HALF-YEARLY FINANCIAL REPORT 2011

GUINNESS PEAT GROUP PLC

Contents

Chairman's statement

The first half of 2011 saw the announcement and implementation of important initiatives at GPG. These flowed from the reorganisation of the Board during 2010 and the establishment of the independent sub-committee to evaluate strategic options. In particular during this period:

- the Board announced a strategy to realise value for shareholders by discontinuation of new investment and orderly realisation of the investment portfolio;
- disposals of investments during the period saw net cash generated from investment activity and realisations totalling £98 million. A schedule showing the proceeds from disposals in the period is set out at the end of this statement;
- capital realisations during the half year achieved an overall surplus to book value at 31 December 2010 values of £4 million; and
- at the 2011 Annual General Meeting of the Company, together with a court-convened Scheme meeting, shareholders authorised a Scheme of Arrangement to implement a capital return for shareholders and to create distributable reserves.

Foreign Exchange Risk Management

A critical aspect of maximising the value ultimately to be returned to shareholders is the need to protect the asset base from exposure to manageable risk. In the light of the announced strategy the Board has reviewed the policy for foreign exchange risk management. Excluding Coats, which the Board considers to be a long term hold, the Parent Group balance sheet is heavily weighted towards assets denominated in Australian dollars whilst capital note liabilities and future capital returns to the shareholder base are predominantly New Zealand dollar items. The Board has therefore adopted a policy of migrating cash generated from disposals of Australian dollar and UK sterling assets to New Zealand dollars to balance the exposure.

Capital Return and Dividend

As a consequence of the Scheme of Arrangement £80 million was returned to shareholders on 12 July 2011.

In addition the payment of an interim dividend of 1.15p per share has been approved by the directors and as usual shareholders will be offered the opportunity to elect for the Scrip Dividend Alternative in lieu of the cash dividend. Given the present volatility of stock markets the directors propose to decide upon and announce the Scrip Dividend ratio on 12 September 2011.

Chairman's statement continued

Investment Portfolio Performance

- Coats trading in the period continued the recovery demonstrated in 2010 with an attributable GPG profit of £23 million. The Coats Board has been strengthened by three independent non-executive directors. The CEO has continued to strengthen his senior executive team and the strategies put in place are being effectively implemented in tough market conditions.

  The GPG Board monitors Coats in detail and there is tight co-ordination at governance and senior (particularly financial and strategic) management level.

  On 7 July 2011 the oral hearing took place in respect of Coats' appeal against the fine levied by the European Commission with regard to an alleged market-sharing agreement in the haberdashery sector involving Coats Holdings Limited. GPG has been advised that judgement is anticipated within one year from the date of the oral hearing. The directors remain of the view that any anticipated eventual payment of the fine is adequately covered by existing provisions.

- The Board has carefully reviewed the carrying values of its assets. It has determined that impairments totalling £12 million should be made and these are reflected in the half year results.

- Net asset backing per share at 30 June 2011 increased to 54.79p per share from 54.63p at 31 December 2010. The pro forma effect of the Return of Capital and consequent reduction in the number of shares on issue by one-eighth since the period end would be to increase the net asset backing figure at 30 June 2011 to 57.61p per share.

The following tables provide further analysis in respect of these results:

Simplified Balance Sheet

GPG remains in a strong financial position as shown in the 30 June 2011 Simplified Balance Sheet below:

	30 June 2011 £m	31 December 2010 £m
Cash at Bank*	**271**	203
Debtors	**17**	15
Coats	**339**	319
Turners & Growers	**79**	78
CIC Australia	**41**	39
Other Trading Subsidiaries	**9**	9
Associates and joint ventures	**244**	250
CSR	**33**	72
Youngs	**59**	61
Other portfolio investments	**179**	233
	1,271	1,279
Creditors & provisions	**(53)**	(74)
Capital Notes	**(219)**	(212)
SHAREHOLDERS' FUNDS	**999**	**993**

* Prior to return of £80 million to shareholders in July 2011.

Simplified Income Statement

GPG's financial performance for the 6 months to 30 June 2011 is shown below in the Simplified Income Statement:

	30 June 2011 £m	30 June 2010 £m
Gross profit		
Parent Group	–	–
Coats	**192**	183
Other Subsidiaries	**58**	43
Total	**250**	226
Profit on disposal of investments and other net investment income		
Parent Group	**34**	3
Coats	**1**	1
Other Subsidiaries	**1**	1
Total	**36**	5
Exchange gains/(losses)		
Parent Group	**1**	(2)
Coats	**(2)**	–
Total	**(1)**	(2)
Net operating expenses		
Parent Group*	**(22)**	(14)
Coats	**(147)**	(143)
Other Subsidiaries	**(50)**	(41)
Total	**(219)**	(198)
Share of (loss)/profit of joint ventures and associated undertakings		
Parent Group	**(8)**	7
CIC Australia	**2**	5
Total	**(6)**	12
Profit on ordinary activities before interest		
Parent Group	**5**	(6)
Coats	**44**	41
Other Subsidiaries	**11**	8
Total	**60**	43
Finance costs (net)		
Parent Group	**(9)**	(10)
Coats	**(4)**	(5)
Other Subsidiaries	**(3)**	(2)
Total	**(16)**	(17)
Profit before taxation from continuing operations		
Parent Group	**(4)**	(16)
Coats	**40**	36
Other Subsidiaries	**8**	6
Total	**44**	26

*includes non-recurring costs of £11 million, comprising costs associated with the return of capital exercise and redundancy costs

Board and Committee Changes

2011 has also seen further changes to the Board of the Company as follows:

- on 6 April 2011 Mark Johnson stepped down as a director and Chairman of the Company and I was appointed Chairman of the Company;
- on 30 April 2011 Gary Weiss resigned as a director of the Company, although he remains Chairman of Coats;
- on 30 June 2011 Blake Nixon resigned from his role as an Executive Director and, from 1 July 2011, became a Non-Executive Director;
- subsequent to the period end, on 29 July 2011 Gavin Walker resigned as a director of the Company; and
- on 29 July 2011 Gavin Walker was replaced as Chairman of the Audit, Finance and Risk Committee by Blake Nixon and as Chairman of the Investment Committee by Mike Allen.

The Board has considered the desirability of appointing a further director since the end of the period. We have determined that an appointment (whilst not pressing) is appropriate and defined the skill set and other attributes which are required. It is intended that an appointment will be made before the 2012 Annual General Meeting, once a suitable appointee is identified.

I would also like to repeat the thanks I expressed at the Annual General Meeting in June to the management team and staff of GPG, who have all contributed to GPG's achievements in the first half of 2011, and to their commitment to enhancing value for all GPG shareholders.

Chairman's statement continued

Going Forward

In the period since the end of the half year we have continued the process of asset realisation and disposals amounting to a further £14 million have been realised as at the date of this statement, including full exit from GPG's holdings in Dickinson Legg Group, Brookwell and Augean.

As has been advised to the market, a strategic review of Turners & Growers was initiated earlier in 2011. As a result of that process Turners & Growers is engaged through its advisors with a number of parties.

In regard to each substantive investment a plan has been developed for the orderly realisation of shareholder value. In some cases the plan seeks to have investee companies pursue the appropriate mix of capital management initiatives to enhance value for shareholders and, where appropriate, liquidity for GPG's investment. For commercial reasons the specifics of each activity cannot be disclosed or signalled in advance.

Capital Management

The Board intensively manages the working capital and liability position of the Company. In the present period renewal of banking facilities is being progressed (and a parallel process is being undertaken by Coats).

One outcome of this is that the Board has determined that it is appropriate for GPG to exercise its option to purchase the NZ$77 million of capital notes having an election date in 2013. Formal notice will be issued shortly giving the requisite notice to noteholders. A further decision will be made in relation to the capital notes having an election date in 2012 in due course as the ongoing management of capital suggests is appropriate. This action will add to shareholder value in the Company.

The Board is cognisant of the capability created at the 2011 Annual General Meeting to implement a purchase of its own shares subject to certain conditions and limitations.
The performance of the Company's share price in relation to the net asset position of the Company may well lead to an active programme of repurchase as one component of our value realisation process. A specific announcement will be made at the appropriate time in this respect.

The Board recognises the importance of the Group's various pension schemes and the impact of the associated obligations on the Company's ultimate ability to return capital to its shareholders. The Board is working to ensure that the Company will continue to meet its obligations whilst minimising any impact on capital flexibility. Shareholders should be aware that this could be a limiting factor on the ability to return capital.

Conclusion

This statement is being made in the midst of considerable capital market turmoil. It would be naïve to think that this does not adversely impact on both the assets and liabilities of the Company. We are all working very hard to manage every aspect of that which is amenable to our influence whether it be in the positive creation of value or limitation of damage to value.

Rob Campbell
Chairman
26 August 2011

Proceeds from disposals in the half year

	£m
Investments fully disposed of in the period:	
Chrysalis Group	15
Pertama Holdings	13
Alinta Energy (now Redbank Energy)	10
MSF Sugar	6
NIB Holdings	5
Fuller Smith & Turner	2
Adnams	2
NSX	1
ASB Capital No 2	1
	55
Net proceeds from part disposals and other investment activity	26
Dividend receipts	17
Total generated in the period	**98**

Condensed Consolidated Income Statement

	Unaudited 6 months to 30 June 2011 £m	Unaudited 6 months to 30 June 2010 £m	Audited Year to 31 December 2010 £m
Continuing Operations			
Revenue	**760**	643	1,345
Cost of sales	**(510)**	(417)	(882)
Gross profit	**250**	226	463
Profit on disposal of investments and other net investment income	**36**	5	41
Distribution costs	**(91)**	(90)	(176)
Administrative expenses	**(129)**	(110)	(234)
Operating profit	**66**	31	94
Share of profit of joint ventures	**2**	5	8
Share of (loss)/profit of associated undertakings	**(8)**	7	4
Finance costs	**(16)**	(17)	(33)
Profit before taxation from continuing operations	**44**	26	73
Tax on profit from continuing operations	**(27)**	(15)	(21)
Profit for the period from continuing operations	**17**	11	52
Discontinued Operations			
Profit on discontinued operations	**–**	1	1
Profit for the period	**17**	12	53
Attributable to:			
EQUITY SHAREHOLDERS OF THE COMPANY	**13**	**10**	**46**
Non-controlling interests	**4**	2	7
	17	12	53
Earnings per ordinary share from continuing and discontinued operations:			
Basic (pence)	**0.72p**	0.54p	2.57p
Diluted (pence)	**0.72p**	0.54p	2.41p
Earnings per ordinary share from continuing operations:			
Basic (pence)	**0.72p**	0.47p	2.54p
Diluted (pence)	**0.72p**	0.47p	2.39p

Condensed Consolidated Statement of Comprehensive Income

	Unaudited 6 months to 30 June 2011 £m	Unaudited 6 months to 30 June 2010 £m	Audited Year to 31 December 2010 £m
Profit for the period	**17**	12	53
(Losses)/gains on revaluation of fixed asset investments	**(16)**	(1)	87
(Losses)/gains on cash flow hedges	**(2)**	2	(5)
Exchange gains on translation of foreign operations	**17**	21	58
Actuarial gains/(losses) on retirement benefit schemes	**5**	(23)	(17)
Tax on items taken directly to equity	**9**	–	(14)
Net income/(loss) recognised directly in equity	**13**	(1)	109
Transfers			
Transferred to profit or loss on sale of fixed asset investments	**(20)**	(3)	(17)
Transferred to profit or loss on sale of businesses	**–**	(3)	(7)
Transferred to profit or loss on cash flow hedges	**2**	3	8
	(18)	(3)	(16)
Net comprehensive income for the period	**12**	8	146
Attributable to:			
EQUITY SHAREHOLDERS OF THE COMPANY	**6**	**5**	**130**
Non-controlling interests	**6**	3	16
	12	8	146

Condensed Consolidated Statement of Financial Position

	Unaudited 30 June 2011 £m	Unaudited 30 June 2010 £m	Audited 31 December 2010 £m
NON-CURRENT ASSETS			
Intangible assets	**175**	199	180
Biological assets	**19**	5	7
Property, plant and equipment	**421**	411	420
Investments in associated undertakings	**229**	230	236
Investments in joint ventures	**56**	47	56
Fixed asset investments	**257**	259	333
Deferred tax assets	**17**	15	13
Pension surpluses	**24**	28	31
Trade and other receivables	**13**	23	27
	1,211	1,217	1,303
CURRENT ASSETS			
Inventories	**291**	257	265
Biological assets	**3**	2	4
Trade and other receivables	**315**	306	272
Current asset investments	**12**	13	14
Derivative financial instruments	**4**	2	5
Cash and cash equivalents	**351**	255	313
	976	835	873
Non-current assets classified as held for sale	**18**	4	2
TOTAL ASSETS	**2,205**	2,056	2,178
CURRENT LIABILITIES			
Trade and other payables	**312**	278	288
Current tax liabilities	**10**	9	8
Other borrowings	**143**	130	121
Derivative financial instruments	**10**	17	20
Provisions	**64**	61	72
	539	495	509
NET CURRENT ASSETS	**437**	340	364

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NON-CURRENT LIABILITIES	**Unaudited 30 June 2011 £m**	Unaudited 30 June 2010 £m	Audited 31 December 2010 £m
Trade and other payables	**13**	11	11
Deferred tax liabilities	**33**	28	29
Capital Notes	**219**	195	212
Other borrowings	**221**	257	231
Derivative financial instruments	**3**	4	5
Retirement benefit obligations:			
Funded schemes	**27**	59	37
Unfunded schemes	**56**	53	56
Provisions	**20**	25	26
	592	632	607
TOTAL LIABILITIES	**1,131**	1,127	1,116
NET ASSETS	**1,074**	929	1,062

EQUITY			
Share capital	**91**	91	91
Share premium account	**63**	62	62
Translation reserve	**179**	140	165
Unrealised gains reserve	**98**	65	124
Other reserves	**271**	270	270
Retained earnings	**297**	239	281
EQUITY SHAREHOLDER'S FUNDS	**999**	**867**	**993**
Non-controlling interests	**75**	62	69
TOTAL EQUITY	**1,074**	929	1,062

Net asset backing per share:			
Pence	**54.79**	47.69	54.63
Australian cents	**82.16**	84.48	83.44
New Zealand cents	**106.51**	103.76	109.49

R. J. Campbell, Director
Approved by the Board on 25 August 2011

Condensed Reconciliation of Consolidated Changes in Equity

6 months ended 30 June 2011	Share capital £m	Share premium account £m	Translation reserve £m	Unrealised gains reserve £m	Other reserves £m	Retained earnings £m	Total £m	Non-controlling Interests £m
Balance as at 1 January 2010	81	63	123	68	274	258	867	77
Total comprehensive income and expense for the period	–	–	17	(3)	4	(13)	5	3
Other currency translation differences	–	–	–	–	–	–	–	3
Dividends	–	–	–	–	–	(16)	(16)	(3)
Capitalisation issue of shares	8	–	–	–	(8)	–	–	–
Scrip dividend alternative	1	(1)	–	–	–	10	10	–
Other share issues	1	–	–	–	–	–	1	–
Rights issue by subsidiary	–	–	–	–	–	–	–	16
Disposal of subsidiaries	–	–	–	–	–	–	–	(34)
BALANCE AS AT 30 JUNE 2010	91	62	140	65	270	239	867	62
Balance as at 1 January 2010	81	63	123	68	274	258	867	77
Total comprehensive income and expense for the period	–	–	42	56	3	29	130	16
Dividends	–	–	–	–	–	(16)	(16)	(5)
Capitalisation issue of shares	8	–	–	–	(8)	–	–	–
Scrip dividend alternative	1	(1)	–	–	–	10	10	–
Other share issues	1	–	–	–	–	–	1	–
Share based payments	–	–	–	–	1	–	1	–
Rights issue by subsidiary	–	–	–	–	–	–	–	15
Disposal of subsidiaries	–	–	–	–	–	–	–	(34)
BALANCE AS AT 31 DECEMBER 2010	91	62	165	124	270	281	993	69
Total comprehensive income and expense for the period	**–**	**–**	**14**	**(26)**	**–**	**18**	**6**	**6**
Dividends	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(3)**
Share issues	**–**	**1**	**–**	**–**	**–**	**–**	**1**	**–**
Share based payments	**–**	**–**	**–**	**–**	**1**	**–**	**1**	**–**
Dilution of investments in subsidiaries	**–**	**–**	**–**	**–**	**–**	**(2)**	**(2)**	**3**
BALANCE AS AT 30 JUNE 2011	**91**	**63**	**179**	**98**	**271**	**297**	**999**	**75**

Condensed Statement of Consolidated Cash Flows

	Unaudited 6 months to 30 June 2011 £m	Unaudited 6 months to 30 June 2010 £m	Audited Year to 31 December 2010 £m
Cash inflow/(outflow) from operating activities			
Net cash inflow/(outflow) from operating activities	**95**	(72)	61
Interest paid	**(22)**	(20)	(42)
Taxation paid	**(14)**	(15)	(25)
Net cash generated by/(absorbed in) operating activities	**59**	(107)	(6)
Cash outflow from investing activities			
Dividends received from joint ventures	**3**	8	9
Capital expenditure and financial investment	**(16)**	(10)	(29)
Acquisitions and disposals	**(1)**	(90)	(90)
Net cash absorbed in investing activities	**(14)**	(92)	(110)
Cash (outflow)/inflow from financing activities			
Issue of Ordinary Shares	**1**	1	1
Equity dividends paid to Company's shareholders	**–**	(6)	(6)
Dividends paid to non-controlling interests	**(3)**	(4)	(5)
Net (decrease)/increase in borrowings	**(5)**	42	8
Net cash (absorbed in)/generated by financing activities	**(7)**	33	(2)
Net increase/(decrease) in cash and cash equivalents	**38**	(166)	(118)
Cash and cash equivalents at beginning of the period	**287**	388	388
Exchange (losses)/gains on cash and cash equivalents	**(1)**	8	17
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**324**	**230**	**287**
Cash and cash equivalents per the Condensed Consolidated Statement of Financial Position	**351**	255	313
Bank overdrafts	**(27)**	(25)	(26)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**324**	**230**	**287**
Summary of net debt			
– Parent Group* cash	**271**	167	203
– Capital Notes	**(219)**	(195)	(212)
– Parent Group net cash/(debt)	**52**	(28)	(9)
– Other group cash	**80**	88	110
– Other group debt	**(364)**	(387)	(352)
Total group net debt	**(232)**	(327)	(251)

*Parent Group comprises the Group's central investment activities

Notes to the Condensed Consolidated Financial Statements

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

   After making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these condensed consolidated financial statements.

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

   The Group has changed the presentation in the Condensed Consolidated Statement of Financial Position to disclose separately biological assets, which were previously included within Property, plant and equipment and Trade and other receivables.

2. The condensed consolidated financial statements for the six months ended 30 June 2011 have been reviewed – see attached independent review report – but have not been audited. The condensed consolidated financial statements for the equivalent period in 2010 were also reviewed but not audited.

   The information for the year ended 31 December 2010 does not constitute statutory accounts (as defined in section 434 of the Companies Act 2006) but has been extracted from the statutory accounts for that year, which have been filed with the Registrar of Companies. The audit report on those accounts did not contain statements under Sections 498(2) or 498(3) of the Companies Act 2006. The audit opinion contained in that report was unmodified but contained an emphasis of matter paragraph drawing attention to the significant uncertainty surrounding the ultimate outcome of the appeal by the Coats plc group against the European Commission fine of €110.3 million (equivalent to £99.6 million at 30 June 2011 exchange rates). That uncertainty remains as at 30 June 2011 and the independent review report on these condensed consolidated financial statements contains a similar emphasis of matter paragraph. The directors remain of the view that any anticipated eventual payment of the fine is adequately covered by existing provisions.

3. Group foreign exchange movements – during the six months to 30 June 2011, GPG recognised in operating profit £1 million of net foreign exchange losses (six months to 30 June 2010: £2 million; year to 31 December 2010: £7 million).

4. Tax on profit from continuing operations

	30 June 2011 £m	30 June 2010 £m	31 December 2010 £m
UK Corporation tax at 27.0% (2010: 28.0%)	**–**	–	–
Overseas tax	**(17)**	(11)	(27)
	(17)	(11)	(27)
Deferred tax	**(10)**	(4)	6
	(27)	(15)	(21)

   Deferred tax includes a non-cash tax charge of £9 million (6 months to 30 June 2010: non-cash tax charge of Nil; year to 31 December 2010: non-cash tax credit of £14 million) in respect of movements in deferred tax assets relating to tax losses. This charge (year to 31 December 2010: credit) arises from a similar size decrease (year to 31 December 2010: increase) in deferred tax liabilities recognised through the unrealised gains reserve. The tax charges for all periods also reflect the impact of unrelieved losses in certain subsidiary undertakings.

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

	30 June 2011	30 June 2010	31 December 2010
Autologic Holdings plc	**26.2%**	26.2%	26.2%
Australian Country Spinners Ltd	**50.0%**	50.0%	50.0%
Capral Ltd	**47.4%**	44.4%	47.4%
ClearView Wealth Ltd	**49.0%**	47.9%	49.0%
Green's General Foods Pty Ltd	**72.5%**	72.5%	72.5%
Peanut Company of Australia Ltd	*	24.8%	24.8%
Rattoon Holdings Ltd	*	44.4%	44.4%
Tower Ltd	**34.3%**	35.0%	34.7%

*Reclassified as fixed asset investments

Movements in associated undertakings and joint ventures:

	Associated Undertakings £m	Joint Ventures £m
At 1 January 2011	**236**	**56**
Currency translation differences	**6**	**–**
Additions	**–**	**1**
Reclassification to fixed asset investments	**(1)**	**–**
Dividends receivable	**(5)**	**(3)**
Actuarial gains on retirement benefit schemes	**1**	**–**
Share of share-based payment transactions	**1**	**–**
Share of (loss)/profit after tax and minorities (associates: including £11m impairment charge)	**(8)**	**2**
Reclassified to subsidiaries	**(1)**	**–**
At 30 June 2011	**229**	**56**

As noted above, during the period an impairment charge of £11 million was made against the carrying value of the Group's associated undertakings. This charge – which impacts the Investment segment – arose following a review of these investments in the light of the strategic announcement made by the Board on 11 February 2011. Associated undertakings are held at the lower of cost plus post acquisition changes in the Group's share of net assets and the higher of fair value less costs to sell and value in use. Fair value in these cases has been determined in the context of the orderly value realisation being undertaken, following a detailed review by the Investment Committee and the Board which took account of indicative offers, market values and other similar factors.

Notes to the Condensed Consolidated Financial Statements – continued

6. Segmental Analysis: Analysis by activity

	Investment £m	Thread manufacture £m	Fruit/produce distribution £m	Other Activities £m	Non-operating items (see note) £m	Total £m
6 months ended 30 June 2011:						
Revenue:						
External sales	**7**	**533**	**161**	**59**	**–**	**760**
Profit after tax:						
Continuing operations	**(17)**	**25**	**4**	**5**	**–**	**17**
Discontinued operations	**–**	**–**	**–**	**–**	**–**	**–**
Total assets 30 June 2011	**554**	**905**	**252**	**82**	**412**	**2,205**
6 months ended 30 June 2010:						
Revenue:						
External sales	–	497	134	12	–	643
Profit after tax:						
Continuing operations	(19)	25	1	4	–	11
Discontinued operations	(1)	–	–	2	–	1
Total assets 30 June 2010	470	890	199	97	400	2,056
Year ended 31 December 2010:						
Revenue:						
External sales	7	1,023	279	36	–	1,345
Profit after tax:						
Continuing operations	(3)	42	3	10	–	52
Discontinued operations	(1)	–	–	2	–	1
Total assets 31 December 2010	578	873	169	127	431	2,178

Note:
Non-operating items comprise cash and cash equivalents, derivatives and investments held by operating subsidiaries (which are not considered to be financial operations).

7. Purchase of Subsidiary Undertakings

On 15 March 2011 Turners & Growers acquired a controlling interest (100%) in the voting rights of Inglis Horticulture Ltd ("Inglis"), a former associated undertaking in New Zealand. The provisional values of net assets acquired, and the related goodwill arising on this acquisition, using the purchase method of accounting, were as follows:

	£m
Property, plant and equipment	**12**
Biological assets	**12**
Deferred tax assets	**4**
Trade and other payables	**(6)**
Borrowings	**(14)**
Deferred tax liabilities	**(3)**
Net assets at acquisition	**5**
Add losses previously recognised as an associated undertaking	**1**
	6
Goodwill arising on acquisition	**–**
Total consideration	**6**
Consideration reported above:	
Cash paid in prior years	**4**
Shares issued in current year	**2**
Total consideration	**6**

Inglis contributed revenue of £3 million and a loss of £1 million to the Group's results for the period. Had Inglis been consolidated from the beginning of the period, reported revenue would have increased by £1 million, with no impact on reported profit for the period.

8. Earnings per share – The calculation of earnings per Ordinary Share is based on profit after taxation attributable to shareholders and the weighted average number of 1,819,777,905 Ordinary Shares in issue during the six months ended 30 June 2011.

For the calculation of diluted earnings per Ordinary Share, the weighted average number of Ordinary Shares in issue is adjusted, where appropriate, to assume conversion of all dilutive potential Ordinary Shares, being share options granted to employees and Capital Notes. There were no dilutive potential Ordinary Shares during the period.

Calculations of earnings per share are based on results to the nearest £000s.

9. The net tangible assets per share figure at 30 June 2011 was 49.30p (30 June 2010: 40.14p, 31 December 2010: 48.57p).

10. Issued share capital

	£m
At 1 January and 30 June 2011	**91**

11. Dividends – The directors have approved the payment of a 1.15p per Ordinary Share interim dividend in respect of the year ending 31 December 2011. No interim dividend was paid during the period in respect of the year ended 31 December 2010. An interim dividend of 0.91p per Ordinary Share, adjusted for the 2010 Capitalisation Issue, was paid during the six months ended 30 June 2010 in respect of the year ended 31 December 2009.

12. Contingent liabilities – There have been no significant developments in respect of the contingent liabilities described in note 32 to the Financial Statements in the 2010 Annual Report, and no additional such liabilities have arisen during the period.

Notes to the Condensed Consolidated Financial Statements – continued

13. There have been no changes to the principal risks and uncertainties compared to those outlined in note 39 to the Financial Statements and the Corporate Governance Statement in the 2010 Annual Report, comprising risks associated with currency, interest rate, market price, liquidity, credit, capital, the Coats EC Fine, human resources, pensions, and regulatory compliance.

14. Post Balance Sheet Events – Following Shareholder and Court approval, a Scheme of Arrangement and consequent Reduction of Capital became effective on 5 July 2011. Under that Scheme, three deferred shares of nominal value £37 million (Class A share), £6 million (Class B share) and £118 million (Class C share) were allotted and issued as fully paid. The Class A share was cancelled and the reserve arising from the cancellation was credited to the Company's profit and loss account and the Class C share was cancelled and the reserve arising from the cancellation was credited to a capital reduction reserve. In addition, in order to fund a capital return to shareholders of £80 million, the share capital of the Company was reduced by the cancellation of £11 million of ordinary shares and the Class B share and the Company's share premium account was cancelled.

15. Related party transactions – There have been no related party transactions or changes in related party transactions described in the 2010 Annual Report that could have a material effect on the financial position or performance of the Group in the first six months of the financial year.

16. In order to accommodate the different market practices of the London Stock Exchange ("LSE"), Australian Securities Exchange ("ASX") and NZX Main Board ("NZSX"), being those markets on which GPG's shares are quoted, the Stock Events timetable will be as follows*:

Announcement of Interim Results, Interim Dividend and accompanying Scrip Dividend Alternative	Friday	26/08/11
Shares marked ex-dividend (ASX)	Monday	05/09/11
Shares marked ex-dividend (LSE and NZSX)	Wednesday	07/09/11
Record date for dividend	Friday	09/09/11
Post out Half Yearly Report 2011 and Circular for Scrip Dividend Alternative	By Friday	23/09/11
Final date for receipt of Scrip Dividend Alternative elections	Monday	17/10/11
Allotment of Scrip Shares (by 7.00pm UK time)	Monday	24/10/11
Scrip Shares admitted to listing and trading (UK) (at commencement of dealings, UK time) – dealings commence in Scrip Shares (LSE and NZSX)	Tuesday	25/10/11
Dispatch of Scrip Dividend Share Certificates (UK)	Tuesday	25/10/11
Update of UK CREST accounts (5.00am UK time)	Tuesday	25/10/11
Payment of Cash Dividend**	Tuesday	25/10/11
Dealings commence in Scrip Shares (ASX)	Wednesday	26/10/11
Dispatch of Statements notifying NZ holders of the change in holdings following the Scrip Dividend allotment	Monday	31/10/11
Dispatch of Scrip Dividend holding statements (AUS)	Monday	31/10/11

Notes:
* Actions take place on all three Exchanges on the date specified unless otherwise indicated
**The cash payments will be made to shareholders on the Australian and New Zealand share registers in Australian and New Zealand dollars respectively, calculated at the rates of exchange ruling at 4.30pm (UK time) on 14 October 2011

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

    R J Campbell
    M N Allen
    Sir Ron Brierley
    B A Nixon (non-executive from 1 July 2011)
    M R G Johnson (to 5 April 2011)
    Dr G H Weiss (to 30 April 2011)
    G R Walker (to 29 July 2011)

18. Interim Management Report – The Chairman's Statement appearing in the half-yearly financial report and signed by Rob Campbell provides a review of the operations of the Group for the six months ended 30 June 2011.

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

Directors' Responsibility Statement

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

a. the condensed set of unaudited financial statements:

    (i) give a true and fair view of the financial position as at 30 June 2011 and the performance of the consolidated Group for the half-year ended on that date;

    (ii) have been prepared in accordance with IAS 34 "Interim Financial Reporting";

    (iii) comply with the recognition and measurement principles of applicable International Financial Reporting Standards as adopted by the Group; and

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

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

The Directors of Guinness Peat Group plc are listed in Note 17 to the Condensed Consolidated Financial Statements.

Signed on behalf of the Board

R. J. Campbell, Director
26 August 2011

Independent Review Report

Introduction
We have been engaged by Guinness Peat Group plc (the "Company") to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2011 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of financial position, the reconciliation of consolidated changes in equity, the condensed statement of consolidated cash flows and related notes 1 to 19. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

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

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

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

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

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2011 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Emphasis of matter – uncertainty relating to the amount of a potential liability arising from a European Commission investigation
Without modifying our conclusion, we draw attention to the disclosures made in note 2 to the condensed consolidated financial statements concerning the European Commission competition investigation into alleged market sharing agreements relating to the European haberdashery market. In September 2007, the European Commission imposed a fine of €110.3 million (equivalent to £99.6 million at 30 June 2011 exchange rates) in relation to these allegations, against which one of the Company's subsidiaries, Coats plc, has lodged an appeal. Significant uncertainty surrounds the ultimate outcome of this matter. The directors are of the view that any anticipated eventual payment of the remaining fines is adequately covered by existing provisions.

Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
26 August 2011

Company & Registrar Addresses

UNITED KINGDOM

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

Registered in England No. 103548
Registered office – as above
Website: www.gpgplc.com

AUSTRALIA

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

NEW ZEALAND

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

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	PO Box 82, The Pavilions, Bridgwater Road, Bristol BS99 7NH Tel: 0870 707 1022 Facsimile: 0870 703 6143	The Pavilions, Bridgwater Road, Bristol BS99 7NH
Australian Branch Register: Computershare Investor Services Pty Limited	GPO Box 242, Melbourne VIC 3001 Tel: 03 9415 4083 Facsimile: 03 9473 2500	Yarra Falls, 452 Johnston Street, Abbotsford VIC 3067
New Zealand Branch Register: Computershare Investor Services Limited	Private Bag 92119, Auckland 1142 Tel: 09 488 8777 Facsimile: 09 488 8787	Level 2, 159 Hurstmere Road, Takapuna, Auckland

GPG