CONTENTS

Chairman's Statement

Balance Sheet stability is the key factor in GPG's value and future prospects and, in this respect, the position at 31 December 1999 (or more positively, 1 January 2000) is very reassuring.

The 1999 net profit of £112 million is the highest GPG has ever produced and, in the circumstances, is unlikely to be repeated in the foreseeable future.

As already well documented in previous reports, the major component is the £95 million surplus on the sale of **Tyndall Australia** shares. Otherwise, the result is satisfactory but not outstanding. Nevertheless, the 1999 year as a whole was obviously an exceptional one by any standard of measurement. If the sale of Tyndall shares had not occurred, it is likely their realisable value would be much less in today's climate.

Notwithstanding the impression of a very buoyant sharemarket, it is rather more narrow than generally realised. While the technology and communications sectors have shown remarkable gains, many traditional industry leaders have receded in price. Suitable buying opportunities have therefore been more prolific than originally anticipated with the consequence that GPG's level of reinvestment has been quite rapid. The flight of capital into speculative issues has been to GPG's advantage as a "value investor" but, ironically, has also been a factor adversely affecting our own share price performance. This distortion of relative values cannot endure indefinitely.

Balance Sheet stability is the key factor in GPG's value and future prospects and, in this respect, the position at 31 December 1999 (or more positively, 1 January 2000) is very reassuring.

Restated Group Balance Sheet at 31 December 1999
(listed subsidiaries at GPG net underlying book values)

	£m
Cash at bank	83
Debtors	5
Canberra Investment Corp	4
Mid East Minerals	12
Turners & Growers	8
Staveley Industries (29%)	27
De Vere Group (4.5%)	35
Coats Viyella (6.3%)	19
AMP Income Notes	16
Brickworks (4.8%)	10
Tarmac (1%)	9
Other share portfolio	79
Total Assets	**307**
Creditors/Provisions	23
SHAREHOLDERS' FUNDS	**£284m**

Net assets per share at book value are 60p and at market value of the portfolio, 66p.

Since balance date, we have received £19 million (£1.60 per share) capital return from **De Vere Group** (formerly **The Greenalls Group**).

Staveley has been a poor investment but there are some redeeming features since last year's bleak scenario. We now hold 29% of the capital, at an average cost of 80p per share (after writedowns), which enabled us to obtain Board representation and provide positive input into maximising the return from Staveley's asset realisation program. Some recovery in value in the current year can be reasonably anticipated.

Buy-back

Notwithstanding GPG's successful record and its strong financial position, it is clear there is some disappointment with the static share price in recent months. As mentioned earlier, this is partly a product of GPG being somewhat "unfashionable" at present in favour of "new age" technology issues. Also, the decision to retain a high level of liquidity post Tyndall, while undoubtedly correct in the longer term, has created a perception and, to a lesser extent, the reality, of lower returns in the shorter term.

The Board has considered an appropriate response to more closely align corporate and market objectives and now proposes as follows-

1. An increase in dividend from 0.6p (0.545p adjusted for bonus issue) to 1.00p per share, which will be paid as an interim for 1999.

2. Suspension of the scrip dividend alternative.

3. A continuation of the policy of making an annual 1 for 10 bonus issue of shares (this year, after completion of the issue referred to herewith).

4. The issue of up to 200 million 8% convertible unsecured notes of 50p. Shareholders will have the opportunity to exchange at least 40% of their shares on a 1 for 1 basis. The principal will be redeemed in 5 equal instalments commencing 30 June 2001 or, at the option of the holder, the amount due for redemption in any year may be converted back to shares (ex 1 for 10 bonus) at 50p in 2001, 55p in 2002, 60p in 2003, 65p in 2004 and 70p in 2005. Fuller details of the proposed issue are contained in the Explanatory Circular to be posted with this report.

As the company approaches its optimum size, an increased proportion of profits will be available for distribution to shareholders. It is hoped that the convertible note concept will introduce an exciting new dimension for GPG investors and depending upon experience, may become a regular feature of the company's future capital structure.

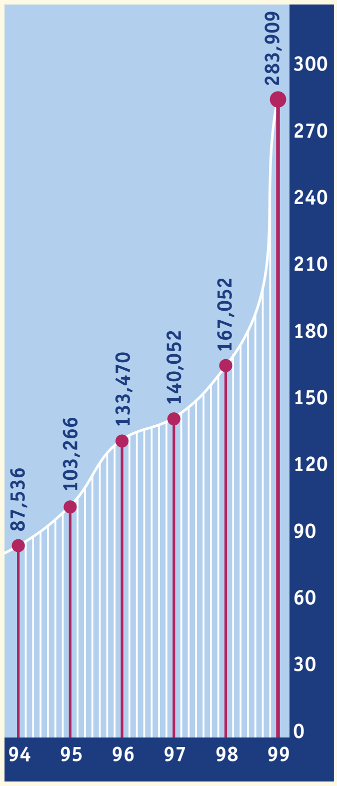
Outlook

The year 2000 will be an active and, hopefully, rewarding one for GPG although, of course, the profit will be substantially less than in 1999.

Ron Brierley,
CHAIRMAN

7 March 2000

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.

Financial Profile of Operations

Subsidiaries

		Consolidated Figures			
		Year ended 31 December 1999		At 31 December 1999	
	GPG Holding 31 December 1999	Net Profit before Minority Interests £000	Turnover £000	Total Assets £000	Shareholders' Funds £000
Australia					
Canberra Investment Corp Ltd	68.60%	1,513	11,054	15,137	6,262
Property developer					
Mid-East Minerals Ltd	88.24%	530	428	13,261	13,142
Investment company					

Associates

	GPG Holding 31 December 1999	GPG Share of Income Year ended 31 December 1999 £000	GPG Book Value at 31 December 1999 £000	Latest Published Shareholders' Funds £000
New Zealand				
Turners & Growers Ltd	44.52%	1,069	7,751	17,411
Fresh produce wholesaler and auctioneer				(31 December 1999)
United Kingdom				
Staveley Industries plc	29.02%	–	27,020	82,396
UK building services and US testing services				Pro Forma (see note 27) (2 October 1999)

Summary of Principal Investments

As at 17 March 2000

Disclosed Shareholdings

	Shareholding
Subsidiaries	
Mid-East Minerals Ltd	90.0%
Canberra Investment Corporation Ltd	68.6%
Other Shareholdings	
United Kingdom	
Staveley Industries plc	29.0%
Young & Co's Brewery P.L.C. ("A" shares)	18.8%
Dawson International PLC	17.5%
Gowrings plc	9.8%
Coats Viyella Plc	6.3%
GR (Holdings) plc	5.7%
De Vere Group Plc	5.1%
Stylo plc	3.6%
Australia	
Tooth & Co. Ltd	24.9%
Premier Investments Ltd	23.7%
Farm Pride Foods Ltd	19.9%
Joe White Maltings Ltd	19.2%
Brickworks Ltd	9.6%
Tasmanian Trustees Ltd	6.0%
Perpetual Trustees Tasmania Ltd	5.9%
G.U.D. Holdings Ltd	5.5%
TAB Queensland Ltd	5.0%
New Zealand	
Turners & Growers Ltd	44.5%
Wrightson Ltd	18.6%
Montana Group Ltd	6.6%
United States of America	
Santa Fe Financial Corporation	6.4%

Analysis of Above Shareholdings

	Cost £000	Market Value £000
Subsidiaries	6,759	11,115
Other	141,419	150,093
Total	**148,178**	**161,208**

Board of Directors

Sir Ron Brierley **Chairman**

Sir Ron Brierley (62) 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 and Mid-East Minerals Ltd.

T.J.N. Beyer **Non-Executive Director**

Mr Beyer (63) was a director of Brierley Investments Ltd from 1971 to 1994 and has extensive experience on the boards of many public companies. Other directorships include Alvis plc, Avimo Group Ltd, Lion Technologies plc, Newbury Racecourse plc and Waterfall Holdings plc.

Chairman of the Audit Committee and the Remuneration Committee

M.W. Loomes **Non-Executive Director**

Mr Loomes (52) has had over twenty five years' experience in the Australian securities industry, principally as an investment analyst and research manager. Other directorships include Turners & Growers Ltd, Canberra Investment Corporation Ltd and Wrighston Ltd. Mr Loomes relinquished his executive role on 31 December 1999. He has agreed to remain on the Board in a non-executive capacity until the conclusion of the 2000 Annual General Meeting

A.I. Gibbs **Executive Director**

Mr Gibbs (52) 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 a director of Otter Gold Mines Ltd and Wrightson Ltd.

B.A. Nixon **Executive Director**

Mr Nixon (39) has wide experience of corporate finance in both the UK and Australia. His other directorships include Staveley Industries plc and The Groucho Club London plc.

Member of the Audit Committee and the Remuneration Committee

Dr. G.H. Weiss **Executive Director**

Dr. Weiss (46) has considerable experience in the Australian business sector. Dr. Weiss is deputy chairman of Mid-East Minerals Ltd and is a director of various other public companies outside the UK.

Member of the Remuneration Committee

FINANCIAL STATEMENTS

Directors' Report

The directors present their annual report and audited accounts for the year ended 31 December 1999.

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. On 6 May 1999, the Group's investment in Tyndall Australia Ltd ("Tyndall") was sold to Royal & Sun Alliance ("RSA"). As a result Tyndall and its subsidiaries, including their life assurance and funds management businesses, have been treated as discontinued operations in these accounts. Details of activities during the period and since the year end and comment on the outlook for 2000 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. An interim ordinary dividend of 1.00p per ordinary share for the year ended 31 December 1999 (1998: Nil) was paid on 28 March 2000. No final dividend is recommended, making a total of 1.00p per share for the year (1998: 0.545p, adjusted for the 1999 Capitalisation Issue).

Share Capital

As a result of the exercise of options together with the 1999 Capitalisation and Scrip Dividend issues, an aggregate of 50,421,604 ordinary 10p shares of the Company were allotted and issued during the year. Details of 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 2000 Annual General Meeting to enable the directors to allot all the authorised but unissued share capital of the Company up to £13,047,313 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 2000 Annual General Meeting pursuant to this authority, other than in connection with the proposed Capitalisation Issue (the "Proposed Capitalisation Issue 2000") and on the exercise of options under a Company's share option schemes. A proposal to authorise the issue of convertible unsecured loan notes in connection with a proposed Buyback Offer (see below) will be separately put to the Extraordinary General Meeting described below.

At the Annual General Meeting held on 11 May 1999, 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 £2,339,700. It is intended that the directors be authorised at the 2000 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 £2,582,397 representing approximately 5% of the total enlarged issued share capital of the Company assuming full implementation of the 2000 Capitalisation Issue. Such authority, unless renewed or varied by the Company in general meeting, will expire at the end of the 2001 Annual General Meeting of the Company or fifteen months after the passing of the resolution whichever is the earlier. A special resolution relating to the powers of directors to allot shares pursuant to section 95 of the Act (as described above) will also be put to the 2000 Annual General Meeting.

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 Company's shares are listed are set out on page 59.

Proposed Capitalisation Issue

Further details of the proposed Capitalisation Issue (in the ratio of 1 new share for every 10 existing shares) are contained in a Circular to shareholders to be posted with this report and entitled "Proposed Capitalisation Issue 2000." A special resolution to approve the Capitalisation Issue will be proposed at the 2000 Annual General Meeting.

Proposed Buyback Offer in respect of the Company's Shares

Special resolutions will be put to an Extraordinary General Meeting of the Company's shareholders, to be held immediately after the 2000 Annual General Meeting, to authorise the Company to buy back up to 200,000,000 of the Company's shares representing approximately 42.5% of the Company's issued ordinary share capital ("the Buyback Offer") and to authorise the issue by the directors of unsecured convertible loan notes. Fuller details of these proposals, and Notice of the Extraordinary General Meeting, are contained in a Circular to Shareholders to be posted with this report.

General Authority to Purchase Own Shares on Market

In addition to the proposed Buyback Offer which, as described above, will require the approval of shareholders at a separate Extraordinary General Meeting, a special resolution renewing the Company's authority to purchase its own issued ordinary shares of 10p 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 the New Zealand Stock Exchange) at a price of not less than 10p 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. It will cover a maximum number of 70,000,000 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 is also contained in the Circular to Shareholders entitled "Proposed Capitalisation Issue 2000".

None of the above resolutions make any allowance for shares bought back pursuant to the proposed Buyback Offer (described above). However, the directors would intend to apply the authorities granted at the AGM as if they had related to the issued share capital of the Company immediately following completion of the Buyback Offer.

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 20 March 2000 (the latest practical date before printing this report) Merrill Lynch Asset Management (on behalf of various funds) held 37,111,962 ordinary shares, 7.90% of the Company's issued capital and Sir Ron Brierley held 19,064,619 ordinary shares, 4.06% of the Company's issued capital.

Fixed Assets

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

Directors

Information regarding the directors is set out on page 6 and also in the Corporate Governance section on pages 46 to 53.

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 1999, the Company's trade creditors (excluding amounts attributable to investments) represented 38 days' purchases.

Subsequent Events

On 7 March 2000 the Company announced proposals, as referred to above, to effect the Buyback Offer and, in connection therewith, to issue up to 200 million 8% convertible unsecured loan notes of 50p each.

In November 1999, an Australian wholly owned subsidiary made a cash offer at A$3.25 (£1.32) per share for 50% of each member's shares in Joe White Maltings Ltd, an Australian maltster. The offer closed on 31 March 2000 and, at this date, it is estimated that acceptances totalling 5,145,000 shares had been received at a cost of A$16,700,000 (£6,780,000). As a result GPG's holding in Joe White Maltings Ltd is now approximately 44%.

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.

Donations

During the year the Company and its subsidiaries made charitable donations of £13,000 (1998: £5,000) and no payments to political parties (1998: £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

As far as the directors are aware, no material failures of systems consequent upon the Year 2000 computer issue were experienced either within the Group or in the third parties upon which it depends at the calendar year end or on 29 February 2000. The directors continue to monitor the position but no significant residual risks or uncertainties have been identified.

External costs incurred by the Group in upgrading systems to achieve compliance, excluding discontinued operations, were approximately £20,000.

Auditors

A resolution to re-appoint PricewaterhouseCoopers as the Company's auditors will be proposed at the next Annual General Meeting.

By order of the Board
Richard Russell
Secretary

31 March 2000

Consolidated Profit and Loss Account

Year ended 31 December 1999

	Notes	Year ended 31 December 1999 £000	Year ended 31 December 1998 £000 as restated
Turnover			
Continuing operations – group and share of joint venture		**54,890**	17,300
Less: share of joint venture		**(5,309)**	(2,494)
Group turnover – continuing operations		**49,581**	14,806
Group turnover – discontinued operations		**54,193**	161,219
Group turnover	8	**103,774**	176,025
Profit on disposal of investments and other net investment income	2,3	**38,815**	39,683
Net operating expenses	2	**(119,364)**	(187,388)
Operating profit – continuing operations		**12,177**	13,884
Operating profit – discontinued operations		**11,048**	14,436
Group operating profit	4	**23,225**	28,320
Share of operating profit of joint venture	5	**1,065**	347
Share of operating profit of associated undertakings	5	**1,485**	1,271
		25,775	29,938
Profit on sale of subsidiary – discontinued operations	6	**95,498**	–
Profit on ordinary activities before interest		**121,273**	29,938
Interest payable and similar charges	7	**(619)**	(528)
Profit on ordinary activities before taxation		**120,654**	29,410
Tax on profit on ordinary activities	10	**(5,462)**	(2,810)
Profit on ordinary activities after taxation		**115,192**	26,600
Equity minority interests		**(3,246)**	(6,526)
PROFIT FOR THE YEAR ATTRIBUTABLE TO GPG SHAREHOLDERS		**£111,946**	£20,074
Equity dividends payable/proposed	13	**(4,695)**	(2,515)
Profit retained for the year		**107,251**	17,559
Earnings per Ordinary Share – basic (pence)	12	**23.99p**	4.48p
Earnings per Ordinary Share – diluted (pence)	12	**23.66p**	4.41p
Dividends per Ordinary Share (pence)	13	**1.00p**	0.545p

Notes to the accounts – pages 16 to 45
Auditors' report – page 55

Consolidated Statement of Total Recognised Gains and Losses

Year ended 31 December 1999

	Notes	**Year ended 31 December 1999 £000**	Year ended 31 December 1998 £000
Profit attributable to ordinary shareholders		**111,946**	20,074
Currency translation differences on foreign currency net investments	24	**5,074**	(4,832)
Total recognised gains relating to the year		**117,020**	15,242

The Group is exempt from the requirement to disclose the results of its Life Assurance business on a historical cost basis. For the Group's other business activities, there is no difference between the profit figures reported in the profit and loss account and their historical cost equivalents (see note 8 for details).

Reconciliation of Movements in Shareholders' Funds

	Year ended 31 December 1999 £000	Year ended 31 December 1998 £000
Profit attributable to ordinary shareholders	**111,946**	20,074
Other recognised gains/(losses) relating to the year	**5,074**	(4,832)
Total recognised gains relating to the year	**117,020**	15,242
Dividends payable/proposed	**(4,695)**	(2,515)
Dividends written back	**1,985**	1,330
Write-back/(release) of goodwill on disposals (see note 24)	**1,930**	(562)
Issue of share capital (net of Capitalisation issue and Scrip Dividend)	**405**	3,499
Share premium on issue of shares (net of issue expenses)	**212**	10,006
Net additions to shareholders' funds	**116,857**	27,000
Opening shareholders' funds	**167,052**	140,052
Closing shareholders' funds	**283,909**	167,052

Notes to the accounts – pages 16 to 45
Auditors' report – page 55

Consolidated Balance Sheet

As at 31 December 1999

	Notes	31 December 1999 £000	31 December 1999 £000	31 December 1998 £000	31 December 1998 £000
Commercial and investment activities					
Fixed assets					
Intangible assets	15a)		**–**		612
Tangible assets	15b)		**1,665**		6,021
Investments					
Investment in joint venture					
Share of gross assets		**6,295**		5,952	
Share of gross liabilities		**(4,002)**		(4,791)	
	15c)	**2,293**		1,161	
Investments in associates	15c)	**34,771**		7,830	
Other investments	15c)	**144,344**		73,514	
			181,408		82,505
			183,073		89,138
Current assets					
Debtors	16		**11,501**		16,269
Development work in progress			**3,053**		2,981
Investments	17		**36,747**		10,341
Cash at bank and in hand			**85,044**		72,854
			136,345		102,445
Life assurance business					
Investments and linked assets	38b)		**–**		332,954
Present value of acquired in-force business	38c)		**–**		7,778
Reinsurers' share of policyholder liabilities			**–**		4,600
Debtors and prepayments	38d)		**–**		52,234
Cash at bank and in hand			**–**		12,113
			–		409,679
Total assets			**£319,418**		£601,262

	NOTES	31 December 1999 £000	31 December 1998 £000
Capital and reserves			
Share capital	23	**46,953**	41,911
Share premium account	24	**21,635**	26,060
Profit and loss account	24	**215,321**	99,081
EQUITY SHAREHOLDERS' FUNDS		**283,909**	167,052
Minority interests (equity)	31	**3,512**	42,689
Net assets		**287,421**	209,741
Commercial and investment activities			
Creditors: amounts falling due within one year			
Trade and other creditors	18	**26,292**	19,635
Borrowings	19	**2,632**	2,931
Creditors: amounts falling due after one year			
Trade and other creditors	18	**83**	891
Borrowings	19	**451**	11,263
Provisions for liabilities and charges	20	**2,539**	3,221
		31,997	37,941
Life assurance business			
Policyholder liabilities	38e)	**–**	326,906
Other liabilities	38f)	**–**	26,674
		–	353,580
Total funds employed		**£319,418**	£601,262

Blake Nixon
Director

Approved by the Board on 31 March 2000

Notes to the accounts – pages 16 to 45
Auditors' report – page 55

Company Balance Sheet

As at 31 December 1999

	Notes	31 December 1999 £000	31 December 1998 £000
Fixed assets			
Tangible assets	15b)	**136**	125
Investments	15c)	**191,477**	86,713
		191,613	86,838
Current assets			
Debtors	16	**23,644**	34,036
Cash at bank and in hand		**80,548**	43,133
		104,192	77,169
Creditors: amounts falling due within one year			
Trade and other creditors	18	**(140,989)**	(23,891)
Net current (liabilities)/assets		**(36,797)**	53,278
Total assets less current liabilities		**154,816**	140,116
Provisions for liabilities and charges			
Other provisions	20	**(321)**	(330)
Net assets		**154,495**	139,786
Capital and reserves			
Share capital	23	**46,953**	41,911
Share premium account	24	**21,635**	26,060
Profit and loss account	24	**85,907**	71,815
EQUITY SHAREHOLDERS' FUNDS		**154,495**	139,786

Blake Nixon
Director

Approved by the Board on 31 March 2000

Notes to the accounts – pages 16 to 45
Auditors' report – page 55

Consolidated Cash Flow Statement

Year ended 31 December 1999

	NOTES	Year ended 31 December 1999 £000	Year ended 31 December 1998 as restated £000
Net cash (outflow)/inflow from operating activities	29a)	**(2,603)**	36,658
Dividends received from associates	29b)	**875**	–
Returns on investments and servicing of finance	29c)	**(2,437)**	(1,272)
Taxation	29d)	**88**	(610)
Capital expenditure and financial investment	29e)	**(109,658)**	(15,508)
Acquisitions and disposals	29f)	**126,685**	329
Equity dividends paid	29g)	**(530)**	(318)
Cash inflow before management of liquid resources and financing		**12,420**	19,279
Management of liquid resources	29h)	**(33,177)**	(12,607)
Financing			
Issue of ordinary shares	29i)	**1,470**	22,194
Decrease in debt	29i)	**(6,510)**	(5,259)
(Decrease)/increase in cash in the year		**(25,797)**	23,607

Reconciliation of net cash flow to movement in net funds			
(Decrease)/increase in cash in the year		**(25,797)**	23,607
Cash outflow from increase in liquid resources		**33,177**	12,607
Cash outflow from decrease in debt		**6,510**	5,259
Change in net funds resulting from cash flows		**13,890**	41,473
Disposal of subsidiaries	29j)	**6,035**	–
Other non-cash movements		**–**	1,843
Currency translation differences		**3,376**	905
Movement in net funds in the year	29j)	**23,301**	44,221
Net funds at 1 January		**58,660**	14,439
NET FUNDS AT 31 DECEMBER		**81,961**	58,660

Notes to the accounts – pages 16 to 45
Auditors' report – page 55

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 4A of the Companies Act 1985. However, financial information on the Group's life assurance 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

The directors have amended the presentation of the financial statements in the following respects:

(i) in order to provide a fuller analysis of the Group's trading activities, the proceeds from the disposal of current asset investments are now included within turnover, whereas previously the gains from these disposals were recognised as investment income,

(ii) in accordance with FRS12, the unwinding of the discount on provisions is now presented as a financial cost, whereas previously it was included in operating costs, and

(iii) the disclosures relating to financial instruments, including derivatives, have been expanded to comply with FRS13.

Comparative figures have been restated where appropriate, although there is no impact on profit after tax or shareholders' funds for 1998 or 1999. The turnover attributable to disposals of current asset investments in 1999 is £43,747,000 (1998: £24,663,000).

c) Basis of Preparation

The Group accounts consolidate the accounts of the Company and its subsidiaries. The principal subsidiaries are listed in note 34. 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. For associated undertakings listed on a recognised Stock Exchange, the equity method is applied using information that has been published by the associate.

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 in which case the relevant contract rate is used. Revenues and expenses arising in a foreign currency are 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 (except that the results attributable to businesses sold during the year are translated using the exchange rate on the date of disposal).

Differences on exchange arising from the retranslation of opening net investments in subsidiaries, associates and joint ventures are taken to reserves, including the exchange differences on loans between Group companies that form part of the net investment in foreign subsidiaries. All other foreign exchange differences are taken to the profit and loss account in the year in which they arise.

e) Fixed Assets and Development Work in Progress

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: 15-33.5 per cent.
- Land is not depreciated.

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 the land for sale.

f) Investments
Investments acquired with the intention of being held for the long term (excluding investments in subsidiaries, associates and joint ventures) are recorded as fixed asset investments and are stated at cost or, where there has been a permanent diminution in value, at directors' valuation. Investments in art portfolios are valued at cost or, where there has been an impairment in value, at directors' valuation.

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

Investments held as current assets, including options, 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 year in which they are incurred.

h) Goodwill
Goodwill represents the difference between the cost of acquiring subsidiaries, 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 additional consideration became payable. Any such goodwill has not been reinstated. In the event of an impairment in value, it will be written off through the profit and loss account at the time the impairment is identified. Otherwise it 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 the 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 (including disposals of current asset investments), premiums, commissions, brokerage and fees, before charging VAT (or other sales taxes), and other miscellaneous trading income.

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

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

Canberra Investment Corporation Ltd ("CIC") recognises income from sales of property 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 were 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

Realised gains and losses on investments were calculated as the difference between net sales proceeds and original cost or amortised value. Unrealised gains and losses on investments represented 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 included the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current year.

The principal assumptions used in valuing the policyholders' liabilities included 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 was to be recognised as profit over the lifetime of the in-force policies was amortised and the discount unwound on a systematic basis over the anticipated lives of the related contracts, which the directors determined to be approximately 8 years.

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

(iii) Fund for future appropriations
This represented amounts which had yet to be allocated to either participating policyholders or to shareholders. Transfers to, or from, the fund reflected the accrued earnings on participating business to the extent that these had not been allocated to participating policyholders or to shareholders.

(iv) Policyholder liabilities
Policyholder liabilities in respect of linked business represented the value of the outstanding units in force at the balance sheet date.

(v) Reassurance
Long term business was 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 were accounted for as insurance contracts.

(vi) Claims recognition
Claims under Tyndall's investment-linked business were recognised when the policy ceased to participate in the earnings of the fund. Claims on all other business were recorded, depending on the nature of the policy, when the insured event occurred or was 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. Pension costs in respect of defined benefit schemes all relate to former directors and employees, and have been provided for based on actuarial advice (see note 11).

l) Taxation
Provision has been made in the accounts for domestic and foreign taxation assessable on the profit for the year 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, associates and joint ventures since the parent company does not envisage the repatriation of these reserves in the foreseeable future.

m) Investment Income
The directors regard the Group's investment activities as an integral component of its continuing operations. Therefore interest receivable, the profit on disposal of fixed asset 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 was 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 requirements.

2 Analysis of Operating Profit

	Investment income £000	Year ended 31 December 1999 Net operating expenses £000	Investment income £000	Year ended 31 December 1998 Net operating expenses £000
Continuing operations (see note (i) below)	**14,787**	**(52,191)**	22,555	(23,477)
Discontinued operations	**24,028**	**(67,173)**	17,128	(163,911)
Total	**38,815**	**(119,364)**	39,683	(187,388)

Notes:
(i) Included in net operating expenses are net foreign exchange gains of £1,581,000 (1998: losses of £2,090,000).
(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.
(iii) Tyndall and its subsidiaries have been treated as discontinued operations. There were no other material acquisitions or disposals of subsidiaries during the year ended 31 December 1999.
(iv) As a consequence of including Life Assurance premiums within turnover, the directors have concluded that it is not practical or meaningful to report the gross profit from trading operations. Accordingly, the cost of land and current asset investments sold during the year is presented within net operating expenses. These costs amounted to £49,737,000 (1998: £15,796,000) for continuing operations and £2,700,000 (1998: £13,885,000) for discontinued operations.

3 Profit on Disposal of Investments and Other Net Investment Income

	Year ended 31 December 1999 £000	Year ended 31 December 1998 £000
Commercial and invesment activities		
Interest receivable	**6,194**	3,666
Profit on disposal of fixed asset investments	**10,245**	24,803
Income from listed investments	**4,885**	3,920
Net writedown of certain investments	**(5,087)**	(9,080)
Other income	**1,750**	784
	17,987	24,093
Life assurance (see note 38a))	**20,828**	15,590
	38,815	39,683

4 Operating Profit

	Year ended 31 December 1999 £000	Year ended 31 December 1998 £000
Operating profit is stated after charging/(crediting):		
Amortisation of Life business at acquisition	**246**	664
Other depreciation and amortisation	**625**	1,485
Auditors' remuneration (see note below)	**222**	328
Operating lease costs (land and buildings)	**2,118**	1,954
Rental income from land and buldings	**(1,089)**	(1,086)

Notes:
(i) Auditors' remuneration comprises the total audit fees for the Group.
(ii) The cost of the audit of the Company for the year was £94,000 (1998: £90,000).
(iii) Non-audit fees paid to PricewaterhouseCoopers in the UK were £252,000 during 1999. In 1998, PricewaterhouseCoopers and its associates were paid non-audit fees of £66,000.

Notes to the Accounts Continued

5 Share of Operating Profit of Joint Venture and Associated Undertakings

	Year ended 31 December 1999 £000	Year ended 31 December 1998 £000
Continuing operations		
Share of operating profit of associated undertakings (see note below)	**1,485**	1,271
Share of operating profit of joint venture	**1,065**	347
	2,550	1,618

Note:
Staveley Industries plc ("Staveley") became an associate on 3 November 1999. As explained in note 15, the 1999 accounts do not include a share of its trading results.

6 Profit on Sale of Subsidiary

	Year ended 31 December 1999 £000	Year ended 31 December 1998 £000
Profit on disposal of Tyndall	**95,498**	–

Note:
Tyndall was sold to RSA on 6 May 1999 (see note 33 for further details). There was no taxation attributable to this gain due to the availability of capital losses. The profit on disposal of Tyndall has been arrived at after charging £2,492,000 of goodwill previously written off against reserves (see note 24).

7 Interest Payable and Similar Charges

	Year ended 31 December 1999 £000	Year ended 31 December 1998 £000
Bank loans and overdrafts	**(565)**	(506)
Unwinding of discount on provisions	**(108)**	(124)
Other interest payable	**(5)**	(4)
	(678)	(634)
Interest capitalised	**140**	146
	(538)	(488)
Net interest receivable/(payable) by associated undertakings	**17**	(40)
Interest payable by joint venture (net of amounts capitalised)	**(98)**	–
	(619)	(528)

Note:
The cumulative amount of capitalised interest included in the cost of development land held by CIC at 31 December 1999 was £711,000 (1998: £1,728,000). Interest is capitalised gross of tax relief.

8 Segmental Information

a) Type of business	Turnover 1999 £000	Turnover 1998 £000	Profit before tax 1999 £000	Profit before tax 1998 £000	Profit after tax and minority interests 1999 £000	Profit after tax and minority interests 1998 £000	Net assets 1999 £000	Net assets 1998 £000
Continuing operations								
Investment	**38,527**	11,101	**11,487**	15,017	**12,342**	13,986	**280,816**	124,861
Property development	**11,054**	3,705	**1,872**	(90)	**954**	(222)	**4,312**	3,718
Discontinued operations								
Life assurance	**40,799**	126,779	**8,131**	9,805	**1,769**	3,999	**–**	56,099
Commercial and investment	**13,394**	34,440	**2,699**	4,331	**913**	2,150	**–**	23,902
Profit on disposal of discontinued operations	**–**	–	**95,498**	–	**95,498**	–	**–**	–
	103,774	176,025	**119,687**	29,063	**111,476**	19,913	**285,128**	208,580
Joint venture – property development	**5,309**	2,494	**967**	347	**470**	161	**2,293**	1,161
TOTAL	**109,083**	178,519	**120,654**	29,410	**111,946**	20,074	**287,421**	209,741

b) Geographical Origin (see notes (i) and (ii) below)	Turnover 1999 £000	Turnover 1998 £000	Profit before tax 1999 £000	Profit before tax 1998 £000	Profit after tax and minority interests 1999 £000	Profit after tax and minority interests 1998 £000	Net assets 1999 £000	Net assets 1998 £000
UK/Europe (see note (iii) below)	**5,085**	2,902	**32,229**	10,670	**31,727**	10,177	**157,504**	83,288
Australasia	**98,689**	173,123	**87,458**	18,393	**79,749**	9,736	**127,624**	125,292
	103,774	176,025	**119,687**	29,063	**111,476**	19,913	**285,128**	208,580
Joint venture – Australasia	**5,309**	2,494	**967**	347	**470**	161	**2,293**	1,161
TOTAL	**109,083**	178,519	**120,654**	29,410	**111,946**	20,074	**287,421**	209,741

Note:
(i) Profit arising from the Company's own 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 1999	Year ended 31 December 1998
Continuing operations – commercial and investment activities	**27**	27
Discontinued operations		
Commercial and investment activities	**399**	378
Life assurance	**317**	300
	716	678
TOTAL	**743**	705

Note:
The average for discontinued operations in 1999 represents the average for the period up to the disposal of Tyndall.

Notes to the Accounts Continued

9 Employee Information *continued*

b) Group employment costs – all employees including directors

	Year ended 31 December 1999 £000	Year ended 31 December 1998 £000
Continuing operations		
Aggregate gross wages and salaries	**2,731**	1,844
Employers' national insurance contributions or foreign equivalents	**232**	129
Employers' pension contributions	**189**	147
	3,152	2,120
Discontinued operations		
Aggregate gross wages and salaries	**4,932**	13,018
Employers' national insurance contributions or foreign equivalents	**244**	648
Employers' pension contributions	**356**	879
	5,532	14,545
Total direct costs of employment	**8,684**	16,665

10 Tax on Profit on Ordinary Activities

	Year ended 31 December 1999 £000	Year ended 31 December 1998 £000
Tax credit on franked investment income	**(252)**	(475)
Prior year corporation tax credit	**222**	–
ACT written back	**–**	412
Overseas tax	**(3,870)**	(1,954)
Transfer to deferred tax	**(847)**	(352)
	(4,747)	(2,369)
Tax attributable to associated undertakings	**(433)**	(329)
Tax attributable to joint venture	**(282)**	(112)
Total tax charge	**(5,462)**	(2,810)

Notes:

(i) A number of Group companies have capital losses available.

(ii) Australian subsidiaries have income tax losses amounting to A$34,835,000 (£14,143,000) at 31 December 1999 which have not been recognised in these financial statements.

(iii) Included in overseas tax is an amount of £1,800,000 relating to over-provisions in prior years.

(iv) Tax attributable to the joint venture's result for the year is recognised by the subsidiary undertaking which holds the Group's investment in the joint venture.

(v) In Tyndall's Life operations, quoted shares and other securities held in the long-term funds were recorded at market value and tax was accrued on the potential gain. The tax charge was proportional to investment returns.

11 Pension Costs

The Company has a liability in respect of former directors' and employees' pensions currently being paid, amounting to £49,935 per annum. Provision has been made for the estimated liability based on actuarial advice. The key assumptions made in arriving at the liability are as follows: a growth rate for pension payments of 3%, an average life expectancy of 7 years and a discount rate of 7%. Pension costs for current employees of the Group are expensed as they are incurred.

11 Pension Costs *continued*

Tyndall operated an accumulation fund which provided superannuation benefits for its members. This fund provided benefits payable on retirement, death, disability and resignation based on contributions paid by members and by Tyndall. All benefits that would have 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 were equal to the net realisable value of investments and insurances held for each member. A New Zealand subsidiary of Tyndall made provision for discretionary pension payments to retirees and their spouses on an actuarially determined basis.

12 Earnings per Ordinary Share

Basic earnings per ordinary share ("EPS") is calculated using the earnings attributable to ordinary shares of £111,946,000 (1998: £20,074,000) on the adjusted weighted average number of 466,693,539 shares in issue during the period (1998: 447,986,404) and amounts to 23.99p (1998: 4.48p). EPS for 1998 has been adjusted for the 1999 Capitalisation Issue. For diluted EPS, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares, being share options granted to employees.

Reconciliation of basic EPS to fully diluted EPS

	Profit (1999)	Shares	EPS
Earnings attributable to ordinary shares	111,946,000	466,693,539	23.99
Effect of dilutive securities – share options	–	6,361,689	
	111,946,000	473,055,228	23.66
	Profit (1998)	**Shares**	**EPS**
Earnings attributable to ordinary shares	20,074,000	447,986,404	4.48
Effect of dilutive securities – share options	–	7,034,356	
	20,074,000	455,020,760	4.41

13 Dividends

No final dividend is recommended for the year ended 31 December 1999. The Directors declared an interim ordinary dividend of 1.00p per share (1998: nil), making a total of 1.00p per share for the year (1998: 0.545p, adjusted for the 1999 Capitalisation Issue).

14 Profit of the Company

A profit of £16,802,000 (1998: £16,297,000) 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 1998	612
Currency translation differences	24
Additions	885
Amortisation	(52)
Disposal of subsidiaries	(1,469)
At 31 December 1999	–

Goodwill has been amortised over an average life of 10 years.

NOTES TO THE ACCOUNTS CONTINUED

15 Fixed Assets *continued*

b) Tangible assets

Group	Leasehold improvements £000	Furniture and equipment £000	Motor vehicles £000	Land and buildings £000	Land for development £000	Total £000
Cost						
At 31 December 1998	1,669	6,218	650	402	2,755	11,694
Currency translation differences	164	613	46	40	279	1,142
Additions	41	348	79	–	5,647	6,115
Transfer to current assets	–	–	–	–	(7,430)	(7,430)
Disposals	–	(30)	(110)	(432)	–	(572)
Disposal of subsidiaries	(1,654)	(6,763)	(375)	–	–	(8,792)
At 31 December 1999	**220**	**386**	**290**	**10**	**1,251**	**2,157**
Accumulated depreciation						
At 31 December 1998	1,111	4,160	381	21	–	5,673
Currency translation differences	103	412	26	1	–	542
Charge for the year	123	372	69	9	–	573
Disposals	–	(27)	(93)	(21)	–	(141)
Disposal of subsidiaries	(1,158)	(4,755)	(242)	–	–	(6,155)
At 31 December 1999	**179**	**162**	**141**	**10**	**–**	**492**
Net book value at 31 December 1999	**41**	**224**	**149**	**–**	**1,251**	**1,665**
Net book value at 31 December 1998	558	2,058	269	381	2,755	6,021
Company						
Cost						
At 31 December 1998	178	151	144	–	–	473
Additions	–	5	38	–	–	43
Disposals	–	–	(35)	–	–	(35)
At 31 December 1999	**178**	**156**	**147**	**–**	**–**	**481**
Accumulated depreciation						
At 31 December 1998	173	65	110	–	–	348
Charge for the year	2	6	24	–	–	32
Disposals	–	–	(35)	–	–	(35)
At 31 December 1999	**175**	**71**	**99**	**–**	**–**	**345**
Net book value at 31 December 1999	**3**	**85**	**48**	**–**	**–**	**136**
Net book value at 31 December 1998	5	86	34	–	–	125

15 Fixed Assets *continued*

c) Investments (non-current)

Group – associates and joint venture	Associated undertakings £000	Joint venture £000
At 31 December 1998	**7,830**	1,161
Currency translation differences	**(277)**	165
Additions	**4**	–
Share of retained profits	**194**	967
Reclassification	**27,020**	–
At 31 December 1999	**34,771**	**2,293**

Note:
The reclassification relates to the Group's investment in Staveley, which became an associated undertaking on 3 November 1999 when the Group obtained Board representation.

These investments are analysed further below, and also in note 35:

	31 December 1999 £000	31 December 1998 £000
Associated undertakings		
Share of net assets on acquisition	**28,748**	5,011
Share of post-acquisition retained profits	**2,914**	2,819
Share of net assets	**31,662**	7,830
Goodwill (see note 27)	**3,109**	–
	34,771	7,830
Joint venture		
Share of net assets on acquisition	**1,058**	926
Share of post-acquisition retained profits	**1,235**	235
TOTAL	**2,293**	1,161

Note:
A discount of £3,099,000 arose on acquisition of the Group's investment in Turners & Growers, which was taken directly to reserves in the year of acquisition.

The Group's principal operating subsidaries are listed in note 34. Other significant holdings at 31 December 1999 are analysed below:

Investment	Capital & Reserves 000's	Latest Profit/(Loss) 000's	Date of last audited accounts	Country of incorporation	GPG shareholding	Class
Holdings exceeding 20%: treated as associated undertakings						
Turners & Growers Ltd	NZ$52,398	NZ$7,240	30.06.99	New Zealand	44.52%	Ordinary
Staveley Industries plc (see note (i) below)	£51,900	£(11,300)	03.04.99	UK	29.02%	Ordinary
Holdings exceeding 20%: not treated as associated undertakings (see note (ii) below)						
Premier Investments Ltd	A$377,321	A$34,805	30.06.99	Australia	23.68%	Ordinary
Tooth & Co Ltd	A$(14,215)	A$9,950	30.06.99	Australia	24.95%	Ordinary

Notes to the Accounts Continued

15 Fixed Assets *continued*

Additional information on other significant holdings, is as follows:

(i) As noted previously, Staveley became an associated undertaking on 3 November 1999. Staveley is listed on the London Stock Exchange, and its latest published results comprise an interim profit and loss account for the period ended 2 October 1999. Accordingly, the Group has not recognised its share of the associate's results for the period from 3 November 1999 to 31 December 1999. No amortisation of goodwill has been charged.

(ii) 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.

(iii) In addition to these holdings the Group has a 50% interest through a joint venture agreement. Harcourt Hill Estate is an unincorporated property developer. Its principal place of business is Canberra, Australia. The Group's share of the external borrowings of the joint venture at 31 December 1999 was £406,000 (1998: £2,153,000).

Group – other investments	Listed investments £000	Unlisted invesments £000	Art portfolio £000	Total £000
Cost				
At 31 December 1998	80,479	8,857	819	90,155
Currency translation differences	1,080	970	–	2,050
Additions	137,692	950	–	138,642
Disposal of subsidiaries	(2,716)	(9,492)	–	(12,208)
Disposals	(27,292)	(1,258)	(435)	(28,985)
Reclassification	(38,632)	–	–	(38,632)
At 31 December 1999	**150,611**	**27**	**384**	**151,022**
Provisions				
At 31 December 1998	16,641	–	–	16,641
Disposal of subsidiaries	(91)	(79)	–	(170)
Charge for the year	3,984	79	–	4,063
Disposals	(2,244)	–	–	(2,244)
Reclassification	(11,612)	–	–	(11,612)
At 31 December 1999	**6,678**	**–**	**–**	**6,678**
Net book value at 31 December 1999	**143,933**	**27**	**384**	**144,344**
Net book value at December 1998	63,838	8,857	819	73,514

The market value of the Group's listed investments at 31 December 1999 (excluding listed subsidiaries and associates) was £176,972,000 (1998: £77,995,000). All listed shares are quoted on recognised stock exchanges. Listed investments with a market value of £8,445,000 and a cost of £7,284,000 have been lodged as collateral for margins on certain options held as current asset investments.

Company

As at 31 December 1999 the market value of the Company's listed investments (excluding listed subsidiaries and associates) was £133,210,000 (1998: £43,552,000) and the market value of the Company's listed subsidiaries and associates was £22,967,000 (1998: £1,935,000). The carrying value of these listed subsidiaries and associates was £27,020,000 (1998: £724,000). In the opinion of the directors, the value of investments in subsidaries is not less than the amount at which they are stated in the Company's balance sheet.

15 Fixed Assets *continued*

The movements in the Company's investments are analysed as follows:

Cost	Investments in subsidiaries £000	Investments in associates £000	Listed investments £000	Unlisted invesments £000	Art portfolio £000	Total £000
At 31 December 1998	38,861	5,011	56,274	70	819	101,035
Additions	4,564	4	126,982	–	–	131,550
Disposals	(1,671)	–	(24,010)	(43)	(435)	(26,159)
Reclassification	–	38,632	(38,632)	–	–	–
At 31 December 1999	**41,754**	**43,647**	**120,614**	**27**	**384**	**206,426**
Provisions						
At 31 December 1998	3,906	–	10,416	–	–	14,322
(Release)/charge for the year	(822)	–	3,692	–	–	2,870
Disposals	–	–	(2,243)	–	–	(2,243)
Reclassification	–	11,612	(11,612)	–	–	–
At 31 December 1999	**3,084**	**11,612**	**253**	**–**	**–**	**14,949**
Net book value at 31 December 1999	**38,670**	**32,035**	**120,361**	**27**	**384**	**191,477**
Net book value at December 1998	34,955	5,011	45,858	70	819	86,713

16 Debtors

Amounts falling due within one year	**31 December 1999 £000**	31 December 1998 £000
Group		
Trade debtors	**6,147**	5,774
Amounts due from joint venture	**365**	332
Other debtors	**3,980**	6,592
Prepayments and accrued income	**980**	1,329
Deferred tax asset (see note below)	**29**	2,242
	11,501	16,269
Company		
Amounts due from subsidiary undertakings	**19,799**	27,942
Other debtors	**3,251**	5,781
Prepayments and accrued income	**594**	313
	23,644	34,036

Note:
The Group's deferred tax assets in 1999 and 1998 arose in respect of short term timing differences and represent the amounts where the recoverability of the asset is assured beyond reasonable doubt. In 1998, potential deferred tax assets of £4,706,000 in respect of short term timing differences were not recognised (1999: £nil).

Notes to the Accounts Continued

17 Current Asset Investments

	31 December 1999 £000	31 December 1998 £000
Listed investments	**27,383**	9,584
Unlisted investments	**9,364**	757
	36,747	10,341

Note:
The market value of listed current asset investments is £28,856,000 (1998: £11,293,000). These investments are all quoted on recognised stock exchanges.

18 Creditors

	31 December 1999 £000	31 December 1998 £000
Group		
(a) Amounts falling due within one year:		
Trade creditors	**8,976**	1,524
Taxation payable	**2,010**	3,092
Employee entitlements	**549**	1,333
Dividend due to minority interests	**157**	1,637
Dividend payable	**4,695**	2,515
Other creditors	**3,306**	7,637
Accruals and deferred income	**6,599**	1,897
	26,292	19,635

	31 December 1999 £000	31 December 1998 £000
(b) Amounts falling due after one year:		
Employee entitlements	**24**	540
Other creditors	**59**	351
	83	891

	31 December 1999 £000	31 December 1998 £000
Company – Amounts falling due within one year:		
Amounts due to subsidiary undertakings	**126,907**	19,802
Taxation payable	**70**	71
Dividend payable	**4,695**	2,515
Other creditors	**193**	460
Accruals and deferred income	**9,124**	1,043
	140,989	23,891

Note:
The Company's accruals include interest of £3,878,000 (1998: £nil) on amounts payable to subsidiary undertakings.

19 Borrowings

	31 December 1999 £000	31 December 1998 £000
Borrowings repayable within one year	**2,632**	2,931
Borrowings repayable between one and two years	**451**	10,304
Borrowings repayable between two and five years	**–**	959
	3,083	14,194

Notes:

(i) All borrowings at 31 December 1999 are secured against property held by CIC for development.

(ii) At 31 December 1998, the borrowings included 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.

(iii) The Company had no borrowings at 31 December 1999 (1998: £nil).

20 Provisions for Liabilities and Charges

Group	31 December 1999 £000	31 December 1998 £000
Deferred taxation (see note (i) below)	**965**	1,052
Pension liabilities (see note (ii) below)	**321**	895
Onerous lease commitments (see note (ii) below)	**1,253**	1,274
	2,539	3,221
Company		
Pension liabilities (see note (iii) below)	**321**	330

Movements in provisions

	Deferred tax £000	Pension liabilities £000	Onerous leases £000
At 31 December 1998	1,052	895	1,274
Currency translation differences	108	73	–
Utilisation of provision	–	–	(222)
Disposal of subsidiaries	(516)	(587)	–
Charge to/(release from) profit and loss account	321	(60)	93
Unwinding of discount	–	–	108
At 31 December 1999	**965**	**321**	**1,253**

Notes:

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

(ii) Included in the provisions for pensions and onerous lease commitments are amounts totalling £210,000 which are payable within one year (1998: £317,000). These leases relate to office buildings which are no longer occupied by the Group. Sub-leases have been granted in respect of these buildings but where the rent receivable is insufficient to cover the lease commitments, a provision has been made for the deficit. The provision covers the period to 2009 and is based on assumptions concerning the outcome of rent reviews and the rent receivable from new sub-tenants, both of which are uncertain. The expected future cash flows have been discounted on a pre-tax basis at a nominal interest rate of 6.5%.

(iii) Included in the Company's pension liability is an amount of £50,000 payable within one year (1998: £49,000).

Notes to the Accounts Continued

21 Leasing Commitments

Annual commitments of the continuing businesses made under operating leases expiring:

	Land and buildings 31 December 1999 £000	31 December 1998 £000
Within one year	**39**	48
Between one and five years	**330**	1,467
Over five years	**1,293**	1,372
	1,662	2,887

22 Directors' Emoluments

Directors' emoluments may be summarised as follows:

	Year ended 31 December 1999 £000	Year ended 31 December 1998 £000
Aggregate emoluments	**1,382**	948
Gains made on exercise of share options	**1,881**	350
Pension contributions	**125**	86
	3,388	1,384

The aggregate emoluments and gains on share options exercised for the highest paid director were £935,623 (1998: £423,212). No contributions were paid to money purchase pension schemes in respect of the highest paid director (1998: £25,983).

Further details of directors' emoluments are provided under the headings Directors' Remuneration Policy and Directors' Interests on pages 48 to 52.

23 Share Capital

	31 December 1999 Number	31 December 1999 £000	31 December 1998 Number	31 December 1998 £000
Authorised				
Ordinary Shares of 10p each	**600,000,000**	**60,000**	600,000,000	60,000
Issued and fully paid				
Ordinary Shares of 10p each	**469,526,862**	**46,953**	419,105,258	41,911

a) During 1999 the following issues and allotments of ordinary shares of 10p each were made, representing an aggregate nominal value of £5,042,160.

Date of issue and allotment	Stock event	No. of shares	Allotment price (pence per share)
12 March 1999	Exercise of options	893,995	16.56
12 March 1999	Exercise of options	455,039	19.58
19 April 1999	Exercise of options	223,498	16.56
19 April 1999	Exercise of options	44,699	19.58
26 April 1999	Exercise of options	248,033	19.58
13 May 1999	Scrip dividend	3,896,834	Credited as fully paid
17 May 1999	Capitalisation issue	42,473,858	Credited as fully paid
3 June 1999	Exercise of options	1,966,789	15.05
14 June 1999	Exercise of options	100,000	17.80
16 June 1999	Exercise of options	118,859	17.80

23 Share Capital *continued*

b) Following adjustments, grants, exercises and lapses during the year, options outstanding at 31 December 1999 were as set out below.

Share Option Scheme	Number	Date Granted	Exercise price (p per share)	Excercise Period
1985 Share Option Scheme				
Ordinary	1,186,917	05.06.92	15.05	05.06.95 to 04.06.02
Ordinary	1,332,492	19.04.93	17.80	19.04.96 to 18.04.03
1992 Share Option Scheme				
Ordinary	1,540,000	19.04.93	17.80	19.04.96 to 18.04.00
Ordinary	4,976,155	12.05.94	37.10	12.05.97 to 11.05.04
Super	3,827,809	12.05.94	37.10	12.05.99 to 11.05.04
Ordinary	739,461	06.10.94	35.06	06.10.97 to 05.10.04
Super	434,976	06.10.94	35.06	06.10.99 to 05.10.04
Ordinary	762,438	25.08.95	36.76	25.08.98 to 24.08.05
Super	1,718,722	25.08.95	36.76	25.08.00 to 24.08.05
Ordinary	25,353	03.01.96	41.92	03.01.99 to 02.01.06
Super	96,919	03.01.96	41.92	03.01.01 to 02.01.06
Ordinary	228,153	11.04.96	47.34	11.04.99 to 10.04.06
Super	152,103	11.04.96	47.34	11.04.01 to 10.04.06
Ordinary	1,078,429	08.05.96	48.00	08.05.99 to 07.05.06
Super	1,140,792	08.05.96	48.00	08.05.01 to 07.05.06
Ordinary	1,002,515	13.01.97	48.46	13.01.00 to 12.01.07
Super	172,848	13.01.97	48.46	13.01.02 to 12.01.07
Ordinary	2,008,177	01.09.97	60.46	01.09.00 to 31.08.07
Ordinary	69,138	07.11.97	58.87	07.11.00 to 06.11.07
Super	150,849	07.11.97	58.87	07.11.02 to 06.11.07
Ordinary	64,515	03.08.98	41.82	03.08.01 to 02.08.08
Super	20,185	03.08.98	41.82	03.08.03 to 02.08.08
Ordinary*	1,546,000	22.03.99	51.82	22.03.02 to 21.03.09
Super*	900,900	22.03.99	51.82	22.03.04 to 21.03.09
Super*	9,005,000	02.09.99	48.50	02.09.04 to 01.09.09
Ordinary*	25,000	02.09.99	48.50	02.09.02 to 01.09.09
1994 Share Option Scheme				
Ordinary	906,666	12.05.94	37.10	12.05.97 to 11.05.04
Super	287,084	12.05.94	37.10	12.05.99 to 11.05.04
Ordinary	135,686	25.08.95	36.76	25.08.98 to 24.08.05
Super	271,375	25.08.95	36.76	25.08.00 to 24.08.05
Ordinary	71,566	03.01.96	41.92	03.01.99 to 02.01.06
Ordinary	30,415	11.04.96	47.34	11.04.99 to 10.04.06
Ordinary	62,363	08.05.96	48.00	08.05.99 to 07.05.06
Ordinary	56,564	01.09.97	60.46	01.09.00 to 31.08.07
Ordinary	8,800	03.08.98	41.82	03.08.01 to 02.08.08
Ordinary*	27,500	22.03.99	51.82	22.03.02 to 21.03.09
Super*	40,000	02.09.99	48.50	02.09.04 to 01.09.09

*Granted during 1999

Notes to the Accounts Continued

23 Share Capital *continued*

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 25% of the FTSE 100 companies; and second, 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 4,050,912 shares under the 1992 scheme. No options lapsed.

Options outstanding at the beginning of the year (including those exercised since 17 May 1999) have been adjusted as to price and number to reflect the 1999 Capitalisation Issue. Where required, Inland Revenue approval to changes was obtained.

24 Reserves

The movements in reserves are:

	Share premium account £000	Profit and loss account £000
Group		
At 31 December 1998	**26,060**	99,081
Write-back of goodwill on disposals (see note (i) below)	**–**	1,930
Dividends written back (see note (ii) below)	**–**	1,985
Premium on shares issued (net of expenses)	**212**	–
Capitalisation issue of shares	**(4,247)**	–
Scrip Dividend Alternative	**(390)**	–
Currency translation differences	**–**	5,074
Retained profit for the year	**–**	107,251
At 31 December 1999	**21,635**	**215,321**
Company		
At 31 December 1998	**26,060**	71,815
Dividends written back	**–**	1,985
Premium on shares issued (net of expenses)	**212**	–
Capitalisation issue of shares	**(4,247)**	–
Scrip Dividend Alternative	**(390)**	–
Retained profit for the year	**–**	12,107
At 31 December 1999	**21,635**	**85,907**

Notes:

(i) The net write-back of goodwill comprises a premium of £2,492,000 attributable to Tyndall and its subsidiaries and negative goodwill of £562,000 attributable to the disposal of other assets.

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

(iii) Cumulative negative goodwill taken directly to reserves in respect of acquisitions prior to 1998 amounts to £3,662,000.

25 Contingent Liabilities

At 31 December 1999 there were no significant contingent liabilities.

26 Subsequent Events

On 7 March 2000 the Company announced a proposal to issue up to 200 million 8% Convertible Unsecured Loan Notes of 50p each in connection with the Company's proposed Buyback Offer for up to 200 million of its ordinary shares.

The Group's offer for 50% of each member's shares in Joe White Maltings Ltd ("JWM"), an Australian maltster, closed on 31 March 2000, at which date it is estimated that acceptances had been received for 5,145,000 shares at a cost of A$16,700,000 (£6,780,000). As a result GPG's holding in JWM at 31 March 2000 was approximately 44%.

27 Staveley Industries plc

Staveley became an associate on 3 November 1999. The goodwill arising from this change in status is analysed below:

	£000
Fair value of net assets (see notes below)	82,396
GPG share (29.02%)	23,911
Carrying value of investment (net of write-downs)	27,020
Goodwill arising on treatment of Staveley as an associate	**3,109**

Notes:

(i) The net assets of Staveley are based on its balance sheet at 2 October 1999, as adjusted for the proposed disposal of its salt business, British Salt. The figures have been extracted from a Circular dated 21 March 2000 to shareholders of Staveley in respect of the proposed disposal of British Salt. The British Salt business has been valued at the expected sale proceeds (net of expenses) of £74,726,000. This compares to a reported book value of £49,457,000 as at 2 October 1999. No other adjustments have been made in arriving at the fair value of the associate's net assets.

(ii) The fair values attributed to the net assets of Staveley are provisional and will be adjusted as necessary in the light of the associate's published results for periods subsequent to 2 October 1999.

28 Analysis of Net Assets

The Group's net assets may be summarised as follows:

	£m		£m
Creditors/provisions	23	Cash at bank	83
SHAREHOLDERS' FUNDS	**284**	Debtors	5
		Canberra Investment Corp.	4
		Mid-East Minerals	12
		Turners & Growers	8
		Staveley Industries	27
		De Vere Group	35
		Coats Viyella	19
		AMP Income Notes	16
		Brickworks	10
		Tarmac	9
		Other share portfolio	79
Total Funds Employed	**£307m**	**Total Assets**	**£307m**

Note:

The above analysis shows the Group's share of the net assets of its listed subsidiaries, rather than the respective assets and liabilities of those companies, together with the book value of the Group's remaining net assets. The shareholders' funds figure is that reported in the consolidated balance sheet on pages 12 and 13.

NOTES TO THE ACCOUNTS CONTINUED

29 Notes to the Cash Flow

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

	Year ended 31 December 1999 £000	Year ended 31 December 1998 £000 as restated
Operating profit	**23,225**	28,320
Depreciation and amortisation	**625**	1,485
Profit on disposal of tangible fixed assets	**(142)**	(157)
Release of negative goodwill on disposals	**(562)**	(562)
Amounts written off against investments	**5,087**	9,080
(Increase)/decrease in debtors and land under development	**(2,684)**	5,036
Decrease in provisions	**(189)**	(341)
Accrued earnings – Life business	**(8,131)**	(9,805)
Distributions from Life business	**–**	3,337
Decrease in creditors	**(521)**	(3,274)
(Increase)/decrease in current asset investments	**(18,032)**	5,673
Currency and other adjustments	**(1,279)**	(2,134)
Net cash (outflow)/inflow from operating activities	**(2,603)**	36,658

Notes:
(i) Net cash inflow from operating activities includes the profits and losses resulting from the sale of investments, together with interest and dividends received, which are considered to be cash inflows generated in the normal course of business.
(ii) The cash flow statement includes cash paid to, or received from, Tyndall's Life Funds. It does not include the cash flows within these funds.
(iii) For 1999, purchases of land for development are included as an operating cash flow. Comparatives have been restated accordingly.

Non-cash activities

The Company and Tyndall operated, respectively, scrip dividend alternative and dividend reinvestment plans. These arrangements had the effect of increasing cash flows by £1,985,000 (1998: £2,955,000), through shareholders electing to receive shares in lieu of their cash dividends.

	Year ended 31 December 1999 £000	Year ended 31 December 1998 £000
b) Dividends received from associates		
Dividends received from associated undertakings	**875**	–
	875	–
c) Returns on investments and servicing of finance		
Interest paid	**(570)**	(510)
Dividends paid by subsidiaries to minority interests	**(1,867)**	(762)
	(2,437)	(1,272)
d) Taxation		
Overseas tax paid	**(130)**	(610)
UK tax refunded	**218**	–
	88	(610)

29 Notes to the Cash Flow *continued*

e) Capital expenditure and financial investment

	Year ended 31 December 1999 £000	Year ended 31 December 1998 £000
Payments to acquire property, plant or equipment	**(468)**	(1,335)
Purchase of fixed assets investments	**(134,944)**	(48,209)
Capital injection into Statutory Funds	**–**	(5,693)
Net receipt from transfer of Accident business into Life assurance business	**–**	1,224
Receipts from the disposal of property, plant or equipment	**573**	500
Sale of fixed asset investments, at book value	**25,181**	38,005
	(109,658)	(15,508)
f) Acquisitions and disposals		
Net receipts from sale of subsidiary undertakings (see note 33)	**145,560**	–
Cash held by subsidiaries sold (see note 33)	**(17,365)**	–
Net (payments)/receipts arising from purchase of subsidiary undertakings (see note 32)	**(1,510)**	329
	126,685	329
g) Equity dividends paid		
Balance as at 1 January	**(2,515)**	(1,648)
Less: shares in lieu of cash dividend	**1,985**	1,330
	(530)	(318)
h) Management of liquid resources		
Cash placed on short term deposit	**(137,953)**	(27,844)
Withdrawals from short term deposits	**104,776**	15,237
	(33,177)	(12,607)
i) Financing		
Issue of ordinary shares by Company	**666**	13,640
Issue of ordinary shares to minority shareholders in subsidiaries	**853**	8,689
Expenses of share issues	**(49)**	(135)
Total issues of ordinary shares	**1,470**	22,194
New loans taken out	**5,773**	14,664
Loans repaid	**(12,283)**	(19,923)
Decrease in debt	**(6,510)**	(5,259)
Net cash (outflow)/inflow from financing	**(5,040)**	16,935

Notes to the Accounts Continued

29 Notes to the Cash Flow *continued*

j) Analysis of net funds

	1 Jaunary 1999 £000	Cash flow £000	Disposal of subsidiaries £000	Exchange movement £000	31 December 1999 £000
Group					
Cash at bank and in hand	**72,854**	7,380	(105)	4,915	**85,044**
Less: liquid resources	**(43,166)**	(33,177)	105	(1,575)	**(77,813)**
	29,688	(25,797)	–	3,340	**7,231**
Debt due within 1 year	**(2,931)**	197	409	(307)	**(2,632)**
Debt due after 1 year	**(11,263)**	6,313	5,731	(1,232)	**(451)**
	(14,194)	6,510	6,140	(1,539)	**(3,083)**
Liquid resources	**43,166**	33,177	(105)	1,575	**77,813**
Net funds	**58,660**	13,890	6,035	3,376	**81,961**

Note: Liquid resources comprise short term deposits.

k) Discontinued operations

The discontinued operations sold during the year contributed £2,118,000, to the Group's net operating cash inflow paid £2,040,000 in respect of net returns on investments and servicing of finance, paid £nil in respect of taxation, spent £575,000 (net) on capital expenditure and financial investment, and paid £1,510,000 in respect of acquisitions and disposals.

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

	31 December 1999 £000	31 December 1998 £000
Opening balance	**72,854**	37,313
Net cash (outflow)/inflow	**(25,797)**	23,607
Increase in liquid resources	**33,177**	12,607
Disposal of subsidiaries	**(105)**	–
Currency translation differences	**4,915**	(673)
Closing balance	**85,044**	72,854

31 Analysis of Changes of Financing During the Year

	Share capital (inc. premium) £000	Minority Interests £000	Debt £000
At 31 December 1998	**67,971**	**42,689**	**14,194**
Currency translation differences	–	4,617	1,539
Shares issued for cash (net of expenses)	617	–	–
New loans taken out	–	–	5,773
Loans repaid	–	–	(12,283)
Share of profits for year	–	3,246	–
Minority participation in subsidiaries' share issues	–	853	–
Dividends paid/payable	–	(206)	–
Disposal of subsidiaries	–	(47,687)	(6,140)
At 31 December 1999	**68,588**	**3,512**	**3,083**

32 Purchase of Subsidiary Undertakings

	Year ended 31 December 1999 £000	Year ended 31 December 1998 £000
Consideration for businesses acquired in year	–	2,139
Deferred payments	625	(625)
Additional consideration in respect of prior year acquisition	885	–
Cash recovered from escrow in respect of 1997 acquisition	–	(1,843)
Net payments/(receipts) arising from the purchase of subsidiary undertakings	1,510	(329)

33 Disposal of Subsidiary Undertakings

	Year ended 31 December 1999 £000	Year ended 31 December 1998 £000
Net assets of subsidiaries sold:		
Fixed assets	2,637	–
Goodwill	1,109	–
Life Assurance business	66,593	–
Debtors	12,358	–
Investments	12,454	–
Cash at bank	17,470	–
Creditors	(10,481)	–
Borrowings	(6,140)	–
Provisions, including deferred taxation	(1,103)	–
	94,897	–
Minority interests	(47,687)	–
	47,210	–
Profit on disposal	95,498	–
Non-cash items	2,852	–
Net consideration received after disposal costs	145,560	–
Proceeds received	145,560	–
Cash held by subsidiaries sold	(17,365)	–
Net increase in cash	128,195	–

The operations disposed of comprised Tyndall and its subsidiaries which were sold to RSA on 6 May 1999.

The non-cash items represent the accumulated goodwill written back of £2,492,000 plus the elimination of capitalised goodwill of £360,000.

Notes to the Accounts continued

34 Principal Subsidiary Undertakings

The Group's principal subsidiary undertakings at 31 December 1999, 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 the entire issued share capital, all of which is fully paid.

Name and country of incorporation/operation	Class of shares	Nature of business
Mid-East Minerals Ltd (Australia) 88.24% (1998: 88.24%)	Ordinary shares	Investment company
Canberra Investment Corporation Ltd (Australia) 68.60% (1998: 68.47%)	Ordinary shares	Property development
GPG Securities Trading Limited (England)	Ordinary shares of £1 each* Preference shares of £1 each*	Securities trading
GPG (Australia) Pty Ltd (Australia)	Ordinary shares* Preference shares*	Holding company
Guinness Peat Group New Zealand Ltd (New Zealand)	Ordinary shares of NZ$1 each Preference shares of NZ$1 each*	Securities trading

*Shares held directly by Guinness Peat Group plc.

35 Significant Associated Undertakings

	Turners & Growers Ltd £000	Staveley Industries plc £000	**Year to 31 December 1999 Total £000**	Year to 31 December 1998 Turners & Growers Ltd £000
Summarised profit and loss account information				
Turnover	27,353	–	**27,353**	31,327
Profit before taxation	1,502	–	**1,502**	1,231
Taxation	(433)	–	**(433)**	(329)
Profit after taxation	1,069	–	**1,069**	902
Summarised balance sheet information				
Fixed assets	10,032	7,193	**17,225**	8,802
Current assets	3,747	44,702	**48,449**	6,778
	13,779	51,895	**65,674**	15,580
Liabilities due within one year	(5,116)	(26,193)	**(31,309)**	(6,540)
Liabilities due after more than one year	(912)	–	**(912)**	(1,210)
Provisions	–	(1,791)	**(1,791)**	–
	(6,028)	(27,984)	**(34,012)**	(7,750)
Net assets	7,751	23,911	**31,662**	7,830

Note:
The British Salt Business of Staveley is presented within current assets as an asset held for resale.

36 Related Party Disclosures

The Tyndall Group provided services to the Statutory Funds of Tyndall's Life operations. The fees charged to the Statutory Funds during the period prior to disposal were £467,000 (1998: £1,488,000). The Statutory Funds were also charged for their share of Tyndall Group's overhead expenses. This recharge totalled £4,184,000 in the period prior to disposal (1998: £7,015,000).

The Tyndall Group also acted as manager to several unlisted and listed trusts and received portfolio management fees. As manager it bought and sold units in these trusts. As at 6 May 1999, the Tyndall Group had loaned certain of these trusts amounts totalling £134,000 (1998: £358,000) at commercial rates of interest. The trusts paid £nil (1998: £8,000) of interest during the year.

During the year CIC sold two parcels of land to companies in which directors of CIC were also directors. The land was sold at current commercial rates and the transactions were in the normal course of business. The selling prices for these two sales were £29,000 and £31,000.

37 Derivatives and Other Financial Instruments

The Group's main financial instruments comprise:

- Investments in equity shares with both UK and international exposure. These investments are held both as fixed and current asset investments
- Other investments, such as non-equity shares
- Trade debtors and trade creditors that arise directly from the Group's operations
- Cash and bank deposits
- Bank borrowings

The Group occasionally purchases options over equity shares, as part of its investment portfolio, and in some circumstances will purchase derivatives to manage the currency profile of its financial assets. Otherwise, the Group does not normally enter into derivative transactions.

Guinness Peat Group plc is an investment holding company and it, together with its subsidiaries, is principally involved in managing a portfolio of cash and investments (see Review of Activity in the Directors' Report on page 8). The profile of the Group's financial assets, and in particular the relative balance between cash and investments, varies during the year depending on the timing of purchases and sales of investments. The Group's cash balances increased by £128,198,000 on the disposal of Tyndall, but the majority of this cash had been reinvested in equity investments by the end of the year.

Most of the Group's investments are listed on a recognised stock exchange and so could be converted into cash or liquid resources at short notice. In addition, the Group typically holds cash balances in deposits with short maturity, and further resources can be drawn through committed borrowing facilities. In managing liquidity, the Group's objective is to ensure it has access to the funds needed to take advantage of any attractive investment opportunities that may arise.

The main risks arising from the Group's financial instruments are as follows:

- market price risk
- currency risk
- interest rate fluctuation risk

The Board's policies for managing those risks are described below and, except as noted below, have remained unchanged since the beginning of the year to which these accounts relate.

Notes to the Accounts Continued

37 Derivatives and other Financial Instruments *continued*

Market price risk

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

Currency risk

The income and capital value of the Group's financial instruments can be affected by exchange rate movements as a significant portion of its financial assets (principally cash and investments) and liabilities are denominated in currencies other than sterling, which is the Group's reporting currency. The accounting impact of these exposures will vary according to whether or not a Group company holding such financial assets reports in the currency in which the financial assets are denominated. In 1999, borrowings drawn by the Group were all denominated in the reporting currency of the relevant subsidiaries of which they were liabilities. The Group also did not enter into any derivative transactions to hedge against currency exposures arising from individual transactions during 1999. The Group's accounting policy on foreign currencies is fully described in Note 1d on page 16.

The Board recognises that the Group's sterling balance sheet will be affected by short term movements in exchange rates, particularly the value of the Australian dollar and New Zealand dollar. The Board takes the view that the major currencies in which the Group is invested move within a relatively stable range and that currency fluctuations should even out over the long term. The Group's policy is to hold over time a broad balance of cash in sterling and Australian dollars, being the two currencies in which it mainly invests. In normal circumstances no hedging is undertaken, although should the £/A$ relationship reach extremes of a range then some exceptional hedging might be authorised. Hence, the distribution of the Group's net assets between the principal currencies in which it does business is driven largely by the availability of suitable investment opportunities within each country, rather than the pursuit of a specific portfolio of currencies.

For the management of currency exposure on liquid resources, the Board has authorised the very limited use of forward foreign currency contracts and swaps; there were no such contracts in place at the year end.

Interest rate risk

In 1999 the Group financed its operations through shareholders' funds and, in the case of a partly owned Australian property development subsidiary, bank borrowings, which are principally charged at floating rates. Surplus cash is placed on deposit for up to six months at fixed rates of interest. In practice, this means the Group's interest income does not vary significantly from the returns it would generate through investing surplus cash at floating rates of interest since the interest rates are re-set on a regular basis. The Company also has access to bank facilities amounting to some £40 million none of which have been drawn upon. The Group policy is not to use interest rate swaps or other such derivatives in managing its interest rate exposure.

In adopting the requirements of FRS13, Derivatives and other Financial Instruments, the Group has taken advantage of the exemption that short term debtors and creditors can be excluded from the following disclosures (other than the currency disclosures). The exemption from providing comparatives has also been exercised.

37 Derivatives and other Financial Instruments *continued*

a) Interest rate and currency profile of financial liabilities

The interest rate profile of financial liabilities at 31 December 1999 was:

	Australian Dollar £000	Sterling £000	Total £000
Floating interest rate	2,698	–	2,698
Fixed interest rate	385	–	385
No interest rate	–	1,253	1,253
	3,083	**1,253**	**4,336**

The financial liabilities included above comprise the Group's borrowings and onerous lease commitments. The liabilities carrying no interest are payable over the period to 2009. Details of interest-bearing liabilities are provided below:

Floating interest rate			
Weighted average interest rate at year-end	8.47%	–	8.47%
Fixed interest rate			
Weighted average interest rate	6.24%	–	6.00%
Weighted average period for which rate is fixed	10 months	–	10 months

The floating rate financial liabilities comprise bank borrowings bearing interest at rates fixed in advance for periods up to 1 year by reference to the Australian Bank Bill rate.

b) Interest rate and currency profile of financial assets

Interest rate	Investments £000	Cash at bank and in hand £000	Total £000
Floating interest rate		84,984	84,984
No interest rate		60	60
At 31 December 1999		**85,044**	**85,044**
Currency			
Sterling	85,311	4,862	90,173
Australian Dollars	78,544	75,351	153,895
New Zealand Dollars	16,107	1,337	17,444
Other currencies	745	3,494	4,239
At 31 December 1999	**180,707**	**85,044**	**265,751**

The investments included above comprise listed and unlisted investments in shares and options, excluding investments in associates and joint ventures.

Floating rate cash balances include deposits of £84,984,000 that have been placed on deposit with banks for a variety of fixed periods, not exceeding six months, and earn available market rates based on LIBID equivalents or government bond rates. The Group's investment portfolio, which principally comprises equity shares, has been excluded from the interest rate analysis because the investments do not generate a fixed entitlement to interest. Non-interest bearing deposits are payable on demand.

c) Currency exposure

The table below shows the extent to which Group companies have monetary assets and liabilities in currencies other than their local currency. Foreign exchange differences arising on retranslation of these assets and liabilities are taken to the Group's profit and loss account. The table excludes loans between Group companies that form part of the net investment in overseas subsidiaries, on which the exchange differences are dealt with through reserves.

NOTES TO THE ACCOUNTS CONTINUED

37 Derivatives and other Financial Instruments *continued*

Functional currency of Group operation	Net foreign currency of monetary assets A$ £000	NZ$ £000	Other £000	Total £000
Sterling	69,281	508	3,450	73,239

d) Maturity of financial liabilities

The maturity profile of the Group's financial liabilities, other than short-term creditors such as trade creditors and accruals, at 31 December 1999 was as follows:

	£000
In one year or less, or on demand	2,757
In more than one year but not more than two years	576
In more than two years but not more than five years	375
In more than five years	628
	4,336

e) Borrowing facilities

The Group has various borrowing facilities available to it. The undrawn committed facilities available at 31 December 1999 in respect of which all conditions precedent had been met at that date were as follows:

	£000
Expiring in one year or less	2,912
Expiring in more than one year but not more than two years	40,000
	42,912

f) Fair values of financial assets/liabilities

Set out below is a comparison by category of book values and fair values of all the Group's financial assets and financial liabilities as at 31 December 1999.

	Book value £000	Fair value £000
Primary financial instruments		
Cash at bank	85,044	85,044
Investments (fixed and current)	171,964	206,476
Short-term borrowings	(2,632)	(2,622)
Long-term borrowings	(451)	(451)
Other financial liabilities	(1,253)	(1,253)
Derivative financial instruments held for trading		
Investment in options	8,743	8,743
	261,415	**295,937**

Investments are held for strategic growth or trading purposes. Market values have been used to derive the fair value of all listed investments. Unlisted options have been valued using an option-pricing model. For floating rate financial assets and liabilities, and for fixed rate financial assets and liabilities with a maturity of less than 6 months, it has been assumed that fair values are approximately the same as book values. All other fair values have been calculated by discounting expected cash flows at prevailing interest rates.

37 Derivatives and other Financial Instruments *continued*

g) Gains/losses on financial assets/liabilities

The net gain/(loss) from buying and selling financial assets and financial liabilities shown in the profit and loss account for the period to 31 December 1999 is analysed as follows:

	£000
Gains on the disposal of investments (excluding derivatives)	10,291
Gains on the disposal of options	830
Net write-down of investments (excluding derivatives)	(4,008)
Net write-down of options	(1,079)
	6,034

h) Hedges

No hedge contracts were active at the beginning of the year and no hedge contracts were entered into during the year ended 31 December 1999. Accordingly, there have been no gains or losses attributable to hedging transactions.

38 Life Assurance Business

a) Long term revenue account

		Year ended 31 December 1999 (see Note)		Year ended 31 December 1998
	£000	**£000**	£000	£000
Earned premiums, net of reinsurance		**40,799**		126,779
Investment income				
Profit on disposal of investments and other investment income	**6,932**		28,054	
Unrealised gains/(losses)	**13,896**		(12,464)	
		20,828		15,590
Claims incurred, net of reinsurance		**(20,268)**		(55,610)
Net change in policyholders' liabilities				
Policyholders' liabilities for linked business	**(21,741)**		(52,595)	
Change in long term business provision	**(5,691)**		(1,288)	
		(27,432)		(53,883)
Net operating expenses				
Acquisition costs	**(2,454)**		(6,472)	
Change in deferred acquisition costs	**4,335**		2,088	
Administrative expenses	**(6,706)**		(15,761)	
Other technical charges	**(246)**		(664)	
		(5,071)		(20,809)
Investment expenses and charges		**(546)**		(1,456)
Tax charge attributable to long term business		**(4,575)**		(1,823)
Transfer to fund for future appropriations		**(179)**		(806)
Balance on the long term revenue account		**3,556**		7,982
Minority interests		**(1,787)**		(3,983)
Profit attributable to GPG shareholders		**1,769**		3,999

Note:
The profits attributable to GPG shareholders in 1999 represent the profits for the period up to the date of disposal, being 6 May 1999.

Notes to the Accounts Continued

38 Life Assurance Business *continued*

b) Investments

	31 December 1999 £000	31 December 1998 £000
Financial investments		
Shares and other variable yield securities	–	51,222
Debt securities and other fixed income securities	–	65,741
	–	116,963
Assets held to cover linked liabilities	–	215,991
	–	332,954
Financial investments comprise the following:		
Listed outside the UK	–	107,854
Unlisted	–	9,109
	–	116,963

At 31 December 1999 the cost of the financial investments was £nil (1998: £122,023,000).

c) Present value of acquired in-force business

	31 December 1999 £000	31 December 1998 £000
Opening balance	**7,778**	9,372
Amortisation for the year	**(246)**	(664)
Currency translation differences	**859**	(930)
Disposal of subsidiary	**(8,391)**	–
	–	7,778

At 31 December 1998, the valuation of the total life business was £75,205,000. The valuation was based on future surpluses applicable to shareholders which were expected to arise from the business in force at the date of the valuation. These surpluses were discounted using a rate of 12.5% per annum.

d) Debtors and prepayments

	31 December 1999 £000	31 December 1998 £000
Deferred acquisition costs	–	34,899
Debtors	–	13,801
Prepayments and accrued income	–	3,534
	–	52,234

38 Life Assurance Business *continued*

e) Policyholder liabilities

	£000	31 December 1999 £000	£000	31 December 1998 £000
Linked business		–		202,392
Participating business:				
Long term business provision	–		89,869	
Claims outstanding	–		34,645	
		–		124,514
		–		326,906

f) Other liabilities

		31 December 1999 £000		31 December 1998 £000
Fund for future appropriations		–		5,128
Creditors		–		12,278
Provisions		–		8,706
Accruals and deferred income		–		562
		–		26,674

Corporate Governance

Compliance

The Company's corporate governance arrangements comply 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 Group'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 are aware, 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 three non-executive directors, being the Chairman, Sir Ron Brierley, Trevor Beyer and Maurice Loomes, together with three 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, the management of which, on a day-to-day basis, is delegated to the executive directors one of whom is situated in each of the three countries identified below. The directors are in frequent and regular contact 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 GPG Australia Pty Ltd and Tony Gibbs is the executive director in charge of Guinness Peat Group New Zealand Ltd. The Group has in excess of 30,000 shareholders, of whom only the Chairman is beneficially interested in more than 3% of the Group's shares. Merrill Lynch Asset Management also held in excess of 7% of the Group's shares on behalf of certain managed funds. However, 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, who acted as non-executive directors throughout the year, have considerable experience on the Boards of a variety of companies and have reputations for independent mindedness at the companies on whose Boards they are, or have been, represented. Maurice Loomes became a non-executive director on 31 December 1999 and is to retire at the conclusion of the 2000 Annual General Meeting. He is an experienced investment professional and has considerable experience of the duties and obligations of Boards of listed companies. However it is accepted that as the interests of all three are linked to those of shareholders by means of the granting of share options, and as they have had a long association with the Company as directors, none would be regarded as "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 Trevor Beyer and Blake Nixon retire by rotation at the conclusion of the 2000 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 Controls

The Combined Code introduced the requirement for the directors to review the effectiveness of the Group's system of internal control, including financial, operational and compliance controls and risk management. This expanded the previous requirement, which was limited to internal financial controls. For 1999, the Board has adopted the transitional approach permitted by the London Stock Exchange, which means that the directors have continued to review and report upon internal financial controls.

Guidance was issued in September 1999 ("the Turnbull guidance") to listed companies on maintaining a sound system of internal control and on how they should review the effectiveness of that system. The Board has established procedures necessary to implement the requirements of the Combined Code relating to internal controls as reflected in the Turnbull guidance. These procedures establish the process by which the Board will, on an ongoing basis, identify, evaluate and manage risk and carry out its annual review of the effectiveness of internal controls. It is intended that these procedures will be kept under review each year and adjusted as appropriate.

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.

Since 1998 the directors have reviewed the effectiveness of the internal financial controls of the Company and its subsidiary undertakings during March each year and have repeated this exercise in March 2000. 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.

Guidance issued by the London Stock Exchange obliges the directors of Guinness Peat Group plc to consider the need for internal audit. The position is reviewed each year by the Board, who consider that the Group is not sufficiently large to justify an internal audit function.

Shareholder Meetings

In 1999, the Company's Annual General Meeting was held in London. The level of proxies lodged on each resolution was announced during the meeting.

Corporate Governance Continued

Audit Committee

An Audit Committee was established on 19 December 1995. It consists of one non-executive director, Trevor Beyer, who chairs the committee and one executive director, Blake 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 accounts 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 Trevor Beyer, a non-executive director. The Chairman of the Company, Sir Ron Brierley, has delegated full responsibility and authority to Trevor Beyer to chair the committee. As with the Audit Committee, it is the view of the Board that the appointment of Trevor 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 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 according to geographical location and the nature of the appointment but includes:

- Annual benefits: including a competitive basic salary, directors' fees as appropriate, health and car benefits and life assurance. Save in exceptional circumstances, directors are not entitled to any performance related cash bonuses (but see notes 2 and 3 below).
- Long term incentives: directors are entitled to receive awards of Options under the Company's share option schemes, as referred to overleaf.
- Pension 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.

Details of individual directors' emoluments

	Sir Ron Brierley £	T J N Beyer £	M W Loomes £	A I Gibbs £	B A Nixon £	G H Weiss £
Salaries and fees	–	80,000	129,722	207,086	250,000	295,969
Bonus payments	54,846	41,303	54,846	54,080	125,000	71,164
Benefits in kind	–	2,607	–	–	15,613	–
Total 1999	**54,846**	**123,910**	**184,568**	**261,166**	**390,613**	**367,133**
Total 1998	–	82,140	121,477	211,541	263,717	268,746
Gains on Options 1999						
Guinness Peat Group plc	736,563	163,504	–	–	–	455,704
Tyndall	144,214	–	145,916	148,758	–	86,572
Gains on Options 1998						
Guinness Peat Group plc	–	–	260,624	–	–	–
Tyndall	–	–	41,111	–	–	48,427
Pension 1999	–	–	61,129	–	25,000	38,975
Pension 1998	–	–	25,983	–	25,000	35,390

Notes:

1. Overseas directors' emoluments, which are paid in local currency, have been translated at the relevant year end exchange rate.
2. 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 shareholders. The Company does not operate any other long term incentive schemes nor does it normally award cash bonuses (but see 3 and 4 below). It is felt that the grant of options is more appropriate since this contains an element of reward for individual achievement together with an incentive allied to the Group's longer term performance. The approach also aligns management 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.
   Details of directors' share options and shareholdings are set out in note a) below.
3. In light of the exceptional gain realised from the disposal of Tyndall, cash bonuses were awarded to all staff, including directors. Bonuses for those directors who served on the Tyndall board, being Sir Ron Brierley, GH Weiss, MW Loomes and AI Gibbs, were based on a specific figure for each director from which was deducted an allowance for payment of the Retirement Allowances referred to in Note 4 below and any gains made on Tyndall options. BA Nixon and TJN Beyer were awarded a bonus based broadly on 6 months' salary. The special circumstances resulting from Tyndall's disposal were regarded as sufficiently exceptional to justify payment of these bonuses.
4. Tyndall paid a Retirement Allowance to its directors on disposal. These figures have been included in the "Bonus" line above.
5. 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.
6. All pension contributions are in respect of defined contribution arrangements.
7. "Benefits in kind" include provision of a fully expensed company car, private health insurance and miscellaneous expenses.
8. 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.
9. T J N Beyer's remuneration figure includes an amount of £35,000 by way of directors' fees.

Corporate Governance Continued

Directors' Interests

a) The interests of the directors who held office at the end of the period, and connected persons, in the 10p shares and options of the Company and its subsidiaries as at 31 December 1999 and 1998 are set out below.

(i) Guinness Peat Group plc

Ordinary 10p shares

	31 December 1999	31 December 1998
Sir Ron Brierley	**19,064,619**	15,362,747
T J N Beyer	**1,304,888**	1,188,587
A I Gibbs	**538,846**	444,451
M W Loomes	**2,586**	2,324
B A Nixon	**80,800**	72,601
Dr G H Weiss	**2,294,556**	712,673

On 8 March 2000, A I Gibbs purchased an additional 150,000 shares at a price of NZ$1.36 each.

Options over ordinary 10p shares of the Company

	Number 1999	**Number 1998**	**Exercise price (pence per share)**	**Exercise period**
Sir Ron Brierley				
Ordinary	1,913,907	1,913,907	37.10	12.05.97 to 11.05.04
Super	956,953	956,953	37.10	12.05.99 to 11.05.04
Ordinary	190,132	190,132	48.00	08.05.99 to 07.05.06
Super	190,132	190,132	48.00	08.05.01 to 07.05.06
T J N Beyer				
Ordinary	95,694	95,694	37.10	12.05.97 to 11.05.04
Super	95,694	95,694	37.10	12.05.99 to 11.05.04
Ordinary	127,769	127,769	48.00	08.05.99 to 07.05.06
Super	190,132	190,132	48.00	08.05.01 to 07.05.06
Ordinary	62,363	62,363	48.00	08.05.99 to 07.05.06
Ordinary	125,706	125,706	60.46	01.09.00 to 31.08.07
Super*	250,000	–	48.50	02.09.04 to 01.09.09
A I Gibbs				
Ordinary	95,694	95,694	37.10	12.05.97 to 11.05.04
Super	143,542	143,542	37.10	12.05.99 to 11.05.04
Ordinary	434,978	434,978	35.06	06.10.97 to 05.10.04
Super	217,488	217,488	35.06	06.10.99 to 05.10.04
Ordinary	387,681	387,681	36.76	25.08.98 to 24.08.05
Super	969,204	969,204	36.76	25.08.00 to 24.08.05
Ordinary	190,132	190,132	48.00	08.05.99 to 07.05.06
Super	190,132	190,132	48.00	08.05.01 to 07.05.06
Ordinary	345,697	345,697	48.46	13.01.00 to 12.01.07
Ordinary	314,270	314,270	60.46	01.09.00 to 31.08.07
Ordinary*	277,200	–	51.82	22.03.02 to 21.03.09
Super*	162,800	–	51.82	22.03.04 to 21.03.09
Super*	1,550,000	–	48.50	02.09.04 to 01.09.09

M W Loomes				
Ordinary	956,953	956,953	37.10	12.05.97 to 11.05.04
Super	717,714	717,714	37.10	12.05.99 to 11.05.04
Ordinary	219,685	219,685	36.76	25.08.98 to 24.08.05
Super	439,373	439,373	36.76	25.08.00 to 24.08.05
Ordinary	190,132	190,132	48.00	08.05.99 to 07.05.06
Super	190,132	190,132	48.00	08.05.01 to 07.05.06
Ordinary	314,270	314,270	60.46	01.09.00 to 31.08.07
Ordinary*	156,200	–	51.82	22.03.02 to 21.03.09
Super*	91,300	–	51.82	22.03.04 to 21.03.09
B A Nixon				
Ordinary	983,394	983,394	15.05	05.06.95 to 04.06.02
Ordinary	1,032,563	1,032,563	17.80	19.04.96 to 18.04.03
Ordinary	717,714	717,714	37.10	12.05.97 to 11.05.04
Super	956,953	956,953	37.10	12.05.99 to 11.05.04
Ordinary	190,132	190,132	48.00	08.05.99 to 07.05.06
Super	190,132	190,132	48.00	08.05.01 to 07.05.06
Ordinary	314,270	314,270	60.46	01.09.00 to 31.08.07
Ordinary*	69,300	–	51.82	22.03.02 to 21.03.09
Super*	40,700	–	51.82	22.03.04 to 21.03.09
Super*	1,550,000	–	48.50	02.09.04 to 01.09.09
Dr G H Weiss				
Ordinary	1,540,000	1,540,000	17.80	19.04.96 to 18.04.00
Ordinary	1,913,907	1,913,907	37.10	12.05.97 to 11.05.04
Super	956,953	956,953	37.10	12.05.99 to 11.05.04
Ordinary	190,132	190,132	48.00	08.05.99 to 07.05.06
Super	190,132	190,132	48.00	08.05.01 to 07.05.06
Ordinary	314,270	314,270	60.46	01.09.00 to 31.08.07
Ordinary*	360,800	–	51.82	22.03.02 to 21.03.09
Super*	211,200	–	51.82	22.03.04 to 21.03.09
Super*	1,750,000	–	48.50	02.09.04 to 01.09.09

*Granted during 1999

During the year directors exercised options as follows:

Director	Scheme	Date of Exercise	Exercise Price (pence per share)	Market Price at date of exercise (pence per share)	No. of Options
Sir Ron Brierley	1992	03.06.99	15.05*	52.50	1,966,789*
T J N Beyer	1992	26.04.99	19.58	51.80	248,033
	1992	10.06.99	17.80*	52.00	100,000*
	1992	16.06.99	17.80*	51.50	118,859*
Dr G H Weiss	1992	12.03.99	16.56	51.35	893,995
	1992	12.03.99	19.58	51.35	455,039

*adjusted for 1999 Capitalisation Issue

Corporate Governance Continued

Options outstanding at 31 December 1998 have been restated as to price and number to reflect the effect of the 1999 Capitalisation Issue.

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 1999 was 48.00p and the range during the financial year was 43.62p to 57.25p (as adjusted for 1999 Capitalisation Issue).

(ii) Mid-East Minerals Ltd

Ordinary shares, fully paid	31 December 1999	31 December 1998
Dr G H Weiss	**11,617**	11,617

No other director had an interest in the shares of this company during 1999 or 1998, save in respect of the following options:
Options over ordinary shares

	Number 1999	Number 1998	Exercise Price (A$ per share)	Exercise Period
M W Loomes	125,000	125,000	0.93	8.04.97 to 7.04.2002
Dr G H Weiss	125,000	125,000	0.93	8.04.97 to 7.04.2002

No directors' options were exercised or lapsed during the year under review or since the year end (1998: Nil). The middle market price of the shares on 31 December 1999 was A$1.40 and the range during the financial year was A$1.08 to A$1.40.

(iii) Tyndall Australia Limited

Ordinary shares, fully paid
At 31 December 1998, A I Gibbs held 9,687 Ordinary shares and Dr G H Weiss held 63,519 Ordinary shares, all fully paid. No other director held shares in Tyndall.

On 26 May 1999 RSA acquired the entire issued share capital of Tyndall by means of a public offer at A$2.80 per share, the offer having gone unconditional on 6 May 1999. The following options, all of which were held at 31 December 1998, were exercised by directors during the year:

	Date exercised	Market price on date of exercise	Number exercised	Contingent shares vesting upon exercise	Attaching Bonus Exercise price (A$ per share)	Exercise Period
Sir Ron Brierley	18.05.99	2.79	50,000	23,205	1.22	19.04.97 to 18.04.00
	18.05.99	2.79	50,000	16,550	1.58	26.04.98 to 24.04.01
	18.05.99	2.79	50,000	10,500	1.77	23.04.99 to 22.04.02
	18.05.99	2.79	50,000	5,000	2.62	29.04.00 to 28.04.03
A I Gibbs	01.03.99	2.83	50,000	23,205	1.08	22.02.97 to 21.02.00
	01.03.99	2.83	50,000	16,550	1.58	26.04.98 to 24.04.01
	18.05.99	2.79	50,000	10,500	1.77	23.04.99 to 22.04.02
	18.05.99	2.79	50,000	5,000	2.62	29.04.00 to 28.04.03
M W Loomes	01.03.99	2.83	50,000	23,205	1.22	19.04.97 to 18.04.00
	01.03.99	2.83	50,000	16,550	1.58	26.04.98 to 24.04.01
	18.05.99	2.79	50,000	10,500	1.77	23.04.99 to 22.04.02
	18.05.99	2.79	50,000	5,000	2.62	29.04.00 to 28.04.03
Dr G H Weiss	01.03.99	2.83	50,000	16,550	1.58	26.04.98 to 24.04.01
	18.05.99	2.79	50,000	10,500	1.77	23.04.99 to 22.04.02
	18.05.99	2.79	50,000	5,000	2.62	29.04.00 to 28.04.03

b) There were no loans or guarantees from Group companies to directors or connected persons at 31 December 1998 and 31 December 1999 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 2000 and 29 March 2000, 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 accounts 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 accounts for the year ended 31 December 1999. 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 detection of fraud and other irregularities.

Auditors' Report

to the members of Guinness Peat Group plc

We have audited the accounts on pages 10 to 45 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. As described on page 54, this includes responsibility for preparing the accounts, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom 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 accounts give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the accounts, 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 accounts.

We review whether the statement on pages 46 to 48 reflects the Company's compliance with the seven 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 consider whether the Board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Company's or Group's corporate governance procedures or its risk and control procedures.

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company and the Group at 31 December 1999 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
31 March 2000

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 2000 Annual General Meeting of Guinness Peat Group plc will be held at 9.30am on Friday 2 June 2000 at The Tallow Chandlers' Hall, 4 Dowgate Hill, London EC4R 2SH 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 1999.
2. To re-elect T J N Beyer a director of the Company.
3. To re-elect B A Nixon a director of the Company.
4. To re-appoint PricewaterhouseCoopers as auditors.
5. To authorise the directors to fix the remuneration of the auditors.

Special Business

Special Resolutions

6. 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 £13,047,313 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;

7. 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, pursuant to the authority conferred by resolution 6 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:

   (a) (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 £2,582,397.

   (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.

8. That upon the recommendation of the directors, it is desirable to capitalise up to £4,695,268 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 9 June 2000 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 46,952,686 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 £4,695,268 and generally and unconditionally authorised to allot the said 46,952,686 ordinary shares accordingly on or prior to 31 December 2000 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.
9. That the Company be generally and unconditionally authorised to make market purchases (within the meaning of Section 163(3) of the Act) 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 current 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 31 May 2001 or the date of the next Annual General Meeting of the Company whichever shall be the later.
   (vi) the Company may contract to purchase its ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or might be executed wholly or partly after the expiration of such authority, and may purchase its ordinary shares in pursuance of any such contract.

REGISTERED OFFICE:
2nd floor
21-26 Garlick Hill
London EC4V 2AU

BY ORDER OF THE BOARD
Richard Russell
SECRETARY
31 March 2000

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 59 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 EC4 2AU
Tel: 020 7236 0336 Fax: 020 7329 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 Computershare Registry Services 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: 0870 702 0010 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