercise Period**
Sir Ron Brierley	50,000	50,000	23,205	1.22	19.04.97 to 18.04.00
	50,000	50,000	16,550	1.58	26.04.98 to 24.04.01
	50,000	50,000	10,500	1.77	23.04.99 to 22.04.02
	50,000*	–	5,000	2.62	29.04.00 to 28.04.03
A I Gibbs	50,000	50,000	23,205	1.08	22.02.97 to 21.02.00
	50,000	50,000	16,550	1.58	26.04.98 to 24.04.01
	50,000	50,000	10,500	1.77	23.04.99 to 22.04.02
	50,000*	–	5,000	2.62	29.04.00 to 28.04.03
M W Loomes	–	50,000	–	1.95	23.02.96 to 22.02.99
	50,000	50,000	23,205	1.22	19.04.97 to 18.04.00
	50,000	50,000	16,550	1.58	26.04.98 to 24.04.01
	50,000	50,000	10,500	1.77	23.04.99 to 22.04.02
	50,000*	–	5,000	2.62	29.04.00 to 28.04.03
Dr G H Weiss	–	50,000	–	1.22	19.04.97 to 18.04.00
	50,000	50,000	16,550	1.58	26.04.98 to 24.04.01
	50,000	50,000	10,500	1.77	23.04.99 to 22.04.02
	50,000*	–	5,000	2.62	29.04.00 to 28.04.03

*Granted during 1998

During the year, Mr M W Loomes exercised 50,000 February 1994 options at A$1.95 per share and became entitled to 23,205 attaching bonus shares. Mr Loomes then sold these 73,205 shares. During the year, Dr G H Weiss exercised 50,000 April 1995 options at A$1.22 per share and became entitled to 16,550 attaching bonus shares. Dr Weiss then sold 60,000 of these shares.

Save for the transactions described above, no options were granted, lapsed or exercised during the year.

The middle market price of the shares at 31 December 1998 was A$2.50 and the range during the financial year was to A$1.71 to A$2.65.

Since the year end the following options have been exercised:

Director	No. Options	Exercise Price	Attaching Bonus Shares	Total Shares Acquired
A I Gibbs	50,000	A$1.08	23,205	73,205
	50,000	A$1.58	16,550	66,550
				139,755
M W Loomes	50,000	A$1.22	23,205	73,205
	50,000	A$1.58	16,550	66,550
				139,755
Dr G H Weiss	50,000	A$1.58	16,550	66,550

Following the above transactions the holdings of Tyndall shares by the directors are as follows:

Director	Holding at 3.3.99
M W Loomes	139,755
Dr G H Weiss	130,069
A I Gibbs	149,442

b) There were no loans or guarantees from Group companies to directors or connected persons at 31 December 1997 and 31 December 1998 or during the year, and save as disclosed above, no director has any interest in the share capital of the Company or any of its subsidiaries (other than as a nominee of the Company). Other than as stated above there has been no change in the interests of the current directors of the Company between 1 January 1999 and # March 1999, the latest practical date before the printing of the report and accounts.

Statement of Directors' Responsibilities

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit or loss of the Group for that period. The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of financial statements for the year ended 31 December 1998. The directors also confirm that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the Company and of the Group and hence for taking reasonable steps for the prevention and direction of fraud and other irregularities.

Auditors' Report

We have audited the financial statements on pages 8 to 39 which have been prepared in accordance with the accounting policies set out on pages 16 to 18.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, including as described above the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, the Listing Rules of the London Stock Exchange and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

We review whether the statement on page # reflects the Company's compliance with those provisions of the Combined Code specified for our review by the London Stock Exchange, and we report if it does not. We are not required to form an opinion on the effectiveness of the Company's or Group's corporate governance procedures or its internal controls.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of state of affairs of the Company and the Group at 31 December 1998 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
London
1 April 1999

Notice of Meeting

Notice is hereby given that the 1999 Annual General Meeting of Guinness Peat Group plc will be held at 11.30am on Tuesday, 11 May 1999 at Skinners' Hall, 8 Dowgate Hill, London EC4R 2SP to consider and, if thought fit, to pass the following resolutions which will be passed as:

Ordinary Business

Ordinary Resolutions

1. To receive the directors' report and the accounts for the year ended 31 December 1998.
2. To declare a final dividend of 0.60p per ordinary share, payable in cash.
3. That subject to the passing of resolution 2 of this notice:
   (a) pursuant to Article 152 of the Articles of Association of the Company, the Directors be authorised to offer those shareholders entitled to the final dividend of 0.60p per ordinary share payable in cash pursuant to resolution 2 the right to elect to receive additional ordinary shares, credited as fully paid, in lieu of the final cash dividend on the terms and subject to the conditions set out in a circular sent to shareholders on 16 April 1999 ("Scrip Dividend Alternative") or on such basis as the directors in their absolute discretion think fit and provided that no partial elections may be permitted except if the directors in their absolute discretion think fit; and
   (b) pursuant to Article 152(e) 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
   (c) in the event that the middle market quotation of an ordinary share on the Official List of the London Stock Exchange as at 7 May 1999 is less than 51p per share the directors be entitled to withdraw the Scrip Dividend Alternative in which case those shareholders who have elected for the Scrip Dividend Alternative will receive the cash dividend approved pursuant to Resolution 2 of this notice.
4. To re-elect A I Gibbs a director of the Company.
5. To re-elect M W Loomes a director of the Company.
6. To re-appoint PricewaterhouseCoopers as auditors.
7. To authorise the directors to fix the remuneration of the auditors.

Special Business

Special Resolutions

8. That:
   (a) the directors of the Company be and they are hereby generally and unconditionally authorised, in accordance with Section 80 of the Companies Act 1985 ("the Act"), to exercise all the powers of the Company to allot relevant securities (within the meaning of Section 80(2) of the Act), to exercise all the powers of the Company to allot relevant securities (within the meaning of Section 80(2) of the Act), up to a maximum nominal amount of £18,306,031 to such persons and at such times and on such terms as they think proper during the period expiring at the end of five years from the date of the passing of this resolution, such authority being in substitution for any existing authority to allot relevant securities of the Company; and
   (b) the Company be and it is hereby authorised to make, prior to the expiry of such period, any offer or agreement which would or might require relevant securities to be allotted after the expiry of the said period and the directors may allot relevant securities pursuant to any such offer or agreement notwithstanding the expiry of the authority given by this resolution;

9 That the directors be empowered pursuant to Section 95 of the Act to allot equity securities (as defined in Section 94 of the Act) for cash, in accordance pursuant to the authority conferred by paragraph (2) of this resolution, as if Section 89(1) of the Act did not apply to the allotment, provided that the power conferred by this resolution shall be limited to:
   (i) the allotment of equity securities in connection with a rights issue in any or all jurisdictions where equity securities are listed on any recognised stock exchange in favour of ordinary shareholders where the equity securities respectively attributable to the interests of all 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 legal or practical problems in respect of overseas holders, fractional entitlements or otherwise; and
   (ii) the allotment (otherwise than pursuant to sub-paragraph (i) above) of equity securities up to an aggregate nominal value not exceeding £2,339,700.

Notice of Meeting Continued

(b) this power, unless renewed or otherwise varied by the Company in general meeting, shall expire at the end of the Annual General Meeting of the Company to be held in 2000 or the date which is fifteen months after the passing of this resolution whichever is the earlier;

(c) the Company may make an offer or agreement before this power has expired, which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired; and

(d) any earlier power of the directors to allot equity securities as aforesaid be and is hereby revoked.

Ordinary Resolution

10. That upon the recommendation of the directors, it is desirable to capitalise up to £4,254,009 being part of the amount standing to the credit of the share premium account of the Company and accordingly such amount be set free for distribution among the holders of the ordinary shares of 10p of the Company whose names are entered on the register of members at close of business on [14] May 1999 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 42,540,081 ordinary shares of 10p each and that such shares be allotted and distributed, credited as fully paid up, to and among the said holders of ordinary shares of 10p each and that the directors be authorised and directed to apply the said £4,748,660 and generally and unconditionally authorised to allot the said 47,486,600 ordinary shares accordingly on or prior to 31 December 1999 upon terms that such new ordinary shares of 10p shall each rank in all respects pari passu with such of the existing issued ordinary shares of 10p as are fully paid or credited as fully paid.
11. That the Company be generally and unconditionally authorised to make market purchases (within the meaning of Section 163(3) of the Companies Act 1985) of ordinary shares of 10p each in the Company provided that:
    (i) the maximum number of ordinary shares hereby authorised to be acquired is 14.99% of issued share capital;
    (ii) the minimum price which may be paid for any such share is 10p;
    (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;
    (iv) the authority hereby conferred shall expire on 11 May 2000 or the date of the next Annual General Meeting of the Company whichever shall be the later.
    (vi) the Company may make a contract to purchase its ordinary shares under the authority hereby conferred prior to the expiry of such authority, and may purchase its ordinary shares in pursuance of any such contract.
12. That the directors be authorised to alter clause 2.6 of the Rules of the Guinness Peat Group plc 1992 Share Option Scheme so as to increase the individual limit to £4m worth of shares.

REGISTERED OFFICE:	BY ORDER OF THE BOARD
2nd floor	Richard Russell
21-26 Garlick Hill	SECRETARY
London EC4V 2AU	16 April 1999

Notes to Notice of Meeting

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote instead of the member. A proxy need not be a member of the Company. A relevant form of proxy is enclosed.
2. Forms of proxy and a Power of Attorney or other authority, if any, under which they are signed or a notarially certified copy of a power or authority should be sent to Computershare Services PLC, PO Box 457, Owen House, 8 Bankhead Crossway North, Edinburgh EH11 0XG (from UK registered members), Computershare Registry Services, Private Bag 92119, Auckland 1020 (from New Zealand registered members) or Registries Limited, PO Box R67, Royal Exchange, Sydney NSW 1224 (from Australian registered members) so as to arrive not later than 48 hours before the time appointed for the meeting. Completion and return of the appropriate form of proxy enclosed with this Notice will not preclude a member from attending and voting at the meeting in person should he find himself able to do so.
3. No director has a service contract with the Company or any subsidiary.
4. A summary of the proceedings at the Annual General Meeting of the Company will be made available upon request to any shareholder applying to any one of the Company's share registrars whose locations are set out on page # or to the Secretary, Guinness Peat Group plc, 2nd Floor, 21-26 Garlick Hill, London EC4V 2AU.

Guinness Peat Group plc

United Kingdom

2nd Floor. 21-26 Garlick Hill, London EC4V 2AU
Tel: 0171 236 0336 Fax: 0171 329 8870

Australia

c/o Pannell Kerr Forster
Level 20, 1 York Street, Sydney NSW 2000
Tel: 02 9251 4100 Fax: 02 9251 3832

New Zealand

c/o Registry Managers (New Zealand) Limited
Private Bag 92119, Auckland 1030, New Zealand
Tel. or Fax: 09 524 2150

Registered in England No. 159975

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:

	Telephone and postal enquiries	Inspection of Register
UK main register: Computershare Services plc	Owen House, Bankhead Crossway North Edinburgh EH11 4BR Tel: 0131 523 6666 Fax: 0131 452 4924	7th Floor, Jupiter House Triton Court, 14 Finsbury Square London EC2A 1BR
Australian Register: Registries Ltd	PO Box R67 Royal Exchange, Sydney NSW1224 Tel: 02 9279 0677 Fax: 02 9279 0664	Level 2, 28 Margaret Street Sydney NSW 2000
New Zealand Register: Computershare Registry Services Limited	Private Bag 92119, Auckland 1020 Tel: 09 522 0022 Fax: 09 522 0058	Level 3, 277 Broadway Newmarket, Auckland