Guinness Peat Group plc Annual Report

2001

Contents

'2001 was another successful year for GPG with a high level of productive activity and a substantial increase in realised profits'

Major contributors to the net profit of £47.6 million were sales of shares in **Inchcape, London Stock Exchange** and **Time Products.** Our 16% of Inchcape was sold at an average of £4.74 per share which was very acceptable at the time but obviously compares somewhat unfavourably with the latest price on the LSE of £6.89. The shares were sold on a rising market over a 6 month period at levels consistent with our "break up" valuation of around £5 per share, and the subsequent rerating of Inchcape on the strength of perceived growth prospects was not part of our original equation. Although GPG is no longer a shareholder, we wish the company well and will continue to follow its progress with interest. We are still a 10% shareholder in the listed Singapore subsidiary, **Inchcape Motors Ltd.**

Most of the significant developments during 2001 were reported or foreshadowed in the Interim Report but some updates of note:

- GPG has taken an active role in the direction of **Capral Aluminium Ltd** where our shareholding is now 30%.
- Some well merited and, so far, modestly effective corporate activism in the interests of minorities in poorly performing **Australian Growth Properties Ltd** and **Trans Tasman Properties Ltd.**
- A 4.9% shareholding in **Caltex Australia Ltd.** The market has receded from A$4 (probably too high) in 1998 compared with the present level of A$1.75, having been as low as A95¢ in 2001.
- A 10% stake in **Western Metals Ltd** has proved to be a problem, but not without hope for the future as the world zinc price recovers from record lows. Our entry cost of £3.3 million has been written off as a prudent and conservative measure in the 2001 accounts.
- All our **Otter Gold** shares have been sold as a consequence of a takeover offer by Normandy NFM Ltd. Notwithstanding some fanciful press speculation, we are quite satisfied the offer represented full value, or near enough thereto. Following the sale of Normandy shares, we have recovered £2.2 million, after writing off our investment (opening value £5.3 million) in the first half of 2001.
- After years of pain, prior to GPG's successful takeover offer in 2000, **Staveley** recorded an excellent result of £6.6 million. The USA operations, in particular, were strong performers.
- **Joe White Maltings Ltd** continues its encouraging progress since our involvement began several years ago and is now a formal member of the GPG group, having become a 51% subsidiary during 2001.

- GPG acquired a substantial shareholding (39%) in **Aurora Gold Ltd** on a favourable basis. Aurora had cash reserves in excess of its market capitalisation plus goldmining interests in PNG and Indonesia which we are evaluating for development or sale.

- GPG's proposals for change at **ENZA Ltd** were not supported by sufficient shareholders at the recent AGM but probably only delaying the inevitable, when there is a wider recognition that ENZA needs stronger proprietorial drive and commitment to properly fulfil its role in the New Zealand pipfruit industry.

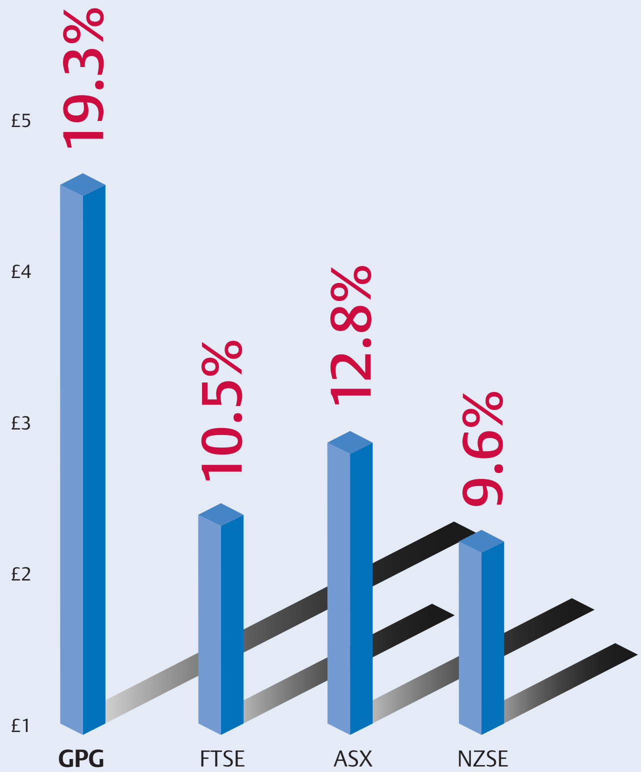
- In contrast to the various ENZA upheavals, GPG's investment in **Turners & Growers Ltd** has been consistently successful and satisfying. Turners is one of the few remaining old established "traditional" public companies in New Zealand providing a genuine service to consumers and suppliers and making a real contribution to economic growth.

- GPG's largest portfolio investment is now **Coats plc** (21.33% at cost, £69.12 million). We are represented on the Board of the company and although far removed from its former status as one of the UK's major industrial concerns, it is still the world leader in thread manufacture. We are a committed long term holder.

- GPG's top five portfolio holdings after Coats are (book values at balance date) **De Vere Group** 8.29%, £27.13 million; **Brickworks** 10.14%, £21.21 million; **Capral** 30.04%, £15.82 million; **Joe White Maltings** 50.99%, £14.11 million and **Dawson International** 26.96%, £11.19 million.

Compound growth in GPG's Net Asset Value per share

Comparison with total return on various indices



Growth in value of £1 invested over the period 1 January 1993 to 31 December 2001

Compound annual growth rate

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

Total return indices:
FTSE = London Stock Exchange FTSE 100.
ASX = Australian Stock Exchange All Ordinaries
NZSE = New Zealand Stock Exchange Top 40

Chairman's Statement

The 2001 result was adversely affected by exchange losses of £3.2 million which is the fall in value of A$ and NZ$ expressed in £ sterling in these accounts. As stated on previous occasions, this has no impact on Australian and New Zealand investors as GPG's UK assets and income convert to a correspondingly higher amount in local currencies. E.g. the 2001 profit of £47.6 million converts to A$135.2 million and NZ$166.3 million at year end exchange rates whereas those amounts would have been A$127.9 million and NZ$160.6 million at 31/12/00 rates.

GPG has a relatively simple corporate message in terms of profit, balance sheet and an asset portfolio profile. Shareholders may find it surprising therefore that it requires a 70 page Annual Report to convey this information. Unfortunately, that is a product of the unceasing demands of a proliferating range of "corporate governance" academics and "do gooders" which results in pages and pages of superfluous dross which is utterly meaningless but, nevertheless, expensive to compile.

So called "international accounting standards" is another obstacle to clear and concise reporting. As GPG has a number of subsidiary and associated companies which tend to obscure some essential features of the accounts, we present an informal simplified balance sheet which is a more accurate representation of the Board's own basis of accounting measurement.

Simplified Balance Sheet at 31 December 2001

	£m
Cash at Bank	164
Debtors	10
Coats	40
Staveley	8
Joe White Maltings	14
MEM*	6
Canberra Investment Corp	6
Turners & Growers	9
Share Portfolio	164
Total Assets	**421**
Creditors	(19)
Note Issues	(83)
SHAREHOLDERS' FUNDS	**£319**

*39% of Aurora Gold Ltd is held by MEM at a carrying value of £2.3 million

Overall, the Company's financial health is excellent, with very strong liquidity after the successful Capital Notes issue in New Zealand in 2001. As stated on previous occasions, we believe the direct cost of this policy is more than offset by the advantages of speed and flexibility of action, when required.

Capital and Dividend

The customary 1 for 10 bonus issue of shares is again proposed. Together with a 1p dividend, which will be paid as an interim for 2001, this maintains the pattern of a 10% effective increase each year as a consequence of the bonus increased capital.

As dividends are not a tax efficient manner of distributing additional income, the Board has examined (and continues to examine) alternative methods of returning value to shareholders (including a possible second issue of 8% Notes, as in Year 2000). However, having regard to potential developments in prospect for GPG in the foreseeable future, it is considered appropriate to defer specific proposals until later this calendar year.

It is unlikely the 2001 result will be repeated in 2002. Nevertheless, GPG is well placed with a strong balance sheet, a promising share portfolio and a positive outlook for superior performance in the foreseeable future.

Ron Brierley,
Chairman
15 March 2002

Shareholders' Funds

(2000 and 2001: Adding Convertible Loan Notes (CLNs))

The published figures for 1996 and 1997 have been adjusted for changes in accounting policy made in 1998. The figures for 2000 and 2001 comprise Shareholders' Funds of £318.8m (2000: £272.2m) and £15.5m of CLNs (2000: £19.3m).

Financial Profile of Operations

	GPG Holding 31 December 2001 %	Consolidated Figures Year ended 31 December 2001: Net Profit before Minority Interests £000	Consolidated Figures Year ended 31 December 2001: Group Turnover £000	Consolidated Figures At 31 December 2001: Total Assets £000	Consolidated Figures At 31 December 2001: Net Assets £000
Subsidiaries					
UNITED KINGDOM					
Staveley Industries plc Building services	100.00%	1,807†	207,651	85,381*	17,849*
AUSTRALIA					
MEM Group Ltd* Investment company	82.79%	(980)	-	7,454	7,404
Canberra Investment Corp Ltd Property developer	68.60%	2,874	14,649	22,070	8,666
Joe White Maltings Ltd Malting/food processing	50.99%	1,855	46,651	47,788	27,128
UNITED STATES OF AMERICA					
Staveley Inc Testing services	100.00%	2,164†	67,671	33,063*	24,809*

Staveley Industries plc:
†Excludes interest received from GPG of £812,000
*Includes net cash of £29,970,000 which is generally available to GPG for investment purposes

MEM Group Ltd:
*Includes MEM's 39% interest in Aurora Gold Ltd

Staveley Inc:
†Excludes interest received from GPG of £1,784,000
*Includes net cash of £7,691,000

	GPG Holding 31 December 2001 %	GPG Share of Income Year ended 31 December 2001 £000	GPG Book Value at 31 December 2001 £000	Latest Published Shareholders' Funds 31 December 2001 £000
Associates				
NEW ZEALAND				
Turners & Growers Ltd Fresh produce wholesaler and auctioneer	45.43%	975	8,405	17,853
AUSTRALIA				
Capral Aluminium Ltd* Aluminium extrusion	30.04%	-	15,825	64,849

*Became an associate in December 2001

Amounts reported above in respect of subsidiaries do not include negative goodwill or the amortisation/release of negative goodwill. For associates, goodwill has been reflected in the amounts shown above.

Summary of Principal Quoted Investments

Disclosed Shareholdings as at 17 May 2002

	Shareholding
SUBSIDIARIES	
MEM Group Ltd (which owns 39.1% of Aurora Gold Ltd)	82.9%
Canberra Investment Corporation Ltd	68.6%
Joe White Maltings Ltd	51.0%
OTHER SHAREHOLDINGS	
United Kingdom	
Nationwide Accident Repair Services plc*	43.3%
Dawson International PLC	29.9%
Ryland Group plc	27.2%
Young & Co's Brewery P.L.C. ('A' Shares)	23.3%
Coats plc	21.3%
Stylo plc	14.4%
Gowrings PLC	11.0%
De Vere Group Plc	8.3%
Tops Estates PLC	4.7%
Australia	
Capral Aluminium Ltd	30.0%
Tooth & Co. Ltd	24.9%
Green's Foods Ltd	19.9%
Premier Investments Ltd	15.9%
Reinsurance Australia Corporation Ltd	14.9%
Western Metals Ltd*	11.0%
Tourism Asset Holdings Ltd*	10.0%
Tasmanian Perpetual Trustees Ltd	9.4%
Australian Growth Properties Ltd*	8.1%
GME Resources NL	6.1%
Precious Metals Australia Ltd	5.5%
Ambri Ltd	5.4%
New Zealand	
Turners & Growers Ltd	45.4%
Turners Auctions Ltd	45.4%
United States of America	
Santa Fe Financial Corporation	6.4%

*These shareholdings are held through joint arrangements and represent the Group's share of the investments held by these joint arrangements.

Analysis of Above Shareholdings as at 17 May 2002

	Cost £000	Market Value £000
Subsidiaries	20,569	37,465
Other	182,564	229,698
TOTAL	**203,133**	**267,163**

Board of Directors

Sir Ron Brierley, Chairman

Sir Ron Brierley (64) founded Brierley Investments Ltd in 1961 and as chairman implemented his investment approach successfully over the next 30 years, retiring as a director of that company on 30 March 2001. His other directorships include The Australian Gas Light Company.

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

Trevor Beyer (65) was a director of Brierley Investments Ltd from 1971 to 1994 and has extensive experience on the boards of many public companies. He is chairman of Nationwide Accident Repair Services plc and his other directorships include Alvis plc, Avimo Group Ltd, Dawson International PLC, Lion Capital Partners plc, Newbury Racecourse plc and Staveley Industries plc.

Chairman of the Audit Committee and the Remuneration Committee

G. J. Cureton, Executive Director

Graeme Cureton (57) was appointed to the Board on 2 April 2002. He has broad experience in the Australian business scene. He is a director of Capral Aluminium Ltd, Joe White Maltings Ltd, Green's Foods Ltd and MEM Group Ltd.

A.I. Gibbs, Executive Director

Tony Gibbs (54) has been involved with public company boards for many years. His experience includes mergers, acquisitions and divestments. He is chairman of ENZA Ltd, Turners & Growers Ltd and Staveley Inc, and a director of Joe White Maltings Ltd and Staveley Industries plc.

B.A. Nixon, Executive Director

Blake Nixon (41) has wide experience of corporate finance in both the UK and Australia. He is chairman of Staveley Industries plc and his other directorships include Coats plc, Nationwide Accident Repair Services plc and Staveley Inc.

Member of the Audit Committee and the Remuneration Committee

Dr G.H. Weiss, Executive Director

Gary Weiss (49) has considerable experience in the international business sector. He is chairman of MEM Group Ltd and Joe White Maltings Ltd and is a director of various other public companies outside the UK.

Member of the Remuneration Committee

Directors' Report

The directors present their annual report and audited financial statements for the year ended 31 December 2001.

Review of Activities

The Company is a strategic investment company. During the year, the Group raised NZ$250 million through its subsidiary, GPG Finance Ltd, through the issue of unsecured subordinated 9% fixed interest loan notes in New Zealand ("Capital Notes"). The Sterling principal amount of these Capital Notes has been fixed at £70 million through a cross-currency interest rate swap. In order to provide for the eventual possible conversion of the Capital Notes the Company increased its authorised share capital to 1,905,000,000 Ordinary Shares of 10p each.

Tomorrow Ltd changed its name to MEM Group Ltd and reverted to its previous investment activities (see Corporate Governance on page 57).

During the year Capral Aluminium Ltd and Aurora Gold Ltd both became associated undertakings and two associates, Wrightson Ltd and Otter Gold Mines Ltd, were sold.

Details of other activities during the year and a commentary on the outlook for 2002 are set out in the accompanying Chairman's Statement.

Results and Dividends

The results of the Group are shown on page 12 and movements on reserves are set out in note 27. An interim dividend of 1p per Ordinary Share for the year ended 31 December 2001 has been declared and paid and represents the total payable for the year. In respect of the year ended 31 December 2000 a final dividend of 0.91p, adjusted for the 2001 Capitalisation Issue, was paid in May 2001. This was the only dividend for that year.

Scrip Dividend Alternative and Capitalisation Issue

Since the year end, and following shareholder approval at an Extraordinary General Meeting held on 3 May 2002, 7,094,991 shares were allotted on 13 May 2002 representing the Scrip Dividend Alternative in lieu of the interim cash dividend, and 55,122,742 shares were allotted on 20 May 2002 in respect of the 2002 Capitalisation Issue.

Share Capital

In July 2001, 3,463,467 Ordinary Shares were allotted to those holders of the Group's 8% Convertible Subordinated Loan Notes ('CLNs') who exercised their right to convert their CLN Redemption Amounts. This, together with the exercise of options, the 2001 Scrip Dividend Alternative and the 2001 Capitalisation Issue, resulted in the allotment and issue during the year of an aggregate of 63,581,016 Ordinary Shares. Further details of changes to the Company's share capital during the year are set out in note 26 to the financial statements.

At the Annual General Meeting held on 11 May 2001 shareholders gave authority to the directors pursuant to section 95 of the Companies Act 1985 ("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 £2,729,585. It is intended that the directors be authorised at the 2002 Annual General Meeting to allot unissued shares for cash in similar circumstances. A special resolution relating to the powers of directors to allot shares pursuant to section 95 of the Act (as described above) will be put to the 2002 Annual General Meeting. The number of shares which may be allotted for cash will be up to an aggregate nominal value of £3,000,000 representing some 5% of the issued share capital of the Company. Such authority, unless renewed or varied by the Company in general meeting, will expire on 11 May 2006.

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 68.

General Authority to Purchase Own Shares on Market

A special resolution renewing the Company's authority to purchase its own issued Ordinary Shares will be proposed at the 2002 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 90,900,000 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 interests 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.

The total number of options to subscribe for shares in the Company that are outstanding is 41,291,518. Those options represent 6.8% of the current issued share capital. If the full authority to purchase its issued Ordinary Shares were to be exercised by the Company those options would then represent 8.00% of the reduced issued share capital.

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 Sir Ron Brierley holds 23,905,935 Ordinary Shares, 3.94% of the Company's issued capital.

Fixed Assets

Details of fixed assets are set out in notes 14, 15 and 16 to the financial statements.

Directors

Information regarding the directors including Graeme Cureton, who was appointed a director on 2 April 2002, is set out on page 8 and also in the Corporate Governance section on pages 55 to 62.

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. The Company does not follow a specific code or standard in respect of such creditors. As at 31 December 2001, the Company's trade creditors (excluding amounts attributable to investments) represented 31 days' purchases.

Employees

Participation in the conduct and affairs of relevant employing companies is encouraged; arrangements for communication vary with each operating entity.

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

Donations

During the year the Company and its subsidiaries made charitable donations of £8,020 (2000: £25,350). A contribution of NZ$10,000 (£3,000) was paid to the New Zealand National Party (2000: £nil). No other contributions were paid to political parties during the year.

Post Balance Sheet Events

Details of significant post balance sheet events are provided in note 39 to the financial statements.

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.

Auditors

A resolution to re-appoint PricewaterhouseCoopers as the Company's auditors will be proposed at the 2002 Annual General Meeting.

By order of the Board
Richard Russell
Secretary
27 May 2002

Financial Statements

Consolidated Profit and Loss Account

	Notes	Year ended 31 December 2001 £000	Year ended 31 December 2000 Re-stated £000
Turnover			
Group and share of joint ventures		**356,348**	150,948
Less: share of joint ventures		**(5,524)**	(2,748)
Group turnover		**350,824**	148,200
Cost of sales		**(268,951)**	(123,327)
Gross profit		**81,873**	24,873
Profit on disposal of investments and other net investment income	3	**60,706**	29,365
Net operating expenses	4	**(82,642)**	(33,983)
Group operating profit		**59,937**	20,255
Share of operating profit of joint ventures		**1,901**	447
Share of operating (loss)/profit of associated undertakings	5	**(630)**	2,276
		61,208	22,978
Interest payable and similar charges	7	**(5,301)**	(2,001)
Profit on ordinary activities before taxation		**55,907**	20,977
Tax on profit on ordinary activities	9	**(6,673)**	(2,309)
Profit on ordinary activities after taxation		**49,234**	18,668
Equity minority interests		**(1,667)**	72
PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS		**47,567**	**18,740**
Equity dividends	12	**(5,393)**	(4,757)
RETAINED PROFIT FOR THE FINANCIAL YEAR		**42,174**	13,983
Earnings per Ordinary Share – Basic (pence)	11	**8.92p**	3.46p
Earnings per Ordinary Share – Diluted (pence)	11	**8.00p**	3.43p
Dividends per Ordinary Share (pence)	12	**1.00p**	0.91p

There were no material acquisitions or disposals of subsidiary undertakings during the year.

Notes on pages 17 to 54 form part of these financial statements

Consolidated Balance Sheet

	Notes		31 December 2001 £000		31 December 2000 £000
FIXED ASSETS					
Intangible assets	14		**(3,123)**		(3,152)
Tangible assets	15		**47,164**		50,552
Investments	16				
Investments in joint ventures					
Share of gross assets		**5,157**		6,957	
Share of gross liabilities		**(3,619)**		(5,259)	
		1,538		1,698	
Investments in associates		**27,104**		18,177	
Other investments		**173,440**		179,740	
			202,082		199,615
TOTAL FIXED ASSETS			**246,123**		247,015
CURRENT ASSETS					
Stocks and development work in progress	17		**22,596**		21,682
Debtors	18		**87,272**		76,554
Investments	19		**24,101**		31,277
Cash at bank and in hand			**169,985**		58,924
TOTAL CURRENT ASSETS			**303,954**		188,437
CREDITORS: AMOUNTS FALLING DUE WITHIN 1 YEAR					
Trade and other creditors	20		**(107,666)**		(84,725)
Convertible subordinated loan notes	21		**(3,863)**		(3,863)
Other borrowings	23		**(5,035)**		(18,304)
TOTAL CURRENT LIABILITIES			**(116,564)**		(106,892)
Net current assets			**187,390**		81,545
TOTAL ASSETS LESS CURRENT LIABILITIES			**433,513**		328,560
CREDITORS: AMOUNTS FALLING DUE AFTER 1 YEAR					
Trade and other creditors	20		**(1,708)**		(758)
Convertible subordinated loan notes	21		**(11,587)**		(15,450)
Capital notes	22		**(67,502)**		–
Other borrowings	23		**(6,868)**		(11,456)
TOTAL LONG-TERM CREDITORS			**(87,665)**		(27,664)
PROVISIONS FOR LIABILITIES AND CHARGES	24		**(9,938)**		(10,740)
NET ASSETS			**335,910**		290,156
CAPITAL AND RESERVES					
Share capital	26		**53,926**		47,567
Share premium account	27		**12,857**		17,432
Capital redemption reserve	27		**3,863**		3,863
Profit and loss account	27		**248,168**		203,341
EQUITY SHAREHOLDERS' FUNDS			**318,814**		272,203
Equity minority interests			**17,096**		17,953
CAPITAL EMPLOYED			**335,910**		290,156

Blake Nixon, Director
Approved by the Board on 27 May 2002

Notes on pages 17 to 54 form part of these financial statements

Company Balance Sheet

	Notes	31 December 2001 £000	31 December 2000 £000
FIXED ASSETS			
Tangible assets	15	117	153
Investments	16	257,432	220,445
TOTAL FIXED ASSETS		257,549	220,598
CURRENT ASSETS			
Debtors	18	90,028	73,715
Cash at bank and in hand		119,696	30,113
TOTAL CURRENT ASSETS		209,724	103,828
CREDITORS: AMOUNTS FALLING DUE WITHIN 1 YEAR			
Trade and other creditors	20	(207,229)	(151,188)
Convertible subordinated loan notes	21	(3,863)	(3,863)
Other borrowings	23	–	(12,000)
TOTAL CURRENT LIABILITIES		(211,092)	(167,051)
Net current liabilities		(1,368)	(63,223)
TOTAL ASSETS LESS CURRENT LIABILITIES		256,181	157,375
CREDITORS: AMOUNTS FALLING DUE AFTER 1 YEAR			
Trade and other creditors	20	(186)	–
Convertible subordinated loan notes	21	(11,587)	(15,450)
Other borrowings	23	(67,346)	–
TOTAL LONG-TERM CREDITORS		(79,119)	(15,450)
PROVISIONS FOR LIABILITIES AND CHARGES	24	(302)	(309)
NET ASSETS		176,760	141,616
CAPITAL AND RESERVES			
Share capital	26	53,926	47,567
Share premium account	27	12,857	17,432
Capital redemption reserve	27	3,863	3,863
Profit and loss account	27	106,114	72,754
EQUITY SHAREHOLDERS' FUNDS		176,760	141,616

Blake Nixon, Director
Approved by the Board on 27 May 2002

Notes on pages 17 to 54 form part of these financial statements

Consolidated Statement of Total Recognised Gains and Losses

	Year ended 31 December 2001 £000	Year ended 31 December 2000 £000
Profit attributable to equity shareholders	**47,567**	18,740
Currency translation differences on foreign currency net investments	**(2,867)**	(3,618)
Deferred tax on foreign currency translation differences	**1,804**	(2,260)
TOTAL RECOGNISED GAINS FOR THE YEAR	**46,504**	12,862

	Year ended 31 December 2001 £000	Year ended 31 December 2000 £000
The currency translation differences arise as follows:		
Subsidiary undertakings	**(2,062)**	(3,315)
Joint ventures	**(92)**	(192)
Associated undertakings	**(713)**	(111)
TOTAL	**(2,867)**	(3,618)

There are no differences between the profit figures reported on page 12 and their historical cost equivalents.

Reconciliation of Movements in Shareholders' Funds

	Year ended 31 December 2001 £000	Year ended 31 December 2000 £000
Profit attributable to equity shareholders	**47,567**	18,740
Currency translation differences	**(2,867)**	(3,618)
Deferred tax on foreign currency translation differences	**1,804**	(2,260)
Total recognised gains for the year	**46,504**	12,862
Dividends	**(5,393)**	(4,757)
Scrip dividend alternative	**2,651**	–
Release of goodwill on disposals	**–**	(391)
Buy back of ordinary shares (including expenses)	**–**	(19,694)
Issue of share capital (net of Capitalisation Issue)	**1,494**	154
Share premium on issue of shares (net of expenses of issue)	**1,355**	120
Net movement in shareholders' funds	**46,611**	(11,706)
Shareholders' funds as at 1 January	**272,203**	283,909
SHAREHOLDERS' FUNDS AS AT 31 DECEMBER	**318,814**	272,203

Notes on pages 17 to 54 form part of these financial statements

Consolidated Cash Flow Statement

	Notes	Year ended 31 December 2001 £000	Year ended 31 December 2000 £000
Net cash inflow from operating activities	30a)	**70,451**	26,961
Dividends received from associates and joint ventures	30b)	**2,014**	13,476
Returns on investments and servicing of finance	30c)	**(5,516)**	(2,528)
Taxation	30d)	**(2,277)**	(626)
Capital expenditure and financial investment	30e)	**(5,716)**	(53,583)
Acquisitions and disposals	30f)	**6,332**	(4,655)
Equity dividends paid	30g)	**(1,041)**	(4,662)
CASH INFLOW/(OUTFLOW) BEFORE MANAGEMENT OF LIQUID RESOURCES AND FINANCING		**64,247**	(25,617)
Management of liquid resources	30h)	**(96,597)**	25,063
Financing:			
Issue of ordinary shares, net of buy back expenses	30i)	**306**	(74)
Increase in debt	30i)	**48,170**	5,787
INCREASE IN CASH FOR THE YEAR		**16,126**	5,159

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	Notes	Year ended 31 December 2001 £000	Year ended 31 December 2000 £000
Increase in cash for the year		**16,126**	5,159
Cash outflow/(inflow) from increase/decrease in liquid resources		**96,597**	(25,063)
Cash inflow from increase in debt		**(48,170)**	(5,787)
Change in net funds resulting from cash flows	30j)	**64,553**	(25,691)
Acquisition of subsidiaries		**–**	(21,453)
Currency translation differences		**(850)**	(5,653)
Other non-cash movements (see note below)		**1,576**	(19,313)
Movement in net funds for the year		**65,279**	(72,110)
Net funds as at 1 January		**9,851**	81,961
NET FUNDS AS AT 31 DECEMBER	30j)	**75,130**	9,851

Non-cash transactions:
On 2 June 2000 the Company repurchased 38.6 million Ordinary Shares for an aggregate consideration of £19,313,000 (excluding expenses), which was settled through the issue of convertible subordinated loan notes. On 6 July 2001 the Company redeemed the first 10p tranche of the convertible subordinated loan notes through the payment of £2,287,000 in cash with the balance of £1,576,000 being satisfied by the issue of Ordinary Shares. In December 2001 the Group sold its investment in Otter Gold Mines Ltd, an associated undertaking, for £2,190,000 and received in exchange shares in Normandy NFM Limited, which are included in current asset investments.

Notes on pages 17 to 54 form part of these financial statements

1) Principal Accounting Policies

The following are the principal policies adopted in preparing the financial statements. Except as noted below under "Accounting Convention and Format", the policies have been consistently applied. The policies described in this note have been expanded to reflect the principal accounting policies adopted by the associates acquired during 2001.

A) ACCOUNTING CONVENTION AND FORMAT

The financial statements comply with applicable UK accounting standards, and have been prepared under the historical cost convention.

Following the disposal of Tyndall Australia in May 1999, the Group's comparative results no longer include any insurance business. The profit and loss account format has been modified to reflect this, with the principal change being the presentation of "cost of sales" and "gross profit" on the face of the profit and loss account. Comparative figures have been restated to reflect this change in format.

B) BASIS OF PREPARATION

The Group financial statements consolidate the accounts of the Company and its subsidiaries. The principal subsidiaries are listed in note 36. The results of subsidiaries acquired or disposed of are consolidated in the Group financial statements from and to the dates of acquisition and disposal respectively. The consolidated financial statements also include the Group's share of the assets, liabilities, results and cash flows of its joint arrangements.

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 financial information that has been published by the associate.

C) 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 (and any related taxation). All other foreign exchange differences are taken to the profit and loss account in the year in which they arise.

D) FIXED ASSETS

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

– Freehold land	not depreciated
– Freehold buildings	1-5%
– Leasehold buildings	2-5% or over the term of the lease if shorter
– Plant and equipment	2-20%
– Vehicles and office equipment	10-50%

Freehold buildings which are depreciated over a period exceeding 50 years are subject to an annual impairment review.

Land held for development is valued at cost or, where there has been an impairment in value, at directors' valuation.

E) INVESTMENTS

Investments acquired with the intention of being held for the long term (excluding investments in subsidiaries, associates, joint ventures and joint arrangements) 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.

Investments held as current assets, including derivatives held as part of the Group's investment portfolio, are stated at the lower of cost and market value. In the Company's financial statements, investments in subsidiaries and associates are valued at cost or, where there has been an impairment in value, at their recoverable amount.

F) 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.

G) GOODWILL

Goodwill represents the difference between the cost of acquiring subsidiaries, associates and joint ventures and the fair value of the attributable net assets. Positive goodwill is capitalised in the balance sheet and amortised through the profit and loss account on a straight line basis over its estimated useful economic 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 and, where appropriate, provided against.

Negative goodwill is also capitalised in the balance sheet, and is then released through the profit and loss account in the periods in which the acquired company's non-monetary assets are recovered, whether through depreciation or sale. Negative goodwill is matched with the acquired company's tangible fixed assets, and any excess is then attributed to the company's other non-monetary assets.

Prior to 1998, negative goodwill was written off directly to reserves. Any such goodwill has not been reinstated. This will be released through the profit and loss account on disposal of the business, or underlying asset, to which it relates.

H) TURNOVER

Turnover, which excludes VAT and other sales taxes, consists of amounts receivable in respect of goods supplied and services rendered to third parties and the proceeds from the disposal of current asset investments.

Sales of goods are recognised in revenue when control passes to the customer, except that sales of aluminium products are recorded when goods have been despatched and the associated risks have been transferred. Income from sales of property is recognised only when unconditional contracts have been exchanged and 10% of the contract price received.

Contracting turnover comprises the value of work executed during the year, including the settlement of monetary claims arising from previous years.

I) STOCKS, WORK IN PROGRESS AND LONG TERM CONTRACTS

Stocks and work in progress are stated at the lower of cost and net realisable value. In general, cost is determined on a first in first out basis and includes transport and handling costs. In the case of manufactured products, cost includes all direct expenditure and production overheads based on the normal level of activity. Net realisable value is the price at which stocks can be realised in the normal course of business after allowing for the costs of realisation and, where appropriate, the cost of conversion from their existing state to a finished condition. Provision is made for obsolete, slow moving and defective stocks.

Raw materials and consumable stores are valued at actual or weighted average cost as appropriate.

Long term contracts are generally those exceeding a year in duration and are valued at cost, comprising direct expenditure and the relevant production overheads, plus the profit attributable to the work performed to date. The amounts recoverable from such contracts, being the excess of their valuation over payments received and receivable, are included in debtors. Provision is made for all losses expected to arise on completion of the contracts entered into at the balance sheet date, whether or not work on these has commenced.

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

J) PENSIONS AND OTHER POST RETIREMENT BENEFITS

Pension costs in respect of defined contribution schemes are charged to the profit and loss account in the year to which they relate. Costs in respect of defined benefit pension schemes and other post retirement benefits are spread over the employees' service lives, in accordance with actuarial advice.

K) TAXATION

Provision is made for domestic and foreign taxation assessable on the profit for the year as adjusted for disallowable and non-taxable items. Deferred taxation is provided using the liability method on timing differences which are expected to reverse 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.

Deferred tax assets are not recognised in respect of tax losses carried forward unless it is reasonably certain that they will be recovered.

L) 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 (including associates) and other net investment income have been classified as part of operating profit, and have been presented before net operating expenses.

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

M) EMPLOYEE ENTITLEMENTS

Provision is made for long service leave and annual leave payable to employees on the basis of relevant statutory requirements or contractual entitlements.

N) ACCOUNTING POLICIES SPECIFIC TO MINING COMPANIES

i) Turnover

Sales revenue from gold and other metals sold by way of forward contracts is recognised at the contract forward price. Sales are recognised at spot market prices when sold for immediate settlement. Bullion sales are brought to account when the goods are delivered.

ii) Stock

Stockpiles of unprocessed ore and any metals held in circuit are carried at the lower of cost and net realisable value. Supply inventories are carried at cost with a provision for obsolescence.

iii) Property, plant and equipment

Direct mining asset costs carried forward are depreciated on a unit of production basis against the total proven and probable reserves or on a usage basis over the economic life of the asset, whichever is the shorter period.

iv) Exploration, evaluation and development expenditure

Exploration and evaluation expenditure is accumulated separately for each area of interest, which is limited to an individual geological area related to a known mineral resource. Such expenditure is carried forward provided that certain conditions are met, for example the costs are expected to be recouped through successful development or the area of exploration has not yet reached a stage where assessment of the reserves is possible. All other expenditure is written off or provided against.

Once a development decision has been taken, all past and future exploration and evaluation expenditure in respect of the area of interest is aggregated with the costs of development and classified as development properties. No amortisation is provided until they are reclassified as mining properties, following the commencement of commercial levels of production.

v) Restoration and rehabilitation expenditure

Significant restoration and rehabilitation expenditure to be incurred subsequent to the cessation of production from areas of interest is expensed in proportion to production. Provisions are reviewed at least annually.

2) Segmental Analysis – *Turnover*

	Total 2001 £000	Total 2000 £000
GEOGRAPHIC ANALYSIS BY ORIGIN		
UK/Europe	**209,364**	49,304
Australasia	**79,313**	86,767
North America	**67,671**	14,877
	356,348	150,948
Amounts relating to acquired businesses:		
Australasia	**811**	–
BUSINESS ANALYSIS		
Investment	**12,989**	25,893
Property development	**20,173**	10,385
Malting/food processing	**46,651**	51,396
Testing services	**68,884**	15,216
Building services	**207,651**	48,058
	356,348	150,948
Amounts relating to acquired businesses:		
Malting/food processing	**811**	–
TOTAL		
Group	**350,824**	148,200
Joint ventures	**5,524**	2,748
	356,348	150,948

Notes

i) There were no disposals of subsidiary undertakings or joint ventures in the year.

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

iii) The turnover attributable to joint ventures arose from property development activities in Australasia.

iv) The turnover attributable to malting/food processing, testing services and building services all relates to businesses acquired during 2000. These same businesses account for the following amounts in the geographical analysis of turnover: UK/Europe - £208,864,000 (2000: £48,397,000; Australasia - £46,651,000 (2000: £51,396,000); North America - £67,671,000 (2000: £14,877,000).

2) Segmental Analysis continued – *Profit before tax and Net assets*

	Profit before tax 2001 £000	Profit before tax 2000 £000	**Net assets 2001 £000**	Net assets 2000 £000
GEOGRAPHIC ANALYSIS				
UK/Europe	**40,986**	18,297	**158,730**	114,381
Australasia	**10,320**	3,341	**155,494**	156,856
North America	**4,179**	(1,214)	**24,809**	22,071
	55,485	20,424	**339,033**	293,308
Goodwill (subsidiaries only)	**422**	553	**(3,123)**	(3,152)
	55,907	20,977	**335,910**	290,156
Amounts relating to acquired businesses (including associates):				
Australasia	**(179)**	–	**19,656**	–
BUSINESS ANALYSIS				
Group:				
Investment	**41,822**	16,233	**233,442**	203,068
Property development	**2,405**	1,341	**7,111**	4,572
Malting/food processing	**3,203**	104	**27,128**	27,771
Testing services	**4,144**	(1,017)	**25,434**	22,749
Building services	**3,158**	712	**17,849**	15,945
	54,732	17,373	**310,964**	274,105
Goodwill (subsidiaries only)	**422**	553	**(3,123)**	(3,152)
	55,154	17,926	**307,841**	270,953
Associates and joint ventures:				
Building/testing services	**–**	(668)	**–**	–
Mining	**(3,541)**	(36)	**2,285**	5,319
Aluminium extrusion	**-**	-	**15,825**	-
Other	**4,294**	3,755	**9,959**	13,884
	753	3,051	**28,069**	19,203
	55,907	20,977	**335,910**	290,156

2) Segmental Analysis continued – *Profit before tax and Net assets*

	Profit before tax 2001 £000	Profit before tax 2000 £000	Net assets 2001 £000	Net assets 2000 £000
Amounts relating to acquired businesses (including associates):				
Malting/food processing	68	–	1,546	–
Mining	(247)	–	2,285	–
Aluminium extrusion	–	–	15,825	–
	(179)	–	19,656	–
TOTAL				
Group	55,154	17,926	307,841	270,953
Joint ventures	1,866	341	1,538	1,698
Associated undertakings	(1,113)	2,710	26,531	17,505
	55,907	20,977	335,910	290,156

Notes

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

ii) The assets of the Company are included in the UK/Europe geographical segment although a number of investee companies operate, and are listed, in other regions.

iii) The profits and net assets attributable to joint ventures arise from property development activities in Australasia.

iv) Staveley Industries plc ("Staveley") was treated as an associated undertaking until 27 September 2000 when it became a subsidiary undertaking. The profit attributable to associates in 2000 includes the Group's share of Staveley's results for the period to 27 September 2000.

v) Amounts reported above in respect of subsidiaries do not include goodwill or the amortisation/release of goodwill, which is therefore shown separately. For associates, goodwill has been reflected in the amounts shown above.

vi) In arriving at the profit before tax figures reported above, interest receivable/payable is allocated to the businesses to which it relates (including interest on loans between Group companies).

3) Profit on Disposal of Investments and Other Net Investment Income

	Year ended 31 December 2001 £000	Year ended 31 December 2000 £000
Interest receivable	4,807	5,013
Profit on disposal of associated undertakings (see note 35)	3,246	–
Profit on disposal of other fixed asset investments	43,739	14,664
Income from listed investments (see note below)	10,798	12,457
Net writedown of certain investments	(6,288)	(4,553)
Other income	4,404	1,784
	60,706	29,365

Note

Income from listed investments includes special dividends amounting to £Nil (2000: £4,916,000).

4) Net Operating Expenses

	Year ended 31 December 2001 £000	Year ended 31 December 2000 £000
Distribution costs	**(2,286)**	(2,223)
Administrative expenses	**(80,356)**	(31,760)
NET OPERATING EXPENSES	**(82,642)**	(33,983)

5) Operating (Loss)/Profit of Associated Undertakings

Two associated undertakings were acquired during the year – Aurora Gold Ltd (39.1%) and Capral Aluminium Ltd (30.0%). Both companies are registered in Australia. GPG's share of the operating loss of these new associates was £247,000.

In addition, the Group sold two associated undertakings during the year - Wrightson Ltd and Otter Gold Mines Ltd. GPG's share of the operating loss of these associates in the period before they were sold was £1,822,000 (2000: profit of £2,075,000). This loss reflects the Group's share of an impairment charge recognised by Otter Gold Mines Ltd, amounting to £2,792,000.

6) Profit on Ordinary Activities Before Taxation

Profit before taxation is stated after charging/(crediting):

	Year ended 31 December 2001 £000	Year ended 31 December 2000 £000
Depreciation of tangible fixed assets	**6,326**	2,798
Amortisation of goodwill (including associates)	**560**	475
Release of negative goodwill (including associates)	**(518)**	(1,734)
Group audit fees (see note below)	**609**	343
Operating lease rentals:		
Plant and equipment	**4,705**	1,052
Other	**2,121**	1,749
Net foreign exchange losses	**3,202**	5,619
Rental income from land and buildings	**(1,186)**	(1,176)

The audit fee for the holding company was £98,000 (2000: £95,000).
Non-audit fees paid to PricewaterhouseCoopers in the UK were £241,000 (2000: £240,000).

7) Interest Payable and Similar Charges

	Year ended 31 December 2001 £000	Year ended 31 December 2000 £000
Interest payable on bank loans and overdrafts	**(991)**	(1,398)
Unwinding of discount on provisions	**(275)**	(157)
Interest payable on CLNs (see note 21)	**(1,427)**	(885)
Interest payable on Capital Notes (see note 22)	**(2,228)**	–
Amortisation of issue costs on Capital Notes (see note 22)	**(155)**	–
	(5,076)	(2,440)
Interest capitalised	**293**	111
	(4,783)	(2,329)
Net interest (payable)/receivable by associated undertakings	**(483)**	434
Interest payable by joint ventures (net of amounts capitalised)	**(35)**	(106)
	(5,301)	(2,001)

The cumulative amount of capitalised interest included in development land held at 31 December 2001 was £456,000 (2000: £531,000). Interest is capitalised gross of tax relief.

8) Employee Information

The average number of employees (including directors) during the year was:

	Year ended 31 December 2001 £000	Year ended 31 December 2000 £000
Investment	**33**	36
Property development	**14**	13
Malting/food processing	**124**	157
Building services	**2,377**	2,394
Testing services	**1,215**	1,313
TOTAL NUMBER OF EMPLOYEES	**3,763**	3,913

The average numbers in 2000 include the average number of employees of acquired businesses from the date they became subsidiaries (rather than the weighted average for the year as a whole).

8) Employee Information continued

	Year ended 31 December 2001 £000	Year ended 31 December 2000 £000
Group employment costs – all employees including directors:		
Aggregate gross wages and salaries	**99,671**	38,460
Employer's national insurance contributions or foreign equivalents	**7,964**	2,858
Employer's pension contributions	**4,419**	1,473
TOTAL DIRECT COSTS OF EMPLOYMENT	**112,054**	42,791
Directors' emoluments:		
Aggregate emoluments	**3,064**	904
Gains made on exercise of share options	**–**	326
Pension contributions	**68**	66
	3,132	1,296

The aggregate emoluments for the highest paid director were £993,036 (2000: £621,079, including gains on share options exercised). Contributions paid to money purchase pension schemes in respect of the highest paid director were £42,206 (2000: £40,173).

Further details of directors' emoluments are provided under the heading Report on Remuneration and Related Matters on pages 58 to 62.

9) Tax on Profit on Ordinary Activities

	Year ended 31 December 2001 £000	Year ended 31 December 2000 £000
UK corporation tax at 30% (2000: 30%)	**(1,955)**	(46)
Overseas tax	**(1,591)**	(909)
Transfer to deferred tax	**(1,962)**	(471)
	(5,508)	(1,426)
Tax attributable to associated undertakings	**(605)**	(767)
Tax attributable to joint ventures	**(560)**	(116)
TOTAL TAX CHARGE	**(6,673)**	(2,309)

Tax attributable to joint ventures is recognised by Canberra Investment Corporation Ltd, which holds the Group's investments in its joint ventures.

In future years the Company itself will no longer have the benefit of any past realised capital losses carried forward.

10) Pension Costs

The Company has a liability in respect of former directors' and employees' pensions currently being paid, amounting to £45,517 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 2.5%, an average life expectancy of 8 years and a discount rate of 6%.

Most of the pension schemes for current employees in the Group are of the defined contribution type.

In the UK, one subsidiary operates a defined benefit pension scheme which is administered in accordance with the advice of independent, professionally qualified actuaries. The UK scheme is externally funded. For the purpose of determining the fair value of the UK scheme, an interim actuarial valuation was carried out as at 30 September 2000 using the projected unit method. The main long term assumptions were that the investment return for active members would be 7.0% per annum pre-retirement and 5.45% per annum post retirement and that annual increases in pensions and earnings would be 3.0% and 4.0% respectively. The market valuation of the scheme's assets at that date was £190 million and their actuarial valuation represented 101% of the value of the accrued benefits.

The most recent full actuarial valuation at 5 April 1999 has been updated by the subsidiary's external actuaries to take account of the requirement of Financial Reporting Standard No.17 ("FRS17") to assess the liabilities of the scheme at 31 December 2001.

The financial assumptions used to calculate scheme liabilities under FRS 17 are:

Valuation method	Projected unit
Discount rate	5.9%
Inflation rate	2.5%
Increase to pensions in payment (pre 1985 leavers)	NIL%
Increase to pensions in payment (post 1985 leavers)	2.5%
Salary increases	3.5% to 4.0%

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

	Rate of return expected at 31 December 2001	Market value at 31 December 2001
Equities	6.9%	52,924
Bonds	5.4%	114,729
Other	4.0%	7,265
Total market value of assets		174,918
Present value of scheme liabilities		(174,607)
Surplus in the scheme		311
Related deferred tax liability		(93)
Net pension asset		218

	2001 Group £000
Net assets excluding pension asset	334,736
Net pension asset under FRS17	218
Net assets including pension asset	334,954
Profit and loss reserve excluding pension asset	246,994
Net pension asset under FRS17	218
Adjusted profit and loss reserve	247,212

Contributions made to the scheme during the year to 31 December 2001 were £2,410,000 and the agreed rate of contribution for future years is equal to 14% of pensionable salaries.

10) Pension Costs continued

An overseas subsidiary previously administered both defined contribution and defined benefit schemes. The defined benefit scheme terminated during 2001 and the participants all transferred to the defined contribution scheme.

The pension cost charge for the year in respect of all group pension schemes was £4,419,000.

11) Earnings per Ordinary Share

Basic earnings per share ("EPS") is calculated by dividing the earnings attributable to ordinary shareholders of £47,567,000 (2000: £18,740,000) by the weighted average number of shares in issue during the year of 533,359,897 (2000: 540,890,899).

For the calculation of diluted EPS, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential Ordinary Shares, being share options granted to employees, CLNs and Capital Notes.

	Profit 2001 £	Shares	Per share amount pence
Earnings attributable to ordinary shareholders	**47,567,000**	533,359,897	8.92
Effect of dilutive securities:			
Share options	–	8,291,049	
CLNs	**865,000**	27,412,457	
Capital Notes	**1,656,000**	56,662,072	
	50,088,000	625,725,475	8.00

	Profit 2000 £	Shares	Per share amount pence
Earnings attributable to ordinary shareholders	**18,740,000**	540,890,899	3.46
Effect of dilutive securities – share options	–	5,032,465	
	18,740,000	545,923,364	3.43

The CLNs were not dilutive in 2000 and consequently have been excluded from the above calculation for that year.

12) Equity Dividends

The directors have declared an interim dividend of 1.00p per share for the year ended 31 December 2001 (2000: nil) which was paid on 13 May 2002. They do not propose a final dividend (2000: 0.91p adjusted for the 2001 Capitalisation Issue).

13) Profits of Holding Company

A profit of £35,037,000 (2000: £11,298,000) 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 in these financial statements.

14) Intangible Fixed Assets

	Positive goodwill £000	Negative goodwill £000	Net negative goodwill £000
COST			
At 1 January 2001	–	(3,314)	(3,314)
Additions:			
Current year (see note 32)	551	(232)	319
Fair value adjustments for prior year acquisitions (see note 32)	–	(712)	(712)
AT 31 DECEMBER 2001	551	(4,258)	(3,707)
CUMULATIVE AMOUNTS (CHARGED)/RELEASED			
At 1 January 2001	–	162	162
(Charge)/release for the year	(4)	426	422
AT 31 DECEMBER 2001	(4)	588	584
NET BOOK VALUE AT 31 DECEMBER 2001	547	(3,670)	(3,123)
NET BOOK VALUE AT 31 DECEMBER 2000	–	(3,152)	(3,152)

Notes

i) Negative goodwill is being released to the profit and loss account over periods ranging from 10 to 16 years. Positive goodwill is being amortised over 20 years.

ii) The fair value adjustments for prior year acquisitions comprise an increase in negative goodwill for Joe White Maltings Ltd (£1,505,000) and a reduction in negative goodwill for Staveley (£793,000).

15) Tangible Fixed Assets – *The Group*

	Land and buildings £000	Plant and equipment £000	Vehicles and office equipment £000	Land for development £000	Total £000
COST					
At 1 January 2001	21,681	52,883	804	3,207	78,575
Currency translation differences	(613)	(743)	(16)	(175)	(1,547)
Acquisition of business	236	1,161	–	–	1,397
Additions	156	5,097	342	8,020	13,615
Transfer to current assets	–	–	–	(9,804)	(9,804)
Reclassification	(78)	(236)	314	–	–
Disposals	(880)	(2,403)	(129)	–	(3,412)
AT 31 DECEMBER 2001	20,502	55,759	1,315	1,248	78,824
ACCUMULATED DEPRECIATION					
At 1 January 2001	4,366	23,231	426	–	28,023
Currency translation differences	5	54	(4)	–	55
Charge for the year	1,046	5,055	225	–	6,326
Reclassification	–	(160)	160	–	–
Disposals	(814)	(1,849)	(81)	–	(2,744)
AT 31 DECEMBER 2001	4,603	26,331	726	–	31,660
NET BOOK VALUE AT 31 DECEMBER 2001	**15,899**	**29,428**	**589**	**1,248**	**47,164**
NET BOOK VALUE AT 31 DECEMBER 2000	17,315	29,652	378	3,207	50,552

Notes:
Disposals include assets with a net book value of £551,000 which have been written off as a fair value adjustment for prior year acquisitions - see note 32.

15) Tangible Fixed Assets continued – *The Company*

	Vehicles and office equipment £000
COST	
At 1 January 2001	519
Additions	10
Disposals	(22)
AT 31 DECEMBER 2001	507
ACCUMULATED DEPRECIATION	
At 1 January 2001	366
Charge for the year	46
Disposals	(22)
AT 31 DECEMBER 2001	390
NET BOOK VALUE AT 31 DECEMBER 2001	**117**
NET BOOK VALUE AT 31 DECEMBER 2000	153

		Group
ANALYSIS OF NET BOOK VALUE OF LAND AND BUILDINGS	**31 December 2001 £000**	31 December 2000 £000
Freehold	**14,459**	15,735
Leasehold:		
Over 50 years unexpired	**621**	760
Under 50 years unexpired	**819**	820
	15,899	17,315

16) Fixed Asset Investments

		Group		Company
	31 December 2001 £000	31 December 2000 £000	**31 December 2001 £000**	31 December 2000 £000
Interests in joint ventures (see note a) below)	**1,538**	1,698	**–**	–
Interests in associated undertakings (see notes a) and c) below)	**27,104**	18,177	**5,802**	8,549
Shares in subsidiary undertakings (see note c) below)	**–**	–	**115,770**	67,331
Other investments (see notes b) and c) below)				
– listed investments	**171,161**	177,649	**133,581**	142,474
– unlisted investments	**2,010**	1,822	**2,010**	1,822
– art portfolio	**269**	269	**269**	269
	202,082	199,615	**257,432**	220,445

16) Fixed Asset Investments continued

a) The Group - Interests in joint ventures and associated undertakings

	Joint ventures £000	Associated undertakings £000
At 1 January 2001	1,698	18,177
Currency translation differences	(92)	(713)
Additions	–	3,338
Reclassified from fixed asset investments	–	16,008
Dividends receivable	(1,934)	(867)
Loans repaid	–	(63)
Share of profit/(loss) after tax and minorities	1,866	(1,718)
Amounts written off	–	(18)
Disposals (see note 35)	–	(7,040)
AT 31 DECEMBER 2001	1,538	27,104

Additions to associated undertakings include £787,000 of dividends reinvested under an associate's Dividend Reinvestment Plan and an investment of £18,000 which was written off in the year. Other additions, including amounts reclassified from fixed asset investments, are analysed in note 34.

	Joint ventures		Associated undertakings	
	31 December 2001 £000	31 December 2000 £000	**31 December 2001 £000**	31 December 2000 £000
Share of net assets on acquisition	**923**	969	**31,638**	11,978
Share of post-acquisition retained profits	**615**	729	**2,371**	3,156
Share of net assets	**1,538**	1,698	**34,009**	15,134
Goodwill	**–**	–	**–**	3,802
Negative goodwill	**–**	–	**(7,478)**	(1,431)
	1,538	1,698	**26,531**	17,505
Loan to associates	**–**	–	**573**	672
	1,538	1,698	**27,104**	18,177

Movements in goodwill attributable to associated undertakings	**Positive goodwill £000**	**Negative goodwill £000**
At 1 January 2001	3,802	(1,431)
Acquisitions during the year (see note 34)	–	(7,478)
(Amortisation)/amounts released	(556)	92
Disposals	(3,246)	1,339
AT 31 DECEMBER 2001	–	(7,478)

Positive goodwill was being amortised over 7 years. Negative goodwill (the remainder of which is all attributable to fixed assets) is being released over periods ranging from 5 to 10 years.

Notes:

(i) The Group has a 50% interest in a joint venture, Harcourt Hill Estate, which is an unincorporated property developer whose principal place of business is Canberra, Australia. The Group's share of external borrowings of the joint venture at 31 December 2001 was £nil (2000: £1,860,000).

(ii) 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.

16) Fixed Asset Investments continued

The Group's significant associated undertakings at 31 December 2001 are listed below:

Investment	Capital and reserves 000's	Latest profit/(loss) 000's	Date of last audited accounts	Country of incorporation	Nature of business	GPG shareholding	Class
Turners & Growers Ltd (held by Company)	NZ$62,401	NZ$6,840	30.06.01	New Zealand	Fresh produce wholesaler/ auctioneer	45.4%	Ordinary
Aurora Gold Ltd (held indirectly)	A$44,162	A$(29,230)	31.12.01	Australia	Gold mining	39.1%	Ordinary
Capral Aluminium Ltd (held indirectly)	A$184,379	A$101	31.12.01	Australia	Aluminium extrusion	30.0%	Ordinary

The associates listed above have all published their results for the period to 31 December 2001, and have been accounted for using this updated financial information.

The following table provides summarised financial information on the Group's associated undertakings relating to the period when they were associates.

Summarised profit and loss account information	31 December 2001 Total £000	31 December 2000 Total £000
Turnover	**60,891**	140,684
(Loss)/profit before tax	**(1,113)**	2,710
Taxation	**(605)**	(767)
(LOSS)/PROFIT AFTER TAX	**(1,718)**	1,943

Summarised balance sheet information	31 December 2001 Total £000	31 December 2000 Total £000
Fixed assets	**27,767**	28,634
Current assets	**35,835**	22,576
	63,602	51,210
Liabilities due within one year	**(24,950)**	(20,829)
Liabilities due after more than one year	**(1,064)**	(7,080)
Provisions	**(3,388)**	(7,918)
	34,200	15,383
Minority interests	**(191)**	(249)
NET ASSETS	**34,009**	15,134

The Group's share of the associated undertakings' borrowings is £7,774,000, of which £6,994,000 is repayable within one year and £780,000 is repayable after one year. Liabilities due after more than one year are repayable over the period to June 2004. These borrowings have not been guaranteed by GPG nor by any of its subsidiary undertakings.

16) Fixed Asset Investments continued

There were four holdings at year end that exceeded 20% but were not treated as associated undertakings. The directors consider that the Group has not exercised significant influence over these companies due to the dominant influence of other members and/or the composition of the Boards. The details are as follows:

Investment	Capital and reserves 000's	Latest profit/(loss) 000's	Date of last audited accounts	Country of incorporation	Nature of business	GPG shareholding	Class
Tooth & Co Ltd (held indirectly)	A$12,067	A$14,169	30.06.01	Australia	Investment	24.95%	Ordinary
Dawson International PLC (held by Company)	£49,500	£(4,200)	31.12.01	United Kingdom	Cashmere	26.96%	Ordinary
Nationwide Accident Repair Services plc (held by Company)	£37,163	£(2,456)	31.12.01	United Kingdom	Motor car accident repair	20.70%	Ordinary
Ryland Group plc (held by Company)	£28,037	£1,001	31.12.01	United Kingdom	Motor car retail	26.30%	Ordinary

The Group's principal operating subsidiaries are listed in note 36.

b) The Group - Other investments

	Listed investments £000	Unlisted investments £000	Art portfolio £000	Total £000
Cost				
At 1 January 2001	**187,157**	1,822	**269**	189,248
Additions	**70,699**	188	**–**	70,887
Reclassification from current investments	**12,687**	–	**–**	12,687
Reclassification to associates	**(16,008)**	–	**–**	(16,008)
Disposals	**(72,287)**	–	**–**	(72,287)
AT 31 DECEMBER 2001	**182,248**	2,010	**269**	184,527
Provisions				
At 1 January 2001	**9,508**	–	**–**	9,508
Charge for the year	**4,043**	–	**–**	4,043
Disposals	**(2,464)**	–	**–**	(2,464)
AT 31 DECEMBER 2001	**11,087**	–	**–**	11,087
NET BOOK VALUE AT 31 DECEMBER 2001	**171,161**	2,010	**269**	173,440
NET BOOK VALUE AT 31 DECEMBER 2000	**177,649**	1,822	**269**	179,740

The market value of the Group's listed investments at 31 December 2001 (excluding listed subsidiaries and associates) was £198,216,000 (2000: £191,160,000). These listed investments are all quoted on recognised stock exchanges.

16) Fixed Asset Investments continued
c) The Company

	Investments in subsidiaries £000	Investments in associates £000	Listed investments £000	Unlisted investments £000	Art portfolio £000	Total £000
Cost						
At 1 January 2001	99,194	8,549	143,128	1,822	269	252,962
Additions	55,592	787	57,535	188	–	114,102
Disposals	–	(3,534)	(65,672)	–	–	(69,206)
AT 31 DECEMBER 2001	154,786	5,802	134,991	2,010	269	297,858
Provisions						
At 1 January 2001	31,863	–	654	–	–	32,517
Charge for the year	7,153	–	756	–	–	7,909
AT 31 DECEMBER 2001	39,016	–	1,410	–	–	40,426
NET BOOK VALUE AT 31 DECEMBER 2001	115,770	5,802	133,581	2,010	269	257,432
NET BOOK VALUE **AT 31 DECEMBER 2000**	67,331	8,549	142,474	1,822	269	220,445

As at 31 December 2001, the market value of the Company's listed investments (excluding subsidiaries and associates) was £143,552,000 (2000: £148,895,000) and the market value of the Company's listed subsidiaries and associates was £Nil (2000: £5,401,000). The carrying value of these listed subsidiaries and associates was £Nil (2000: £3,534,000). In the opinion of the directors, the value of the Company's investments in subsidiaries is not less than the amount at which they are stated in the Company's balance sheet.

17) Stocks and Development Work in Progress

	31 December 2001 £000	Group 31 December 2000 £000	**31 December 2001 £000**	Company 31 December 2000 £000
Raw materials and consumables	**11,706**	10,766	**–**	–
Work in progress	**1,370**	1,598	**–**	–
Finished goods and goods for resale	**3,507**	3,117	**–**	–
	16,583	15,481	**–**	–
Development work in progress	**6,013**	6,201	**–**	–
	22,596	21,682	**–**	–

18) Debtors

	Group 31 December 2001 £000	31 December 2000 £000	Company 31 December 2001 £000	31 December 2000 £000
Trade debtors	**58,063**	55,913	**–**	–
Amounts owed by subsidiary undertakings	**–**	–	**86,918**	67,320
Amounts recoverable on contracts	**10,411**	5,169	**–**	–
Other debtors	**15,042**	9,655	**2,388**	5,845
Pension prepayment	**1,677**	1,293	**–**	–
Other prepayments and accrued income	**1,975**	3,185	**722**	550
Deferred tax asset (see below)	**104**	1,339	**–**	–
	87,272	76,554	**90,028**	73,715

The Group's deferred tax asset in 2001 arose in respect of short term timing differences and represents the amount where the recoverability of the asset is assured beyond reasonable doubt.

Group debtors recoverable after more than one year total £4,869,000 (2000: £4,922,000) comprising £3,173,000 (2000: £2,587,000) in respect of amounts recoverable on contracts; £19,000 (2000: £1,042,000) in respect of deferred tax and £1,677,000 (2000: £1,293,000) in respect of pension prepayments.

Amounts owed to the Company by subsidiary undertakings include £86,900,000 (2000: £67,307,000) which are regarded as loans.

19) Current Asset Investments

	Group 31 December 2001 £000	31 December 2000 £000	Company 31 December 2001 £000	31 December 2000 £000
Listed investments	**15,217**	18,012	**–**	–
Unlisted investments	**8,884**	13,265	**–**	–
	24,101	31,277	**–**	–

The market value of listed current asset investments is £17,307,000 (2000: £19,705,000). These investments are all quoted on recognised stock exchanges. Unlisted investments are substantially money market investments.

20) Trade and Other Creditors

	Group 31 December 2001 £000	31 December 2000 £000	Company 31 December 2001 £000	31 December 2000 £000
AMOUNTS FALLING DUE WITHIN ONE YEAR				
Trade creditors	**39,991**	28,625	**–**	–
Amounts owed to subsidiary undertakings (see below)	**–**	–	**194,228**	138,733
Corporate taxes	**4,496**	3,465	**1,485**	71
Other tax and social security payable	**6,626**	1,421	**51**	39
Payments received on account	**22,163**	17,732	**–**	–
Other creditors	**8,716**	9,457	**1,880**	95
Accruals and deferred income	**18,445**	18,249	**4,192**	7,493
Employee entitlements	**976**	875	**–**	–
Dividends due to minority interests	**860**	144	**–**	–
Dividend payable/proposed	**5,393**	4,757	**5,393**	4,757
	107,666	84,725	**207,229**	151,188

Amounts owed by the Company to subsidiary undertakings include £192,353,000 (2000: £138,130,000) which are regarded as loans.

20) Trade and Other Creditors continued

	Group 31 December 2001 £000	Group 31 December 2000 £000	Company 31 December 2001 £000	Company 31 December 2000 £000
AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR				
Other creditors	**611**	43	**–**	–
Employee entitlements	**1,097**	715	**186**	–
	1,708	758	**186**	–

21) Convertible Subordinated Loan Notes

	Group 31 December 2001 £000	Group 31 December 2000 £000	Company 31 December 2001 £000	Company 31 December 2000 £000
CLNs repayable within one year	**3,863**	3,863	**3,863**	3,863
CLNs repayable between one and two years	**3,863**	3,863	**3,863**	3,863
CLNs repayable between two and five years	**7,724**	11,587	**7,724**	11,587
	15,450	19,313	**15,450**	19,313

On 2 June 2000, the Company repurchased 38.6 million ordinary shares for an aggregate consideration of £19,313,000, which was settled through the issue of 38.6 million CLNs.

The CLNs are subordinated, unsecured obligations of the Company and carry interest at 8% per annum. The principal of 40 pence (2000: 50 pence) per CLN is redeemable in four equal instalments (2000: five equal instalments) of 10 pence per CLN per annum commencing 30 June 2002 (2000: 30 June 2001) or, at the option of the holder, the instalment due for redemption in any year may be converted to Ordinary Shares on the following basis:

On 30 June 2002, one Ordinary Share for every 50.0 pence in principal of CLNs

On 30 June 2003, one Ordinary Share for every 54.5 pence in principal of CLNs

On 30 June 2004, one Ordinary Share for every 59.1 pence in principal of CLNs

On 30 June 2005, one Ordinary Share for every 63.6 pence in principal of CLNs

Any shares issued will rank *pari passu* with those already in issue, save that they will not rank for dividends or other distributions declared, made or paid in respect of financial periods or parts of financial periods ending on or prior to 30 June in that financial year. Conversion prices are subject to adjustment for capitalisation and rights issues and in certain other circumstances. The amounts shown above have not been adjusted to reflect the 2002 Capitalisation Issue.

22) Capital Notes

	Group 31 December 2001 £000	Group 31 December 2000 £000	Company 31 December 2001 £000	Company 31 December 2000 £000
Capital Notes repayable between two and five years	**67,502**	–	**–**	–

Between 2 August 2001 and 11 September 2001, the Group issued NZ$250 million of unsecured, subordinated fixed interest Capital Notes. The issue costs amounted to £2,654,000, and these costs are being charged to the profit and loss account over the initial five year term of the debt. At 31 December 2001, the unamortised balance of these costs was £2,499,000.

22) Capital Notes continued

The Capital Notes bear interest at a fixed rate of 9% per annum, payable on a quarterly basis. Under the terms of a cross currency interest rate swap, the Company has fixed the sterling principal amount of the Capital Notes at £70 million. Through that same transaction, the effective interest charge on the Capital Notes has been reduced to a fixed rate of 8.25% on this sterling amount.

The Capital Notes have an initial election date of 15 November 2006, prior to which the Company will provide terms on which noteholders may elect to roll-over their Capital Notes. Noteholders may then elect to retain some or all of their Capital Notes for a further period on the new terms and conditions and/or to convert some or all of their Capital Notes into Ordinary Shares in the Company, at a conversion price of 97% of the weighted average sale price of an Ordinary Share on each of the five business days prior to the election date. These elections are subject to the Company's over-riding right (at its option) to purchase for cash some or all of the Capital Notes for their principal amount, together with any accrued interest and unpaid interest.

The Company has provided a subordinated and unsecured guarantee in respect of the repayment of principal and the payment of interest and unpaid interest due on the Capital Notes on liquidation of the issuing subsidiary or the Company itself. In the event that the issuing subsidiary is in liquidation and GPG is not, the guarantee is only enforceable after the scheduled election date for the Capital Notes which next follows the liquidation of the subsidiary.

23) Other Borrowings

	Group		Company	
	31 December 2001 £000	31 December 2000 £000	**31 December 2001 £000**	31 December 2000 £000
Bank overdraft	**–**	172	**–**	–
Borrowings repayable within one year	**5,035**	18,132	**–**	12,000
	5,035	18,304	**–**	12,000
Borrowings repayable between one and two years	**537**	11,456	**–**	–
Borrowings repayable between two and five years	**6,331**	–	**67,346**	–
	11,903	29,760	**67,346**	12,000
Bank overdraft	**–**	172	**–**	–
Bank borrowings	**5,572**	20,289	**–**	12,000
Commercial bills	**6,331**	9,299	**–**	–
Interest-bearing loan from subsidiary undertaking	**–**	–	**67,346**	–
	11,903	29,760	**67,346**	12,000

Notes

i) At 31 December 2001, the Group's borrowings comprised £5,572,000 in secured borrowings (2000: £7,545,000) and £6,331,000 in unsecured borrowings (2000: £22,215,000). Of the secured borrowings, £3,934,000 (2000: £5,313,000) was secured against development property and the balance was secured against inventories.

ii) At 31 December 2000, the Company had an unsecured loan of £12,000,000, which was repaid in January 2001.

iii) Between 2 August 2001 and 11 September 2001, a subsidiary undertaking issued NZ$250 million of unsecured subordinated fixed interest Capital Notes, with an initial election date of 15 November 2006 (see note 22). The proceeds of those Capital Notes, net of £2,654,000 of costs incurred, were lent to the Company under the terms of an unsecured subordinated loan. The loan bears interest at 10.25% per annum and falls due for repayment on 15 November 2006.

iv) A subsidiary has revolving commercial bill facilities with two major Australian banks. The bills in issue on 31 December 2001 mature in 2002, but have been classified according to when the committed facilities expire (in 2004).

24) Provisions for Liabilities and Charges

	Group 31 December 2001 £000	Group 31 December 2000 £000	Company 31 December 2001 £000	Company 31 December 2000 £000
Deferred tax	**4,328**	5,540	**–**	–
Pension liabilities	**1,075**	1,090	**302**	309
Onerous lease commitments	**3,858**	3,450	**–**	–
Other provisions	**677**	660	**–**	–
	9,938	10,740	**302**	309

GROUP	Deferred tax £000	Pension liabilities £000	Onerous leases £000	Other provisions £000	Total £000
At 1 January 2001	5,540	1,090	3,450	660	10,740
Currency translation differences	(280)	21	–	–	(259)
Utilised in year	–	(87)	(446)	(26)	(559)
Charged/(released) to the profit and loss account	872	(7)	(143)	–	722
Fair value adjustments (see note 32)	–	–	823	–	823
Unwinding of discount	–	58	174	43	275
Released to reserves	(1,804)	–	–	–	(1,804)
AT 31 DECEMBER 2001	4,328	1,075	3,858	677	9,938

COMPANY	Pension liabilities £000s
At I January 2001	309
Released to the profit and loss account	(7)
AT 31 DECEMBER 2001	302

Notes

i) Included in the Company's pension liability is an amount of £46,000 payable within one year (2000: £52,000). The key assumptions affecting the determination of this provision are disclosed in note 10.

ii) Included in the Group's provisions for onerous leases, pensions and other commitments are amounts totalling £688,000 (2000: £796,000) which are payable within one year. The 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 2011 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 nominal interest rates of 6.5% (UK) and 4.5% (Germany).

iii) Other provisions mainly comprise post retirement healthcare obligations for former employees of Staveley in the UK and the US. These liabilities expire on the death of the beneficiaries. They are based on management's estimate of future costs, having regard to past experience, and have been discounted at 7%.

DEFERRED TAX IS ANALYSED BELOW	31 December 2001 Provided £000	31 December 2001 Unprovided £000	31 December 2000 Provided £000	31 December 2000 Unprovided £000
Accelerated capital allowances	**1,622**	**1,748**	1,058	2,532
Short term timing differences	**2,706**	**(3,543)**	6,340	(5,434)
Trading losses carried forward	**–**	**(19,320)**	(1,858)	(17,676)
	4,328	**(21,115)**	5,540	(20,578)

In addition, a number of Group companies have capital losses carried forward. These losses are not recognised in the financial statements.

25) Operating Lease Commitments

	Land and buildings 31 December 2001 £000	Other 31 December 2001 £000	Land and buildings 31 December 2000 £000	Other 31 December 2000 £000
Annual commitments under operating leases expiring:				
Within one year	399	225	166	545
Between one and two years	21	–	–	–
Between two and five years	968	1,344	673	1,087
Over five years	2,176	–	2,336	–
	3,564	1,569	3,175	1,632

26) Share Capital

	31 December 2001 Number	31 December 2001 £000	31 December 2000 Number	31 December 2000 £000
Authorised				
Ordinary Shares of 10p each	1,905,000,000	190,500	600,000,000	60,000
Issued and fully paid				
Ordinary Shares of 10p each	539,255,890	53,926	475,674,874	47,567

a) At an Extraordinary General Meeting held on 20 August 2001, approval was given for an increase in the authorised share capital of the Company by the creation of an additional 1,305,000,000 Ordinary Shares of 10p each.

b) During 2001 the following issues and allotments of Ordinary Shares were made, representing an increase in the aggregate nominal value of the Company's share capital of £6,358,102.

Date of event	Stock event	No. of shares	Price (pence per share)
2 April 2001	Exercise of options	215,847	13.68
2 April 2001	Exercise of options	54,084	16.18
11 & 14 May 2001	Scrip dividend alternative	10,651,150	Credited as fully paid
21 May 2001	Capitalisation issue	48,646,468	Credited as fully paid
1 June 2001	Exercise of options	550,000	30.66
6 July 2001	Conversion of CLNs	3,463,467	Credited as fully paid
		63,581,016	

c) Following adjustments, grants, exercises and lapses during the year, options outstanding at 31 December 2001 were as set out below:

Share Option Scheme	Number	Date granted	Exercise price (p per share)	Exercise period
1985 Share Option Scheme				
Ordinary	1,198,737	05.06.92	12.44	05.06.95 to 04.06.02
Ordinary	1,552,819	19.04.93	14.71	19.04.96 to 18.04.03

26) Share Capital continued

Share Option Scheme	Number	Date granted	Exercise price (p per share)	Exercise period
1992 Share Option Scheme				
Ordinary	5,471,142	12.05.94	30.66	12.05.97 to 11.05.04
Super	4,631,643	12.05.94	30.66	12.05.99 to 11.05.04
Ordinary	894,744	06.10.94	28.98	06.10.97 to 05.10.04
Super	526,318	06.10.94	28.98	06.10.99 to 05.10.04
Ordinary	922,547	25.08.95	30.38	25.08.98 to 24.08.05
Super	2,079,651	25.08.95	30.38	25.08.00 to 24.08.05
Ordinary	30,676	03.01.96	34.64	03.01.99 to 02.01.06
Super	117,271	03.01.96	34.64	03.01.01 to 02.01.06
Ordinary	230,050	11.04.96	39.12	11.04.99 to 10.04.06
Super	184,041	11.04.96	39.12	11.04.01 to 10.04.06
Ordinary	1,304,894	08.05.96	39.67	08.05.99 to 07.05.06
Super	1,380,354	08.05.96	39,67	08.05.01 to 07.05.06
Ordinary	1,171,211	13.01.97	40.05	13.01.00 to 12.01.07
Super	209,145	13.01.97	40.05	13.01.02 to 12.01.07
Ordinary	2,391,860	01.09.97	49.97	01.09.00 to 31.08.07
Ordinary	83,656	07.11.97	48.65	07.11.00 to 06.11.07
Super	182,526	07.11.97	48.65	07.11.02 to 06.11.07
Ordinary	78,062	03.08.98	34.56	03.08.01 to 02.08.08
Super	24,423	03.08.98	34.56	03.08.03 to 02.08.08
Ordinary	1,766,235	22.03.99	42.82	22.03.02 to 21.03.09
Super	1,028,861	22.03.99	42.82	22.03.04 to 21.03.09
Ordinary	30,250	02.09.99	40.08	02.09.02 to 01.09.09
Super	10,557,250	02.09.99	40.08	02.09.04 to 01.09.09
1994 Share Option Scheme				
Ordinary	1,097,063	12.05.94	30.66	12.05.97 to 11.05.04
Super	347,370	12.05.94	30.66	12.05.99 to 11.05.04
Ordinary	164,178	25.08.95	30.38	25.08.98 to 24.08.05
Super	328,362	25.08.95	30.38	25.08.00 to 24.08.05
Ordinary	86,594	03.01.96	34.64	03.01.99 to 02.01.06
Ordinary	36,799	11.04.96	39.12	11.04.99 to 10.04.06
Ordinary	75,458	08.05.96	39.67	08.05.99 to 07.05.06
Ordinary	68,439	01.09.97	49.97	01.09.00 to 31.08.07
Ordinary	10,648	03.08.98	34.56	03.08.01 to 02.08.08
Ordinary	33,275	22.03.99	42.82	22.03.02 to 21.03.09
Ordinary	48,400	02.09.99	40.08	02.09.04 to 01.09.09
2001 Share Option Scheme				
Ordinary	6,205,000	17.10.01	40.50	17.10.04 to 16.10.11

The amounts shown above have not been adjusted to reflect the 2002 Capitalisation Issue.

Super options are normally exercisable after five years from the 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 comprise 550,000 shares under the 1992 scheme and 296,924 shares (adjusted for the 2001 Capitalisation Issue) under the 1985 scheme.

27) Reserves

	Share premium account £000	Capital redemption reserve £000	Profit and loss account £000
GROUP			
At 1 January 2001	17,432	3,863	203,341
Premium on shares issued (net of expenses)	1,355	–	–
Capitalisation issue of shares	(4,865)	–	–
Scrip dividend alternative	(1,065)	–	3,716
Currency translation differences	–	–	(2,867)
Deferred tax on foreign currency translation differences	–	–	1,804
Retained profit for the year	–	–	42,174
AT 31 DECEMBER 2001	12,857	3,863	248,168
COMPANY			
At 1 January 2001	17,432	3,863	72,754
Premium on shares issued (net of expenses)	1,355	–	–
Capitalisation issue of shares	(4,865)	–	–
Scrip dividend alternative	(1,065)	–	3,716
Retained profit for the year	–	–	29,644
AT 31 DECEMBER 2001	12,857	3,863	106,114

Cumulative negative goodwill taken directly to reserves in respect of acquisitions prior to 1998 amounts to £3,271,000.

28) Contingent Liabilities

The Company has guaranteed the repayment of principal and interest and unpaid interest due on the NZ$250 million Capital Notes in the event of a liquidation of the issuing subsidiary or the Company (see note 22).

As at 31 December 2001 Staveley had contingent liabilities in respect of performance bonds, tender bonds and guarantees for third parties amounting to £9.8 million (2000: £11.0 million) in respect of which it has recourse to third parties for £0.7 million (2000: £2.1 million) and £5.1 million (2000: £Nil) is covered by funds deposited in accounts charged in favour of the Bond issuer. In addition, Staveley and certain of its subsidiaries are parties to legal actions and claims arising in the ordinary course of business which the directors are advised and believe are likely to be resolved without significant effect on the net assets of the Group.

A subsidiary has established a £344,000 provision for a potential environmental liability the outcome of which is uncertain.

A subsidiary of Canberra Investment Corporation Ltd ("Canberra") is jointly and severally liable for all the liabilities of the Harcourt Hill Estate joint venture. The assets of the joint venture at year-end were sufficient to meet such liabilities. In addition, Canberra has guaranteed the bank facilities of a joint arrangement in which it has a 50% interest. As at 31 December 2001, these facilities amounted to £870,000.

Aurora Gold Ltd, an associated undertaking, is liable to pay additional consideration for a business acquired upon successful exploration of mineral reserves. This contingent liability is unquantifiable as it is based on the future price of gold and other variables.

29) Capital Commitments

As at 31 December 2001, the Group had commitments of £431,000 in respect of contracts placed for future capital expenditure (2000: £1,182,000). Its share of the capital commitments reported by associated undertakings was £326,000 (2000: £564,000). The Company did not have any capital commitments (2000: £nil).

30) Notes to Cashflow

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

	Year ended 31 December 2001 £000	Year ended 31 December 2000 £000
Operating profit	**59,937**	20,255
Depreciation	**6,326**	2,798
Profit on disposal of tangible fixed assets	**(61)**	(145)
Profit on disposal of associated undertakings	**(3,246)**	–
Release of negative goodwill	**(422)**	(553)
Amounts written off against investments	**6,306**	4,553
(Increase)/decrease in debtors	**(13,022)**	7,846
Decrease/(increase) in land under development	**1,927**	(5,705)
(Increase)/decrease in stocks	**(1,287)**	6,048
Decrease in provisions	**(709)**	(1,717)
Increase/(decrease) in creditors	**20,870**	(12,293)
(Increase)/decrease in current asset investments	**(7,157)**	697
Currency and other adjustments	**989**	5,177
NET CASH INFLOW FROM OPERATING ACTIVITIES	**70,451**	26,961

Net cash inflow from operating activities includes the profits and losses resulting from the sale of investments, together with interest and dividends received, all of which are considered to be cash inflows generated in the normal course of business.

b) Dividends received from associates and joint ventures

Dividends received from associated undertakings	**80**	12,732
Dividends received from joint ventures	**1,934**	744
	2,014	13,476

c) Returns on investments and servicing of finance

Interest paid	**(3,878)**	(2,384)
Dividends paid by subsidiaries to minority interests	**(1,638)**	(144)
	(5,516)	(2,528)

d) Taxation

Overseas tax paid	**(1,881)**	(626)
UK tax paid	**(396)**	–
	(2,277)	(626)

	Year ended 31 December 2001 £000	Year ended 31 December 2000 £000

30) Notes to Cashflow continued

e) Capital expenditure and financial investment

Payments to acquire property, plant and equipment	**(5,610)**	(994)
Purchase of fixed asset investments	**(70,777)**	(112,474)
Receipts from the disposal of property, plant and equipment	**178**	1,167
Sale of fixed asset investments, at book value	**70,430**	37,427
Repayment of capital	**–**	21,963
Loan repaid by /(advanced to) associated undertaking	**63**	(672)
	(5,716)	(53,583)

f) Acquisitions and disposals

Net receipts from sale of shares in subsidiary undertakings (see note 35)	**2,980**	670
Net payments arising from the purchase of subsidiary undertakings (see note 32)	**(2,194)**	(29,377)
Cash held by subsidiaries acquired	**–**	27,250
Net payments arising from the purchase of associated undertakings (see note 34)	**(2,550)**	(3,198)
Net receipts from sale of shares in associated undertakings (see note 35)	**8,096**	–
	6,332	(4,655)

g) Equity dividends paid

Balance payable as at 1 January	**(4,757)**	(4,662)
Less: shares in lieu of cash dividend	**3,716**	–
	(1,041)	(4,662)

h) Management of liquid resources

Cash placed on short term deposit	**(133,200)**	(34,272)
Withdrawals from short term deposits	**36,603**	59,335
	(96,597)	25,063

i) Financing

Issue of ordinary shares by Company	**207**	274
Issue of ordinary shares to minority shareholders in subsidiaries	**99**	33
Expenses of share buy back and share issues	**–**	(381)
NET PROCEEDS FROM ISSUE OF ORDINARY SHARES	**306**	(74)
New loans taken out (including Capital Notes)	**71,185**	33,027
Capital Note issue expenses	**(2,654)**	–
Loans repaid	**(20,361)**	(27,240)
INCREASE IN DEBT	**48,170**	5,787
NET CASH INFLOW FROM FINANCING	**48,476**	5,713

30) Notes to Cashflow continued

j) Analysis of net funds

	1 January 2001 £000	Cash flow £000	Exchange and other non-cash movements £000	31 December 2001 £000
Cash at bank and in hand	**58,924**	112,551	(1,490)	**169,985**
Bank overdraft	**(172)**	172	–	**–**
Less: liquid resources	**(46,739)**	(96,597)	1,340	**(141,996)**
"FRS1" cash	**12,013**	16,126	(150)	**27,989**
Debt due within 1 year	**(21,995)**	15,213	(2,116)	**(8,898)**
Debt due after 1 year	**(26,906)**	(63,383)	4,332	**(85,957)**
	(48,901)	(48,170)	2,216	**(94,855)**
Liquid resources	**46,739**	96,597	(1,340)	**141,996**
NET FUNDS	**9,851**	64,553	726	**75,130**

Liquid resources comprise cash deposits with an original maturity of more than 24 hours.

31) Analysis of Changes in Cash and Liquid Resources During the Year

	Year ended 31 December 2001 £000	Year ended 31 December 2000 £000
Opening balance	**58,924**	85,044
Net cash inflow	**16,126**	5,159
Increase/(decrease) in liquid resources	**96,597**	(25,063)
(Decrease)/increase in bank overdraft	**(172)**	172
Currency translation differences	**(1,490)**	(6,388)
CLOSING BALANCE	169,985	58,924

32) Purchase of Subsidiary Undertakings

There were no material acquisitions during the year, but the Group purchased additional shares in Joe White Maltings Ltd and a malting/food processing business in Australia (see below for further details).

ACQUISITION OF BUSINESS	Book value of assets acquired £000	Fair value adjustment £000	Fair value of assets acquired £000

On 14 November 2001, Joe White Maltings Ltd acquired the business and net assets of Maltco International Pty Ltd, an Australian malting company.

Tangible fixed assets	879	518	1,397
Stocks	255	–	255
Debtors	10	–	10
Creditors	(54)	–	(54)
Net assets acquired	1,090	518	1,608
Total consideration			(2,159)
Goodwill arising on acquisition			(551)
Consideration reported above			2,159
Cash payment due in 2002			(281)
Cash payment due in 2003			(270)
CASH PAYMENTS MADE IN CURRENT YEAR			1,608

The fair value adjustment relates to the revaluation of freehold land and buildings at their open market value (on an existing use basis). The cash payments due in 2002 and 2003, amounting to £551,000, are contingent on the earnings from the acquired business. The amount recognised above represents the maximum potential payment, which is the directors' best assessment of the likely outcome.

ACQUISITION OF SHARES IN JOE WHITE MALTINGS LTD	£000

In August 2001, the Group acquired a further 3.43% of Joe White Maltings Ltd shares, resulting in a total of 50.99%.

Fair value of net assets	30,574
Group share acquired	1,049
Consideration:	
Dividends reinvested	(231)
Cash paid	(586)
	(817)
Negative goodwill arising on additional shares acquired in 2001	232
Aggregate negative goodwill relating to shares held at 31 December 2000 (as adjusted)	2,511
AGGREGATE NEGATIVE GOODWILL AS AT 31 DECEMBER 2001	2,743

32) Purchase of Subsidiary Undertakings continued

Reassessment of 2000 Fair Values

In addition, the fair value of the net assets of Joe White Maltings Ltd and Staveley, which were both acquired in 2000, have been reassessed during the current year to reflect additional information which has become available concerning the conditions that existed on the respective dates of acquisition. The resulting changes are analysed below.

JOE WHITE MALTINGS LTD	Provisional value as previously reported £000	2001 fair value adjustments £000	Fair value as restated £000
Tangible fixed assets	31,788	–	31,788
Stocks	16,493	–	16,493
Debtors	10,076	2,630	12,706
Cash	203	–	203
Borrowings	(21,453)	–	(21,453)
Creditors	(7,700)	534	(7,166)
Provisions	(1,246)	–	(1,246)
	28,161	3,164	31,325
Less: minority interest	(15,638)	(1,757)	(17,395)
Net assets attributable to purchase consideration	12,523	1,407	13,930
Consideration	(11,565)	–	(11,565)
Negative goodwill arising on acquisition of dominant influence	958	1,407	2,365
Negative goodwill arising on additional purchase of shares in December 2000	48	98	146
AGGREGATE NEGATIVE GOODWILL	1,006	1,505	2,511

The 2001 fair value adjustments relate to:

i) The recognition of a £2,630,000 debtor arising from the sale of a subsidiary undertaking in prior years, which was previously treated as irrecoverable but was settled during 2001.

ii) The reversal of £534,000 of creditors previously recognised by Joe White Maltings Ltd in relation to the closure of its food products business (which had been announced prior to the acquisition of dominant influence by GPG).

STAVELEY	Provisional value as previously reported £000	2001 fair value adjustments £000	Fair value as restated £000
Tangible fixed assets	18,716	(551)	18,165
Stocks	5,102	–	5,102
Debtors	62,521	152	62,673
Cash	27,047	–	27,047
Creditors	(69,090)	429	(68,661)
Provisions	(5,131)	(823)	(5,954)
	39,165	(793)	38,372
Less: net assets previously recognised as associate	(11,410)	–	(11,410)
Net assets attributable to purchase consideration paid in 2000	27,755	(793)	26,962
Consideration	(21,658)	–	(21,658)
Negative goodwill arising on acquisition of control	6,097	(793)	5,304
Less: positive goodwill (net of amortisation) transferred from associates	(3,789)	–	(3,789)
AGGREGATE NEGATIVE GOODWILL (NET)	2,308	(793)	1,515

32) Purchase of Subsidiary Undertakings continued

The 2001 fair value adjustments relate to:

i) A £551,000 write-off of fixed assets which are no longer used in the business and/or could not be located during a fixed asset inventory review performed during 2001.

ii) The recognition of additional proceeds from the sale of British Salt Ltd (£525,000), which was sold before GPG acquired control of Staveley in September 2000. £350,000 of these additional proceeds were received during 2001.

iii) Additional provisions of £373,000 in respect of contractual disputes with customers, reflecting a more detailed investigation of these disputes and the resolution of certain pre-existing claims during 2001.

iv) The identification of liabilities amounting to £544,000 in respect of asbestos claims and environmental damage, all of which relate to the pre-acquisition period.

v) The reversal of £802,000 of tax provisions which were set up in previous years but are not required.

vi) An £823,000 increase in the provision for onerous lease commitments, based on a more detailed examination of the costs relating to properties which Staveley does not itself occupy and the related sub-leases.

vii) The reversal of £171,000 of accruals set up in prior years which are not required.

33) Analysis of Net Assets

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

	£m
Cash at bank	164
Debtors	10
Coats	40
Staveley	8
Joe White Maltings	14
MEM	6
Canberra Investment Corp	6
Turners & Growers	9
Share portfolio	164
TOTAL ASSETS	**421**
Creditors	(19)
Note issues	(83)
SHAREHOLDERS' FUNDS	£319

Notes

i) The above analysis shows GPG's share of the net assets of, together with the goodwill attributable to, certain subsidiaries (being Staveley (including Staveley Inc), MEM Group Ltd, Canberra Investment Corporation Ltd and Joe White Maltings Ltd) rather than their respective assets and liabilities. The Group's remaining net assets are shown at their book value. The net assets attributed to Staveley exclude the cash it held but which is generally available to the Company for investment purposes; such cash is presented instead within the aggregate cash balance. The shareholders' funds are those reported in the consolidated balance sheet on page 13.

ii) 39% of Aurora Gold Ltd is held by MEM at a carrying value of £2.3 million.

34) Purchase of Associated Undertakings

During the year, GPG acquired two new associated undertakings. On 17 December 2001, GPG acquired significant influence over the activities of Capral Aluminium Ltd as a result of various changes to the composition of the Board. On 13 November 2001, GPG increased its holding in Aurora Gold Ltd to 39.1%. The goodwill arising from these transactions is analysed as follows:

	Capral Aluminium Ltd £000	Aurora Gold Ltd £000	Total £000
Book value of net assets (GPG share)	19,481	7,592	27,073
Fair value adjustments	1,909	(3,146)	(1,237)
Fair value of net assets (GPG share)	21,390	4,446	25,836
Consideration	(15,825)	(2,533)	(18,358)
NEGATIVE GOODWILL	5,565	1,913	7,478

The aggregate consideration of £18,358,000 includes £4,961,000 paid in prior years and £13,397,000 paid during 2001 (of which £10,864,000 was paid for shares in Capral Aluminium Ltd before it became an associate). The net assets of the associates are based on their published accounts, as adjusted to reflect any identified differences between book values and fair values (including relevant accounting policy adjustments).

The fair value adjustments are summarised below:

i) The adjustments relating to Capral Aluminium Ltd principally arise from the revaluation of property, plant and equipment at depreciated replacement cost (£1,633,000) and the recognition of a pension surplus (£395,000).

ii) For Aurora Gold Ltd, the carrying value of certain mineral properties has been written down by £3,680,000 to reflect their estimated recoverable amounts. Other mining assets have been revalued upwards by £825,000 to reflect independent valuations. The other main adjustments consist of an increase to the closure cost provison (£400,000) and the recognition of the fair value gain on the hedge book (£413,000).

Having regard to the timing of these acquisitions, it has not been possible to complete a detailed investigation of the fair values, which are therefore considered to be provisional.

35) Disposals of Subsidiary and Associated Undertakings

There were no disposals of subsidiary undertakings during the current or preceding year. Proceeds of £2,980,000 were received during 2001 in respect of businesses sold by Joe White Maltings Ltd and Staveley before they became GPG subsidiaries.

During the year, GPG disposed of its investments in Wrightson Ltd and Otter Gold Mines Ltd as follows:

	Wrightson Ltd 2001 £000	Otter Gold Mines Ltd 2001 £000	Total 2001 £000
Net assets/(liabilities) (GPG share) at date of disposal	6,133	(1,000)	5,133
(Negative)/positive goodwill, net of amortisation	(1,339)	3,246	1,907
	4,794	2,246	7,040
Consideration received	8,096	2,190	10,286
PROFIT/(LOSS) ON DISPOSAL	3,302	(56)	3,246

The shares in Wrightson Ltd were sold for cash. The Group’s interest in Otter Gold Mines Ltd was exchanged for shares in Normandy NFM Ltd.

36) Principal Subsidiary Undertakings

The Group's principal subsidiary undertakings at 31 December 2001, all of which are included in the Group's consolidated financial statements, are set out below:

Company name	Country of incorporation/ registration	Class and percentage of shares held	Nature of business
GPG Securities Trading Ltd	England	100% ordinary shares 100% preference shares	Securities trading
Staveley Industries plc	England	100% ordinary shares	Building services
Staveley Inc	USA	100% ordinary shares	Testing services
Guinness Peat Group (Australia) Pty Ltd	Australia	100% ordinary shares 100% preference shares	Investment company
Canberra Investment Corporation Ltd	Australia	68.60% ordinary shares	Property development
Joe White Maltings Ltd	Australia	50.99% ordinary shares	Malting/food processing
MEM Group Ltd (formerly Tomorrow Ltd)	Australia	82.94% ordinary shares	Investment company
Guinness Peat Group New Zealand Ltd	New Zealand	100% ordinary shares 100% preference shares	Securities trading
GPG Finance Ltd	England	100% ordinary shares	Finance

37) Related Party Transactions

There were no material related party transactions during 2001 or 2000.

38) 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 and guaranteed bank bills
- derivatives, including forward foreign currency contracts, cross-currency interest rate swaps, interest rate swaps, equity options and Low Exercise Price Options ("LEPOs")
- trade debtors and trade creditors that arise directly from the Group's operations
- cash and bank deposits
- bank borrowings and commercial bills
- convertible subordinated loan notes
- capital notes.

38) Derivatives and Other Financial Instruments continued

GPG is a strategic investment company and it, together with certain of its subsidiaries, is principally involved in managing a portfolio of cash and investments. The profile of the Group's financial assets, and in particular the relative balance between cash and investments, varies during the year depending on the timing of purchases and sales of investments and, for 2001, the issue of new debt. The currency profile of the Group's financial assets is similarly affected by the timing of investment transactions, and tends to vary during the year.

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

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 financial statements relate.

MARKET PRICE RISK

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

Equity options and LEPOs are purchased from time to time as part of the Group's investment portfolio. These derivatives do not form a significant proportion of the portfolio, and are subject to the same rigorous research procedures as other equity investments. No LEPOs were held as at 31 December 2001.

FOREIGN CURRENCY RISK

The income and capital value of the Group's financial instruments can be affected by exchange rate movements as a significant portion of its financial assets (principally cash and investments) and financial liabilities 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 the Group company holding such financial assets and liabilities reports in the currency in which they are denominated.

The Board recognises that the Group's Sterling balance sheet will be affected by short term movements in exchange rates, particularly the value of the Australian and New Zealand dollars. The Board takes the view that the major currencies in which the Group is invested move within a relatively stable range and that currency fluctuations should even out over the long term. The Group's policy is to hold over time a broad balance of cash and investments in Sterling and Australian dollars, being the two currencies in which it mainly invests.

At certain times, the Board will make limited use of forward foreign currency contracts and swaps to maintain the Group's relative exposure to the Australian dollar. These contracts tend to have a maturity of less than 3 months. As at 31 December 2000, the Group held forward contracts to buy Australian dollars for this purpose but these contracts matured without replacement during 2001. Otherwise, the distribution of the Group's net assets between the principal currencies in which it does business is driven largely by the availability of suitable investment opportunities within each country.

As explained in note 22, during 2001 the Group issued Capital Notes denominated in NZ dollars. The Board decided to hedge the Sterling principal amount of this debt, which was achieved using a cross-currency interest rate swap of NZ$250 million in principal value, maturing in November 2006. The principal amount of the Capital Notes has been translated into Sterling at the exchange rate implicit in the cross-currency interest rate swap. The net interest receivable under the swap is offset against the interest expense on the Capital Notes, on an accruals basis. The contract involves net settlement with a single counterparty, so the interest payable and receivable at year-end is presented on a net basis.

38) Derivatives and Other Financial Instruments continued

Staveley Inc and Joe White Maltings Ltd (being subsidiaries acquired during 2000) use forward foreign currency contracts to eliminate the currency exposure that arises on business transacted in currencies other than their own reporting currency. These companies only enter into such foreign currency contracts when there is a firm commitment to the transaction. The contracts used to hedge future transactions typically have a maturity of between 6 months and 2 years.

After adjusting for the effect of the cross-currency interest rate swap mentioned above, the borrowings drawn by the Group as at 31 December 2001 were all denominated in the reporting currency of the relevant company of which they were liabilities.

INTEREST RATE RISK

In 2001, the Group financed its operations through shareholders' funds, bank borrowings, commercial bills, the CLNs and the Capital Notes. The CLNs and the Capital Notes carry a fixed interest rate. The other borrowings drawn down for investment purposes are charged at floating rates of interest, but trading subsidiaries use a mixture of fixed and floating rate debt. The Company also has access to bank facilities amounting to almost £71 million, none of which had been drawn down at year-end. Certain of the trading subsidiaries have negotiated their own committed bank facilities to meet their local needs.

Joe White Maltings Ltd held certain interest rate swaps when it was acquired, and these have been retained. These interest rate swaps are used to achieve a fixed interest rate on floating rate borrowings. Any amounts paid or received under the swap agreements are included as part of the interest expense, on an accruals basis.

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.

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).

INTEREST RATE AND CURRENCY PROFILE OF FINANCIAL LIABILITIES

The interest rate and currency profile of the Group's financial liabilities, after taking account of the cross-currency interest rate swap, other interest rate swaps and forward foreign currency contracts used to manage the interest and currency profile, was as follows:

				2001				2000
	Floating rate £000	**Fixed rate £000**	**Interest free £000**	**Total £000**	Floating rate £000	Fixed rate £000	Interest free £000	Total £000
Currency								
Australian dollars	**5,572**	**6,331**	**270**	**12,173**	8,461	9,299	254	18,014
Sterling	**1,571**	**82,952**	**186**	**84,709**	13,819	19,313	–	33,132
Other	**2,287**	**–**	**–**	**2,287**	1,631	–	–	1,631
	9,430	**89,283**	**456**	**99,169**	23,911	28,612	254	52,777

The financial liabilities included above comprise the Group's borrowings, onerous lease commitments, contractual employee entitlements and certain derivatives.

38) Derivatives and Other Financial Instruments continued

Details of fixed and non interest-bearing liabilities are provided below:

	2001			2000		
		Fixed rate financial liabilities	Financial liabilities for which no interest is paid		Fixed rate financial liabilities	Financial liabilities for which no interest is paid
	Weighted average interest rate %	Weighted average period for which rate is fixed (months)	Weighted average period until maturity (months)	Weighted average interest rate %	Weighted average period for which rate is fixed (months)	Weighted average period until maturity (months)
Currency						
Australian dollars	**6.30**	**6**	**6**	6.40	18	1
Sterling	**8.20**	**53**	**–**	8.00	30	–
	8.09	**50**	**6**	7.48	26	1

The benchmark for determining floating rate liabilities in the UK is LIBOR. In Australia, floating interest rates are fixed in advance for periods of up to one year by reference to the Australian Bank Bill rate.

INTEREST RATE AND CURRENCY PROFILE OF FINANCIAL ASSETS

The interest rate and currency profile of the Group's financial assets, after taking account of forward foreign currency contracts, was as follows:

	2001			2000		
	Investments and other assets £000	Cash at bank and in hand £000	Total £000	Investments and other assets £000	Cash at bank and in hand £000	Total £000
Sterling	**124,779**	**95,170**	**219,949**	127,645	–	127,645
Australian dollars	**62,031**	**47,549**	**109,580**	79,387	52,333	131,720
New Zealand dollars	**2,941**	**15,073**	**18,014**	6,030	586	6,616
United States dollars	**798**	**8,624**	**9,422**	–	1,868	1,868
Other currencies	**10,552**	**3,569**	**14,121**	945	4,137	5,082
	201,101	**169,985**	**371,086**	214,007	58,924	272,931
Floating rate	**8,691**	**166,934**	**175,625**	9,168	51,274	60,442
No rate	**573**	**3,051**	**3,624**	672	7,650	8,322
	9,264	**169,985**	**179,249**	9,840	58,924	68,764

The investments included above comprise listed and unlisted investments in shares (excluding associates and joint ventures), equity options, guaranteed bank bills and (for 2000 only) LEPOs. Other assets comprise amounts recoverable on contracts after more than one year and certain derivatives.

Deposits of £166,934,000 (2000: £51,274,000) which have been placed on deposit with banks for a variety of fixed periods, not exceeding six months, earn available market rates based on LIBID equivalents and are for these purposes classified as floating rate cash balances. The Group's investment portfolio principally comprises equity shares and derivatives. All such investments have been excluded from the interest rate analysis because the investments do not generate a fixed entitlement to interest. The interest-bearing investments principally comprise guaranteed bank bills with a maturity of less than six months. A non-interest bearing loan of £573,000 has been provided to an associate which has no fixed repayment date. Non-interest bearing deposits are payable on demand and were substantially repaid early in 2002.

38) Derivatives and Other Financial Instruments continued

	31 December 2001 £000	31 December 2000 £000
MATURITY OF FINANCIAL LIABILITIES		
The maturity of the Group's financial liabilities, other than short-term creditors such as trade creditors and accruals, was as follows:		
In one year or less, or on demand	**9,689**	22,959
In more than one year but not more than two years	**4,989**	15,704
In more than two years but not more than five years	**83,201**	12,922
In more than five years	**1,290**	1,192
	99,169	52,777

	31 December 2001 £000	31 December 2000 £000
BORROWING FACILITIES		
The Group had the following undrawn committed borrowing facilities in respect of which all conditions precedent had been met at the year end:		
Expiring within one year	**13,047**	44,324
Expiring between one and two years	**60,000**	–
Expiring between two and five years	**6,489**	–
	79,536	44,324

	2001 Book value £000	2001 Fair value £000	2000 Book value £000	2000 Fair value £000
FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES				
The fair value of the Group's financial assets and liabilities is summarised below:				
Primary financial instruments				
Cash at bank	**169,985**	**169,985**	58,924	58,924
Investments (fixed and current)	**197,836**	**226,831**	206,562	221,707
Other financial assets	**3,173**	**2,833**	2,587	2,310
CLNs	**(15,450)**	**(14,060)**	(19,313)	(18,347)
Capital Notes	**(69,029)**	**(71,295)**	–	–
Other borrowings	**(11,903)**	**(11,887)**	(29,760)	(29,756)
Other financial liabilities	**(4,314)**	**(4,314)**	(3,450)	(3,450)
Derivative financial instruments held as part of the investment portfolio				
Equity options and LEPOs	**9**	**68**	4,858	4,868
Forward foreign currency contracts	**–**	**–**	(254)	(254)
Derivative financial instruments held to manage interest rate exposures				
Interest rate swaps	**–**	**90**	–	(103)
Derivative financial instruments held to hedge currency exposures				
Forward foreign currency contracts	**–**	**934**	–	(744)
Cross-currency interest rate swap	**1,610**	**1,912**	–	–

38) Derivatives and Other Financial Instruments continued

Investments are held for strategic growth or trading purposes. Market values have been used to derive the fair value of all listed investments, the CLNs and the Capital Notes. Unlisted investments are valued according to the most recent price at which they have been traded. In 2000 LEPOs were valued by a financial institution according to the market value of the equity shares to which they related. For floating rate financial assets and liabilities, and for fixed rate financial assets and liabilities with a maturity of less than six months, it has been assumed that fair values are approximately the same as book values. Fair values for forward foreign currency contracts have been estimated using applicable forward exchange rates at the year end. The fair value of the cross-currency interest rate swap has been determined by a third party financial institution, based on market rates. All other fair values have been calculated by discounting expected cash flows at prevailing interest rates.

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

CURRENCY EXPOSURE

The table below shows the extent to which Group companies have monetary assets and liabilities in currencies other than their own local currency after taking account of forward foreign currency contracts and cross-currency interest rate swaps held as hedges. Foreign exchange differences arising on retranslation of these assets and liabilities are taken to the Group'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. It also excludes investments held in equity shares, which are translated into the investing company's reporting currency at the historical rate on the date of acquisition and are not subsequently re-translated.

Functional Currency	Net foreign currency monetary assets/(liabilities)					
	Sterling	**Australian dollars**	**New Zealand dollars**	**US dollars**	**Other**	**Total**
2001	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Sterling	**–**	**42,839**	**14,864**	**(1,646)**	**4,512**	**60,569**
US dollars	**–**	**–**	**–**	**–**	**840**	**840**
	–	**42,839**	**14,864**	**(1,646)**	**5,352**	**61,409**

Functional Currency	Net foreign currency monetary assets/(liabilities)					
	Sterling	Australian dollars	New Zealand dollars	US dollars	Other	Total
2000	£000	£000	£000	£000	£000	£000
Sterling	–	63,394	3,492	61	15,539	82,486
US dollars	(4,110)	–	–	–	(1,662)	(5,772)
	(4,110)	63,394	3,492	61	13,877	76,714

38) Derivatives and Other Financial Instruments continued

HEDGES

The Group hedges the following exposures:

– interest rate risk – using interest rate swaps

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

The table below shows the extent to which the Group has off-balance sheet (unrecognised) gains and losses in respect of financial instruments used as hedges at the beginning and end of the year. It also shows the amount of such gains and losses which have been included in the profit and loss account.

	Gains £000	Losses £000
Unrecognised losses on hedges at 1 January 2001	–	(847)
Losses arising in previous years included in 2001 profit	–	847
Gains/(losses) not included in 2001 profit arising before 1 January 2001	–	–
Unrecognised gains arising in 2001	1,326	–
Unrecognised gains on hedges at 31 December 2001	1,326	–
Of which		
Gains expected to be recognised in 2002	563	–
Gains expected to be recognised after 2002	763	–

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 is analysed as follows:

	31 December 2001 £000	31 December 2000 £000
Gain on disposal of investments (excluding derivatives)	45,985	19,292
Gains/(losses) on disposal of equity options and LEPOs	850	(3,354)
Net write-down of investments (excluding derivatives)	(6,251)	(4,973)
Net (write-down)/write-back of equity options and LEPOs	(37)	420
	40,547	11,385

39) Post balance sheet events

On 22 February 2002, GPG purchased 60,092,868 shares in Coats plc and currently holds 21.33% of the ordinary issued share capital. GPG is also represented on the Board of Coats plc.

On 14 March 2002, on behalf of GPG and JO Hambro Capital Management, who together owned 37.69% of the issued share capital of Nationwide Accident Repair Services plc (“Nationwide”), Strand Partners announced a cash offer of 79 pence for each share in Nationwide under Rule 9 of the City Code. As at 17 May 2002 the combined holding had increased to 86.6% of which GPG held 43.3%.

On 5 April 2002, GPG made a cash offer of NZ$1.20 (37 pence) per share to acquire all the shares of ENZA Ltd it does not already own. As at 31 December 2001 GPG held 19.99% of the issued shares of ENZA Ltd. As at 17 May 2002 GPG had acquired a shareholding in excess of 90% and had instituted proceedings to acquire the remaining shares.

On 13 May 2002, 7,094,991 Ordinary Shares were allotted to shareholders in lieu of an aggregate cash payment of £3,547,000 in respect of the interim dividend.

COMPLIANCE

The Company's corporate governance arrangements comply with Section 1 of the Combined Code appended to the Listing Rules of the Financial Services Authority ('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 the direct involvement of the directors in the day-to-day activities of the Group and 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 two non-executive directors, being the Chairman, Sir Ron Brierley and Trevor Beyer, together with four executive directors. Short biographies of each of the directors appear on page 8.

During 2001, each of the executive directors was provided with a contract of service with the Company. Previously they did not have service contracts. These service contracts provide for a rolling 12 months' notice period to be given by the director and are terminable by the Company on giving 18 months' notice. In the case of early termination by the Company, the director would receive compensation based on the unexpired portion of his notice period. In the event of a change in control the service contracts entitle each director to compensation of two years' remuneration if he elects to leave within 6 months.

The Remuneration Committee considers that it is necessary to offer such rolling contracts and notice periods in order to retain, motivate and in the future recruit individuals of the right calibre and to ensure continuity for the Group. This view takes into account the remuneration and notice period practices in the industry and the countries in which the Group operates.

The non-executive directors are not appointed for a specified term but, in accordance with the Company's Articles of Association, retire by rotation.

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 the United Kingdom, two in Australia and one in New Zealand. 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 investment activities on a timely basis. The Board meets at least three times a year and 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 and also 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 Guinness Peat Group (Australia) Pty Ltd and Tony Gibbs is the executive director in charge of Guinness Peat Group New Zealand Ltd. As mentioned above, given the small size of the Board, the close and direct proximity of the directors to the Company's activities and 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 serve. However, it is accepted that as the interests of both are linked to those of shareholders by means of the granting of share options, and as they have had a long association with the Company as directors, neither 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 of the Combined Code for all directors to submit themselves for re-election at least every three years.
- It has not been considered necessary formally to identify a senior non-executive director.

In accordance with the Articles of Association, Graeme Cureton, Tony Gibbs and Blake Nixon retire by rotation at the conclusion of the 2002 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 directors describe below the system of internal control established within the Group. The objective of this process, which has been in place throughout the year and up to the date of approval of the Annual Report except as noted below, is to identify, evaluate and manage risk, including the risk of non-compliance with the laws and regulations of the countries within which the Group operates. The system is regularly reviewed by the Board and, except as described below, accords with the Turnbull guidance issued to companies listed on the London Stock Exchange.

The directors acknowledge that they are responsible for the Group's system of internal controls and for reviewing its effectiveness. 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. Clear management responsibilities have been established in relation to internal controls, and clear procedures exist for Board notification of control failures.

Risks are identified by management and Board review. The identification and consequent management of risk is an inherent feature in the investment evaluation process. The principal risk identified is market price risk. The investment evaluation process and its relationship to market risk is referred to in detail in note 38 to the financial statements, Derivatives and Other Financial Instruments, under the heading 'Market price risk'.

At Group level, information systems are in place to provide directors with a weekly report on cash movements, investment transactions, portfolio holdings and market values. In addition, the Board monitors and regularly reviews the progress of investment strategies.

The major control procedures in place include the following:

- clear management responsibilities in relation to internal controls
- Board and Audit Committee review of control procedures
- continual monitoring of the investments
- investment policy and strategy implemented by the local executive director, following agreement with the board of investing group companies
- investment transactions effected under the supervision of the relevant local investment manager pursuant to the agreed investment policy
- Board's approval required for any investment in excess of £2 million
- documents of title are held either within the Company or by a reputable custodian.

In addition, the directors have carried out an annual review of the effectiveness of the internal controls across the Group's investment activities and report as follows:

As at 31 December 2001, the Group had five principal operating subsidiaries of which three are partly owned and four are involved in activities other than strategic investment. In aggregate the Group's share of the consolidated net assets of the relevant subsidiary ('Group Share') represents some 22% of GPG's shareholders' funds of £319 million. At least one GPG director is appointed to the board of each principal subsidiary. He is charged with ensuring that the appropriate resources are committed by the subsidiary to respond to the requirements of the Combined Code on a basis which in each case is commensurate with GPG's Group Share, and that all material risks to the value of that investment are controlled. Each subsidiary's board has been notified of its responsibilities for identifying key business risks appropriate to its own business sector and establishing appropriate and relevant control and compliance procedures. They are also required to acknowledge that they are responsible for their internal control systems. The systems operated by these companies are reviewed annually through the completion of internal control questionnaires, the results of which are reported to the Audit Committee and the Board.

Staveley Industries plc (Group Share £17.8 million) completed its programme of risk assessments during 2001. As a result by the year end its board was in a position continually to monitor its control environment.

Staveley Inc (Group Share £24.8 million) has undergone a further period of change, having been separated from its former parent Staveley Industries plc in December 2000 at which time a new board was constituted. As a result it was not fully compliant with the Turnbull requirements for the whole of 2001. During 2001, Staveley Inc incorporated into its operations a set of systems and procedures that are intended to ensure that the businesses have an embedded risk management programme within their operations. The key issues emerging from these procedures are regularly reported to the board of Staveley Inc. which is satisfied that all major risks have been identified and that a programme had been established as at the year end for their monitoring and control.

Each of the three Australian subsidiaries, Joe White Maltings Ltd, MEM Group Ltd and Canberra Investment Corporation Ltd are partly owned, with their shares listed on the Australian Stock Exchange ('ASX'). They therefore have a prime reporting responsibility to the ASX, whose rules are similar to, but not the same as, those of the London Stock Exchange. Therefore it may be that certain of each company's control procedures, whilst deemed sufficient by the GPG board to identify, manage and control the principal risks to its investment, differ from the more strictly defined requirements of the Turnbull guidance. The position has been reviewed with each company during the year and each company has made an annual report on its internal controls. The position with regard to their internal controls is as follows:

Following a period of rationalisation during 2000 and 2001, Joe White Maltings Ltd (Group Share £13.8 million) has continued to review and enforce its control procedures. Whilst the directors of the company have been able to report that they consider that all material risks have been identified and are controlled, as reported above there are differences between the relevant requirements for the London Stock Exchange and the ASX. Therefore full compliance with the Turnbull guidance has not been achieved.

On 31 July 2001 MEM Group Ltd (which changed its name from Tomorrow Ltd on 21 November 2001) announced that after a further major review of its business, the company would not be seeking to undertake further investments in the technology sector. The management of MEM Group Ltd is closely allied to that of the parent, and its portfolio of investments is managed in a similar way to those of GPG. The Group Share in MEM Group Ltd is £6.1 million.

Canberra Investment Corporation Ltd (Group Share £5.9 million) does not have a formal procedure for reviewing the effectiveness of internal controls, but its directors are closely involved in most of its day-to-day activities.

At least one director has been appointed to the board of each associate, which enables them to review the procedures for dealing with major risks. Associates are encouraged to review the effectiveness of their own internal controls, but the Group is not able to enforce this. Associates are not requested to complete an internal control questionnaire each year.

Guidance issued by the Financial Services Authority obliges the directors of public companies to consider the need for internal audit. The Board reviews the position annually and considers that the Group is not sufficiently large or complex to justify a centralised internal audit funciton, although Staveley Industries plc considers its operations to be sufficiently widespread to justify its own internal audit function.

SHAREHOLDER MEETINGS

In 2001, the Company held an Annual General Meeting and an Extraordinary General Meeting, both in London. The level of proxies lodged in each resolution was announced during the meeting. In its annual and interim reports and other corporate announcements the Company endeavours to present an accurate, objective and balanced picture in a style and format which is appropriate for the intended audience.

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 reviewed periodically to ensure they remain appropriate.

GOING CONCERN

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

REPORT ON REMUNERATION AND RELATED MATTERS

Introduction

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

Remuneration Committee

The Remuneration Committee was established on 12 December 1995. It is chaired by 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 8.

Directors' Remuneration Policy

It remains the Remuneration Committee's policy that remuneration and benefit levels should be sufficiently competitive, having regard to remuneration practice in the industry and the countries in which the Group invests, to attract, incentivise, reward and retain the directors.

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

- Annual benefits: including a competitive basic salary, directors' fees as appropriate, health and car benefits and life assurance. Directors are now also entitled to performance related cash bonuses (see below).
- Long term incentives: directors are entitled to receive awards of options under the Company's share option schemes.
- Pension contributions: see the Notes below the following table.
- Staff bonus scheme: directors are eligible to participate in a non-contractual bonus scheme, introduced in 2001, under which cash bonuses may be paid to all staff. No bonus will be payable in respect of any year when net profits attributable to GPG shareholders do not achieve a 12.5% realised return on opening shareholders' funds, as adjusted for share issues during the year. A bonus pool is established by the Remuneration Committee with reference to profit and the return on shareholders' funds. There is no ceiling on the bonuses payable to directors. This scheme has been introduced in order to remain competitive having regard to performance bonuses paid by international investment funds and companies comparable to GPG.

Details of individual directors' emoluments

	Sir Ron Brierley	T J N Beyer	A I Gibbs	B A Nixon	G H Weiss
	£	£	£	£	£
Salaries and fees	-	90,000	294,348	336,000	309,510
Bonus	150,000	92,131	546,821	546,821	683,526
Benefits in kind	-	2,183	-	12,507	-
TOTAL 2001	**150,000**	**184,314**	**841,169**	**895,328**	**993,036**
Total 2000	–	82,236	207,358	273,312	294,599
Gains on Options 2001	–	–	–	–	–
Gains on Options 2000	–	–	–	–	326,480
Pension 2001	–	–	–	26,100	42,206
Pension 2000	–	–	–	26,100	40,173

Notes:

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

ii) Share options are awarded to directors 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. 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 most years in the context of the Group's recent trading performance, the individual's contribution to that performance and his expected performance and contribution in the future. In addition, awards are calculated having regard to the individual's existing holdings. Directors are not required to hold their shares for a further period following exercise of their options.

Details of directors' share options and shareholdings are set out in note a) below.

iii) 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.

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

v) 'Benefits in kind' include the provision of a fully expensed company car, private health insurance and miscellaneous other benefits.

vi) 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.

vii) T J N Beyer's remuneration figure includes an amount of £45,000 by way of directors' fees.

viii) In 2000, M Loomes received a salary and fees of £46,097. He did not exercise any options or benefit from any pension contributions.

Directors' Interests

1 The interests of the directors who held office during the year, and their connected persons (if any), in the shares, options, CLNs and Capital Notes of the Company and its subsidiaries as at 31 December 2001 and 2000, are set out below.

i) Guinness Peat Group plc

a) Ordinary 10p shares

	24 May 2002*	**31 December 2001**	31 December 2000
Sir Ron Brierley	23,905,935	21,392,226	18,907,271
T J N Beyer	667,747	595,141	335,337
A I Gibbs	207,947	185,336	–
B A Nixon	3,824,277	100,708	88,880
Dr G H Weiss	3,864,701	3,464,011	4,240,011

G J Cureton, who has become a director since year end, held 112,200 Ordinary Shares on 24 May 2002.

*The latest practicable date before publication of these financial statements.

Options over ordinary 10p shares of the Company

	Number 2001	Number 2000	Exercise price (pence per share)	Exercise period
Sir Ron Brierley				
Ordinary	2,315,826	2,315,826	30.66	12.05.97 to 11.05.04
Super	1,157,912	1,157,912	30.66	12.05.99 to 11.05.04
Ordinary	230,059	230,059	39.67	08.05.99 to 07.05.06
Super	230,059	230,059	39.67	08.05.01 to 07.05.06
Ordinary*	500,000	–	40.50	17.10.04 to 16.10.11
T J N Beyer				
Ordinary	115,789	115,789	30.66	12.05.97 to 11.05.04
Super	115,789	115,789	30.66	12.05.99 to 11.05.04
Ordinary	154,599	154,599	39.67	08.05.99 to 07.05.06
Super	230,059	230,059	39.67	08.05.01 to 07.05.06
Ordinary	75,458	75,458	39.67	08.05.99 to 07.05.06
Ordinary	152,103	152,103	49.97	01.09.00 to 31.08.07
Super	302,500	302,500	40.08	02.09.04 to 01.09.09
Ordinary*	150,000	–	40.50	17.10.04 to 16.10.11
A I Gibbs				
Ordinary	115,789	115,789	30.66	12.05.97 to 11.05.04
Super	173,685	173,685	30.66	12.05.99 to 11.05.04
Ordinary	526,322	526,322	28.98	06.10.97 to 05.10.04
Super	263,159	263,159	28.98	06.10.99 to 05.10.04
Ordinary	469,093	469,093	30.38	25.08.98 to 24.08.05
Super	1,172,736	1,172,736	30.38	25.08.00 to 24.08.05
Ordinary	230,059	230,059	39.67	08.05.99 to 07.05.06
Super	230,059	230,059	39.67	08.05.01 to 07.05.06
Ordinary	418,292	418,292	40.05	13.01.00 to 12.01.07
Ordinary	380,266	380,266	49.97	01.09.00 to 31.08.07
Ordinary	335,412	335,412	42.82	22.03.02 to 21.03.09
Super	196,988	196,988	42.82	22.03.04 to 21.03.09
Super	1,875,500	1,875,500	40.08	02.09.04 to 01.09.09
Ordinary*	1,000,000	–	40.50	17.10.04 to 16.10.11

B A Nixon

Ordinary	1,189,906	1,189,906	12.44	05.06.95 to 04.06.02
Ordinary	1,249,400	1,249,400	14.71	19.04.96 to 18.04.03
Ordinary	868,433	868,433	30.66	12.05.97 to 11.05.04
Super	1,157,912	1,157,912	30.66	12.05.99 to 11.05.04
Ordinary	230,059	230,059	39.67	08.05.99 to 07.05.06
Super	230,059	230,059	39.67	08.05.01 to 07.05.06
Ordinary	380,266	380,266	49.97	01.09.00 to 31.08.07
Ordinary	83,853	83,853	42.82	22.03.02 to 21.03.09
Super	49,247	49,247	42.82	22.03.04 to 21.03.09
Super	1,875,500	1,875,500	40.08	02.09.04 to 01.09.09
Ordinary*	1,000,000	–	40.50	17.10.04 to 16.10.11

Dr G H Weiss

Ordinary	2,315,826	2,315,826	30.66	12.05.97 to 11.05.04
Super	1,157,912	1,157,912	30.66	12.05.99 to 11.05.04
Ordinary	230,059	230,059	39.67	08.05.99 to 07.05.06
Super	230,059	230,059	39.67	08.05.01 to 07.05.06
Ordinary	380,266	380,266	49.97	01.09.00 to 31.08.07
Ordinary	436,568	436,568	42.82	22.03.02 to 21.03.09
Super	255,552	255,552	42.82	22.03.04 to 21.03.09
Super	2,117,500	2,117,500	40.08	02.09.04 to 01.09.09
Ordinary*	1,000,000	–	40.50	17.10.04 to 16.10.11

* Granted on 17 October 2001 under the 2001 Scheme (2000: Nil)

During the year no director exercised any options and no options lapsed.

Since the year end BA Nixon has exercised 1,189,906 options expiring 4 June 2002, 1,249,400 options expiring 18 April 2003 and 868,433 options expiring 11 May 2004. No options have been granted to directors or have lapsed since the year end.

Options outstanding at 31 December 2000 have been restated as to price and number to reflect the effect of the 2001 Capitalisation Issue. The amounts shown above have not been adjusted to reflect the 2002 Capitalisation Issue.

A description of the terms of exercise of Super options is set out in note 26 to the financial statements. The middle market price of the shares at 31 December 2001 was 46.0p and the range during the financial year was 37.3p to 50.0p (as adjusted for the 2001 Capitalisation Issue but taking no account of the 2002 Capitalisation Issue).

b) **Convertible subordinated loan notes**

	31 December 2001	31 December 2000
Sir Ron Brierley	1,966,789	1,966,789
T J N Beyer	1,000,000	1,000,000
A I Gibbs	686,846	686,846
B A Nixon	675	675
Dr G H Weiss	Nil	Nil

c) Capital Notes

No director had an interest in the Capital Notes either at 31 December 2001 or when they were issued in August and September 2001.

ii) MEM Group Ltd

Ordinary shares, fully paid

	31 December 2001	31 December 2000
T J N Beyer	60,000	60,000
B A Nixon	125,000	125,000
Dr G H Weiss	21,654	21,654

No other director had an interest in the shares of this company during 2001, save in respect of the following options:

Options over ordinary shares

	Number 2001	Number 2000	Exercise price (A$ per share)	Exercise period
T J N Beyer*	24,000	24,000	1.15	29.11.00 to 28.11.10
A I Gibbs	125,000**	125,000**	1.00	22.08.00 to 21.08.05
B A Nixon*	50,000	50,000	1.15	29.11.00 to 28.11.10
Dr G H Weiss	125,000**	125,000**	0.93	08.04.97 to 07.04.02
Dr G H Weiss*	8,662	8,662	1.15	29.11.00 to 28.11.10

*Bonus options

**Under the terms of an Employee Share Option Scheme on exercise of these employee share options the holder will receive a further 50,000 options exercisable at a price of A$1.15 each.

No directors' options were exercised or lapsed during the year under review (2000: Nil).

Since the year end Dr G H Weiss has exercised 125,000 options expiring 7 April 2002 and has as a result received 50,000 options expiring 28 November 2010 with an exercise price of A$1.15.

The middle market price of the shares on 31 December 2001 was A$1.01 and the range during the financial year was A$0.52 to A$1.40.

2 There were no loans or guarantees from Group companies to directors or connected persons at 31 December 2001 or 31 December 2000 or during the year and, save as described 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 2002 and 24 May 2002, the latest practicable date before the printing of the Annual Report and Financial Statements.

Statement of Directors' Responsibilities

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit or loss of the Group for that period. The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of financial statements for the year ended 31 December 2001. 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.

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

We have audited the financial statements which comprise the Group profit and loss account, the balance sheets, the Group cash flow statement, the Group statement of total recognised gains and losses and related notes, and also the details of individual directors' emoluments and directors' options set out under the heading "Report on Remuneration and Related Matters." which have been prepared in accordance with the accounting policies set out in the statement of accounting policies.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards issued by the Auditing Practices Board and the Listing Rules of the Financial Services Authority.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the items listed in the Contents Section of the Annual Report excluding the financial statements.

We review whether the corporate governance statement reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, 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 financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 31 December 2001 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
27 May 2002

Notice of Annual General Meeting

Notice is hereby given that the 2002 Annual General Meeting of Guinness Peat Group plc will be held at 3.00 pm on Thursday 18 July 2002 at The Army and Navy Club, 36 Pall Mall, London SW1Y 5JW to consider and, if thought fit, to pass the following resolutions which will be proposed as:

ORDINARY BUSINESS

Ordinary Resolutions

1 To receive the directors' report, auditors' report and the financial statements for the year ended 31 December 2001.

2 To elect G J Cureton a director of the Company.

3 To re-elect B A Nixon a director of the Company.

4 To re-elect A I Gibbs a director of the Company.

5 To re-appoint PricewaterhouseCoopers as auditors.

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

SPECIAL BUSINESS

Special Resolutions

7 That the directors be empowered pursuant to Section 95 of the Companies Act 1985 ('the Act'), to allot equity securities (as defined in Section 94 of the Act) for cash, pursuant to the authorities conferred by Resolution 8 passed at the 2001 Annual General Meeting of the Company on 11 May 2001 and Resolution 3 passed at the Extraordinary General Meeting of the Company on 20 August 2001 which conferred on the directors of the Company the power to allot relevant securities (within the meaning of Section 80(2) of the Act) up to an aggregate maximum nominal amount of £20,032,512 in accordance with the terms of those two Resolutions, 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 £3,000,000.

b) this power, unless renewed or otherwise varied by the Company in general meeting, shall expire on 11 May 2006;

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 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 the 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 17 July 2003 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:
First floor
Times Place
45 Pall Mall
London SW1Y 5GP
Registered Number: 159975

By order of the Board
Richard Russell
Secretary
27 May 2002

Notes to Notice of Meeting

1 The venue for this year's AGM is The Army and Navy Club, which is a private members' club. Shareholders intending to attend the AGM are requested to conform to the Club's dress code by wearing a jacket and tie for gentlemen and, for ladies, dress of "an equivalent standard."

2 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.

3 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 Investor Services PLC, PO Box 457, Owen House, 8 Bankhead Crossway North, Edinburgh EH11 0XG (from UK registered members), Computershare Investor Services Limited, 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.

4 Copies of the service contracts of Graeme Cureton, Tony Gibbs, Blake Nixon and Gary Weiss will be available for inspection at the offices of Herbert Smith, Exchange House, Primrose Street, London EC2 during normal business hours any week day (Saturdays and public holidays excepted) from the date of this document until 18 July 2002 being the date of the Annual General Meeting.

5 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 68 or to the Secretary, Guinness Peat Group plc, First Floor, Times Place, 45 Pall Mall, London SW1Y 5GP.

6 To have the right to attend and vote at the Annual General Meeting (and also for the purposes of calculating how many votes a person may cast), a person must have his/her name entered on the register by no later than 3.00pm UK time on 16 July 2002. Changes to entries on the register after this time shall be disregarded in determining the rights of any person to attend or vote at the Annual General Meeting.

UNITED KINGDOM

First floor, Times Place, 45 Pall Mall, London SW1Y 5GP
Telephone: 020 7484 3370 Fax: 020 7925 0700

AUSTRALIA

c/o PKF Chartered Accountants and Business Advisers
Level 20, 1 York Street, Sydney NSW 2000
Telephone: 02 9251 4100 Fax: 02 9240 9821

NEW ZEALAND

c/o Computershare Investor Services Limited
Private Bag 92119, Auckland 1020
Telephone: 09 488 8700 Fax: 09 488 8789

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:

Register	Telephone and postal enquiries	Inspection of Register
UK Main Register: Computershare Investor Services PLC	Owen House, 8 Bankhead Crossway North Edinburgh EH11 4BR Tel: 0870 702 0010 Fax: 0870 703 6143	7th Floor, Jupiter House Triton Court, 14 Finsbury Square London EC2A 1BR
Australian Branch Register: Registries Ltd	PO Box R67 Royal Exchange, Sydney NSW 1224 Tel: 02 9279 0677 Fax: 02 9279 0664	Level 2, 28 Margaret Street Sydney NSW 2000
New Zealand Branch Register: Computershare Investor Services Limited	Private Bag 92119, Auckland 1020 Tel: 09 488 8777 Fax: 09 488 8787	Level 2, 159 Hurstmere Road Takapuna North Shore City